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Portugal

Retail Food Sector

Report

2003

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Report Highlights:

Portugal's retail food sector is very competitive and is increasingly dominated by the large super/hyper market chains which account for 60 percent of food purchases. Demand for new and high-quality food products is high. Although the United States faces still competition from EU suppliers, U.S. suppliers could penetrate this market through aggressive promotion. Having a local representative is essential to enter this market.

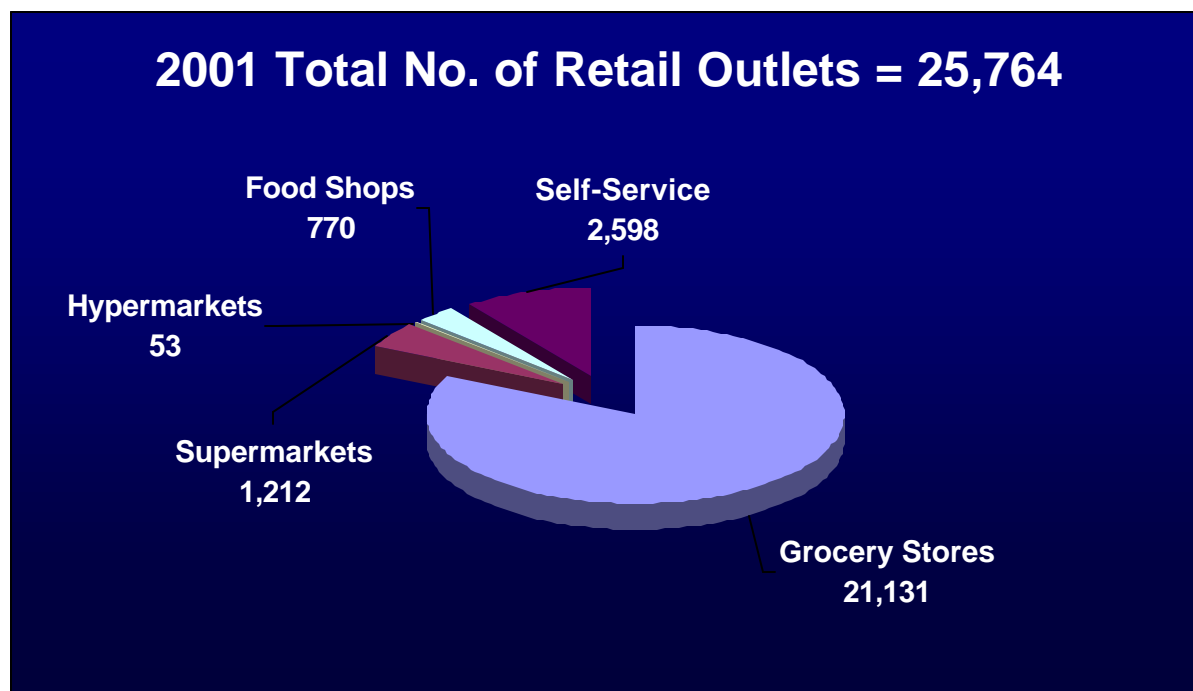
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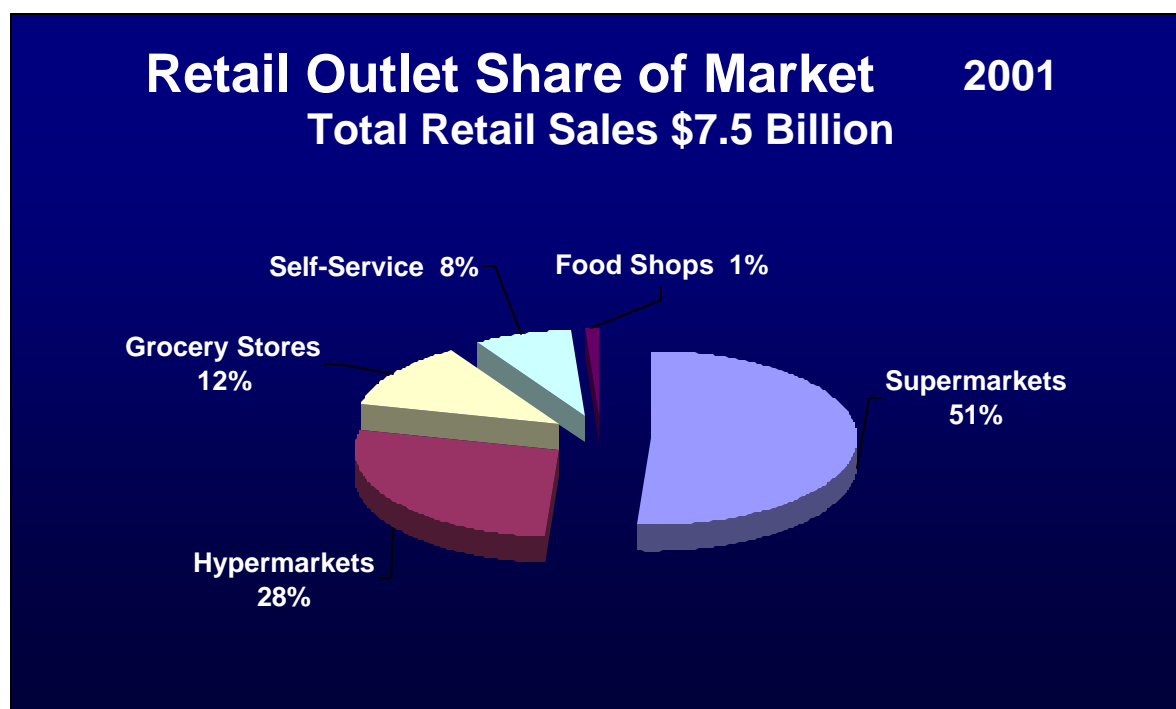
I. MARKET SUMMARY

