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## Portugal

### Dairy and Products

### Trends in Portugal's Dairy Sector

**1999**

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#### **Report Highlights:**

**Expected to reach almost two million tons, Portugal's milk production in 2000 is expected to exceed the EU-assigned quota of 1,835,461 tons. Per capita consumption of dairy products, among the lowest in the EU, is expected to grow. Yoghourt, frozen desserts and specialty cheeses are among those products with the highest growth potentials. The U.S. remains a key supplier of genetics, with \$491,000 in sales in 1998. U.S. sales of cheese for processing and ice-cream totaled 219,000 USD. 1 USD = 192 Pte.**

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Includes PSD changes: Yes  
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## Executive Summary

Growing steadily since the 1986 EC-Accession, cow milk output in 1999 is estimated to have been near the EU-assigned national milk quota of 1,835,461 Mt. Including sheep and goat milk, total 1999 fresh milk output is estimated at 1,943,000 Mt. Given current production trends, fresh cow milk output is expected to surpass the quota in 2000. Limited by the price penalties set by the quota regime, milk output should remain stable over the 2000-2005 period. The dairy sector has undergone dramatic change from its primitive, family unit based production structure to a more professional and specialized industry. Currently undergoing a period of great activity and transformation, the Portuguese dairy industry is very concentrated, except for cheese production where considerable potential for concentration remains. Treated fresh milk production is dominated by Lactogal, the largest Iberian dairy processor, formed through the merger of the three largest national dairy cooperative unions. The multinational giants Danone, Parmalat and Nestlé are yoghurt and frozen dessert leaders. The chronic EU milk surplus, the possible revision of EU dairy policy before 2005, EU-enlargement, and trade liberalization are some of the key factors that will influence the future of the dairy sector in Portugal.

The dairy product mix is dominated by large by fresh treated milk, which accounts for some 75% of total raw milk use. However, forced by competition from other EU countries and driven by the activities of multinationals, the mix of products is becoming more differentiated. Production of higher value-added products, specifically cheeses, yoghurt, and frozen desserts, are expanding, to the detriment of more traditional products.

Given the relatively low dairy product per capita consumption compared to the rest of the EU, consumption is expected to continue to expand, albeit with a change in product use. Fresh milk consumption, currently at 102% of the EU average is expected to decline, replaced by greater use of processed dairy products. In particular, yoghurt & dairy desserts, butter and cheese which currently stand at 52%, 34% and 34% of the EU average respectively, have the highest growth potentials.

Due to fresh milk sales, Portugal is a net dairy product exporter. During CY-1998, total dairy product imports totaled \$125 million, with \$137 million exported. Total dairy product imports from the U.S. totaled \$219,000, consisting of ice-cream and cheese for processing, while U.S. genetics sales destined to the dairy sector totaled \$491,000.

1 USD = 192 Pte

## Dairy, Milk, Fluid

PSD Table						
Country	Portugal					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)	(1000 MT)
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Cows In Milk	362	355	360	350	0	348
Cows Milk Production	1750	1679	1750	1803	0	1860
Other Milk Production	140	143	140	140	0	138
TOTAL Production	1890	1822	1890	1943	0	1998
Intra EC Imports	140	76	140	50	0	45
Other Imports	0	0	0	0	0	0
TOTAL Imports	140	76	140	50	0	45
TOTAL SUPPLY	2030	1898	2030	1993	0	2043
Intra EC Exports	95	155	95	125	0	120
Other Exports	5	2	5	1	0	1
TOTAL Exports	100	157	100	126	0	121
Fluid Use Dom. Consum.	641	841	640	830	0	820
Factory Use Consum.	1284	900	1285	1037	0	1102
Feed Use Dom. Consum.	5	0	5	0	0	0
TOTAL Dom. Consumption	1930	1741	1930	1867	0	1922
TOTAL DISTRIBUTION	2030	1898	2030	1993	0	2043
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

## Production

Consisting basically of bovine milk, raw milk production is estimated to have increased in 1999, with the national statistics institute (INE) reporting a 7.4% rise during Jan-September 1999. Milk production will remain barely under the national EU-assigned 1,835,461 Mt milk quota, a high since the 1986 EC-Accession. Given trends in the sector, output in 2000 will likely go over the quota, and remain at that level over the next 3 to 5-year future. Declining sheep and goat milk production is expected to suffer another drop in 2000 on account of several production problems.

