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Portugal

Wine

The Portuguese Wine Sector at a Glance

1999

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Report Highlights:
Portuguese 1999/2000 wine production is forecast to increase 60 percent from 1998/99 unusually low level. Consumption is declining, but still among the higher in the EU on a per-capita basis. Consumption of lower-quality wine types is falling, while demand for high quality wines has been increasing. Imports are forecast at 2 million HL in 1999, about 40 percent of total wine consumption. While limited, U.S. wine has some potential in Portugal. 1 USD = 192 Pte.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Lisbon[PO1], PO

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Executive Summary

Portugal's 1999/2000 wine production is expected to reach 5,532 thousand HL, must equivalent, 60% above the exceptionally poor 1998/99 output. Future wine production should be even higher, as the 1999/2000 estimated output was 80 percent of the previous 5-year average. Also, a recent moderate increase in vineyard area will increase output potential.

Traditionally a net exporter of wine, Portugal will be a net importing country during CY-1999 as a consequence of the low 1998/99 wine production. CY-1999 wine imports are forecast to reach 2,100 thousand hectoliters, or about 42% of total domestic consumption. Following the higher 1999/2000 production, CY-2000 wine imports are forecast to drop to 2,000 thousand hectoliters. Consisting primarily of fortified wine (mostly port) Portuguese CY-1999 wine exports are expected to remain at 1,755 thousand, while exports in 2000 are forecast to rebound to 2,300 thousand hl.

Still the most profitable and one of the few economically viable agricultural activities in Portugal, the wine sector benefitted from the Agenda 2000 package of agriculture reforms. The assignment to Portugal of an additional 3,760 HA of vineyards and the bans on producing wine from non-EU must and blending EU with non-EU wine were important for Portugal. Affected by the high EU import tariffs, U.S. CY-1998 wine sales into Portugal totaled 6,688 liters.

1 USD = 192 Pte

The Portuguese Wine Sector at a Glance

Production, Supply & Distribution Table

	1998	1999	2000
Area (Thousand Ha)	256	257	257
		Thousand Hectoliters	
Beg.-Year Stocks	8710	7809	6200
Production	**5634**	**3457**	**5532**
Imports	1381	2100	2000
TOTAL SUPPLY	**15725**	**13366**	**13732**
HUMAN CONSUMPTION	5046	5007	4922
Distilling	480	295	471
Vinegar	60	60	60
Losses	80	49	79
Total Use	**5666**	**5411**	**5532**
Exports	2250	1755	2300
End-of-Year Stocks	7809	6200	5900
TOTAL DISTRIBUTION	**15725**	**13366**	**13732**

Production

Due to overall favorable weather conditions, 1999/2000 wine production is forecast to increase 60% over 1998/99 levels. (Marketing year used in the Production, Supply & Distribution Table is also the calender year. Wine production indicated for each given marketing year results from the crushing of grapes harvested during the last quarter of the preceding calendar year. Production given for 1998 and 1999 are official numbers released by the National Statistics Institute INE in reference to the 1997 and 1998 crop years respectively. Forecast 2000 wine production is based on INE's latest yield information. Production is given on a must basis and not finished product, thus excluding brandy added to produce fortified wine types like port.)

PORTUGAL: WINE-PRODUCING AREAS AND WINE OUTPUTS

Area			Outputs		
1996	**1997**	**1998**	**1996**	**1997**	**1998**
Units: Hectares			**Units: Hectoliters**		
256,282	256,282	256,859	9,479,532	5,634,218	3,457,453

SOURCE: NATIONAL STATISTICS INSTITUTE INE

The bulk of the wine grape production is concentrated in the Northern mainland Portugal provinces, which include the important Port and "Green" wine demarcated regions. Wine area regional distribution is provided in the table below.