Portugal's modern retail structure made its first step with the opening of the first supermarket in 1961 in Lisbon. In the late '60's and first half of the '70's, leading supermarket chains made their appearance, including: ACSantos, Expresso, Modelo and Pão de Açúcar. In the transition period between the '70's and '80's, Pingo Doce and Inô joined the market. As a result, the number of supermarkets increased from 196 in 1974 to 375 in 1985. The first store of the hypermarket generation opened in 1985 - Continente. Meanwhile, new concepts, marketing patterns, formats, and pricing structures appeared, radically transforming the panorama of trade and distribution in Portugal. Today, hypermarkets, supermarkets, convenience stores, hard discount stores and specialized stores coexist with traditional grocery stores and wet markets.

However, the transformation has meant fewer and larger retail outlets and heightened competition, combined with a greater number of products offered. In 2001, (the most recent year for which data is available) the total number of retail outlets was estimated at 25,764, which was about three stores per 1000 inhabitants, but 20 percent less than just five years earlier. Hypermarkets and supermarket chains have been replacing traditional "mom and pop" grocery stores that cannot compete with the big outlets. Currently, around 60 percent of food purchases are made in hyper and supermarkets. The trends toward fewer yet larger retail outlets and further concentration in the sector is expected to continue, with the number of hypermarkets and supermarkets forecasted to grow two percent during the next five years. The increased competition is in both price and services as retailers are continuing to expand the scope and range of products they provide to consumers, including ready-to-eat and/or ready-to-cook foods, take away meals, and home delivery. In addition, Internet sales are now beginning.



In 2001, total food retail sales were USD 7.5 billion, 51 percent were in supermarkets, 28 percent in hypermarkets, 12 percent in grocery stores, eight percent in self-service stores (hard-discount, convenience stores, etc.) and one percent in food shops (stores that only sell food). Most of the hyper and supermarket chains have alliances with European partners, primarily French and Dutch. While hypermarket and supermarket chains are found throughout the country, they are more concentrated in the periphery of the major cities.