## Production Structure

INE reports there are presently 41,181 dairy farms in Portugal, accounting for 10% of total farm numbers. Milk production is concentrated regionally, with the "Entre Douro e Minho" (EDM) and Beira Litoral (BL) regions

accounting for 71% of total number of farms and 40% of the national cow milk output. The Azorean islands, which represent a minor 2% of total mainland area, account for 24% of total milk collected in Portugal.

The sector has undergone major changes during the 90's. Geographical dairy concentration has increased in a few councils of the traditional dairy districts of EDM and BL, and in the "Higher Alentejo," where a some of the larger-scale dairy units have settled. During this period, the total number of producers dropped by 55% and the number of dairy cow declined 7.5%. EU programs that led to the retirement of some 17,000 dairy producers during 1992 and 1993 played a decisive role in reshaping the sector. In spite of this reduction, the number of small farm units with one or two dairy cows remains significant (see Table below). However, modern, highly specialized units are also now very important as shown in Table below, where it can be noted that the "over 100 head" category accounts for a higher percentage of the total national dairy heard than the "1 - 2 head."

Dairy cooperative policies have also brought about changes in the sector. Forced by heightened competition, the cooperatives have been closing milk collection centers at a rate of 4,000 per year. This controversial policy has been important for the cooperatives' financial consolidation, given the high costs of milk collecting and the low quality of that specific type of product. Price penalties for low quality milk, as tends to be the case with milk which is produced on the small traditional farms, is another factor contributing to the decline in the number of smaller producers.

**Portugal: Structure of the Dairy Sector**

Cow Head/Farm	1-2	3-4	5-9	10-14	15-19	20-29	30-39	40-49	50-59	60-69	> 100
Share in Dairy Heard Total (%)	10.7	8.8	10.6	8.6	7.0	13.0	9.4	6.4	4.2	10.7	11.8

SOURCE: NATIONAL STATISTICS INSTITUTE INE

Due to the still excessive weight of the small-farm component in total, the dairy sector will continue to concentrate in the medium-term future. This trend will be driven by namely the already above mentioned policy of cooperatives closing small collection centers, the effects of the new Agenda 2000 rules that require relinquishing unused individual quotas, new farmer retirement programs (see Policy), and market competition.

## Production Technology

Production technology has improved during the 90's, including improved genetics, better dairy management practices, and the application of EU milk quality and sanity standards. As a consequence, the sector's average yields are now closer to the EU's. The table with key statistical dairy indicators shown below reveals that Portuguese average cow yields were already at 90.9% in 1997. That indicator is expected to move up to 96% within a 2 - 3 year period. However, the excessive number of small farms is demonstrated in the low average output/farm indicator at 27.4% of the EU.

## Producer Prices

Prices have remained basically unchanged since 1994, at roughly 10% above 1990 levels. This price stability resulted from the effects of the quota system and the unchanged intervention prices since 1995. During the last quarter of 1999, producer prices were affected by the signing of a large contract between Spanish milk suppliers and leading local hyper-market chains which generated a momentary market surplus. Other than occasional

price fluctuations resulting from circumstances related to the Single Market dynamics, milk producer prices revised each semester to reflect seasonal production and demand variations. The increase in EU dairy quotas under Agenda 2000, the EU milk surplus, EU-enlargement, and the possible reduction of import barriers are potential threats for medium-term price levels. Average producer prices in 1996, 1997 and 1998 are given below.

