USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Voluntary _ Public

Date: 11/13/2017
GAIN Report Number: SP1735

Portugal

Post: Madrid

Portuguese Rice Imports Pick up as Production Declines

Report Categories:
Grain and Feed

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Report Highlights:
High input costs, stiff competition from imports combined with water limitations explains the decline in area planted to rice in Portugal. Warmer than usual temperatures boosted crop development in summer 2017, but negatively affected yields, which are anticipated to remain at similar levels to those achieved in the previous season.

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Reference

- Abbreviations:

ACP Africa, Caribbean and Pacific
CAP Common Agricultural Policy
EBA Everything But Arms
EU European Union
FAS Foreign Agricultural Service
Ha Hectares (1 ha = 2.471 acres)
HS Harmonized Codes
INE Portuguese National Institute for Statistics
MS Member State(s)
MT Metric ton (1,000 kg)
MY Marketing Year: January to December
N/A: Not available

- (HS) Harmonized Codes for Rice:

100610 -Rice in the Husk (Paddy or Rough):
100620 - Rice Husked (Brown):
100630 - Milled rice
100640 - Milled rice, broken kernels

- Conversion factor used in this report

Rough or Paddy rice (100610) trade data x 0.70 =milled equivalent basis
Brown rice (100602) trade data x 0.88 = milled equivalent basis

Executive Summary

Portugal is the fourth largest EU rice producer accounting for about 6 percent of rice production. The country stands out in terms of per capita consumption: 17 Kg per year, well above the EU average. Domestic production is in decline as a result high input costs, stiff competition from imports and water limitations forcing area planted down.

In Portugal, japonica rice production and indica rice production coexist. The country is self-sufficient for japonica rice (Carolino), which is the main cultivated type of rice, while it needs to import indica rice (Agulha) to fulfill robust domestic demand. Some Portuguese rice producers are switching to indica rice encouraged by the slightly better prices received, its higher yield per hectare and the growing demand in the domestic market, despite the stiff competition from imports.

Area and Production

The vast majority of EU rice production is concentrated in the Southern Members States, namely Italy, Spain, Greece, Portugal, France, Romania, Bulgaria and Hungary. Portugal is the fourth EU largest rice producer accounts for about 6 percent of rice production in the EU, while the largest rice producers are Italy and Spain with about 50 and 30 percent of the total EU respectively followed by Greece whose production represents 8 percent of the EU total rice output.

As in other EU Member States, the large majority of Portuguese rice is grown in wetlands with limited alternate crops. Rice production provides environmental benefits, namely by keeping the salt water away from neighboring fertile land.

Table 1. Rice Production in the EU-28 by Member State (1,000 MT)

Country	2012	2013	2014	2015	2016
Italy	1,594.48	1,433.11	1,415.73	1,518.25	1,518.29
Spain	899.60	876.63	861.10	847.03	821.46
Greece	215.52	239.49	229.90	251.15	266.15
Portugal	187.03	180.16	167.32	184.92	166.43
France	123.22	80.86	83.41	80.86	80.27
Bulgaria	54.90	56.12	54.16	67.68	64.72
Romania	50.86	54.65	45.16	49.77	42.55
Hungary	11.28	8.64	7.92	9.41	10.03
EU-28 Total	**3,136.89**	**2,929.66**	**2,864.70**	**3,009.07**	**2,969.90**

Source: Eurostat

Rice farms in Portugal are highly mechanized and input intensive. Rice cultivation requires using heavy machinery to level soil, investing in the certified seed, fertilizers, herbicides and pesticides. Also, kernel development requires mild temperatures, sufficient water and sun lights. Weather conditions

along with pest incidence are critical to determine final yields. Portugal boasts of a Mediterranean climate with Atlantic influence. Under these conditions, rice must be grown in irrigation. The reduced number of rice-specific pesticides in the EU represents one of the main sector challenges.

Alternatives to rice in Portugal consist mainly in tomatoes for processing and corn production. Water limitations may lead to switching to less water demanding crops such as sunflower or rapeseed.

