



# **Agri-Food Past, Present & Future Report**

***Portugal***

***October 2005***



---

The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information. This report is intended as a concise overview of the market for those interested in its potential and is not intended to provide in-depth analysis which may be required by the individual exporter. Although every effort has been made to ensure that the information is correct, Agriculture and Agri-Food Canada assumes no responsibility for its accuracy, reliability, or for any decisions arising from the information contained herein.

Please address any comments or suggestions you have on this report to:

Bryan West - [westb@agr.gc.ca](mailto:westb@agr.gc.ca)

## **Overview**

Portugal is a relatively small country in geographic size, and is home to a population of about 10 million people. Portugal has traditionally been less affluent in relation to other European countries however; vast improvements have been made since its inclusion to the European Union (EU). Presently, the Portuguese government is still struggling to make improvements to the economy, but there is great optimism for increased prosperity in the future.

Portugal maintains privileged political, economic, diplomatic and commercial relations worldwide and has a central geographic location to the rest of Europe, Africa and North and South America. Due to these factors Portugal's remains highly involved in foreign trade. In recent years, the country has been an especially strong importer of agri-food products such as fish and bulk goods, cereals and grains: this presents much opportunity for Canadian-Portuguese trade.

The country is a founding member of the North Atlantic Treaty Organization (NATO), the European Free Trade Association (EFTA), and is a member of the Organization of Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF).

## **Canada-Portugal Relations**

Canada and Portugal have a strong bilateral trade relationship. This is largely attributed to the Portuguese government's focus on building positive transatlantic relationships as well as the two nations' participation in NATO, the UN, and the Organization for Security and Co-operation in Europe (OSCE).

The fisheries sector has a large impact on Canada-Portugal relations. In 2005, Canada and Portugal signed a memorandum of understanding to advance bilateral fishing relations. The Canada-Portugal Memorandum of Understanding on Fisheries Co-operation is a collective commitment to improve international oceans governance with a strong focus on ensuring that the world's fish stocks, particularly in the Atlantic, are better managed.

This agreement will strengthen relationships between Canada and Portugal as the countries' only notable disputes have been fisheries-related. In the past, these tensions have been handled through conservation and enforcement measures taken by the Northwest Atlantic Fisheries Organization (NAFO). This organization has ensured better control mechanisms, thanks to the organization's implementation of an observation and inspection system. Because of this Portugal has, for example, begun to cooperate with Canada in enforcement actions against infractions of Portuguese fishing vessels.

Canada and Portugal's relationship has also been strengthened by many high-level bilateral visits between the countries which have occurred over the last five years, as well as Portugal's large representation of Portuguese communities in Canada. Over 500,000 people of Portuguese descent reside in Canada, living mostly in large cities such as Toronto, Montreal and Vancouver. Trade between Canada and Portugal has traditionally been quite accessible as English is Portugal's second spoken language. For a more detailed and comprehensive overview of Canadian-Portugal relations

please visit: <http://www.dfait-maeci.gc.ca/>

| <b>Canada-Portugal Bilateral Trade (2004)</b> |                         |
|---|-------------------------|
| <b>Portugal Total Trade</b>                   | <b>US\$89.8 billion</b> |
| Exports                                       | US\$37.7 billion        |
| Imports                                       | US\$52.1 billion        |
| Trade balance                                 | (US\$14.4 billion)      |
| <b>Canada-Portugal Trade</b>                  | <b>\$484.4 million</b>  |
| Exports                                       | \$184.9 million         |
| Imports                                       | \$299.5 million         |
| Trade balance                                 | (\$114.6 million)       |
| <b>Canada-Portugal Ag Trade</b>               | <b>\$92.8 million</b>   |
| Exports                                       | \$29.6 million          |
| Imports                                       | \$63.2 million          |
| Trade balance                                 | (\$33.6 million)        |

- Canada/Portugal bilateral trade totalled \$484.4 million in 2004. This value increased rather dramatically from 2003's \$375.1 million. This is partially due to the countries' increased trade in the service sector, transportation and aerospace industrial goods.
- Top Canadian exports to Portugal are aircrafts, newsprint and wheat.
- Top imports from Portugal are wine, car tires and shoes.