**Portugal: Key Statistical Dairy Indicators, Compared to the EU's**

		1993	1997	1997/93 Variation
Dairy Cow Numbers	Portugal	375	355	- 5.3%
	EU	22,953	21,4998	- 6.3%
Production	Portugal	1,622	1,815	11.9%
	EU	119,623	120,583	0.8%
Cow Yield	Portugal	4,143	5,014	21.0%
	EU	5,153	5,517	7.1%
	Portugal/ EU	80.4%	90.9%	-
Number of Dairy Farms	Portugal	84,012	44,430	- 47.1%
	EU	954,546	828,376	-13.2%
Output/ Farm	Portugal	17.2	37.4	117.4%
	EU	108	136.7	26.6%
	Portugal/ EU	15.9%	27.4%	-

SOURCE: INE/EUROSTAT/DG VI

**Average Producer Prices**

	1996	1997	1998
	<b>Unit: Pte/hl</b>		
Raw cow milk (3.7% Fat)	5,674	5,699	5,727
Raw cow milk	5,816	5,839	5,849
Raw sheep milk	19,236	18,887	18,887
Raw goat milk	5,800	5,989	5,989

SOURCE: NATIONAL STATISTICS INSTITUTE INE. 1 USD = 192 Pte

**Production Policy**

Common EU dairy policy applies in Portugal. The setting of a national quota at Accession was 20% above output at that time, which gave the sector incentive for growth. After an almost continuous expansion over the 14 years that have followed the 1986 EC-Accession, the quota will only be surpassed in 2000. The national quota is currently at 1,835,461 Mt, but scheduled to be raise 1.5% in 2005.

Postponing of the EU-set 15% milk price reduction under Agenda 2000 was viewed with relief by the sector. However, concerns regarding the future remain great. The quota increase in other EU countries, including Spain, is cause for alarm, especially since in the past Spain somewhat protected the Portuguese market by buying part of the EU surpluses. The EU-enlargement to the East, reductions in EU preference, the WTO, and even possibly the elimination of the EU quota system before 2005 are some of the other key sector's concerns.

The combined impact of EU policy instruments in Portugal's dairy structure reform are evident (see Production Structure). However, structural reform is also an object of specific GOP measures under the management of the national quota system. Recently, an activity abandon program was launched, under which small dairy farmers (those producing less than 20,000 Kg of milk a year) are offered the option to return individual production quotas for a 60 Pte/Kg subsidy. This program, which targets the recovery of 50,000 Mt back to the national reserve, will be in effect through March 31, 2000. These measures are connected and integrated with other parallel measures like suckling cow subsidies and early farmer retirement.

## Consumption

Milk consumption has been rising, but remains among the lowest in Europe, especially regarding higher value products. Rising incomes, an increasingly diversified and competitively-priced dairy product supply, and the retailing revolution of the 90's have been decisive factors leading to this increase. Total milk consumption is expected to increase, accompanied by changes in product mix, with use of treated milk share increasingly displaced by processed products, where some of the products with lower per capita consumption levels compared to the EU's can be found. The entire dairy market in Portugal is estimated by the Dairy Industry Association ANIL to account for 20% of total food expenditures.

Below is Portugal's Dairy product consumption compared to the EU's:

**Portugal: Apparent human consumption of Dairy Products during 1997**

	EU	Portugal	Portugal/EU
	Kg/Hab		
Treated Milk	86.3	88	102 %
Fresh Products *	17.7	9.2	52 %
Butter	4.7	1.6	34 %
Cheese	16.7	7	42 %
Source: FIL, EDA, Eurostat */ Yoghourt, dairy desserts and others			

## Dairy Mix

The dairy mix continues to be dominated by fresh products, particularly fresh milk. This is related to old consumption habits, milk's perception as a healthy product, promotion campaigns, and attractive prices.

Structural changes in the industry, the growing influence of multinationals, and changes in national retailing have led to the dairy product mix being more similar to the EU's, with a higher weight of processed dairy products. Future trends include an expected gradual displacement of fresh treated milk by value-added milk products, yoghurt and frozen desserts, and increased segmentation and product innovation. The national dairy mix in 1997 and 1998 is provided in Table below.