PORTUGAL: MAINLAND 1997 WINE GRAPE REGIONAL AREA DISTRIBUTION

Region	Hectares
North	**107,941**
Entre-Douro e Minho	40,167
Trás-os-Montes	67,774
Center	**59,567**
Beira Litoral	34,521
Beira Interior	25,046
Lisboa e Vale do Tejo	**69,887**
Alentejo	**12,531**
Algarve	**2,537**
TOTAL 1997 MAINLAND WINE GRAPE AREA	**252,463**

SOURCE: NATIONAL STATISTICS INSTITUTE INE

The quality of wine produced has been improving as a result market factors (see Consumption) providing producers with the incentive to focus on producing wines classified as VQPRD and Regional wines, the so-called "quality wines" under the EU legislation. However, quality wine types (VQPRDs and Regional wines) still account for just over half of total output. In addition, product diversification has been growing and labels continued to proliferate, as EU production regulations and new consumption trends encourage production of quality "Vinhos de quintas" (the local *chateaux*). There are presently 40 Denominations of Origin and 8 Regional wine denominations in Portugal. Wine production from 1996/97 and 1997/98 broken down by types is given in table below.

Consumption

Wine consumption has been declining, while Portugal's per capita consumption still ranks among the highest in Europe at 52.4 L/Hab. Wine consumption is expected to continue to fall 1 to 2 percent a year in the next few years. A number of factors have been causing this reduction. An increasingly diversified supply of aggressively marketed beers, soft drinks and other alcoholic beverages have been displacing wine demand, especially of the cheaper, lower quality types. Also, the gradual disappearance of the traditional heavy consumers of cheap wines, mostly concentrated in the countryside areas, has reduced demand for low-quality wines. On the other hand, an expanding affluent social strata, combined with a boom in demand from the HRI sector, has contributed to an expansion in consumption of high quality wines. Also, a revolution in retailing, especially the expansion of hyper and super-market chains, has raised consumer exposure to VQPRDs and Regional wines, while maintaining very attractive price/quality ratios. Furthermore, specialized wine outlets are targeting an elite with high purchasing power. Demand for national wine brands far exceeds interest in imports.

PORTUGAL: Wine output Breakout by Type

WINE TYPE		HECTOLITERS	
		1996	**1997**
Fortified VQPRDs (*)		750,842	478,984
Quality Wines (VQPRDs)	Total	3,211,784	1,310,792
	White	1,486,201	571,766
	Red & Rose	1,725,583	739,026
Regional Wines	Total	1,355,290	1,005,380
	White	611,329	444,275
	Red & Rose	743,961	561,105
Table Wine	Total	4,127,515	2,839,062
	White	1,819,497	1,534,579
	Red & Rose	2,308,018	1,304,483
Other (Fortified) (*)		34,102	-
TOTAL (*)		**9,479,532**	**5,634,218**

(*) Must equivalent; Source: INE and IVV.

In 1998, hyper-and-super-markets accounted for 36 and 45%, respectively, of total high-quality wine sold at retail. Meanwhile, sales of quality wines (VQPRD & Regional Wines) in hyper-markets, super-markets and traditional retail outlets rose by 25% in volume and by 29% in value during CY-98, totaling 53,736 thousand 0.75 liter bottles and 20,298 million Pte. Aperitif wine sales through those same channels dropped 6% in both volume and value, remaining at 2,055 thousand liter bottles and 2,104 million Pte. Sparkling wines rose 6% in both volume and value, totaling 7,548 thousand 0.75 liter bottles and 5,052 million Pte. Port wine sales rose by 6% in value, and totaled 5,989 thousand units and 6,061 million Pte. Below are average 1998 retail prices.

Average 1998 Retail Prices for Selected Alcoholic Beverages

	Vermouths & Aperitifs	Port Wine	Sparkling Wine	Beer
Units	Pte/Liter	Pte/0.75 Liter bottle	Pte/0.75 Liter bottle	Pte/Liter
Total Country	524	782	542	161
Private Labels	1,024	1,012	669	215

SOURCE: NIELSEN

Trade

Portugal is normally a net wine sector, except in unusually low production years. Following a very reduced 1998/99 crop, Portugal will be a net importer of wines during 1999. Sparkling wines account for the highest share of wine imports, with 51% of the total value. So-called Table Wines and Regional Wines account for the second largest group with 38% of the total. Wine imports from the U.S. during CY-1998 consisted in wines from tariff schedules: 2204.21.84, 2204.21.79, 2204.21.80, 2204.21.83, 2204.29.84 and 2204.10.19. During January/April 1999, wine imports from the U.S. were minimal, consisting exclusively of wine from tariff schedule 2204.21.82.

