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Report Name: The Portuguese Food Ingredients Sector

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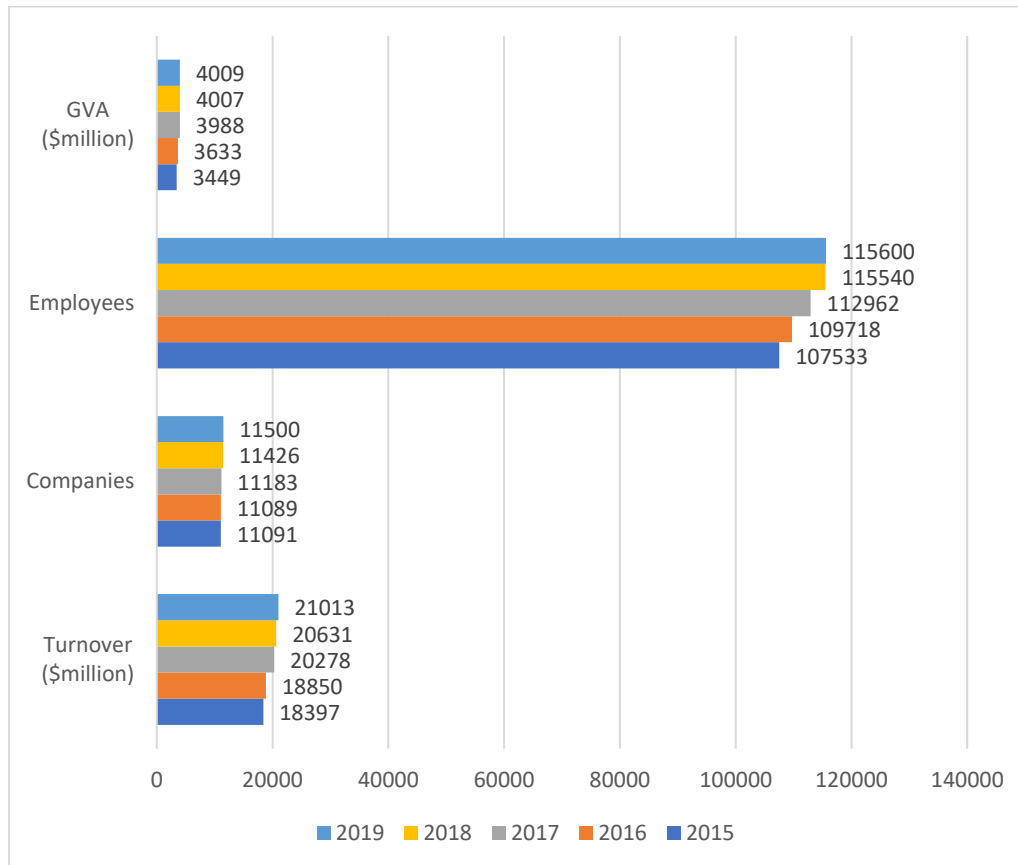
Report Highlights:

The food and beverage manufacturing industry is one of the key sectors of Portuguese economy. In 2017, the food industry represented 14.5 percent of total manufacturing sales; it also represented Portugal's main industrial production activity. In 2019, the national food and beverage industry exported \$6.1 million worth of products against a total \$9.1 million of imported products. Over the last few years, the national food industry has made considerable investments to improve its products' nutritional profile. As a result, food operators have innovated and developed a wide range of food products tailored to consumers' dietary needs and concerns. Food operators have also become very competitive in proving their environmental efforts by developing ambitious long-term sustainable policies. This report analyzes key segments of the national food market: meat and fruits, which largely depend on imported ingredients. The following is a commissioned report prepared in collaboration with Arcadia International.

Section I. The Characterization of the Food Ingredients Sector

The food and beverage manufacturing industry is one of the key sectors of the Portuguese economy and has stood out in recent years for its positive evolution. In 2018, the food and beverage industry represented 17.9 percent of the manufacturing industry’s turnover.¹ Overall, the Portuguese food industry is modern and invests in quality, safety, and innovation. Figure 1 shows the most recent data that characterizes Portugal’s food manufacturing industry.

