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Increasing Sale Opportunities for Free From Functional Foods in Portugal

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Product Brief

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Report Highlights:

In 2018, free from food retail sales in Portugal reached \$132 million, 11 percent higher than the previous year. Over half of Portuguese consumers are willing to spend more money on products that do not contain any “unwanted” ingredients, including dairy, sugar, or gluten. With increasing presence in supermarket chains, functional and free from foods business will continue to expand as more health-conscious Portuguese consumers seek this product category. Specifically, industry observers opine that in the medium term, lactose and gluten free products will see the strongest increase in sales in Portugal.

General Overview

Six out of ten Portuguese consumers care about their health and well-being, a concern that is reflected in food choices. In addition, 68 percent of consumers are willing to spend more money on products that do not contain any “unwanted” ingredients, including dairy, sugar or gluten. In the last three years, the sales of free from products have increased and are more present than ever in the supermarket chains, who will likely expand the range of free from products in their shelves.

Traditionally, the free from categories were gluten-free, lactose-free and dairy-free. Nowadays, the free-from movement is in constant evolution and comprises new areas including vegan, allergen free, vegetarian, organic, natural, etc.

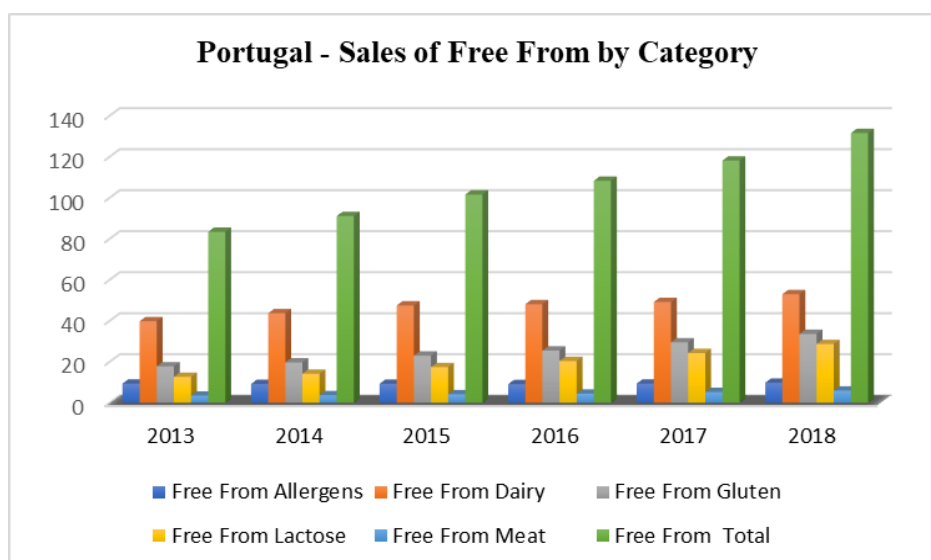
The free from movement originated as a response to consumers with food intolerances, allergies and related conditions. The higher incidence of these intolerances pushed consumers to remove certain allergens from their diets, such as gluten or lactose. Free from products started off as a niche market, purely consumed by those with medical conditions. It has now become a way of life for many consumers who prefer vegan, organic and natural products as well and thus, this category finds itself at the center of a wider consumer movement. This movement includes consumers concerned about health, ethic issues, such as fair trade and animal cruelty, and sustainability and environmental issues.

Free From Foods in the European and the Portuguese market

In Europe, the U.K., Germany, and the Nordic countries are leading the way in purchases of free from products. By comparison, the Portuguese market for this product category is slowly developing and hence provides opportunities for U.S. exporters of free from products to position themselves as this new consumer preference takes hold.

According to Euromonitor, the free from retail sales in Portugal reached \$132 million in 2018, an 11 percent increase compared to the previous year. Within the free from category, in 2018, lactose and gluten free products saw the fastest retail growth at 18 and 14 percent respectively. Finally, forecast sales are expected to reach \$197 million in 2023.

Chart 1. Portugal - Sales of Free From by Category: Value 2013-2018



Source: Euromonitor International; Unit: USD million

Companies are targeting non-intolerant consumers that look for healthy and nutritious alternatives. Processors aim at expanding the general healthy perception to increase demand from non-intolerant consumers, by widening for example the offer of gluten free products.