Within Portugal, there are three main rice producing regions: the Mondego Valley in northern Portugal; the central valleys of Tejo and Sorraia; and the Sado Valley further south. A few rice productions outside this main areas, namely in the Vale do Vouga (Aveiro) and in Algarve.

In Portugal, area planted to rice followed an upward trend until 2011 when, it started shrinking. Low market prices combined with high input costs and increased limitations in the use of modern inputs for rice crop protection are seen as the main drivers for the area reduction.

Dry spring conditions allowed for proper rice sowing operations. However, water restrictions in some river basins in the Southern half of the country in 2017 (i.e. Sado Valley), has negatively impacted rice plantings (**Graph 1** and **Table 2**).

Table 2. Rice Area in Portugal (1,000 Ha)

Year	2012	2013	2014	2015	2016	2017e
Area (1,000 Ha)	31	30	29	29	29	26

Source: INE

Pyriculariosis incidence in 2017 has been rather mild. Warmer than usual temperatures boosted summer crop development, but negatively affected yields, which are anticipated to remain at similar levels to those achieved in the previous season.

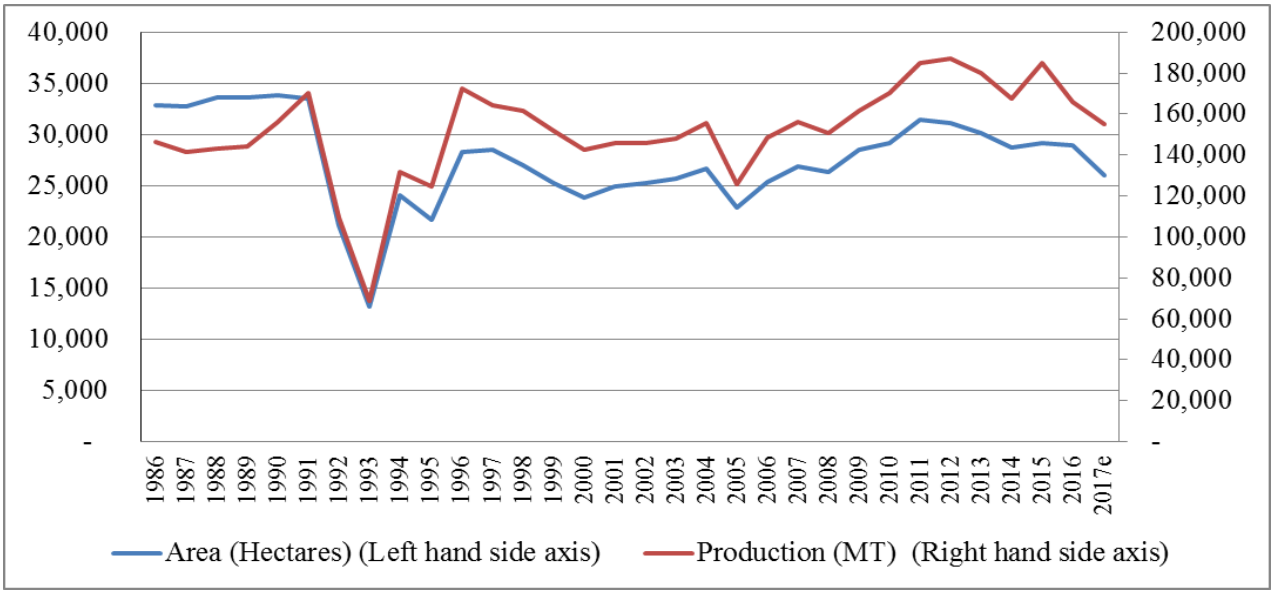
According to the latest official statistics Portugal's rough rice production in 2017 may reach 151,000 MT (**Table 3**).

Table 3. Rice Production in Portugal (1,000 MT of Rough Rice)

Year	2012	2013	2014	2015	2016	2017e
Production (1,000 MT)	187	180	167	185	166	151

Source: INE and FAS Madrid estimates

Graph 1. Historical Evolution of Rice Area and Rough Production in Portugal



Source: FAS Madrid based on INE data.

