

Voluntary Report – Voluntary - Public Distribution

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Prepared By: Arantxa Medina

Approved By: Jennifer Clever

Report Highlights:

In 2018, U.S. exports of agriculture, fish and forest products to Portugal doubled from the previous year to \$358 million. Portugal's positive macroeconomic environment in the post-crisis recovery has improved prospects for U.S. exporters to this market. The retail sector continues to consolidate its position and importance in the country. According to industry sources, food retail sales increased 2.8 percent in volume compared to previous year. In addition, the entrance of new retail players, such as Spanish powerhouse retailer Mercadona, will likely increase demand for food imports, and open new opportunities for U.S. exporters.

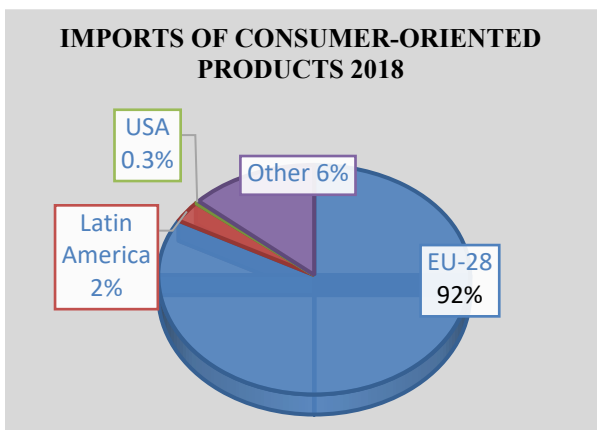
Market Fact Sheet: Portugal

After years of poor performance and austerity measures, Portugal’s economic position has improved. In 2018, the Portuguese economy continued to grow 2.1 percent and is expected to grow 1.8 percent in 2019. Portuguese agriculture employs 6.5 percent of the country’s workforce, a relatively large number that faces low productivity levels. Portugal produces mainly olives, citrus, wine and vegetables. Portugal is the number one producer of cork in the world, produced mainly for export. The country has also a significant fish industry. In 2018, total imports of agricultural and related products reached \$13.7 billion, up 8 percent compared to 2017. Almost 50 percent of these imports originated in Spain.

<i>SWOT Analysis</i>	
<i>Strengths</i>	<i>Weaknesses</i>
Broad-based employment growth	Low productivity
<i>Opportunities</i>	<i>Threats</i>
Tourist sector, improved domestic demand	Brexit uncertainty

Imports of Consumer-Oriented Products

Goods imported into Portugal must meet the EU sanitary and phytosanitary requirements to protect human and animal health, and requirements under the customs union. Hence, U.S. exporters already exporting to other EU member states will likely already meet most of Portuguese import requirements. For exports of animal products, the production plant must be approved for export to the EU.



Food Processing Industry

The food-processing sector continues to consolidate its position and importance as the main industrial sector pushing the economic recovery. The food and beverage industry is the industry that contributes the most to the national economy, both in terms of turnover and value added. Portugal has a modern food-processing sector that pays special attention to quality, safety, and traceability of the foodstuffs it produces. The Portuguese food industry offers an attractive target for U.S. food-ingredient exporters.

Food Processing Industry Facts

Food Processing Industry	\$19 billion
Output Food Exports	\$5.5 billion
Food Imports	\$8.0 billion
No. of Employees	112,962
No. of Food Processors	11,183
% of Industrial GDP	16%

Food Retail Industry

Portugal’s improved economic environment increased consumer confidence and expenditures and contributed to better retail sales. In addition, Portugal continues to host record numbers of tourists, which also boosts food demand. In 2018, the largest store-based food retailers were Sonae (Continente), Jeronimo Martins (Pingo Doce) and Auchan (Jumbo). The Portuguese food retail market is highly concentrated and the five main players account for almost 70 percent of the market. However, in July 2019, Spanish powerhouse retailer, Mercadona, opened its first store in Portugal. This new player could impact retail dynamics in this market.

