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Portugal and China Continue Strengthening Agricultural Trade Relationship

Report Categories:

Agricultural Situation

Citrus

Fresh Deciduous Fruit

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Report Highlights:

On May 28, 2019, the Portuguese Government signed an agreement with China to strengthen bilateral cooperation, and to harmonize and streamline procedures for agricultural exports. The Portuguese Ministry of Agriculture, Forestry and Rural Development is now working on market access for pear, table grapes, citrus, and a variety of meats. According to the Ministry, negotiations are already well advanced, and a Chinese mission is scheduled to visit Portugal in August 2019. Increasing Portuguese exports of food products to non-EU countries remains a priority for the current Portuguese Administration. This latest arrangement comes after China granted access for Portuguese table grapes and frozen pork in 2018.

Executive Summary

Since 2018, Portugal has been strengthening its agricultural trade relationship with China. In December 2018, the two parties welcomed the signing of several bilateral agreements including a protocol for export of Portuguese table grapes to China ([see GAIN SP1907](#)).

In addition to table grapes, Rocha pear, and citrus, Portugal is also negotiating market access for apples, rice, kiwis, peaches, nectarines, plums, honey, other pork products, poultry meat, sheep meat, beef, hatching eggs, day-old chicks, and horses.

General Information

According to the Portuguese government [announcement](#) (Portuguese only) on May 28, 2019, bilateral agricultural negotiations between Portugal and China are moving forward, as the Portuguese Ministry of Agriculture, Forestry, and Rural Development is working to strengthen its food trade relationship and cooperation with China.

Capoulas Santos, Portuguese Minister of Agriculture also stated "China is an interesting market for Portugal, not only because of its millions of consumers, but also because of the market's own appetite." He added that China "looks for products that are differentiated by quality and high standards of food safety, which is clearly the case with Portuguese food production."

The Portuguese press release highlights that Portugal has a positive trade balance with China in the food sector, and there are incentives "to increase domestic production." Portugal's agricultural trade is very dependent on Spain as Portuguese agriculture is generally not self-sufficient. According to Global Trade Atlas (GTA) statistics, in 2018, Portugal's total agricultural imports were valued at \$10 billion. Eighty percent of imports come from other European Union (EU) countries with Spain holding almost 50 percent share of market at \$4.8 billion. Other major agricultural suppliers outside the EU are Brazil (\$430 million), the United States (\$340 million), Ukraine (\$222 million), and South Africa (\$133 million).

Historically, Portugal has faced a negative agricultural trade balance with the world. In 2018, Portugal's negative balance worsened eight percent to a negative \$4 billion. However, this negative balance did not reach the negative levels reached during the economic recession. Portugal exported \$6 billion worth of agricultural products to the world. Almost 70 percent of Portuguese exports went to the EU, mainly to Spain with \$2 billion exports. The remaining 30 percent went to non-EU countries, mainly to Angola (\$430 million), Brazil (\$400 million), and the United States (\$163 million).

However, since 2015, Portugal has enjoyed a positive agricultural trade balance with China. In 2018, after exporting \$73 million worth of Portuguese food products to China, Portugal’s positive trade balance was valued at \$26 million. China was Portugal’s eighth largest destination for agricultural exports outside the EU. In 2018, Portugal’s most important agricultural exports to China were beer, wine, wool, pastries, olive oil, processed fruit and vegetables, and infant preparations.

Portuguese Fruit Industry Reactions to the May 2019 Announcement and Potential Trade Impact

The Portuguese fruit and vegetable industry welcomed the signature of this agreement to harmonize and streamline export procedures as an opportunity to continue opening the Chinese market to other Portuguese products. According to Portugal’s official data, in 2018, Portuguese pear production stood at 170,000 MT (only the *Rocha* pear variety), table grapes at 17,000 MT, and citrus at 400,000 MT (essentially oranges).

With this agreement, the Portuguese industry hopes to target China’s niche markets and export high value-added products for middle to high-income Chinese consumers. It intends to build on the success that Portuguese wine has enjoyed in China as a high quality product. Over the last decade, Portugal wine exports to China rose from \$2 million to \$26 million in 2018, positioning China as the six largest non-EU export destination after the United States (\$95 million), Brazil (\$60 million), Canada (\$55 million), Angola (\$46 million), and Switzerland (\$36 million).

To better position new products in the Chinese market, Portugal is looking to export *Rocha* pear with Protected Designation of Origin (PDO) and oranges from Algarve with Geographical Indications (GI). Given the current Portuguese production, Post expects that the volume of exports for Portugal’s pear, table grapes, and citrus is unlikely to have a major impact on the Chinese market (see Table 1). However, Post expects that there will be incentives for Portuguese fruit production to increase.

Table 1. Main Export Destinations for Portuguese Pear, Table Grapes, and Citrus

Product	Country of	CY 2018	CY 2018	% Change	Trade	YTD
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	Destination	(x 1,000MT)	(Million USD)	2018/2017	Balance 2018 (Million USD)	2019 (Jan- Apr) (Million USD)
Pear	World	96	93	-11	73	36
	EU-28	54	53	-3	41	22
	Brazil	37	35	-21	35	12
	Canada	2	2	18	2	0.7
	Cape Verde	0.8	0.8	42	0.8	0.3
	Angola	0.3	0.3	-0.65	0.3	0
Grapes	World	3.6	7.8	-35	-47	1.7
	EU-28	3.1	6.6	-38	-35	1.3
	Cape Verde	0.2	0.7	20	0.7	0.2
	Angola	0.1	0.3	-44	0.3	0.1
Citrus	World	191	174	22	-4	25
	EU-28	187	170	23	110	23
	Cape Verde	2	2.5	28	2.5	0.8
	Angola	0.6	0.7	-56	0.7	0.3
	Canada	0.3	0.3	-19	0.3	0.08

Source: Global Trade Atlas (GTA)

Note: For all the above products, Spain is the largest supplier to Portugal and the main export destination.