Food products offered in Portugal are becoming more diversified. An increasing supply of imported products has intensified competition among suppliers and retailers, adding demand for high quality and attractive packaging. In addition, consumers are more health conscious and interest in wholesome foods is high. As consumer tastes are becoming more sophisticated, the market is increasingly characterized by a trend towards more novelties and specialities and less basic foodstuffs.

Around 70 percent (office estimate) of consumer-oriented food products sold in retail outlets are imported. The European Union (EU) is the primary supplier of imported consumer-oriented products, with Spain the number one supplier (49%), followed by France (15%), Germany (8%) and The Netherlands (7%). In 2001, consumer-oriented total imports amounted to \$2.3 billion dollars, with direct imports from the United States at around \$7 million dollars. However, imports from the United States that enter Portugal via other EU ports are estimated to be about an additional \$10 million.

U.S. exporters have certain disadvantages relative to EU suppliers for obvious reasons: proximity results in lower transportation and handling costs for EU suppliers and fierce competition from other EU suppliers has hindered U.S. exports in recent years. In addition,

storage charges can be avoided by taking delivery on short notice of products from EU suppliers.

Distribution centers tend to be located in Lisbon and Porto. However, many large importers and wholesalers have branch sales offices and/or sub-agents or dealers in other principal cities and towns, including the islands of Madeira and the Azores.

As a fully integrated member of the EU, Portugal abides by the rules and regulations governing the EU. If an American exporter is already exporting to any other EU country, the exporter has already completed several of the steps necessary to enter the Portuguese market. The U.S. exporter only needs to make contact with a Portuguese importer and/or distributor for his product. Typically, food products are imported by an importer, broker and/or wholesaler or distributor.

The following documents are required for ocean or air cargo shipments of foodstuffs to Portugal:

- Bills of Lading and Airway Bills
 - No consular legalization is required;
 - Two copies of the document are required;
 - Portuguese or English language is accepted.
- Commercial Invoice
 - Two copies are required.
- Phytosanitary Certificate and/or Health Certificate
 - See PO3015, dated July 2003, regarding The Food and Agricultural Import Regulations and Standards (the FAIRS Report) for Portugal. To get a copy of this report, please visit the Foreign Agricultural Service home page, <http://www.fas.usda.gov> and click on "Attache Reports".
- Import Certificate
 - Most foodstuffs require an Import Certificate issued by the competent Portuguese agency. However, the Import Certificate can be obtained by the Portuguese Importer and/or the agent involved in the business.

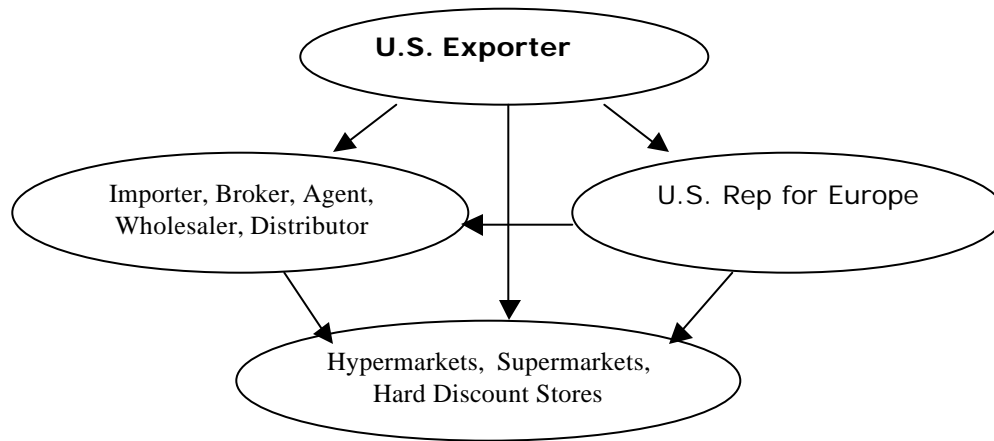
Advantages and Challenges Facing U.S. Products in Portugal

