

Voluntary Report – Voluntary - Public Distribution

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Report Name: The Portuguese Food Service Sector

Country: Portugal

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Report Highlights:

The lockdown and social distancing measures brought on by COVID-19 heavily impacted the Portuguese food service sector. In 2018, the segment "accommodation, catering and similar" accounted for 113,191 companies with a total turnover of \$18 billion. During the initial phase, food service operators were forced to temporarily close; they were then allowed to operate subject to limitations and restrictions. In January 2021, food establishments were forced to close once again due to new lockdown measures. As a result, some bars and restaurants went out of business, while others looked for alternative commercial channels to survive, like take-away and home delivery. Restrictions in place have had serious economic repercussions on its suppliers, including farmers and food and beverage manufacturers. Suppliers of alcoholic beverages, meat of indigenous breeds and fish and fish products were particularly affected. The following is a commissioned report prepared in collaboration with Arcadia International.

Section I. Introduction

The Portuguese food service sector has expanded mainly due to profound social and economic changes brought on by Portugal's accession to the European Union (EU).¹

Before the start of the COVID-19 pandemic, Portuguese consumers cooked less and less at home and were more likely to spend their money eating out. According to Eurostat, in 2018 Portuguese households spent 9.2 percent of their total expenses on catering services (restaurants, cafes, canteens and the like), and exceeded the EU average (+7 percent). In a decade, this indicator rose by one percentage point (from 8.2 percent in 2008 to 9.2 percent in 2018).² Such an increase may also be the consequence of the VAT charged in restaurants dropping from 23 percent to 13 percent. This drop entered into force on July 1, 2016.

Before the start of the pandemic, Portugal recorded significant and constant growth in the tourism industry, which boosted the consumer food service's performance. Tourism is a very important economic sector for Portugal, responsible for 8.7 percent of the national GDP and accounting for 6.9 percent of the total national workforce in 2019.³ The travel restrictions around the world, in addition to fewer tourists willing to travel, have resulted in a dramatic fall of incoming foreign tourists in Portugal. The same also applies to many other Southern European countries. October 2020 saw a 63 percent decrease in overnight stays compared to the same month in 2019.⁴

COVID-19 related lockdown and physical distancing measures heavily impacted the Portuguese food sector as well as consumption patterns during 2020. The closure of food services such as bars, restaurants, hotels, and schools' canteens, in addition to the great shift toward remote working, resulted in consumer demand in the food service drastically falling. The demand partly shifted to food retail. While there are no doubts that COVID-19 has severely affected the national food service industry in the short and, potentially, medium term, it has radically accelerated several existing marketing trends, namely take-away and home deliveries (see Section III. Trends).

The restrictive measures imposed during the first wave forced many food establishments to a complete shutdown. In May 2020, food establishments were able to re-open, however, some restrictions were established, for instance, limiting opening hours of restaurants and bars, which fueled strong protests by concerned operators. In January 2021, food establishments were forced to close again due to new lockdown measures.

The limitations relating to the food service sector had great economic repercussions on suppliers upward in the agri-food chain. These affected farmers and food and drink manufacturers among others. This

¹ Source: GAIN Report, Export Guide Annual Portugal

² Source: Eurostat 2020, How much are households spending on eating-out?, available at <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/EDN-20200101-2>

³ Source: http://www.turismodeportugal.pt/pt/Turismo_Portugal/visao_geral/Paginas/default.aspx

