

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary \_ Public

**Date:** 2/20/2013

**GAIN Report Number:** PT1301

## Portugal

**Post:** Madrid

### Portugal Wine Standing Report

**Report Categories:**

Wine

**Approved By:**

Robert Hanson, Agricultural Councilor

**Prepared By:**

Diogo Machado Mendes, Agricultural Specialist

**Report Highlights:**

A hot and dry 2012 resulted in lower grape calibers. In spite of that production is expected 9 percent above the previous year because of the high number of bunches per vine, a result of a flowering period without major problems. Lisbon, Tejo, and Península de Setúbal are the regions with a higher expected wine production increase while Minho and Alentejo are those with a decline in production.

**General Information:**

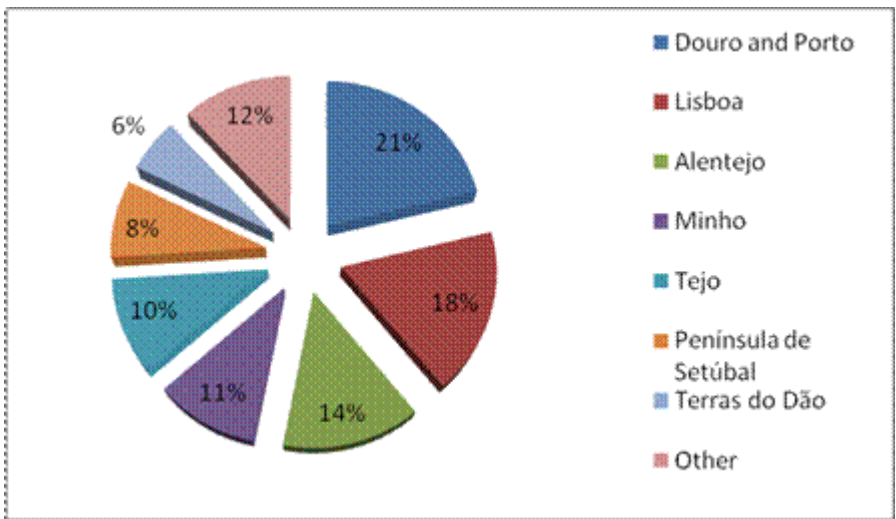
From north to south and including islands, Portugal is divided into 14 main wine regions, all producing wines of high quality. One of them – the Douro – is the world’s oldest delimited wine region, its exact geographical boundaries defined by Royal Charter in 1756. After completing a 3 year EU voluntary program known as the “grubbing-up scheme” - aimed at reducing the EU annual wine surplus – Portugal reported 176,988 planted hectares of wine grapes in 2011.

***Production***

The unusually hot and dry 2012 resulted in lower grape calibers. In spite of that official services note that production is expected 9 percent above the previous year because of the high number of bunches per vine, a result of a flowering period without major problems. Lisbon, Tejo, and Península de Setúbal are the regions with a higher expected wine production increase while Minho and Alentejo are those experiencing a decline in production.

In general, grapes delivered for wine making showed no signs of sanitary problems although some irregularity in the ripening stage and alcohol content were reported. The Portuguese Ministry of Agriculture expects a good quality year nevertheless.

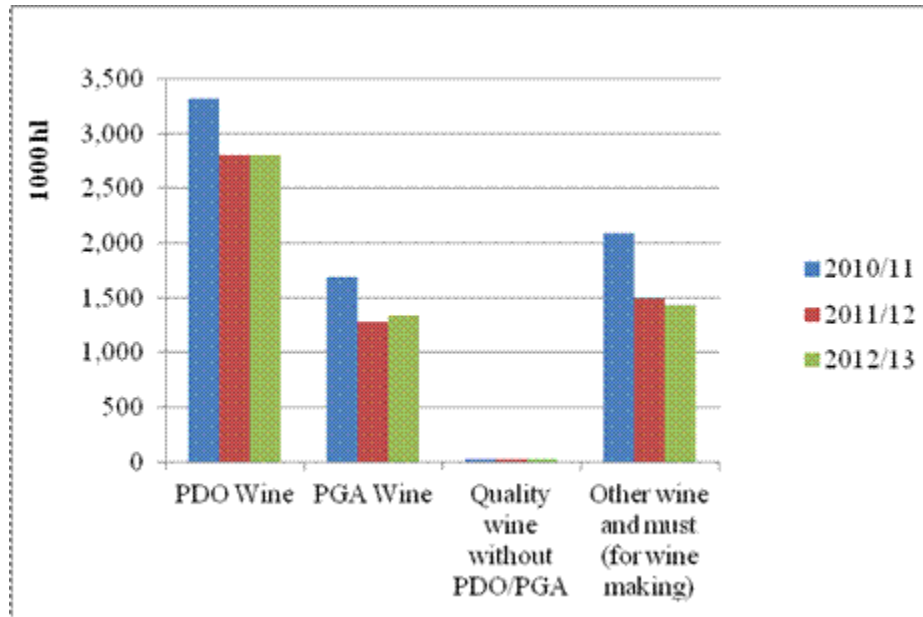
**Chart 1. Regional share of Portugal’s wine production (MY 2012/13)**



Source: Instituto da Vinha e do Vinho (MAMAOT/IVV)

The majority of wines produced in Portugal are either Wine with Protected Denomination of Origin or Wine with Protected Geographic Indication (Chart. 2). Production of Red and Rosé wine stood at 71 percent in 2010 while that of White wine accounted for the remainder 29 percent.