Rice Varieties

Rice varieties can be classified under the following groups according to the size/shape of the rice kernel (**Table 4**):

Table 4. Rice Varieties Classification

Group	Size of the kernel	Length/width ratio	Type	Share of Production
Round Grain Japonica	(<5,2 mm).	<2	-	-
Medium Grain Japonica	(5,2 - 6 mm)	<3	Carolino	70 percent
Long Grain Japonica (Long grain A)	(>6 mm)	>2 and <3	-	-
Long Grain Indica (Long grain B)	(>6 mm)	≥3	Agulha	30 percent

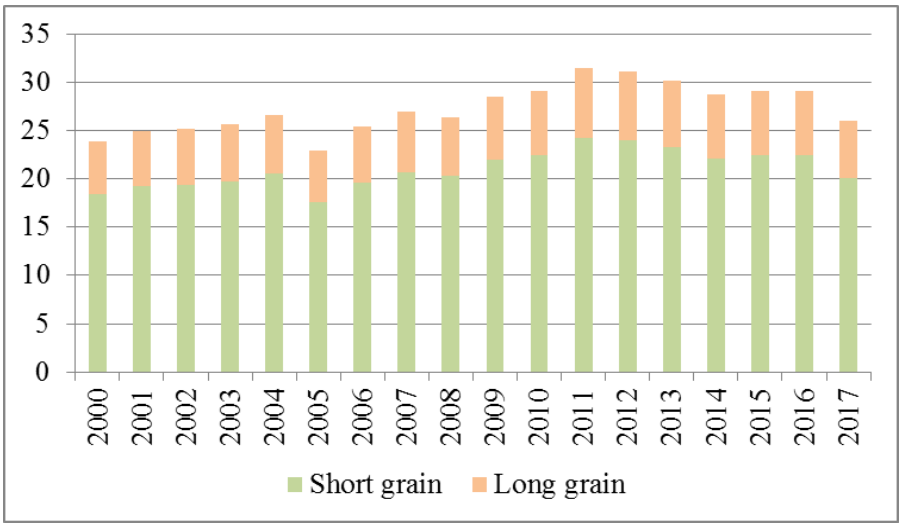
Source: FAS Madrid based on industry sources

In Portugal, japonica rice production (70 percent) and indica rice (30 percent) production coexist (**Graph 2**). While round grain Carolino rice is Portugal's most extensive rice variety in terms of cultivation (Ariete and Euro are its main varieties), long grain rice (Agulha type) consumption is larger (**Graph 3**).

According to official statistics, area planted to Carolino, whose production is intended for the local market, has suffered a sharper decline compared to Agulha rice, driven by the slightly better prices received by long grain rice, its higher yield per hectare and the growing demand in the domestic market, despite the stiff competition from imported rice.

Broadly speaking, Carolino varieties are grown in the central (Tejo) and northern (Mondego) valleys, whereas Agulha is mainly grown in southern Portugal (Sado Valley).

Graph 2. Japonica and Indica Rice Area Evolution in Portugal (1,000 Ha)



Source: FAS Madrid based on INE data.

Rice Processing Industry

The Portuguese rice processing industry is comprised of eight Small and Medium Size private companies, located in production areas that supply major retailer groups. Agricultural Cooperatives play a limited role in rice processing. At the farm level though, they manage nearly 60 percent of the production.

Official conversion rates are available at EU Commission Regulation (EC) 1312/2008. According to industry sources, the conversion factor to from rough rice into milled rice is estimated to rank from 0.7 to 0.72, including whole and broken kernels. The polishing process approximately represents 2 percent losses. As a consequence, the overall rice milling rate ranks from 0.68 to 0.7.