Wine exports are dominated by fortified wine (mostly Port wine), which accounted for 68% of 1998 total wine exports in value. So-called Table Wine, including the cheaper, lower-quality wine types, and Regional Wine account for the second largest grouping, with 22% of the total. Trade given in the trade matrix below includes tariff schedule code numbers 2204, 2205 and 2206.

PORTUGAL: WINE TRADE MATRIX

WINE IMPORTS (Liters)

IMPORTS:	**Jan/Dec 1997**	**Jan/Dec 1998**	**Jan/Apr 1998**	**Jan/Apr 1999**
USA	**6458**	**6688**	**2853**	**40**
Spain	46967438	105970227	25032127	48085509
Italy	4662542	28379689	979949	17919334
U.K.	1063250	230036	32402	40121
France	875216	1320271	486302	437384
Germany	500665	354733	257877	113549
Netherl.	58475	36615	7344	2619
Belgium	48361	21143	1476	0
Sweden	24226	1471680	0	0
Austria	100	151682	0	863
China	58209	52324	0	29853
Chile	18900	16223	2264	8100
Australia	1602	44	0	47
Sub-Total	54278984	138004667	26799741	66637379
All Other	21507	66747	8102	2475
TOTAL	54300491	138071414	26807843	66639854

WINE EXPORTS (Liters)				
EXPORTS:	**Jan/Dec 1997**	**Jan/Dec 1998**	**Jan/Apr. 1998**	**Jan/Apr. 1999**
US	**8017103**	**7763785**	**2311618**	**2351168**
France	76601901	51718862	14061469	11767749
U.K.	20440926	18270144	3875778	4541359
Belgium-Lux	15484791	16934577	4770691	4901469
Netherlands	15385726	15666407	4747444	5225692
Germany	11543902	16368857	5188466	3406238
Spain	7256238	10787032	1383268	1955430
Denmark	6773352	5963365	1956024	1341528
Italy	4127858	4227232	1106231	510644
Sweden	2728746	3203022	1001498	1152471
Ireland	788281	914768	205406	492969
Finland	574523	647797	220208	159694
Austria	237177	243361	70947	72915
Greece	214795	229095	91701	135320
Angola	36911120	39652378	14315042	3807325
Switzerland	6649323	3506693	1182416	1197079
Brazil	5663008	4319307	477431	388719
Mozambique	3462293	3892725	686154	463131
Cape Verde	3264899	2875393	790541	981608
Canada	2847185	3575462	1044194	1600345
Guinea Bissau	2175692	1037811	615397	494227
STP	1998955	2916182	1011079	681538
Norway	1387639	1568614	476817	575202
Japan	1169724	1894072	776710	323414
Andorra	235951	246526	88330	90255
Ships	150169	323682	122292	454393
Iceland	60007	64856	24708	17625
Sub-Total	228134181	211048220	60290242	46738339
All Other	17159016	13919446	4060523	3349174
TOTAL	245293197	224967666	64350765	50087513

SOURCE: NATIONAL STATISTICS INSTITUTE INE

Policy

EU wine policy is in effect in Portugal. Market-oriented EU-financed supports, including private stocking, preventive distilling and export subsidies, totaled 4,449 million Pte during 1997/98. EU wine olicy was revised by the EU during the first quarter of 1999. The most significant developments for Portugal included an additional 3,760 HA planting rights, with a possible 1,212 ha extension. Other favorable measures for the sector were the prohibition to make wine from must imported from third countries and blending non-EU with EU wine.

Marketing

The U.S. is affected by the high EU import tariffs and the lack of established commercial ties with local importers. However, a market niche exists for differentiated wines, providing an opportunity for adequately promoted U.S. wines. Recommended entry strategies would include working with leading specialized media reporters, advertising in selected periodicals, and promotional activities with upper-end wine stores and restaurants.