## **Agricultural Trade**

Portugal's thriving agricultural and food-manufacturing industry provides a genuine opportunity for Canadian agri-food exporters looking for trade opportunities within the Portuguese market. In 2004, Canada's bulk, cereal and grain commodities accounted for 98% of all agri-food exports to Portugal and produced the highest profit, with \$14.3 million, in the same year. Portugal's food-manufacturing industry is a large contributor to the country's economy and is world-recognized for its technologically advanced practices.

Fish canning is one of Portugal's most important industries and Portuguese people are one of the world's highest consumers of fish. Currently, Portugal is facing diminishing fish resources as Portugal's fish catch was down 10% in 2004 from the previous year. Therefore, the country is currently looking to the international market for fish imports to maintain the country's fish canning production levels and meet high consumer demand. This presents excellent opportunity for Canadian fish exporters.

Although in recent years bilateral fisheries trade has been changed and more diversified due to a moratorium on cod fishing, cod is presently experiencing the most growth in the Portuguese fish market. From January to June 2005, cod accounted for 42% of Canada's agri-food exports to Portugal, with the majority of the goods being frozen. This import market expansion is due, in large part, to the attractive price of imported frozen cod against salted cold as well as the local interest in increasing fish processing profit margins. For more information on Portugal's Fisheries Sector, please visit: <http://ats.agr.gc.ca/Europe/>

| <b>Canada's Top 5 Agricultural Exports to Portugal (2004)</b> |                |
|---|----------------|
| Wheat, nes  | \$10.7 million |
| Beans, dried, shelled   | \$2.6 million  |
| Cod, dried  | \$2 million    |
| Wheat, durum  | \$1.9 million  |
| Kidney beans  | \$1.6 million  |

Complete statistical summary available at:  
<http://www.ats.agr.gc.ca/stats/portugal>

- Total Canada/Portugal agriculture trade was \$92.8 million in 2004. Agriculture trade represents approximately 20% of all trade between the two countries.
- Top Canadian exports to Portugal in 2004 were wheat, dried and shelled beans and cod. Wheat was valued at \$12.6 million and accounted for 42.7% of agri-food exports, dried and shelled beans were valued at \$2.6 million and made up 8.6%, while cod accounted for just over \$2 million and made up 6.8% of agri-food exports.
- Top Canadian imports from Portugal in 2004 were alcoholic beverages, making up almost 68% of all agri-food imports from Portugal. This includes port, red and white wines, with totals of \$32 million, \$8.3 million and \$2.7 million respectively. Other popular Portuguese imports to Canada were fish and olive oil which made up 3.5% and 3.1% of total imports.
- In 2004, bulk exports to Portugal totalled \$14.3 million, while intermediate goods accounted for roughly \$10 million, and consumer-oriented goods made only \$712,000 in the Portuguese food market.
- Bulk exports were the highest growth area for Canadian exports, with an increase of 250.5% from 2003, consumer goods increased by 122.8%, while intermediate goods saw an increase of 38.1% over the 2003-2004 period.
- Increased demand for bulk, cereal and grain commodities can be partly attributed to Portugal's expanding packaged snack bar and breakfast cereal markets.
- Future high-growth export items to Portugal include fish and crustaceans, with 55% of Canada's total agri-food market from this industry occurring in the first-part of 2005.

For more information on Canadian agri-food trade to Portugal please visit:  
<http://www.ats.agr.gc.ca/stats/portugal>

## **Economy**

Since joining the European Union (EU) in 1986, Portugal's economy has expanded greatly. From 1986 to 2000, the country maintained an average real economic growth rate of 3.7% per year. This growth was largely due to increased EU trade and an inflow of EU funds used for improving Portugal's infrastructure. However, in recent years the economy has been facing difficulties. The country's growth rate has declined due to significant budget deficits, resulting in a lower living standard for its citizens; standards below those found in leading EU countries.