Figure 1. Characteristics of the Portuguese Food Manufacturing Industry (2015-2019)



Source: Prepared by Arcadia based on <https://www.fipa.pt/estatisticas/dados-macroeconomicos-industria-alimentar%20> (2019 - estimated data by FIPA)

After the country faced an economic crisis, the number of Portuguese food and beverage processing companies increased steadily since 2015. In 2019 there were 115,600 companies (+409 compared to 2015) and 115,600 employees (+8,067 compared to 2015).²

¹ Source:

https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&userLoadSave=Load&userTableOrder=9964&tipoSelecao=0&contexto=pq&selTab=tab1&submitLoad=true&xlang=pt

² Source: <https://www.fipa.pt/estatisticas/dados-macroeconomicos-industria-alimentar%20>

In 2017, “slaughter animals, preparation and preservation of meat and meat products” was the national food industry’s most economically relevant activity and represented 18.5 percent of the total sales value. It was followed by the “manufacture of bakery products and other flour-based products” at 13.4 percent and by “dairy production” at 11.8 percent.³

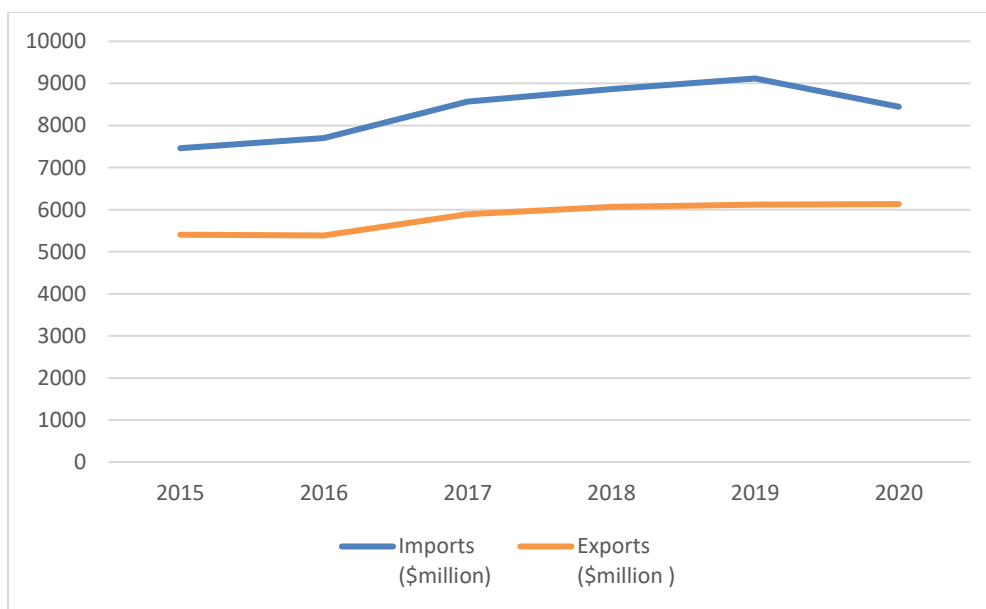
In 2019, the national food manufacturing sector’s main products accounted for 16.9 percent of the total domestic production sold. To be even more precise, the breakdown is as follows: pastry (5 percent), bread (4.9 percent), grated or powdered cheese (3.7 percent) and virgin olive oil (3.3 percent).⁴

Imports vs. Exports

A higher level of professionalization and optimization of resources alongside sustained efforts to promote the sector abroad resulted in greater international recognition of the Portuguese food and beverage industry.