Consumption and Marketing

Portugal's per capita rice consumption amounts to nearly 17 Kg per year, well above the EU's average per capita consumption. According to INE data, overall Portugal's rice consumption has remained grew

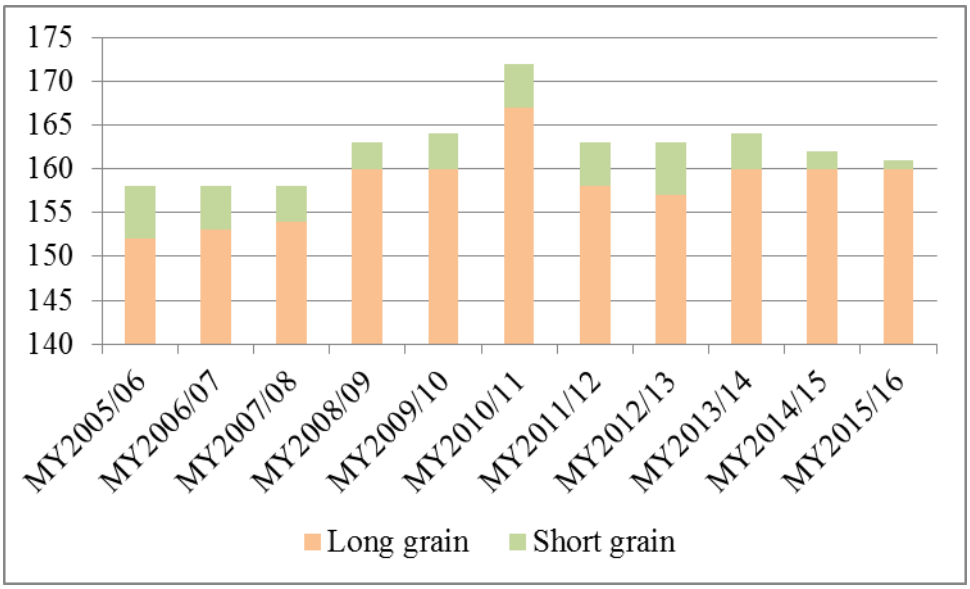
since the beginning of the economic crisis in 2008 and trended down towards stabilization over the past five years.

There, tough are two different rice market segments in Portugal with different behaviors (**Graph 3**):

- **Japonica varieties**, led by the domestic rice type Carolino, are more suitable for Portugal traditional cuisine due its cooking characteristics, namely its capacity to absorb. However, its consumption is smaller and declining in favor of long varieties. The country is nearly self-sufficient in this market segment.

- **Indica varieties** (Auglha) have the largest market share. Portugal's self-sufficiency rate for this variety is below 20 percent. Consequently, the country needs to import this type of rice to meet its needs. Consumption of indica varieties along with non-traditional types of rice varieties (such as risotto, wild rice, basmati) and ready-to-eat rice portions, continues to grow due to its cheaper market price, adaptation to new eating habits, and the adoption of non-traditional dishes.

Graph 3. Portugal's Milled Rice Consumption by Type of Rice



Source: FAS Madrid based on INE data.

At the retail level, the rice market in Portugal is dominated by two large retail groups, whose brands are well established in the market that face stiff competition from store private labels, which according to sources, represent nearly 70 percent in value of total domestic consumption.

Additional information on Portuguese's Retail Sector can be found at SP1518.

Trade

Portugal is the only rice producing Member State who needs to import significant amounts of rice to meet its robust internal demand. The large majority of imports are Indica type, as the country as a deficit of this type of rice.

Rice imports, under preferential trade agreements, have continuously increased over the past five years. Main origins of Portuguese rice imports include third countries such as ACP Countries (Guyana, Suriname), India, Cambodia and Thailand. EBA countries such as Cambodia and Myanmar are seen as a growing threat by Portuguese rice producers (**Table 6**).

This stiff competition from imported rice, along with the high input costs, the limited number of active matters available for rice farmers and water constraints in certain regions are among the driving factors of the country's total rice area decline.