To achieve economic growth, the Portuguese government is currently developing policies which will better balance the budget, focusing on compliance with the EU's Stability and Growth Pact, as well as labour reforms to boost the country's productivity and competitiveness. Achieving economic stability in the near future is crucial to the Portuguese government as it will require greater self-sufficiency when EU support funds are either discontinued or substantially cut from the country in 2006.

Portugal is currently ranked as the 14<sup>th</sup> largest economy in the world. The country's manufacturing sector drives the economy (mostly footwear, textiles and automobiles) accounting for 63.9% of the GDP. Portugal also has a growing service sector which is greatly influenced by the country's thriving tourism industry and contributes 30.2% to the GDP.

| <b>Gross Domestic Product (2004)</b> |                         |
|--------------------------------------|-------------------------|
| GDP                                  | US\$166.7 billion       |
| GDP growth                           | 1.1% (2004) 0.5% (2005) |
| GDP/capita                           | US\$17,900              |

#### **Current**

- Portugal typically runs a significant trade deficit.
- In 2004, Portugal's deficit grew to US\$12.1 billion.

#### **Forecast**

- Tight fiscal conditions and sluggish exports will slow GDP growth to 0.5% in 2005, this value will rise modestly in 2006 to 1%.
- Inflation will remain subdued in 2005-2006, although increases in value-added tax (VAT) rate and in excise duties, among other factors, are expected to lead to a temporary spike in inflation in the second half of 2005.

### **Consumer Market**

Traditionally, Portuguese consumers eat three full meals a day, with dinner as the main meal. Consumers consider potatoes, bread and rice as their staples, and eat large quantities of fish, seafood and pork. The Portuguese value eating meals together whenever they can but, as is the case in many countries, traditional eating habits are being modified as cultural and social changes surface. Although the country is seeing significant increases in the packaged food industry, international exporters must be aware of the country's low per capita income, which means many consumers can not afford high-priced foods. Also, although the country's eating habits are changing due to busier lifestyles, consumers still place a high value on high quality and traditional items.

As Portuguese families are becoming less traditional with longer work hours and less free time available for meal preparation, packaged goods are gaining considerable popularity. In 2004, the Portuguese packaged food market value increased by over 2%, which put the country's packaged food market above the average Western European country's packaged food market value. This growth is largely attributed to positive sales in snack bars, chilled processed foods and ice cream, with increases of 56%, 12% and 7% respectively in 2004 (Euromonitor).

The movement from independent, small store formats to supermarkets and hypermarkets has brought many changes to the Portuguese food market, including lower prices, more choice and higher quality foods available to consumers. Supermarkets and hypermarkets were the most successful players in the food service industry, reaching a total market share of 54% retail distribution in 2004.

### **Portuguese Consumers**

- Portugal has an aging population with its median age forecast to reach 41 years old in 2015.
- Single-parent households have dramatically increased since 1990. This trend is expected to continue until 2015, with a total rise of 270% over the period (Euromonitor).
- The number of persons living in a single housing unit has declined. Over the 1990-2004 period, households with fewer persons have been the fastest growing, with 1-person households increasing by approximately 56% (Euromonitor).
- Over the 1990-2015 period, mean annual gross income is expected to grow by 204%, meaning consumers will have larger disposable incomes for food. In 1990, the mean annual gross income was US\$4,763, in 2000 it was valued at roughly US\$9,883 and in 2004, per capita income rose to US\$17,900.
- Portuguese consumers spend about \$21.6 billion on food and non-alcoholic beverages in current terms, as well as \$5.8 billion on alcoholic beverages and tobacco (Euromonitor).
- The Portuguese population favors traditional Portuguese cuisine. To date, this has been less than average exploration in international foods.