**PORTUGAL: DAIRY MIX**

<b>Product Type</b>	<b>1997</b>	<b>1998</b>	<b>1999 (Jan-Sept)</b>
<b>Units: Metric Tons</b>			
<b>Collected Milk</b>			
	1,661,000	1,679,000	1,390,929
<b>Dairy Products</b>			
Treated Milk	801,731	841,431	675,080
Cream	11,392	11,881	n.a.
Powder Milk	10,645	17,977	17,018
Yoghurt	101,348	108,977	n.a.
Butter	21,154	18,910	19,224
Cheese	50,438	48,233	39,842

SOURCE: NATIONAL STATISTICS INSTITUTE INE

### Fresh Milk

Fresh milk accounts for some 75% of the total. Long-life UHT milk continues to dominate the national milk supply with 93% of the total, profiting from attractive convenience and easy preservation and use characteristics. The significant trends include a gradual transfer from whole to partly-skimmed and skimmed milk and a gradual increase in production of high quality milk. Specialty milk types are increasing, profiting from a rising demand, especially from the younger generations. Lighter milk, namely partly-skimmed and skimmed milk, higher-quality milk and specialty milk (enriched) are expected to continue to expand, while demand for lower-grade milk is expected to decline. Private labels have been gaining an increasing importance in the milk market due to their attractive price/quality ratios. In this area, "First Price" labels, which were earlier introduced by the hard-discount chains but soon extended to all major hyper-market and super-market chains and more recently the Distributor Labels reportedly account for 35.2% of total fresh milk sales in volume and for 32.4% in hyper-markets and super-markets. In 1998, private labels accounted for 21.8% of total milk sold in quantity and 17.5% of milk sold in value.

Total 1998 milk sales at retail dropped 1% in volume and rose 2% in value. Sales are dominated by few players. Lactogal, Parmalat and Vigor accounted for 69% of the total sales in volume, while Danone, Longa Vida and Gelgurte accounted for 74% of sales value.



The structure of milk and cream sales at retail during 1998 is given below.

**PORTUGAL: MILK AND SALES STRUCTURE AT RETAIL**

Milk Type	Sales in CY-1998		% Increase Over 1997	Leading Brands	Market Share
Milk					
UHT	1,000 Liter	476,840	-1 %	Mimosa, Agros, Gresso	49 %
	1,000 Pte	54,525	2 %	Mimosa, Agros, gresso	53 %
Pasteurized Milk	1,000 Liter	35,360	-9 %	Vigor, Mimosa, Prado Verde	69 %
	1,000 Pte	4,583	2 %	Vigor, Mimosa, Prado Verde	72 %
Flavored milk	1,000 Liter	20,843	2 %	Agros, Mimosa, Nesquik	51 %
	1,000 Pte	5,348	6 %	Agros, Nesquik, Mimosa	55 %
Condensed Milk	1,000 Liter	1,934	- 1%	Nestlé, Nuestra, B&B	52 %
	1,000 Pte	1,078	*	Nestlé, B&B, Nuestra	55 %
TOTAL MILK	1,000 Liter	512,240	- 1%	Lactogal, Prado Verde, Vigor	69 %
	1,000 Pte	59,113	2 %	Danone, Longa Vida, Gelgurte	74 %
Cream					
Cream	1,000 Liter	24,768	*	Mimosa, Gresso, Longa Vida	59 %
	1,000 Pte	2,502	2 %	Mimosa, Longa Vida, Gresso	66 %

SOURCE: NIELSEN. 1 USD = 192 Pte

### Processed Dairy Products

The most striking recent changes in processed dairy products relate to the expansion of yoghurt and frozen desserts, largely due to the innovative efforts of multinationals. Sales of yoghurt and frozen desserts during 1998 are provided in Table below. Similar tables for Cheese, Butter and N.F.D.M. can be found in respective sections.

Yoghurt consumption has risen contiguously over this decade favored by continuous product innovation and diversification, presently accounting for some 21% of total dairy product sales. Yoghurt are part of the daily diet of the Portuguese population, especially the younger segments. Liquid yoghurt have expanded very quickly in Portugal, ranking second in the dairy products mix. Skim yoghurt consumption has a rather seasonal pattern concentrated during the Summer period, while tending to become more regular year-round. Yoghurt sold in glass container, in two-division containers, or specialty products are niche markets. Private labels accounted for 21.1% of total yoghurt sales in volume and 14.1% in value in 1988.