Advantages	Challenges
The retail food market is very dynamic.	Hypermarkets and supermarkets shelf space is extremely expensive.
Domestic distribution systems are efficient.	High marketing costs: heavy advertising, food discounts, prizes, etc. are used/required.
Consumers are increasingly examining new and more diverse food products.	Fierce competition from other EU suppliers.
Sales of consumer-oriented food products are increasing.	U.S. exporters face higher transportation costs and difficulties in shipping mixed or smaller container loads.
Consumer is more health conscious, tastes are becoming more sophisticated, creating demand for new products.	Competitors are very determined to maintain their market share and aggressively promote their products.
Higher purchasing power and an impulse to buy makes Portugal an attractive market.	Preference of Portuguese importers to take delivery of the products on short notice from neighboring countries to avoid high stocks and costly storage charges.

II. ROAD MAP FOR MARKET ENTRY**A. Hypermarkets, Supermarkets and Hard Discount Stores****Entry Strategy**

Success in introducing products in the market requires local representation and personal contact. A local representative can provide up-to-date market intelligence, guidance on business practices and trade related laws, sales contact with existing and potential buyers, and market development expertise. The Office of Agricultural Affairs in Lisbon maintains listings of potential importers and other pertinent information on how to introduce your product in the Portuguese market.

Market Structure



- Products are imported either by an importer, broker or agent who may also be a wholesaler and/or distributor.
- Some products enter via other European Union ports either through an European importer or through the U.S. representative for Europe for that particular product.
- Product representatives/agents are better positioned to promote to retailers and consumers since retailers as a general rule do not promote specific products within their facilities. Retailers will, however, sell shelf-space, which is very expensive in Portugal.
- In order to cut costs, some retailers are importing directly from the supplier. In the case of retailers whose ownership is primarily foreign (foreign partnership) such as Carrefour (French) or Lidl (German), most of the products displayed are from their respective home country.
- Importers are distinctly separated into dry goods, refrigerated items, and produce.
- All distributors have nationwide distribution.

Company Profiles

Retail Organizations and Outlet Type	Ownership (Local or Foreign)	Sales 2001 \$ million	Number of Outlets	Location	Type of Purchasing Agent
SONAE Continente, Hyper Modelo, Hyper & Super Bonjour, Super	Portuguese/ French	\$1,966	14 68 24	Nationwide	Importer, Direct
J. MARTINS Pingo Doce, Super Feira Nova, Hyper & Super	Portuguese/ Dutch	\$1,854	188 24	Nationwide	Importer, Direct
AUCHAN Jumbo, Hyper Pão Açúcar, Super	Portuguese/ French	\$823	12 2	Nationwide	Importer, Direct
INTERMARCHE Supermarkets	Portuguese/ French	\$855	89	Nationwide	Importer, Direct
CARREFOUR Hypermarket	French	\$314	6	Lisbon and Oporto	Importer, Direct
LIDL Hard Discount	Portuguese/ German	N/A	139	Nationwide	Importer, Direct
Dia/Mini-Preço Hard Discount	Portuguese/ Spanish	\$442	329	Nationwide	Importer, Direct

The above retail organizations are the most important in Portugal. In 2001, SONAE, J.MARTINS and INTERMARCHE were responsible for 63 percent of sales volume, while AUCHAN, CARREFOUR, LIDL and DIA/MINIPREÇO were responsible for 20 percent.

Hypermarkets and supermarkets are by far the most popular type of store and are usually located around cities in locations with easy access. Supermarkets are generally located within walking distance of residential and/or business areas. In addition to lower prices, hypermarkets continuously use product promotions, discount schemes, and sometimes prize offerings. Services provided by hypermarkets also include home delivery. Internet sales are also beginning at the hyper and supermarket level.