The value of exports and imports from the food and beverage industry has been steadily increasing in recent years (Figure 2). In 2019, the national food and beverage industry exported \$6.1 million worth of products (+13.7 percent compared to 2015) against \$9.1 million imported products (+22.7 percent compared to 2015). Exports by the food and beverage industry increased 56 percent between 2010 and 2018, while imports during the same period only increased 32 percent.⁵

Figure 2. Imports and Exports of Processed Products by the Food and Beverage Industry (2015-2020)



Source: Prepared by Arcadia based on <https://www.fipa.pt/estatisticas/dados-macroeconomicos-industria-alimentar>

³ Source: INE 2019, Estatísticas Agrícolas 2018, available at https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOEstipo=ea&PUBLICACOEScoleccion=107660&selTab=tab0&xlang=pt

⁴ Source: INE 2020, Estatísticas da Indústria 2019, available at https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOESpub_boui=467890702&PUBLICACOESmodo=2

⁵ Source: <https://www.fipa.pt/competitividade/exportacoes-alimentares-batem-recorde>

In 2020, food and beverage exports increased 0.24 percent; exports outside the EU increased 15.5 percent when compared to the same period in 2019. Conversely, imports during the same period decreased by 7.9 percent, with the largest drop observed in imports within the EU (-7.6 percent). In terms of food and beverage imports, the share of products from non-EU countries remains relatively low. Last year, only 14.5 percent of the total food imports originated from outside the EU.⁶

Section II. Trends in the Food Ingredients Sector

Food products associated with quality, convenience and adequate nutrient and health profiles are currently in high demand in the Portuguese market. National consumers are also increasingly interested in the environmental and sustainable characteristics of the food they purchase. While these trends are recent, when comparing Portugal to other European countries, the trends have a direct impact on the national market and, consequently, on defining products and industry strategies.

The national food industry has made considerable investments to improve the products' nutritional profile over the last six years. The industry has also developed more "natural" and organic product lines. Overall, these products cost more on the market than "non-organic" equivalents and, for that reason, are mostly bought by high- and medium- income households. Notwithstanding the current economic difficulties caused by the pandemic and the economic uncertainty that lies ahead, market experts are confident these trends will continue to persist post-COVID-19.

The market share of plant-based food and "free-from" categories (e.g., vegetarian, vegan, gluten-free, lactose-free, etc.) is increasing in Portugal. As a result, national industries have been innovating their products and are increasingly looking for replacement ingredients to respond to the increased demand for alternative options (e.g., dairy milk replaced by other plant-based proteins). An example of innovation in the Portuguese market is the use of carob in vegetable drinks. At the end of 2020, a Portuguese company produced the first carob vegetable drink and intends to expand in the national market.⁷

Moreover, the food industry has become very competitive in terms of environmental and sustainability policies, especially regarding packaging (e.g., reducing plastic use), its energy efficiency, food waste management, etc.

Overall, the Portuguese food industry would highly benefit from investments aimed at building and/or providing the necessary technological equipment to process certain raw materials produced domestically. These are currently exported to other countries for further processing (chestnuts, for example). In any event, any investment made in Portugal should aim at supporting exports of agri-food products to other markets. The Portuguese market alone will not be able to guarantee sufficient returns for such investments in the long run.

⁶ Source: Calculated by Arcadia based on <https://www.fipa.pt/estatisticas/dados-macroeconomicos-industria-alimentar>

⁷ Source: <https://vozdocampo.pt/2021/02/25/nao-existem-marcas-fortes-com-produtos-de-alfarroba-e-ai-que-entra-a-grand-carob/>

Section III. Focus on Specific Food Sectors

Meat

According to the National Statistics Institute (INE), the national consumption of meat in 2019 totaled 119.1 kg per person: pork (44.3 kg per person) and poultry (44.4 kg per person) registered the highest consumption levels.⁸ Meat production has been increasing in Portugal over the last few years. In 2019, Portugal produced 902,868 tons of meat (+1.3 percent compared to 2018, and +2.9 percent compared to 2015).⁹ Among the different types of meat, poultry registered a sharp increase in terms of overall production value due to the high demand by Portuguese consumers for white meat (considered as the healthiest option by the nutritionists). In 2019, poultry meat production rounded 389,283 tons and represented a 12.75 percent increase compared to 2010.¹⁰

During the pandemic, the closure of the food service channel heavily impacted the meat sector. In April the Portuguese Meat Industry Association (APIC) declared that small- and medium-sized companies reported drops in sales of up to 80 percent.¹¹ In light of this, the sector repeatedly called upon Portuguese consumers to eat national meat. Meat is Portugal's second most imported food category. In 2019, these imports represented 10.1 percent of the total food imports (beef and pork being the most imported meat categories, accounting for 4.9 percent and 2.5 percent respectively).¹² The following table lists Portugal's main suppliers by type of meat.