**Chart.2 Production of Wine and Must in Portugal**



Source: DG AGRI

### ***Consumption***

Portugal's annual per capita consumption stands at 44 liters, the third highest in the EU after Luxembourg and France. Total consumption is estimated to decrease to levels close to human consumption in CY2013 as payments to potable alcohol-distillation come to a term and producers redirect production to increase exports of wine.

### ***Trade***

Wine imports are projected slightly lower in CY2013. In value terms the major import origins are Spain, France, Italy, and Germany. Total wine import value is estimated at 113 million U.S. dollars in CY2012.

Exports are projected to grow to 3.2 Mhl in CY2013 of which 1.5 Mhl to countries outside the EU. In value terms the most important destinations are France, Angola, United Kingdom, and United States. Total wine export value is estimated at 909 million U.S. dollars in CY2012.

**Table 1. Portugal Wine Production, Supply and Demand**

Wine, Portugal	CY 2011	CY 2012	CY 2013
	Year Begin: Jan 2011	Year Begin: Jan 2012	Year Begin: Jan 2013
	Post Estimate	Post Estimate	Post Projection
Beginning Stocks	8,825	9,663	8,782
Production	7,132	5,609	6,140
Intra EU-27 Imports	1,610	1,453	1,397
Extra EU-27 Imports	3	3	3
Total Imports	1,612	1,456	1,400
Total Supply	17,569	16,728	16,322
Intra EU-27 Exports	1,679	1,780	2,000
Extra EU-27 Exports	1,397	1,450	1,600
Total Exports	3,076	3,230	3,600
Human Dom. Consumption	4,703	4,701	4,707
Other Use, Losses	128	15	15
Total Dom. Consumption	4,831	4,716	4,722
Total Use	7,906	7,946	8,322
Ending Stocks	9,663	8,782	8,000
Total Distribution	17,569	16,728	16,322
1000 HL			

Source: FAS-Madrid

## Policy

Portugal chose to include in its **national support program** for the period 2008/09 to 2012/13 the following aid measures:

- *Promoting wines on third-country markets.* Support covers information or promotion measures concerning Community wines in third countries, thereby improving their competitiveness in those countries. Eligible wines are those with a protected designation of origin or geographical indication or wines with an indication of the wine grape variety;
- *Restructuring and conversion of vineyards.* The objective of this measure is to increase the competitiveness of wine producers and covers the activities (a) varietal conversion, including by means of grafting-on, (b) relocation of vineyards, and (c) improvements to vineyard. It may take the form of compensation to producers for the loss of revenue due to the implementation of the measure (up to 100%) or of a contribution to the costs of restructuring and conversion.
- *Distillation of by-products of wine making.* The amount of aid is fixed by % volume and per hl

of alcohol produced. The alcohol resulting from the supported distillation shall be used exclusively for industrial or energy purposes so as to avoid distortion of competition;

- *Potable alcohol-distillation (ending MY2011/12).* This is a per hectare aid that was granted until 31 July 2012 in the EU. The relevant contracts concerning the distillation of wine as well as the proofs of delivery for distillation must be submitted before support is granted;
- *Use of concentrated grape must to increase product's natural alcoholic strength (ending MY2011/12).* Support was granted until 31 July 2012 to wine producers who used concentrated grape must including rectified concentrated grape must to increase the natural alcoholic strength of products. The amount of the aid is fixed per % volume potential alcoholic strength and per hl of the must used for enrichment.

Table 2 shows the financial allocation for the different measures of Portugal's national support program, as published by the EU Commission.

**Table 2. Financial table of the national support program**

Wine CMO : Submission of financial table of the national support program						
Council Regulation EC 479/2008 Article 6(e)						
Commission Regulation EC 555/2008 Annex IV						
Situation at 2 July 2012 (1000 Euros)						
Portugal						
Measure	2009	2010	2011	2012	2013	Total
1. Single Payment Scheme support in accordance with Article 9	-	-	-	-	-	-
2. Promotion in accordance with Article 10	2,987	5,595	14,407	14,565	10,800	48,354
3a. Restructuring and conversion of vineyard in accordance with Article 11	26,794	38,232	29,945	42,723	41,576	179,270
3b. Ongoing plans in accordance with Regulation EC n 1493/1999	2,970	-	-	-	-	2,970
4. Green harvesting in accordance with Article 12	-	-	-	-	-	-
5. Mutual funds in accordance with Article 13	-	-	-	-	-	-
6. Harvest insurance in accordance with Article 14	-	-	-	-	9,229	-
7. Investments in enterprises in accordance with Article 15	-	-	-	-	-	-
8. By-product distillation in accordance with Article 16	2,000	3,200	2,580	2,666	3,555	14,001
9. Potable alcohol distillation in accordance with Article 17	1,149	3,400	4,288	3,798	-	12,635
10. Crisis distillation in accordance with Article 18	-	-	-	-	-	-
11. Use of concentrated grape must in accordance with Article 19	1,902	1,200	2,237	2,237	-	7,576
<b>TOTAL</b>	<b>37,802</b>	<b>51,627</b>	<b>53,457</b>	<b>65,989</b>	<b>65,160</b>	<b>264,806</b>

Source: EU Commission, DG AGRI

In the current discussion on the new CAP the government of Portugal has been favorable to the keeping of planting rights as an instrument for the regulation of supply and demand.