**Portugal: Frozen Desserts and Yoghurt Sales at retail**

Type	Sales in CY-1998		% Increase	Leading Labels	Market Share
Frozen Desserts					
	1,000 Liter	77,863	+ 14 %	Danone, Longa Vida, Yoplait	68%
	1,000 Pte	8,199	+ 14 %	Danone, Longa Vida, Yoplait	78%
Yoghourt					
	1,000 Liter	614,088	+ 7 %	Danone, Longa Vida, Gelgurte	57 %
	1,000 Pte	34,258	+ 9 %	Danone, Longa Vida, Gelgurte	68 %
Ice-cream					
	1,000 Liter	8,550	+ 4 %	Olá, Haagen Dazs, Camy	62 %
	1,000 Pte	6,627	+ 2 %	Olá, Haagen Dazs, Camy	75 %

**Other Dairy Products: Frozen Desserts, Yoghourt & Ice-cream**

Product Type	% Sales	Sales Increase over 1997
<b>Frozen Desserts</b>		
Gelified Milk	46 %	4 %
Mousse	4 %	9 %
Flavored Cheese for spreading	50 %	25 %
<b>Yoghourt</b>		
Natural	7 %	9 %
With Aromas	38 %	-
With Fruit	16 %	2 %
Liquid	23 %	19 %
Skimmed	8 %	9 %
With cereals and Fruit	8 %	17 %
Shaken	*	32 %
<b>Ice-cream</b>		
Desserts	74 %	6 %
Multipack	26 %	- 3 %

SOURCE: NIELSEN

## Prices

**Dairy Product Average Prices in CY-1998**

Product	Price per Unit	Private Label	Total Market
Milk	Pte/Liter	93	115
Flavored Milk	Pte/Liter	187	257
Condensed Milk	Pte/Kg	486	556
Yoghourt	Pte/Unit	38	57
Cream	Pte/ 1/5 Liter Packages	73	101
Frozen dairy desserts	Pte/ 125 Gr. units	53	88

SOURCE: NIELSEN. 1 USD = 192 Pte

## Industry Structure

The dairy industry has been undergoing a process of considerable concentration under the effects greater competition and the influence of locally operating multinationals. The segment is led by LACTOGAL, formed through the merger of the three leading dairy producer cooperatives unions. LACTOGAL collects 70% of total national milk production, and accounts for 30.4% of the sector's business value and 51.8% of milk sales. Lactogal produces dairy products and sells milk to other factories in the sector. The rest of the dairy industry consists of a large number of small-size firms, dedicated almost exclusively to the production of cheese. In the case of the majority of these, a dependency upon a limited product mix and deteriorating industry margins are creating financial difficulties which will tend to generate mergers. A few of the small-sized units have successfully adjusted to the market through vertical integration from production to marketing and through the production of high quality products.

Leading European multinationals "Danone", "Parmalat", Nestlé" and "Yoplait" are also present with international brands, as well as certain brands developed for the local market like Nestlé's "Longa Vida". The multinationals dominate the yoghurt and dairy desserts markets. Given current globalization trends, it is expected that the number of multinationals operating in Portugal will increase.

## Trade

Portugal is a net exporter of milk, which mostly goes to Spain. The 1999 milk output increase and the cooperatives' reorientation (see Dairy Industry) have reduced total first semester 1999 imports from leading milk suppliers Spain and France. Total exports also declined due to the higher local processing use.

Packed milk accounts for 76% of both milk imports and exports, and Spain is both a key import origin and export destination. Due to the marketing efforts of the local industry, imports of packed milk is expected to decline in 1999. Bulk milk imports should increase as a consequence of a periodic milk shortage after a large contract was signed by Lactogal with major Spanish retailers. For the Jan/July, 1998 and 1999 fresh milk trade matrix, please see the table below.

**PORTUGAL: MILK JAN/JULY 1998 & 1999 TRADE MATRIX**

<b>Import Trade Matrix</b>			
Country	Portugal		
Commodity:	Dairy, Milk, Fluid		
Time period	Jan/July	Units:	Metric Tons
Imports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
France	31294	Spain	19713
Spain	23888	France	15716
Germany	696	Germany	675
Denmark	105	Italy	426
Other EU	36	Other EU	194
Total for Others	56019		36724
Others not Listed	0		0
<b>Grand Total</b>	<b>56019</b>		<b>36724</b>