Table 1. Main suppliers by Type of Meat in 2019

Meat	Main suppliers in % (value) (2019)*
Pork	1. Spain (96.7%) 2. France (1.08%) 3. Germany (0.88%)
Poultry	1. Spain (64.9%) 2. Italy (10.8%) 3. Germany (5.8%)
Bovine	1. Spain (55.8%) 2. Netherlands (19.1%) 3. Poland (6.1%)
Sheep and goat	1. Spain (32.8%) 2. France (22.7%) 3. United Kingdom (10.1%)

Source : <https://www.gpp.pt/index.php/produtos/produtos>. *Provisional data

⁸ Source:

https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0000211&contexto=bd&selTab=tab2&xlang=PT

⁹ Source: Calculated by Arcadia based on

https://ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&userLoadSave=Load&userTableOrder=178&tipoSelecao=1&contexto=pq&selTab=tab1&submitLoad=true&xlang=pt

¹⁰ Source:

https://ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&userLoadSave=Load&userTableOrder=178&tipoSelecao=1&contexto=pq&selTab=tab1&submitLoad=true&xlang=pt

¹¹ Source: <https://expresso.pt/coronavirus/2020-04-27-Covid-19.-Por-favor-consuma-carne-nacional-apela-a-industria>

¹² Source: GPP 2019, available at <http://www.gpp.pt/images/gam/1/agregados/EstruturaCIProduto.xlsx>

Portugal's meat self-sufficiency is around 75 percent.¹³ Sheep and goat meat presents the highest degree of self-sufficiency (92 percent). Bovine meat, however, accounts for a lower degree and covers only 50.5 percent of the national consumption needs. According to market experts, the country's import needs in this sector are likely to remain the same in the foreseeable future, notably in relation to certain types of meat such as beef, where the country's needs are greatest.

With regard to meat preparations (e.g. sausages), in 2019, 177,454 tons were produced in Portugal, 39,023 tons were imported and 27,178 tons were exported. The main import countries were Spain, Germany and France, which represented 88 percent of total imports.¹⁴

Fruits

Fruits are the fourth most imported food category in Portugal and represented 6.8 percent of the total food imports in 2019.¹⁵ Citrus fruits, bananas, and tree nuts are the most imported fruits. In 2019, the sales value of the fruit and vegetable industry accounted to \$1.3 billion, corresponding to 7.6 percent of the total sales of the food manufacturing industry.¹⁶

Portuguese consumer demand for products within the "tree nuts" category is increasing, especially when purchased as snacks. According to market experts, this trend will grow in the future mainly because of the nutritional benefits associated with tree nut consumption. In 2019, Portugal's tree nut self-sufficiency was 89.7 percent. This indicator has been increasing over the last decade, marked by the increase in consumption of these products and consequential national investments in the production of certain fruits (almonds and nuts) especially over the last five years. Between 2009/2010 and 2018/2019, Portugal's self-sufficiency rose 23 percent.¹⁷

Besides tree nuts, consumer demand for "dehydrated fruits" has increased significantly in recent years. The national food industry has tried to respond proactively to this demand. Overall, these products attract national consumers for their convenience, as most are commercialized on the national market as snacks.