Top 10 Portugal Country Retailers

Retail Organization	Ownership	Market Share
SONAE SGPS S.A.	Portuguese	21.9 %
JERONIMO MARTINS S.A.	Portuguese	20.8%
AUCHAN GROUP S.A.	French	9.5%
LIDL	German	8.8%
INTERMARCHE S.A.	French	8.6%
DIA S.A.	Spanish	4.1%
E LECRERC	French	2.5%
ALDI	German	1.1%

Data and Information Sources: Euromonitor, Eurostat, FIPA;

Contact: AgLisbon@fas.usda.gov

Consolidation of the Retail Sector Stimulates Demand for Food Imports

SECTION I. MARKET SUMMARY

Portuguese economy is expected to slow down slightly in 2019. Employment and the economy will continue to grow, though at a slower pace. Weaker international demand in a global economic downturn and lower tourism is expected to temper growth. Hence, in 2019, GDP is expected to grow 1.8 percent after growing 2.1 percent in 2018.

The current population for Portugal is 10.1 million. Portugal is an important good gateway into third markets as it keeps close business ties with countries and territories including Brazil, Macau, Angola, Mozambique, and other African countries, where over 250 million people speak Portuguese. Portugal is also an excellent entry point into the EU market. Additionally, due to a deficit in agricultural and food goods, Portugal relies heavily on imports to supply its population. English is widely spoken, the population is friendly toward Americans, and the country has one of the lowest cost of business environments in Western Europe. For more economic details, please refer to the [Economic Outlook](#) section of the Portuguese Investment and Foreign Trade Agency ([AICEP](#)).

The tourist sector continues to be key for the economy, particularly for employment and its positive contribution to GDP. According to the National Institute for Statistics, in 2017, tourism in Portugal broke another record last year and had another exceptional year, with 12.8 million foreign tourists, an increase of 0.4 percent compared to 2017. Total number of guests in 2018, including national tourists, reached 21 million. Tourism in Portugal has been increasing for eight years in a row, though some industry sources believe the sector will grow at a slower pace in 2019 but still way above the European average.

Advantages and Challenges Facing U.S. Exporters in Portugal

Advantages	Challenges
Good gateway to Europe and Portuguese speaking countries	Competition from neighboring EU countries, where tastes and traditional products may be better known
Domestic distribution systems are efficient and modern	Supermarket and hypermarket shelf space is expensive
Tourist sector is booming, which provides sales in the food sector, as well as demand for more international foods	High import tariffs, new and potential retaliatory tariffs, and import regulations impose a price disadvantage on non-EU based companies
Diversity of food products in the market is increasing. Consumers are becoming more open, creating opportunities for new and foreign products	Food imported from third countries, including the U.S., must comply with EU food law, which varies considerably from U.S. regulation and practice
Portugal is a net importer of food and ag products	EU labeling, traceability, and packaging laws
U.S. food and agricultural products have a good reputation for quality and reliability	Lack of consumer awareness of U.S. brands, applicability, and varieties of U.S. products

SECTION II. ROAD MAP FOR MARKET ENTRY

Local Business Customs

Success in introducing your product in the Portuguese market depends on acquiring local representation and making personal contact. Both small and large U.S. exporters can benefit from finding the right person or group in Portugal who can provide advice and contacts. The advantages of local representation include market knowledge, up-to-date information and guidance on business practices and trade laws, sales contacts, and market development expertise. In addition, the local contact will help U.S. firms identify an agent, distributor or representative for their products or services. Large importers and wholesalers have branch sales offices and/or sub-agents or dealers in the principal cities and towns, with main offices concentrated in Porto and Lisbon. Typically, importers, brokers and/or distributors import directly food products.

While modern sales techniques are becoming more prevalent, many business people still prefer personal contact as a way of doing business. English is a widely spoken second language in Portugal, and U.S. exporters can expect to conduct their meetings with contacts in English.

Market Entry Strategies

Market entry strategies for US products intending to enter the Portuguese market should include:

- Market research in order to assess product opportunities
- Advanced calculations of the cost of introducing the product in the Portuguese market, in order to prove its competitiveness in the local market
- Identify an experienced distributor or independent reliable agent to advise on import duties, sanitary regulations and labeling requirements
- Explore the purchasing arrangements of the larger retail channel

Food Standards and Regulations

For detailed information on food standards and regulations, please consult the Food and Agricultural Import Regulations and Standards Report ([FAIRS](#)) and the [FAIRS](#) Export Certificate Report for the [EU](#). Also, please check the U.S. Mission to the European Union ([USEU Mission](#)) web page for helpful information on exporting U.S. food and agricultural products into the EU.