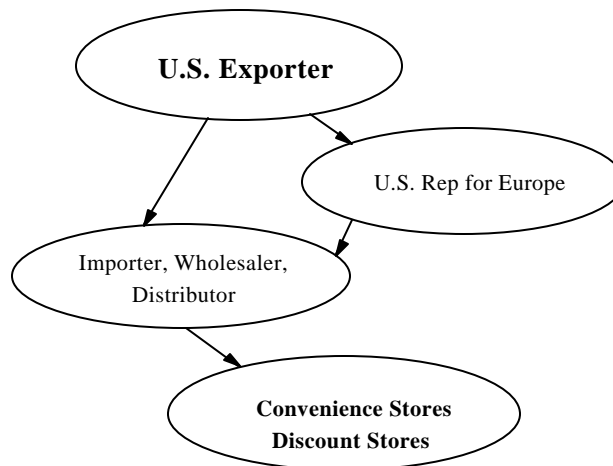
Driven by the low prices they offer, hard discount stores are also becoming increasingly popular, with a steady flow of LIDL and DIA/MINIPREÇO opening. They are much smaller than hypermarkets and only sell food and cleaning products. This type of store provides little service to the consumer, which is reflected in the lower final product prices.

B. Convenience Stores and Discount Stores

Entry Strategy

The same local representatives who supply hypermarkets and supermarkets also supply the convenience stores. Again, success in introducing a product would hinge on local representation and personal contact. The local representative should be able to provide market knowledge, up-to-date information and guidance on business practices and trade related laws, sales contact with existing and potential buyers, market development expertise, and the distribution system. The Office of Agricultural Affairs in Lisbon maintains listings of potential importers and other pertinent information on how to introduce your product in the Portuguese market.

Market Structure



- In Portugal, convenience stores are usually associated with a gas station.
- Suppliers to convenience stores also supply supermarkets.
- As convenience stores generally have insufficient storage space to import directly, they almost always buy their products from importers, wholesaler and/or distributors.

Company Profiles

Name of Retailer and Outlet Type	Ownership (Local or Foreign)	Sales 2000 \$ million	Number of Outlets	Location	Type of Purchasing Agent
SONAE Modelo Express Convenience	Portuguese	N/A	7	Lisbon	Importer, Wholesaler
CEPSA/DEPASO Convenience	Portuguese/ Spanish	N/A	15	Nationwide	Importer, Wholesaler
SHELL/Select Convenience	Portuguese/ UK/Deutch	N/A	78	Nationwide	Importer, Wholesaler
BP-Shop Convenience	Portuguese/ UK	N/A	150	Nationwide	Importer, Wholesaler
GCT Maxi&Mini Grulas Discount Stores	Portuguese	\$337	320	Nationwide	Wholesaler
ELOS Maxi&Mini Sole Discount Stores	Portuguese	N/A	169	Nationwide	Wholesaler

Most discount stores were once family-owned small to medium-size groceries, which retained the same model of management when they converted to discount stores. These stores became associates of wholesalers or cooperatives that provide them with the supporting structure similar to an organized chain, as well as competitive prices in order to face the strong competition of the hypermarkets and supermarkets. Being associated with one of the above organizations means that they receive training in management techniques and also some equipment in order to modernize the store. While ownership is retained, they are obligated to buy products from the supplying wholesaler or cooperative. Their insignia identifies these stores with the wholesaler or cooperative with whom they are associated. Since they are supplied by these large wholesalers and cooperatives, the prices they offer for their products are quite competitive compared to those of regular groceries. They also participate in promotions conducted by the organizations. Prices are still higher than those of the hyper and supermarkets but these stores are quite popular within residential areas as well as in rural areas. The fact that they sell fresh produce attracts many consumers. For the store owner, it is advantageous to be an associate as purchasing and acquisition is much simpler.