Table 6. Country of Origin of Portugal's Rice Imports (MT)

Country of Origin	2012	2013	2014	2015	2016
EU-28	47,814	39,425	32,902	56,865	35,567
Guyana	8,336	26,864	33,795	72,723	104,673
Suriname	8,518	6,862	15,372	-	10,771
Cambodia	2,326	4,396	6,876	10,237	9,597
India	6,280	4,753	4,277	11,728	8,301
Thailand	1,413	1,446	1,709	3,634	5,836
Pakistan	23	975	1,546	3,895	3,491
Myanmar	-	1,000	2,125	1,449	2,825
Vietnam	50	5,234	4,456	50	1,514
Other	37,137	18,261	8,266	2,224	323
Total	**111,897**	**109,216**	**111,324**	**162,805**	**182,898**

Source: GTA. HS code 1006.

Japonica rice production marketing opportunities in Portugal are low due to limited domestic demand. However, the Portuguese rice industry has managed to grow in overseas markets. Other EU Member States such as the Spain, France and the United Kingdom are the main destination of the Portuguese's rice exports. Turkey, leads Portuguese rice exports outside the EU, followed by some Portuguese Speaking and Middle East Countries (**Table 7**).

Table 7. Country of Destination of Portugal's Rice Exports (MT)

Country of Destination	2012	2013	2014	2015	2016
EU-28	16,328	21,262	25,030	37,387	53,227
Turkey	0	5076	38,676	11,334	12,294

Sao Tome & Principe	1,142	2,652	1,526	2,471	3,938
Angola	2,530	2,334	1,988	1,858	6,844
Syria	250	375	3,093	1,500	2,785
Saudi Arabia	150	50	0	1,475	725
Jordan	0	200	250	826	4,660
Others	611	1,663	4,831	3,563	6,854
Total	**21,011**	**33,612**	**75,394**	**60,414**	**91,327**

Source: GTA. HS code 1006

Additional information on EU's Rice Import Preferential Regimes can be found in **Annex I**.

Rice trade with the United States is limited but growing. United States rice exports value to Portugal amounted to $151 Thousand in 2016, up from the $110 Thousand imported in 2015. The United States holds potential as a supplier in certain market niches such as specialty rice (Calrose, Jupiter, Wild rice), and when particular market scenarios when a low supply the usual supplier countries forces importers to find new origins.

Table 8. United States Rice Exports to Portugal (1,000 $)

Product	2012	2013	2014	2015	2016
Semi-milled Or Wholly Milled, Medium Grain, Others 1006309020	0	0	67	110	151
Semi or Wholly Milled Mixtures 1006309040	0	0	0	5	0

Source: GATS.

Portugal's Specific Rice Policy

In Portugal, under the current CAP (Common Agricultural Policy) reform for the period 2014-2020 farmers receive a Basic Payment, which is not crop specific. Industry sources state that, on average, Basic Payment for rice producers could amount to about 900 Euros per hectare plus green payment. As rice is grown under flooded conditions, agricultural holdings specialized on rice (more than 75% percent of the farm, with crops different to rice covering less than 30 hectares) are not required to meet crop diversification and automatically comply with and are eligible for green payments.

On top of the Basic Payment, according Legislative Order 2/2015, rice producers in Portugal, given the high risk of abandonment and the need to provide a stable supply to the Portugal-based rice processing industry are eligible to receive funds via coupled payments. Funds allocated to the specific payment for Portuguese rice producers amount to 6,000,000 Euros for a Maximum Guaranteed Area of 30,916 Ha. Consequently, the support per area amounts to 194 Euros. If the Maximum Guaranteed Area is exceeded, per area payments are correct down accordingly.

On July 17 2017, Portugal along with other seven EU rice producing Member States[1] requested the EC to take action and curb duty-free Asian rice export to the EU that result in stiff competition for domestic growers. Among the measures proposed by the Ministers of the eight producing Member States the Safeguard Clause enforcement as well as implementing the Country of Origin Labeling for EU grown rice, and carrying out EU rice consumption promotion were pointed out.