<b>Export Trade Matrix</b>			
Country	Portugal		
Commodity	Dairy, Milk, Fluid		
Time period	Jan/July	Units:	Metric Tons
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Spain	90334	Spain	73382
France	1557	France	822
Other EU	582	Other EU	134
Angola	200	Angola	274
Cape Verde	150	Cape Verde	178
Total for Others	92823		74790
Others not Listed	167		110
<b>Grand Total</b>	<b>92990</b>		<b>74900</b>

SOURCE: NATIONAL STATISTICS INSTITUTE INE

**Marketing**

Dairy genetics continues to be the most attractive market for the U.S. in Portugal's dairy sector, despite strong competition from EU and Canada. During Jan-July 1999, direct dairy semen imports from the U.S. totaled 222,000 USD.

Given current consumption trends, differentiated, well-studied and marketed products should find a place in this market. In general, frozen desserts and ice-cream presently have the best opportunities given the rising consumption and comfortably high industry margins. The existence of a well-developed retailing sector is also a favorable factor for the introduction of imported food products.

## Dairy, Cheese

PSD Table						
Country	Portugal					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	0	0	0	0	0	0
Production	64	74	64	80	0	85
Intra EC Imports	16	15	18	16	0	17
Other Imports	1	0	1	0	0	0
TOTAL Imports	17	15	19	16	0	17
TOTAL SUPPLY	81	89	83	96	0	102
Intra EC Exports	2	2	2	2	0	2
Other Exports	3	2	3	1	0	1
TOTAL Exports	5	4	5	3	0	3
Human Dom. Consumption	76	85	78	93	0	99
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	76	85	78	93	0	99
TOTAL Use	81	89	83	96	0	102
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	81	89	83	96	0	102
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

### Production

National cheese production increased in 1998 due to the development of low-priced "private labels". Due to an industry effort to profit from favorable market trends, total cheese output is expected to grow moderately during 1999, with INE reporting a 16.2% increase during Jan/September 1999. Another mild expansion is anticipated for 2000. Out of the total 1998 cheese output indicated in the PSD, 18 Mt were accounted for by sheep and goat milk cheese. Due to several production problems, mild reductions in sheep and goat milk and cheese are anticipated for 1999 and 2000.

The cheese mix continues to be dominated by Edam-like "Flamengo" cheese and by a soft paste cheese designated "plate-type". This dependency on a limited product range of traditional cheese types and lack of product differentiation is a problem for most of the Portuguese cheese factories, which have been forced to follow a low-price strategy to increase sales and to produce at low margins for Private Labels. Some product innovation has been made by a more dynamic industry segment, namely in the area of cheeses for fast food. Other products on the rise include fresh cheese, cured and industrial goat cheese.

The cheese manufacturing industry is very fragmented, predominantly composed of small units concentrated in the Northern interior. The majority of the industry has only one product type, and competes in the market based solely on price. Being very labor intensive, the need to lower prices and negotiate with the large distributors has caused financial stress among the more traditional cheese manufacturers. A smaller share of the production comes from innovative traditional units, which have vertical integrated and developed new products.

Traditional sheep and goat milk cheese production has been affected by many difficulties related to extensive animal breeding as well food safety problems. Lack of product standardization and quality control have also discouraged traditional cheese production, as only the high-quality brands get the desired premium prices. Government policies to encourage production of traditional certified cheeses in demarcated areas has played an important role encouraging pursuit of high quality standardized cheese. There are currently twelve geographical areas and fourteen traditional cheeses.

## Consumption

Cheese consumption has been increasing very gradually over the past years. Given per capita consumption at 42% of the EU average, it is expected to continue growing. One of the most striking characteristics of the market is the popularity of Edam-like "Flamengo" cheese.