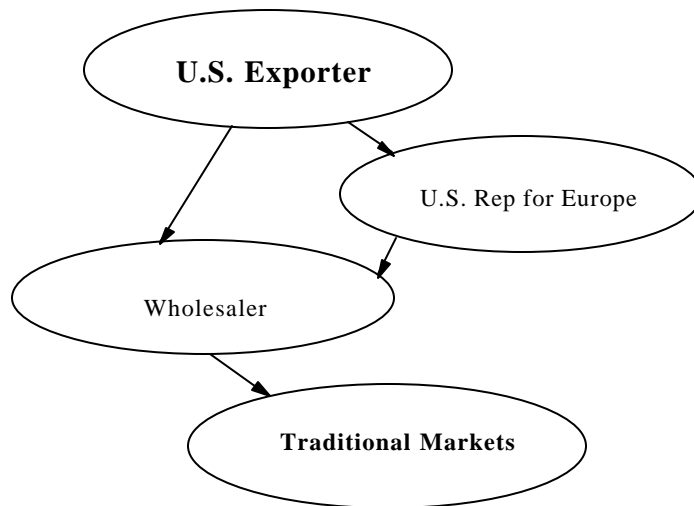
Of additional interest are some "specialized food stores" which are located in the major cities. These stores specialize in particular food products such as cheese, diversified types of bread, wines, regional products, etc. These stores may be compared to Deli stores and sell not only Portuguese delicatessen food products but also import some of the products, mainly cheeses and wine. These stores are usually expensive due to the diversity and type of products presented.

C. Traditional Markets

Entry Strategy

The same local wholesalers who supply the convenience stores and discount stores also supply the traditional markets. These wholesalers are also referred to as "cash and carries", and are warehouse type supermarkets. Again, success in introducing your product in the market depends on local representation and personal contact. The local representative should be able to provide market knowledge, up-to-date information and guidance on business practices and trade related laws, sales contact with existing and potential buyers, and market development expertise. The Office of Agricultural Affairs in Lisbon maintains listings of potential importers and other pertinent information on how to introduce your product in the Portuguese market.

Market Structure



- Traditional markets are composed of grocery "mom-and-pop" type stores, fresh and regional markets.
- Wholesalers are the main suppliers for traditional markets.
- Large wholesalers do import directly but smaller wholesalers, whose main customer is the traditional market, do not import and get the product through other local importers and/or larger wholesalers.
- Traditional markets also buy directly from local producers or cooperatives in rural areas.