[1] *Signatories to the petition include: Italy, Spain, France, Bulgaria, Greece, Hungary, Romania and Portugal.*

Annex I. Import Tariffs for Rice

Table 7. Rice Import Tariffs to the EU

HS Code	Type of Rice	Duty (Euros/MT)
100610	Rice in The Husk (Paddy Or Rough)	211
100620	Rice Husked (Brown)	30 or 42.2 or 65*
100630	Milled rice	145 or 175**
100640	Milled rice, broken kernels	65

Source: TARIC

**For husked (Brown) rice there are three different duty levels:*

- *if the imported quantities, excluding Basmati husked rice, are below the lowest threshold (382226 MT for a full marketing year or 191,113 MT for the first six months), a duty of 30 Euros/MT is applied during the subsequent semester.*
- *if the imported quantities are above the highest threshold (517,130 MT for a full marketing year, 258,565 MT for the first six months), the duty is fixed at 65 Euros/MT.*
- *if the quantities imported are between both thresholds, the duty is fixed at 42.5 Euros/MT.*

***For milled and semi-milled rice: if the imported quantities are below the threshold (387,743 MT for a full marketing year corresponding or 182,239 t for the first six months of a marketing year) the duty is fixed at 145 €/t, above the threshold at 175 Euros/MT.*

Annex II. Summary of EU Rice Import Preferential Regimes and Other Measures

A summary of the EU's preferential rice import regimes can be found in **Table 8**. All quantities but the 7 MT, the 1,634 MT and 100,000 MT and under Regulation (EC) 1273/2011[2] and the 4,000 from Bangladesh[3] may be imported to the EU at a zero duty.

[2] *With an ad valorem duty fixed at 15 percent and a reduction of 30.77 percent in the duty fixed respectively. When the country of origin is Thailand, an Export Certificate is required.*
[3] *Different rates of reduced duty apply for codes 100610, 100620 and 100630.*

Table 8. EU-28 Rice Import Preferential Regimes

Regulation	Origin	Type of rice	Quantity (MT)
Regulation (EC) 1273/2011	All origins	100610	7 MT[2]
	All origins	100620	1,634 MT [2]
	United States Thailand Australia India Pakistan Other origins	100630	63,000* & 40,216 MT
	United States Thailand Australia Guyana Other origins	100640	100,000 MT[2]
	All origins		31,788 MT
Regulation (EC) 539/2014	Bangladesh	100610 100620 100630	Equivalent to 4,000 MT[3] of husked rice
Regulation (EC) 480/2012	All origins	100640 for food preparations	1,000 MT
Regulation (EC) 972/2006	India Pakistan	Basmati (10062017 &10062098)	No limit**
Regulation 978/2012	EBA countries	1006	No limit
Regulation 449/2010 *(First come first served basis)*	Egypt	100620 100630 100640	23,185 MT 81,149 MT 92,742 MT
Vietnam FTA	Vietnam (from 2018)	100610 & 100620 100630 100610, 100620 &100630	20,000 MT husked rice equivalent 30,000 MT milled rice equivalent 30,000 MT of fragrant rice* milled rice equivalent
Colombia and Peru FTA	Peru	1006	40,800 MT
Regulation (EC) 924/2013	Central America (Nicaragua, Panamá, Honduras, Costa Rica, El Salvador, Guatemala)	100620 and 100630	23,000 MT (in 2017)

Source: FAS Madrid based on EU law.

**Export Certificate required*

*** Certificate of Authenticity required.*

According to Commission Implementing Decision 2011/884 on emergency measures regarding unauthorized genetically modified rice in rice products originating from China, since January 1st 2015, rice imports from China must be accompanied by a safety certificate and an analytical report showing that the products have been tested free from the presence of non-authorized GMOs.

Related Reports

Report	Date Released
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Italy - Rice Area Update 2016	12/04/2016
Italy's Rice Production to Increase in MY 2015-16	12/24/2015
Rice Market in the Iberian Peninsula	08/29/2012
Italian Grain and Feed Report 2012	05/10/2012