**CY-1998 Cheese Sales at Retail**

Cheese Sales		Increase over 1997 Levels	Leading Brands	Share of Sales
Volume	31,437	*	Limiano, Gresso, Pastor	18 %
Value (1,000 Pte)	43,154	1 %	Limiano, Pastor, Gresso	18 %

**Sales Share of Different Cheese Types (Volume basis)**

Product Type	% Sales	Sales Increase over 1997
"Flamengo" Edam-type cheese	47 %	*
Cured, Semi-cured & Soft cheeses	34 %	7 %
Processed Cheese	5 %	- 2 %
Fresh and cured cheese	9 %	-23 %
Other cheese types	5 %	8 %

## Prices

**Cheese Prices at Retail**

Product	Price per Unit	Private Label	Total Market
Cheese	Pte/Kg	1,058	1,321

SOURCE: NIELSEN. 1 USD = 192 Pte

## Trade

Total cheese imports will tend to be up moderately during CY-1999, profiting from a high product differentiation, the visibility of well-recognized international brands, and greater marketing efforts. Cheese imports will tend to go up very slightly over the medium-term future, profiting from the rising demand for cheese and from the expansion of high value products.

### PORTUGAL: JAN/JULY TRADE MATRIX OF CHEESE

Import Trade Matrix			
Country	Portugal		
Commodity	Dairy, Cheese		
Time period	Jan/July	Units:	Metric Tons
Imports for:	1998		1999
Spain	3870	Spain	3815
Germany	1835	Germany	2287
France	1533	France	1693
Netherlands	667	Denmark	552
Denmark	494	Netherlands	404
Belgium-Lux	466	Belgium	396
Other EU	234	Other EU	140
New Zealand	202		
Total for Others	9301	Total for Others	9287
Others not Listed	53	Others not Listed	86
<b>Grand Total</b>	<b>9354</b>	<b>Grand Total</b>	<b>9373</b>

Export Trade Matrix			
Country	Portugal		
Commodity	Dairy, Cheese		
Time period	Jan/July	Units:	Metric Tons
Exports for:	1998		1999
U.S.	290	U.S.	233
Spain	770	Spain	717
Netherlands	110	France	141
U.K.	62	Other EU	58
Italy	59	Angola	90
Other EU	113	Canada	65
Ceuta	182	Ships	45
Lebanon	107		
Angola	67		
Romania	50		
Kuwait	46		
Total for Others	1566	Total for Others	1116
Others not Listed	230	Others not Listed	48
<b>Grand Total</b>	<b>2086</b>	<b>Grand Total</b>	<b>1397</b>

## Dairy, Butter

### Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	0	0	0	0	0	4
Production	22	21	22	26	0	27
Intra EC Imports	3	2	3	2	0	1
Other Imports	0	0	0	0	0	0
TOTAL Imports	3	2	3	2	0	1
TOTAL SUPPLY	25	23	25	28	0	32
Intra EC Exports	8	5	8	4	0	4
Other Exports	1	0	1	0	0	0
TOTAL Exports	9	5	9	4	0	4
Domestic Consumption	16	18	16	20	0	22
TOTAL Use	25	23	25	24	0	26
Ending Stocks	0	0	0	4	0	6
TOTAL DISTRIBUTION	25	23	25	28	0	32
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

### Production

Butter production went up during CY-1998 as a consequence of the higher milk outputs and the need to dry milk. A significant expansion is expected to take place during CY-1999, with INE reporting a 52.3% increase during Jan/September 1999. Given current milk output trends, total butter production is likely to be up in 2000.

### Consumption

Butter consumption has been declining, displaced by margarine and spreading pastes. However, butter consumption has potential to grow, as per capita consumption is only 34% of the EU average. Further, EU supports to butter consumption in pastry apply in Portugal. The market is dominated by brands manufactured by the local dairy giant Lactogal.



**Butter Sales at Retail**

Cheese Sales		% Change	Leading Brands	Share
Volume	6,975	- 1 %	Mimosa, Primor, Loreto	52 %
Value (1,000 Pte)	7,323	1 %	Mimosa, Primor, Anchor	54 %

SOURCE: NIELSEN. 1 USD = 192 Pte

**Prices****Butter Prices at Retail**

Product	Price per Unit	Private Label	Total Market
Butter	Pte/Kg	862	1,050

SOURCE: NIELSEN. 1 USD = 192 Pte

**Trade****PORTUGAL: Jan/July 1998 & 1999 Trade Matrix for Butter**

Import Trade Matrix			
Country	Portugal		
Commodity	Dairy, Butter		
Time period	Jan/July	Units:	Metric Tons
Imports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
U.K.	677	U.K.	659
Spain	286	France	383
Germany	238	Spain	72
France	173	Other EU	6
Other EU	64		
Australia	42		
New Zealand	17		
Total for Others	1497		1120
Others not Listed	14		0
<b>Grand Total</b>	<b>1511</b>		<b>1120</b>