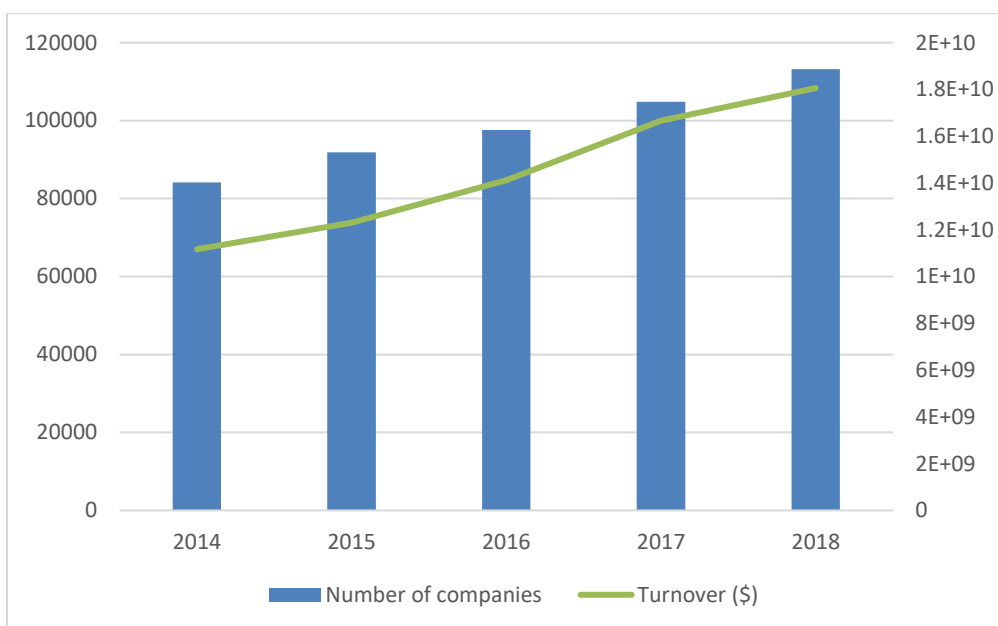
⁴ Source: <https://travelbi.turismodeportugal.pt/pt-pt/Documents/Turismo%20em%20Portugal/turismo-em-numeros-out-2020.pdf>

report describes their situation in detail, in particular regarding alcoholic beverages, meat of indigenous breeds and fish and fish products (see Section IV).

Section II. Characterization of the Food Service Sector

The Portuguese food service sector is vast and highly diversified. It includes restaurants, bars, hotels, contract caterers and the like. In 2018, the segment “accommodation, catering and similar” accounted for 113,191 companies with a total turnover of approximately \$18 billion. As shown in Figure 1, the number of companies in the sector and the turnover have been increasing over the last few years (+35 percent of companies and +62 percent of turnover in 2018 compared to 2014). This may be due to a combination of concurring factors, including the positive economic landscape and the increased number of tourists in the country.

Figure 1. Number of Companies in the “Hotels, restaurants and similar” Sector and Turnover (2014-2018)



Source: Prepared by Arcadia International based on INE 2020, data available at 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

In 2018, 375,067 workers were employed in the segment “accommodation, catering and similar”.⁵ According to the most recent data from the Institute for Employment and Vocational Training (IEFP), the total number of unemployed in the sector increased by 59 percent in November 2020 compared to the same period in 2019.⁶

Restaurants

Prior to the start of the COVID-19 pandemic, Portuguese consumers were dining out more frequently, resulting in the opening of more restaurants. In 2018 there were 31,363 restaurants in Portugal (+11 percent compared to 2014).⁷ In Portugal, restaurant chains are highly diversified. While restaurants serving local/traditional food continue to dominate the market, ethnic restaurants and fast-food outlets are increasingly popular, especially in the largest cities.

Several restaurants have not reopened after several weeks of strict lockdown, followed by limited indoor capacity and restrictions regarding opening hours. According to a survey performed by AHRESP, the national association for hotels and restaurants, by August 2020, 43 percent of the businesses operating in the food service sector were considering declaring bankruptcy.⁸

Hotels

The number of accommodations, including hotels, increased significantly over the last few years. In 2018 Portugal recorded 37,008 accommodations (+ 287 percent compared to 2014).⁹

Most hotels in Portugal have temporarily closed during the lockdowns, mainly due to business disruptions caused by movement and travel restrictions. The COVID-19 pandemic put an abrupt stop to tourism’s exponential growth in Portugal and, in turn, that of its associated food services.

Contract caterers

The mass-catering sector comprises operators providing food services for events, airlines, schools, hospitals, prisons, etc. Table 1 shows the main business operators in this market segment in Portugal.

⁵Source:

https://ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&userLoadSave=Load&userTableOrder=9965&tipoSeleccao=0&contexto=pq&selTab=tab1&submitLoad=true&xlang=pt

⁶ Source: <https://ahresp.com/app/uploads/2020/12/Informa%C3%A7%C3%A3o-Mensal-novembro-2020-IEFP.pdf>

⁷Source:

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

⁸ Source: <https://observador.pt/programas/noticiario/as-noticias-das-2h-278/>

⁹ Source:

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

Table 1. Leaders in the contract catering sector

Brand	Meals
Eurest	± 28 million meals per year
Itau	± 29 million meals per year
Gertal	± 120 thousand meals per day
Uniself	± 25 million meals per year

Sources: <https://www.eurest.pt/>; <https://www.itau.pt/>; <https://www3.gertal.pt/>; <https://www.uniself.pt/>

In 2014 the first 8 operators in this market segment had a 78 percent market share. In recent years, the largest players increased their efforts to supply healthier food options, especially in school canteens where the government has played an important role in adopting measures to promote healthier option for children.