General Import and Inspection Procedures

Portugal follows the Harmonized Nomenclature and Classification System (HS) and applies [EU import duties](#) according to a maximum and minimum rate schedule. The minimum tariff rate is applied to goods originating in countries entitled to the benefits of most-favored nation treatment -- that is, members of the World Trade Organization (WTO), including the United States, and countries with which the EU has signed trade agreements. In some instances, [negotiations and trade agreements](#) in

place between the EU and other countries provide for advantageous access to the European market. Currently, the EU and the US have the following agreements in place:

- [US-EU Organic Equivalency Arrangement](#)
- [US-EU Wine Agreement](#)
- [Veterinary Equivalency Agreement](#)

The local importer has primary responsibility with the Portuguese Government for imported food products once they enter Portuguese territory. Therefore, the Portuguese agent/importer should guide the U.S. exporter through the entire process of marketing a food or agricultural product in Portugal. Most food products require an Import Certificate issued by the competent authority. The Portuguese importer obtains the Import Certificate and/or the agent involved in the transaction and serves for tariff classification purposes.

The following documents are required for ocean/air cargo shipments of food products into Portugal:

- Bill of Lading and/or Airway Bill
- Commercial Invoice
- Phytosanitary Certificate and/or Health Certificate, when applicable
- Import Certificate

The Standard U.S. label does not comply with the EU's labeling requirements. For all the details, visit the [EU labeling requirements](#) section of the [USEU Mission](#) webpage.

Portugal Top Country Retailers

The economic recovery is slowly leading to an increase in domestic demand. Retailing showed a good performance in 2018 thanks to the positive economic environment, and this made consumers more optimistic to increase their expenditure on food. According to the Portuguese Association of Distribution Companies (APED), in 2018, food retail sales increased 2.8 percent in volume compared to previous year and reached \$14 million.

The competitive environment is quite concentrated in the grocery store-based retailing, with Continente accounting for the largest share, followed closely by Pingo Doce. The market share of the eight major distribution groups in Portugal has considerably increased in the last decade, growing from 55 percent in 2007 to 77 percent in 2017. Improved economies boost sales, while food retailers try to adapt to new consumers demands.

Grocery retailers continue to invest in the channel, focusing on the proximity factor. The economic crisis changed the way many Portuguese consumers shop, becoming more rational and often waiting for promotions and discounts. The weight of promotions in food retailing continued to increase in 2018, accounting for 46.4 percent of sales, compared to 45 percent in 2017. This is a market trend in Portugal and portrays Portuguese consumers as those who show greater appetite for promotional

campaigns in Europe. This situation is pushing retailers to be creative, to invest in strong marketing strategies and continue a solid effort on price competitiveness and product differentiation.

Retail Organization	Ownership	Market Share
Sonae MC – Continente	Portuguese	21.9 %
Grupo Jerónimo Martins – Pingo Doce	Portuguese	20.8 %
Auchan	French	9.5 %
Lidl	German	8.8 %
Intermarché	French	8.6 %
DIA - Minipreço	Spanish	4.1 %
E. Leclerc	French	2.5 %
Aldi	German	1.1 %

In 2019, Mercadona, the well-known Spanish food retail group, landed in Portugal. The company is expanding abroad, starting in Portugal. In July, Mercadona opened their first supermarket in the Porto district and intends to open 10 shops before the end of the year in the Porto, Braga and Aveiro districts. There are great expectations in the Portuguese food retail sector to see how the entry of Mercadona will affect the Portuguese market. The Mercadona business model relies on constant low prices without promotions, a contrast with the current market trend of other promotional campaigns. It will be interesting to see the response and acceptance (or rejection) of Portuguese consumers to the new player.

Changing consumer habits, demographic factors such as the aging population and the development of e-commerce and new technologies are leading the sector to conceive new commercial formats, where consumers increasingly appreciate proximity and value-added services. In addition, the more digital and connected consumer is disrupting the traditional business models and is driving the sales. Consumers are buying more online and retailers are increasingly investing in this channel.

SECTION III. COMPETITION

Competitive Situation for U.S. Imported Goods

In 2018, Portugal imported \$13.7 billion of agrifood products from the world: 81 percent of which originated in the EU. Within the EU, Spain is the main agrifood supplier, since 44 percent of total imports originated in the neighbor country.