<b>Export Trade Matrix</b>			
Country	Portugal		
Commodity	Dairy, Butter		
Time period	Jan/July	Units:	
Exports for:	1998		1999
U.S.	1	U.S.	5
Others		Others	
France	2272	France	2021
Spain	853	Germany	645
Netherlands	110	Spain	420
Belgium-Lux	89	Belgium-Lux	136
Germany	66	Morocco	66
U.K.	62	Angola	56
Italy	22	Ships	19
Angola	28		
Ships	4		
Total for Others	3506		3363
Others not Listed	4		5
<b>Grand Total</b>	<b>3511</b>		<b>3373</b>

## Dairy, N.F.D.M.

### Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	0	0	0	0	0	0
Production	14	13	14	14	0	15
Intra EC Imports	1	4	1	4	0	4
Other Imports	0	1	0	0	0	0
TOTAL Imports	1	5	1	4	0	4
TOTAL SUPPLY	15	18	15	18	0	19
Intra EC Exports	2	2	2	4	0	5
Other Exports	0	0	0	0	0	1
TOTAL Exports	2	2	2	4	0	6
Human Dom. Consumption	11	15	11	13	0	12
Other Use, Losses	2	1	2	1	0	1
Total Dom. Consumption	13	16	13	14	0	13
TOTAL Use	15	18	15	18	0	19
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	15	18	15	18	0	19
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

### Production

NFDM production was up during 1998 as a consequence of the higher outputs of milk. Another increase is expected for CY-1999, with INE reporting a 70.8% increase during Jan/September 1999. Total NFDM production will likely increase slightly in 2000 in association with the milk production trends.

### Consumption

Total NFDM consumption went up during CY-1998 as a consequence of the higher demand from the dairy manufacturing sector, namely for the production of yoghurt. Moderate expansions in consumption are anticipated for the future given the current upward trend in yoghurt production.

Powder milk sales at retail are estimated by NIELSEN at 327 Mt and 579,000,000 Pte during CY-1998, down by 12% in volume and by 9% in value relative to the previous year. Total powder milk sales at retail are expected to continue to drop in CY-1999 and CY-2000, as they tend to be displaced by increasingly price-competitive fresh milk. As with other food products in general, modern retailing is fundamental for powder milk sale. NIELSEN reports that out of total 1998 powder milk sales, 53% were channeled through super-market chains, 28% by hyper-market ones, 8% through traditional retailing in the northern portion of the country, and 11% through the southern ones. Three labels account for 93% of the sales in volume and for 95% of the sales in value.

#### Powder Milk Sales at Retail

Powder Milk Sales		Increase over 1997 Levels	Leading Brands	Share of Sales
Volume ( Mt)	327	- 12 %	Molico, Nido, Regilait	93 %
Value (1,000 Pte)	579	- 9 %	Molico, Nido, Regilait	95 %

SOURCE: NIELSEN. 1 USD = 192 Pte

## Trade

### PORTUGAL: JAN/JULY TRADE MATRIX FOR N.F.D.M.

Import Trade Matrix			
Country	Portugal		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan/July	Units:	Metric Tons
Imports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Spain	1060	Spain	997
France	632	France	678
Netherlands	323	Germany	194
Germany	265	Ireland	157
Ireland	124	U.K.	123
Tchech Republic	240	Netherlands	86
Estonia	22	Belgium	50
Total for Others	2666		2285
Others not Listed	0		0
<b>Grand Total</b>	<b>2666</b>		<b>2285</b>

<b>Export Trade Matrix</b>			
Country	Portugal		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan/July	Units:	Metric Tons
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Spain	1049	Spain	1305
Angola	48	Netherlands	345
Cape Verde	2	U.K.	270
Mozambique	2	France	140
		Angola	85
		Turkey	57
		Haiti	50
		Jamaica	25
		Cape Verde	8
Total for Others	1101		2285
Others not Listed	0		0
<b>Grand Total</b>	<b>1101</b>		<b>2285</b>