

Portugal's Marketplace Prospering



By Maria do Monte Gomes

Some U.S. firms have taken advantage of Portugal's emergence as a full partner in Europe, with its stable location for investment and increasingly attractive market for exports. But Portugal is often overlooked by U.S. exporters in favor of its larger neighbors.

Portugal imported \$270.6 million of U.S. agricultural, fish and forest products in calendar 2002. While soybeans, forest and fish products, feeds and fodders have traditionally led U.S. agricultural exports to Portugal, ample growth opportunities beckon for value-added products.

Since joining the EU (European Union) in 1986, Portugal has witnessed a steady economic convergence with its neighbors. The country's gross domestic product, which was 53 percent of the EU average in 1985, rose to 72 percent in 2003.

Membership in the EU has deepened Portugal's trade ties with Europe. In 2001, other EU members accounted for 78 percent of Portuguese imports and 83 percent of its exports.

Consumer Product Sales Growing

Portugal's 10 million consumers imported \$2.3 billion worth of consumer-oriented food products in 2001, with EU countries accounting for 91 percent, handily maintaining their No. 1 supplier status. In 2002, U.S. value-added exports to Portugal totaled just \$5.8 million.

In addition to a close trading relationship with its European neighbors and



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ongoing investment from the EU, Portugal's marketplace has two rather unusual characteristics that U.S. exporters should keep in mind. It is a significant recipient of indirect U.S. imports, and the country has strong trade links with former colonies in Africa.

After slow growth for the past two years, Portugal's economy is expected to grow 2 percent a year in 2004-06. Despite the recent slowing, consumers have benefited from increased purchasing power, which is reflected in more sales of diverse consumer-oriented foods.

Tradition Co-exists With Modern Sales

Before entering the market, U.S. suppliers should find a local representative to provide guidance on current market conditions, business practices and trade laws, sales contacts and market development.

Many Portuguese business people consider personal contact and a handshake a stronger bond than a contract, although they also recognize the modern necessity of a signed agreement. Since they cover a relatively small territory, the country's distributors provide national coverage, making multiple distributors unnecessary.

Distribution centers tend to have their main offices in Lisbon in the south and Porto in the north, with branches in larger towns and on the islands of Madeira and the Azores.

WTO Tariffs for U.S. Products

Any U.S. supplier that sells to other EU countries will have met many of the requirements for exporting to Portugal.

Like its neighbors, Portugal uses the Harmonized Nomenclature and

Classification System and applies import duties according to maximum and minimum tariff-rate schedules. The minimum tariff schedule applied to U.S. goods reflects its most favored nation status.

These documents are required for ocean or air cargo shipments:

- Bill of lading and airway bill
- Commercial invoice
- Phytosanitary certificate and/or health certificate
- Import certificate

Retail Sector Competitive

The traditional retail venues of small groceries and wet markets (traditional street markets) co-exist with large markets and convenience stores. However, hyper- and supermarkets account for 70 percent of sales. This amount is expected to increase.

In 2000, the total number of retail outlets was estimated at just over 25,000, and retail food sales totaled \$7.5 billion. With growth in the retail food sector expected to match overall economic growth at 2 percent in the next few years, increasingly diverse imports will continue to intensify competition.

As tastes become more sophisticated, consumers are trending toward more novelties and specialties, fresh fruits and vegetables, seafood, meats and deli items. Affluent shoppers opt for high-quality foods with attractive packaging. Also, there is an increasing interest in healthy diets and wholesome, natural foods. Foods once considered luxuries are now ordinary consumer goods.