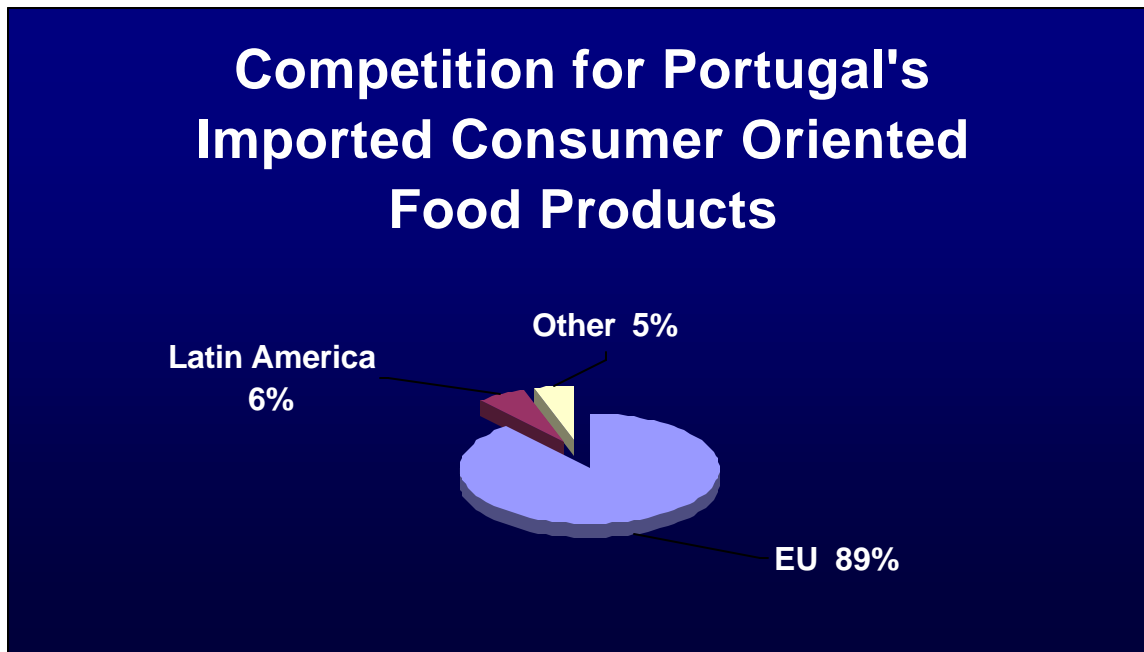
Sub-Sector Profile

Traditional "mom and pop" stores are usually family owned, similar to those found in most countries. They are located within residential and/or neighborhood areas. Although they are small in size, they usually carry a diversified range of food and cleaning products. Sanitary conditions are good and all of them have a small refrigeration area. Although their prices are usually higher than in any other type of outlet, they are quite popular for last minute purchases. Because these stores are part of the neighborhood, some of them deliver products ordered by telephone. Their main suppliers are the cash-and-carries which are warehouse type supermarkets and/or small wholesalers who visit once a month to take inventory and restock.

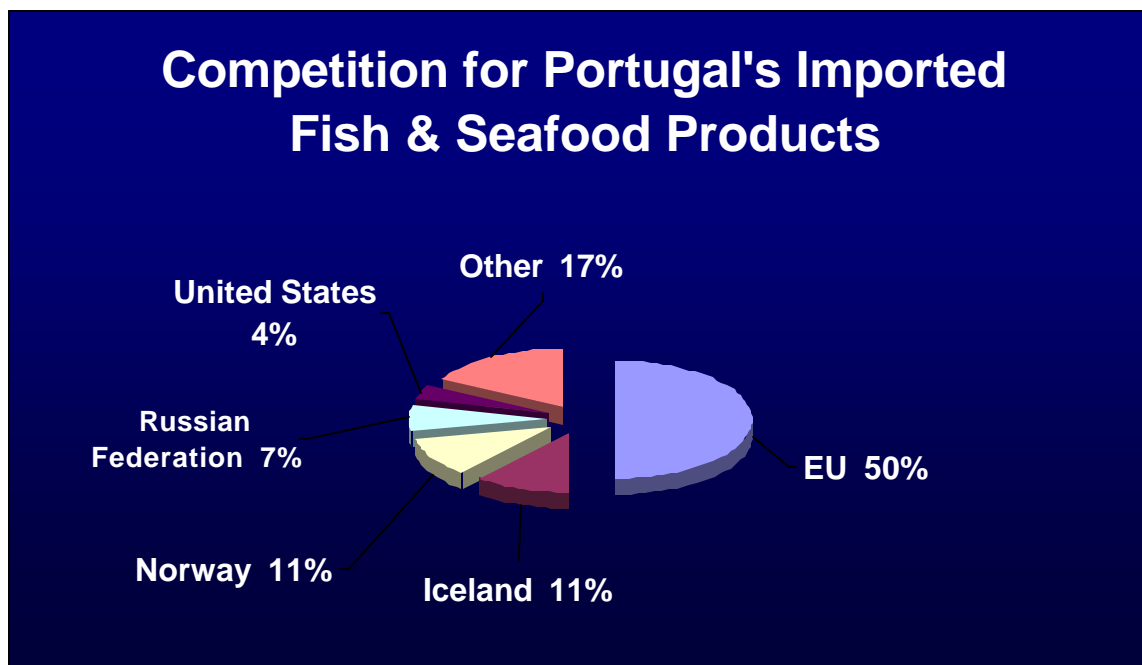
Fresh markets are also very popular. They sell mostly fresh produce, edible dry beans, meat and fish and are only open in the mornings. Their suppliers are the wholesale markets for fresh produce.