Alcoholic beverages

Alternatives to traditional alcoholic beverages are increasing their market share in Portugal. Overall, Portuguese consumers are increasingly looking for low-calorie and healthier alcoholic beverages. The beverage manufacturing industry has been looking for several alternatives and focused on using Hard

¹³ Source: GPP 2019, available at <http://www.gpp.pt/images/gam/1/agregados/EstruturaCIProduto.xlsx>

¹⁴ Source: GPP 2019, available at <https://www.gpp.pt/index.php/produtos/produtos>

¹⁵ Source: GPP 2019, available at <http://www.gpp.pt/images/gam/1/agregados/EstruturaCIProduto.xlsx>

¹⁶ <https://www.gpp.pt/images/gam/1/de/FrutHortFlo.xlsx>

¹⁷ Source: GPP 2019, available at <http://www.gpp.pt/images/gam/1/agregados/EstruturaCIProduto.xlsx>

Seltzer and Kombucha. This trend for alternative options is expected to continue with Hard Seltzer being the preferred option.

Food Supplements and Functional Foods

The Portuguese food supplements' sector currently employs more than 5,000 people and is valued at over \$72 million.¹⁸ Portugal is a growing market for food supplements. More and more Portuguese consumers are concerned about their health and see food supplements as a complement to their diet and as a way to ensure and maintain their well-being. Based on the 2015-2016 National Food Survey, 26.6 percent of the Portuguese population reported regularly consuming food supplements in 2016; women and the elderly were the two groups with the highest consumption level.¹⁹

Throughout the pandemic, there has been a significant increase in consumption of food supplements that strengthen the immune system. According to a survey carried out by the DGS (Directorate-General of Health) on food consumption during lockdown, 20.2 percent of respondents admitted taking vitamins or other supplements to protect themselves against COVID-19.²⁰ Just like in other European countries, official controls by enforcement authorities both in retail and online have intensified as a result of the detection of several unsubstantiated claims attributing curative or preventive properties against COVID-19 to food supplements. Increased market surveillance in this area is likely to continue in 2021.

In the pandemic's first months, the Portuguese Parliament discussed lowering the VAT rate applicable to the sale of food supplements for consumers. The rate is the highest applied by national tax legislation for consumer goods (23 percent) but ultimately no changes were agreed. The current VAT regime is considered a major deterrent to the further development of the national food supplements market: It creates a competitive disadvantage for businesses operating in Portugal when compared to other national European markets (such as Spain) where lower VAT rates apply.

Similarly, to food supplements, the Portuguese consumers' growing demand for healthy products boosted the consumption of 'functional food', that is, food and drinks containing ingredients inducing beneficial physiological and / or nutritional effect (e.g., fortified foods). This product category benefited from the growing demand during 2020 as consumers were more alert about their health. The Portuguese market has a wide range of products with functional properties (for instance, coffee with botanicals, tea with selenium, yoghurts containing vegetable sterols - to decrease blood cholesterol levels, fruit juices and the like with added vitamins etc.). This trend is something the food manufacturing industry is currently focusing on often with the objective to innovate across traditional food categories.

¹⁸ Source: <https://www.apard.pt/>

¹⁹ Source: https://ian-af.up.pt/sites/default/files/IAN-AF%20Relat%C3%B3rio%20Resultados_0.pdf

²⁰ Source: Directorate- General of Health – React-COVID SURVEY ON DIETARY AND PHYSICAL BEHAVIOURS in the context of confinement, available at: https://www.dgs.pt/programa-nacional-para-a-promocao-da-atividade-fisica/ficheiros-externos-pnpaf/rel_resultados-survey-COVID-19-pdf.aspx

Section IV. Additional Information

For more information on exporting U.S. agricultural products to Portugal, please check the recently published reports below:

Report Number	Title	Date Released
PO2021-0005	Exporter Guide 2021	February 25, 2021
PO2021-0002	Portuguese Wine Exports Rise in 2020 Despite COVID-19 Challenges	January 29, 2021
PO2020-0006	Exports Continue to Fuel Expansion of the Portuguese Meat Sector	October 30, 2020
PO2019-0013	Retail Foods 2019	January 17, 2020

If you have any questions or comments regarding this report or need assistance exporting to Portugal, please contact the [Office of Agricultural Affairs](#) at AgLisbon@fas.usda.gov.

Attachments:

No Attachments.