Product Category (thousand metric tons; million USD)	Major Supply Sources in 2018 (in value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Frozen Fish <i>Value: \$559</i>	1. Spain - 36% 2. Russia – 16% 3. Netherlands – 10% 5. USA - 4%	Other major suppliers offer high quality fish products at competitive prices.	Large competition from local suppliers and producers. Portuguese domestic consumption and exports largely surpass local supply.
Almonds <i>Value: \$26</i>	1. Spain - 60% 2. U.S.A. - 28% 3. Germany - 11%	Spain is the third almond producer in the world. It has strong trade relationship with Portugal, due to its proximity.	Spain imports almonds in large quantities from the United States. These are then processed, both to be used by the domestic industry or re-exported to Portugal.
Walnuts <i>Value: \$18</i>	1. Chile – 30% 2. Germany - 28% 3. Spain - 21% 5. U.S.A. – 4%	Chile and Germany are increasing their presence in the market, replacing Spain as traditional.	Portugal has a limited production of walnuts.
Pistachios <i>Value: \$3</i>	1. Spain - 43% 2. U.S.A. - 38%	Spain is the main entry point for U.S. and Iranian pistachios to Portugal.	Pistachio production in Portugal is extremely limited and demand keeps growing.
Pulses <i>Value: \$68</i>	1. Argentina – 33% 2. Canada - 12% 3. Mexico – 10% 6. U.S.A. – 6 %	Strong competition from Argentina, who largely increased their presence in recent years, and Canada.	Portugal is a traditional consumer of pulses and its local production is not sufficient to fulfill internal demand.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Best Consumer-Oriented Product Prospects Based on Growth Trends

Product Category	2018 Portuguese Imports	5 Year Average Import Growth (% Value)	Key Constraints	Attraction for U.S. Exporters
Wine & Beer	\$258 M	5%	Competition from other EU member states.	Growing interest in U.S. style beers and wines.
Tree Nuts	\$112 M	9%	Complying with all import requirements.	Reliable domestic market for U.S. almonds, pistachios and walnuts.
Distilled Spirits	\$135 M	-2%	Complying with all import requirements and legal format of alcohol containers.	Increasing interest in U.S. distilled drinks. The average import growth from the U.S. in the last 5 years was 36 percent.
Fish, Fresh or Chilled	\$407 M	6%	Competition from other EU member states and third countries.	Good reputation of U.S. fish and seafood. High per capita consumption.
Dog and Cat Food	\$186 M	2%	Complying with all import requirements.	Good image of U.S. products. Innovative products are attractive. The average import growth from the U.S. in the last 5 years was 36 percent.
Fish, Frozen	\$562 M	5%	Competition from other EU member states and third countries.	Good reputation of U.S. fish and seafood. High per capita consumption. The average import growth from the U.S. in the last 5 years was 20 percent.

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Portugal, please contact the Office of Agricultural Affairs in Madrid at the following address:

Foreign Agricultural Service American Embassy Madrid
C/Serrano, 75
28006 Madrid Spain
Tel.: +34-91 587 2555
Email: AgLisbon@fas.usda.gov
Web: <https://es.usembassy.gov/business/>

The [FAS website](#) offers recent reports of interest to U.S. exporters interested in the Portuguese market. Additionally, please find below a list of trade associations and useful government agencies:

Trade Associations

[APED - Associação Portuguesa de Empresas de Distribuição](#)

(Portuguese Association of Distribution Companies)

[ARESP - Associação da Restauração e Similares de Portugal](#)

(Portuguese Associations for HRIs Sector)

[FIPA - Federação das Indústrias Portuguesas Agro-Alimentares](#)

(Federation of the Agri-Food Portuguese Industries)

[ANCIPA – Associação Nacional de Comerciantes e Industriais de Produtos Alimentares](#)

(National Association of Retailers and Producers of Food Products)

Government Agencies

[Direcção-Geral de Agricultura e Desenvolvimento Rural](#)

(General Directorate for Agriculture and Rural Development)

[ASAE - Autoridade da Segurança Alimentar e Económica](#)

(Food Safety and Economic Authority)

[Direcção Geral da Alfandega e Dos Impostos Especiais sobre o Consumo](#)

(General Directorate for Customs and Special Taxation on Consumption)

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page at www.fas.usda.gov

Attachments:

No Attachments.