Table 2. Portugal - Distribution of Free From by Format: % Value 2013-2018

	2013	2014	2015	2016	2017	2018
Store-Based Retailing	97.0	96.7	96.4	96.1	95.8	95.8
- Grocery Retailers	91.0	90.5	89.9	89.6	89.1	88.4
-- Modern Grocery Retailers	59.3	60.3	61.1	61.7	91.9	61.9
--- Convenience Stores	-	-	-	0.1	0.2	0.2
--- Discounters	2.6	2.8	3.0	3.0	3.1	3.1
--- Hypermarkets	15.6	16.1	17.3	17.4	17.5	17.6
--- Supermarkets	41.1	41.4	40.8	41.1	41.2	41.0
-- Traditional Grocery Retailers	31.8	30.2	28.8	28.0	27.2	26.5
--- Independent Small Grocers	31.5	30.0	28.4	27.6	26.8	26.0
-- Other Grocery Retailers	0.3	0.2	0.3	0.4	0.4	0.5
- Non-Grocery Specialists	4.5	4.7	5.0	5.0	5.2	5.4
Non-Store Retailing	3.0	3.3	3.6	3.9	4.2	4.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International

In the near term, lactose free and gluten free products will see the strongest increase in sales in Portugal. Retailers continue to invest in private label products in these two categories, despite the decrease in value in 2018. Due to the growing competition and the tradition in the Portuguese market, retailers are expected to offer price promotions to encourage sales.

Market Constraints and Opportunities:

Constrains:

- Prices of free from products are higher compared to their conventional counterparts in general; this is more so for U.S. products compared to other EU countries origin.
- Strong promotional efforts and activities from European and other world competitors.

Opportunities:

- Strong trend, with significant growth numbers that are expected to continue in the medium term.
- The fact that the Portuguese market for free from foods is still developing creates opportunities for newcomers.
- Consumers are increasingly willing to pay a higher price for free from and healthy foods.
- The good image of U.S. products is a strong advantage in the Portuguese market as well as the United States reputation as a reliable supplier of agrifood products.
- Shorter cooking times, on-the-go foods, quick-cook recipes, contemporary fast food – the combination of convenience and healthy are areas that offer new opportunities.
- Retailer premium lines – as free from products are widely available, new opportunities arises from premium lines. As with conventional products, some consumers look for higher quality and innovative products.

Trends

- Free From – according to Euromonitor, manufacturers will continue to launch free from packaged foods. As consumer purchasing power increases, free from packaged foods is expected to enjoy growing demand.
- Clean eating /Clean Label – this trend represents consumers looking to avoid refined and processed foods and artificial ingredients, such as preservatives and additives. That is, more natural recipes with fewer ingredients. It does not necessarily refer to free from products, but these two trends are often interrelated.
- Innovation and exotic ingredients - innovation is expected to continue to increase their presence in the market with various references. More sophisticated consumers demand new products and flavors
- Fitness, wellbeing, health – shoppers concerned with health and wellness are driving these

trends. Increased availability of health information, scientific advances and increasing life expectancy are some of the factors pushing consumers to consider healthier options.

Possible Venues to Showcase Free From Functional Foods

[Free From Functional Food Expo](#) (FFFF) Trade Show

The [Free From Functional Food Expo](#) (FFFF) is Europe's largest event focusing specifically on free-from food products. The next edition will take place on June 23-24, 2020 in Amsterdam, The Netherlands. The FFFF expo is the only specialized trade show in Europe that specifically targets this segment of the food industry. This sector is trendy and offers new opportunities in very mature markets, such as Western Europe, though there was also international presence with country pavilions, such as South Korea and Canada. Many of the exhibitors were from Europe (Sweden, Germany, the UK, Spain, Italy, Portugal, etc.). The last edition of the show attracted 225 exhibitors, mainly from Europe.

Most exhibitors tend to be small and medium sized companies. These companies offered food products and food ingredients with a free-from, vegan and organic claim. One can find products such as gluten-free biscuits and pasta, lactose free ice cream, yoghurt and cheese, and a wide range of vegan, vegetarian, healthy and organic food products.

Exhibitors present innovative products covering mainly gluten free and lactose free, organic, vegetarian and vegan food ingredients and finished food products. The trend for allergen free products continues to grow with more consumers than ever before in developed countries demanding food stuffs which are free of gluten, lactose, etc.

This show has tremendous potential as these products are experiencing significant growth in mature markets in the developed world. This is an interesting activity for companies that have products with free-from claims and are interested in expanding within Europe.

[Alimentaria & Horexpo Lisboa 2021](#) Trade Show

Alimentaria is the leading trade show for "International Food, Hospitality and Technology for the Food and Drinks Industry in Portugal. This show takes place biannually in Lisbon, Portugal. The show's next edition will take place in March 2021.

Responding to the rising demand for organic and functional foods and drinks, the Multiproduct Pavilion features large food consumption products, including the organic, ready meals, functional and dietary categories.

The 2019 edition of Alimentaria Lisbon did not include U.S. exhibitors. However, the show does include international exhibitors from other countries (such as China, Brazil, and Argentina). While the show is smaller in scale, if exporters are looking to target the Portuguese market specifically it could be a good venue to showcase. Currently the show features functional and dietary foods under the Multiproduct pavilion.