Regional markets are also very popular. They take place either once a week, once a month or, in some particular cases, once a year, and usually run on weekends. Because they are so popular and traditional, they are located in the vicinity of major cities and throughout rural areas. Fresh produce and regional foods such as cheese, cookies, etc are the most common products marketed at these fairs. They also sell clothes, audio and video tapes, portable radios and many other products that are usually found at a flea market.

III. COMPETITION



The EU is the main competitor to U.S. consumer-oriented food imports. In 2001, Spain supplied 49 percent of total consumer oriented imports. Spain's growing food processing sector is aggressively promoting its products in a market eager for new, high quality food products. France, Germany and The Netherlands follow Spain in their efforts to penetrate the Portuguese market. These countries regularly support promotions, including in-store promotions, food showcases, and country pavilions at food exhibitions.



As in the case of consumer oriented food products, the EU is the main competitor in fish and seafood products. Again, Spain is the main exporter of fish and seafood products, followed by Norway and Iceland. As a neighboring country, importers tend to look to supplies from Spain for spot orders and to avoid costly storage and transportation charges.

IV. BEST PRODUCT PROSPECTS

A. Products Present in the Market Which have Good Sales Potential

The largest and fastest growing categories of imported retail products are canned and frozen vegetables, frozen french fries, ice cream, yogurt and flavored milk, 100 percent juices, frozen fish and seafood, pizzas, packaged cakes, and frozen ready-to-eat meals and snacks, breakfast cereals and iced tea. All imports require an import certificate, which must be acquired by the importer. Considering market conditions and import rules and limitations, of the products listed above, U.S. sales of frozen fish and seafood probably have the greatest potential.

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

Portuguese eating habits have changed dramatically in the last few years. Greater purchasing power and the desire to try new products has positively impacted demand for new, high quality, and sometimes relatively high-priced food products. As the Portuguese become more health conscious, health and dietetic foods are experiencing a boom. In addition, demand for specific seafood products where United States has potential, particularly lobster and salmon, is high. Demand for imported beverages, including flavored waters, beer and bourbon is small but growing. One cautionary note is that U.S. prices for these products are often prohibitive for the majority of consumers.

C. Products Not Present Because They Face Significant Barriers

Market access is the most important constraint impacting sales of U.S. agricultural food products to Portugal. As is the case of other EU member states, the potential for many U.S. imported food products is constrained, and in some cases precluded, by EU policy and/or high tariffs. Beef and poultry, for example, are products subject to prohibitive import requirements unique to the EU. In 1998, an EU barrier eliminated the market for U.S. corn by prohibiting entry of U.S. approved transgenic corn varieties not yet approved by the EU. Some products derived from basic commodities having transgenic origins, have been somewhat affected but this is likely to change in the mid-term.

V. POST CONTACT AND OTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Portugal, contact the Office of Agricultural Affairs in Lisbon at the following address:

Office of Agricultural Affairs Lisbon
U.S. Embassy
Av. Das Forças Armadas
1600-081 Lisboa
Tel: 351-217702358
Fax: 351-217269721
email: aglisbon@usda.gov

Please visit the Foreign Agricultural Service home page for more information on exporting U.S. food products to Portugal, including "The Exporter Guide", PO3021 and "The HRI Food Service Sector Report", PO9013. Importer lists are available from our office to exporters of U.S. food products.

WebSites of interest:

Portuguese Association of Distribution Companies
www.aped.pt

Jeronimo Martins Group
- Pingo Doce and Feira Nova - www.jeronimomartins.pt

Sonae Group
- CONTINENTE and MODELO – www.sonae.pt

Carrefour Portugal
www.carrefour.pt

Auchan Group
www.auchan.pt