HRI Growth Over Two Decades

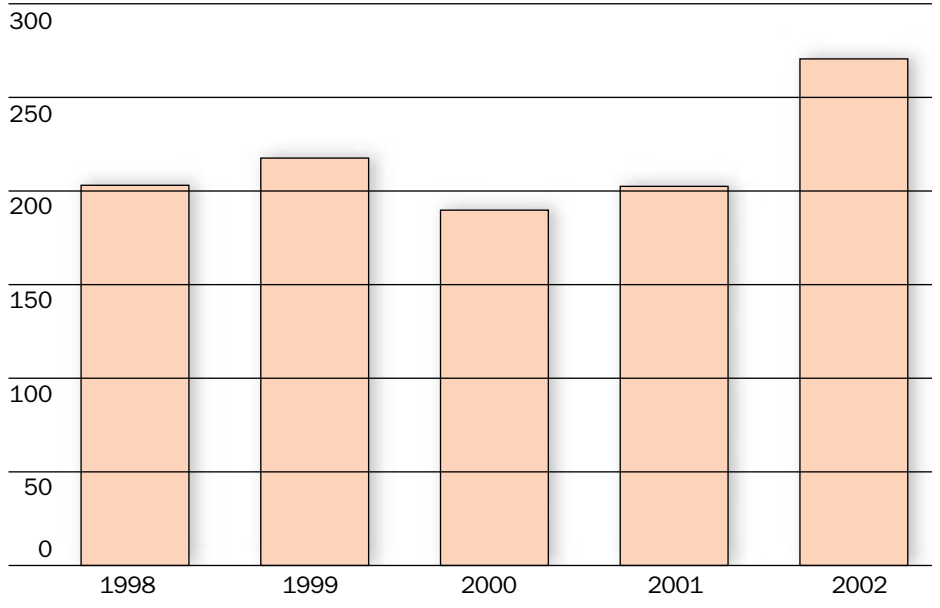
The entry of more women in the labor force had a positive impact on growth in the HRI (hotel, restaurant and



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U.S. Agricultural, Fish and Forest Exports to Portugal Rose Dramatically in 2002

\$ Million

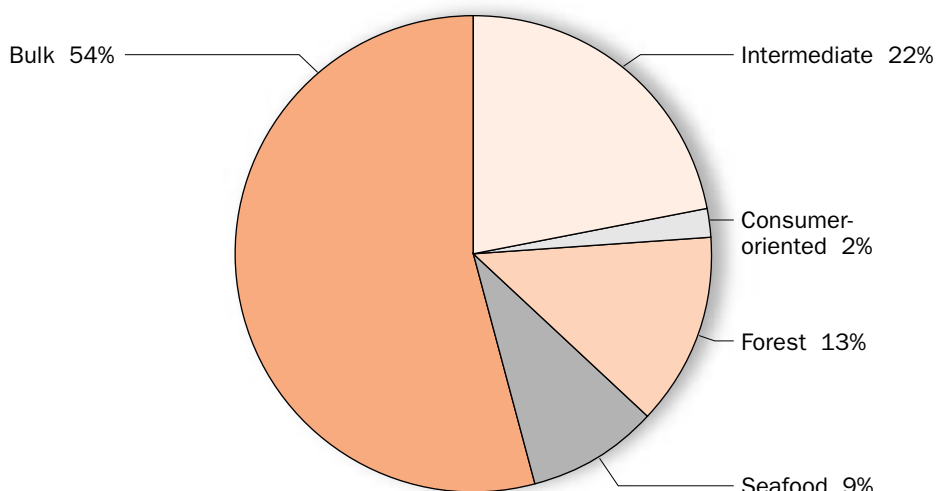


**DISTRIBUTORS PROVIDE NATIONAL
COVERAGE OF THE PORTUGUESE MARKET.
FOODS ONCE CONSIDERED LUXURIES ARE
NOW ORDINARY CONSUMER GOODS.**

Best Prospects

- Seafood
- Walnuts and peanuts
- Dried edible beans
- Wines, beer and bourbon
- Dairy products
- Fruit juices, herbal teas and other beverages
- Fresh fruits and vegetables
- Processed fruits and vegetables
- Dried fruits and fruit mixes
- Frozen vegetables, especially potatoes
- Microwaveable products
- Ready-to-eat foods
- Sauces and condiments
- Snacks
- Breakfast cereals
- Low-calorie products
- Food supplements and health foods
- Organic products
- Ethnic foods
- Pet foods

Bulk Products (Mostly Soybeans) Led U.S. Sales to Portugal in 2002



Soybeans alone accounted for \$122 million of U.S. exports.

institutional) sector in the 1980s and 1990s. With the number of restaurants growing from 25,000 about 20 years ago to 90,000 today, this sector is an important target for U.S. suppliers.

However, there are limitations U.S.

suppliers need to consider. Trade barriers are still critical for some products, and a mature EU food industry provides intense competition.

In 2001, restaurant sales were estimated at \$13.4 billion. Chains now account

for about 11 percent of all restaurants and are expected to continue gaining a larger share of the market.

HRI suppliers are not confined to traditional wholesalers. Restaurants also patronize local markets (mainly for fresh produce), supermarkets and cash-and-carries. ■

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