In addition, in 2018, 92 percent of Eurest's purchases came from domestic suppliers and only 8 percent from foreign suppliers. This proves national products are important for the companies working in this channel.¹⁰

Like most of the food service industry, contract caterers have suffered considerably due to the COVID-19 pandemic. The cancellation of private and public events alongside the closure of canteens in schools and companies has heavily impacted this segment of the food service sector. According to one of the largest companies in the sector, financial losses may exceed 25 percent in 2020.¹¹

Section III. Trends

Take-away and Home Delivery

With the closure of the traditional food service channels, many bars and restaurants had to rethink their business models to continue operating and, as a result, mostly resorted to home deliveries and take-away options. These became key sales drivers from the onset of the pandemic, although they can hardly compensate for the losses suffered by these operators due to social distancing measures and opening hours limitations.

Prior to the COVID-19 pandemic, consumption of ready-to-eat and take-away food was already a growing trend in Portugal with consumers showing preference for convenient and timesaving alternatives over home-cooked meals. Home deliveries recorded a significant growth in 2019, driven by

¹⁰ Source: https://www.eurest.pt/wp-content/uploads/2019/03/EUREST_Relatorio-Sustentabilidade_2018.pdf

¹¹ Source: <https://www.dinheirovivo.pt/economia/fornecedores-de-cantinas-escolares-com-perdas-acima-de-25-12896233.html>

the arrival on the national market of home-delivery international companies such as Uber Eats, Glovo and Bolt Food. With the pandemic, the demand for these services grew even more than before. For instance, Glovo has increased its partnerships with restaurants by 150 percent since the beginning of the pandemic.¹²

At the same time, many bars and restaurants are expanding their own online sales and delivery systems without relying on the services of specialized food delivery operators. This mainly occurs in out-of-town areas where those companies do not yet operate. Overall, market experts consider that consumer demand for take-away and home delivery will likely continue even after COVID-19, as the pandemic exponentially accelerated an ongoing trend.

Healthy Food

Another trend observed in the food service sector before the pandemic was the demand for healthier options. This too will very likely continue and, possibly, gain even more prominence in future. To respond to a growing consumer health-consciousness at a national level, restaurants and hoteliers, in particular, have progressively incorporated healthier options on the menus. Vegetarian and vegan dishes among the options on the menu made available by the food service sector increased significantly over the last couple of years.

Section IV. Most Affected Food Categories

Alcoholic Beverages

In Portugal, the closure of the food service channel impacted the category of “alcoholic beverages” the most. This is the case of beer, in particular. According to Cervejeiros de Portugal, the national beer trade association, in the first half of 2020 there was an average decrease in beer consumption of 34 percent in the food service channel when compared to the same period in 2019; for craft beer, the average drop was over 60 percent.¹³ Wine sales in the national market fell 10.9 percent in volume and value between January and September 2020 mainly due to the closure of the food service.¹⁴

Meat of Indigenous Breeds

As many other countries, Portugal also registered a drop in the sales of meat of indigenous breeds, such as kid, suckling pig, veal and lamb as their main sales channels closed.

Seafood Products

¹² Source: <https://eco.sapo.pt/2020/11/13/aplicacoes-de-refeicoes-antecipam-forte-aumento-da-procura-no-recolher-obrigatorio/>

¹³ Source: <https://www.cervejeirosdeportugal.pt/noticias/cervejeiros-portugal-solicitar-alteracoes-oge/>

¹⁴ Source: <https://expresso.pt/economia/2020-11-25-Vinho-apresenta-contas-ao-impacto-da-covid-nas-vendas-em-Portugal-foram-menos-690-mil-euros-por-dia>

In Portugal the food service channel is one of the main distribution channels for fish and fish products. With its closure, seafood sales during the spring 2020 lockdown are estimated to have dropped by 40 percent. Because of the closure of the food service sector, Portuguese consumers have increasingly chosen convenience foods for home consumption, causing a drop in demand for fresh fish.

Section V. 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.