### **Healthy Foods**

- Consumption of fish and shell fish is increasing as both commodities become available in greater numbers. This has helped increase supply and lower prices.
- Portuguese people consume an annual average of 70 kg of fish, a value that has consistently increased over the last 10 years.
- Portuguese fish consumption is significantly above most Europeans' consumption. This food category represents 14% of their income expenditure for food and drinks.
- Cod is one of the most popular food products in Portugal. It accounts for roughly 40% of total domestic fish consumption and demand is likely to remain strong in the future. Most cod is purchased frozen or salted (not dry) by the cod drying industry.
- Portuguese consumers prefer Atlantic cod as its considered superior in flavor relative to Pacific cod.
- Due to price concerns of Portuguese consumers, lower quality cod may hold the most export opportunity for Canadian exporters. Exporting salmon to Portugal may also hold promising opportunity in the future although exports were low from 2002 to 2004.
- Shellfish is highly demanded in Portugal although it is very expensive.
- Demand for fresh fruit and vegetables have increased as Portuguese consumers are increasingly focused on health issues surrounding diet.

## **Packaged Foods**

- Breakfast cereal is becoming more popular as it is a quick alternative to traditional breakfast foods such as fresh bread and pastries.
- Health and wellness packaged foods are gaining popularity, particularly in dairy, cereal and snack bars. Consumers have become aware of the quality advantages of the new products being offered within this market; even private labels are starting to compete in the health food category, realizing that cost-advantage is not enough to keep sales. They are also being prompted to find new ways to add value and benefits to their food products.

## **Foodservice Industry**

- Although Portuguese consumers have low disposable incomes, a large portion of the populations' income is spent towards socializing, which largely includes eating at restaurants and going to cafés. Hotels and foodservice, which includes restaurants and cafés account for almost 10% of consumer expenditure.
- Fast food is the fastest growing area of the food service sector, increasing by 53% in current terms.

## **Competitors**

Canadian exporters face competition largely from other EU-member states as countries within the EU benefit from favorable trade policies as well a collectively productive agriculture industry. Portugal's key trading partners are its neighboring country, Spain, which accounts for 24.8% of all imports, as well as Germany, France, Italy, Netherlands and the UK, with import percentages of 14.4%, 9.7%, 6.1%, 4.6% and 4.5% respectively.

With regards to fish and wheat exports, which are currently two of Canada's most important exports to Portugal, Canadian exporters face competition from France, Iceland, Norway and China. France is Portugal's top exporter of wheat while Iceland and Norway are the top exporters of cod. China is a strong competitor in Portugal's fish and seafood market due to the rapid expansion of China's fish exports beginning to surge in 2002. While the quantities involved in this trade are relatively small compared with Portugal's overall import market for fish, China's competitiveness and potential for further market penetration of fish and seafood products is highly influential.

## **Access Issues**

Portugal is an open market with generally no impediment for trade. Many Portuguese import regulations are controlled by the EU while others are subject to the country's specific regulation guidelines. The Canadian Trade Commission recommends seeking a good agent in the country who will serve as a knowledgeable contact of Portuguese importation and key clients to target. With regards to general access information for Canadian exporters, further information can be found through the Canadian Trade Commissioner Service at: <http://www.infoexport.gc.ca>

## **Agriculture Sector & Policies**

Portugal, like other EU countries, has seen its growing service-sector replace much of the country's concentration on agriculture. Today, Portugal's agricultural sector accounts for about 5% of the country's GDP. Although agricultural employment still accounts for roughly 10% of the workforce, Portugal's farmers are the poorest in the EU. Low productivity within the agriculture sector is a result of slow adoption of innovative productive farming methods and inefficient forms of land tenure. Portugal's agricultural sector also is at a disadvantage compared to other EU countries because the country benefits least from the Common Agricultural Policy (CAP). This policy, which is meant to supply EU farmers with a reasonable standard of living, provides little compensation to the Portuguese as CAP funds are mainly channelled to meat, dairy and cereal production, which is limited in comparison to other EU countries.

Portugal's main agricultural products include citrus fruits, olives, wines, grain, potatoes, sheep, cattle, goats, beef, poultry, dairy products and vegetables. Cork, one of the country's top natural resources, is produced for export. Also, the country has an important fisheries industry; however the country has seen a supply shortage in recent years.

Portugal's agricultural and food-manufacturing industries are comprised of many companies and represent a significant source of wealth for the economy. The sector accounts for 8% of Portugal's GDP and 12% of Gross Value Added. Approximately 100,000 workers are employed in this sector.

## **Contact Information:**

### **The Canadian Embassy in Portugal**

**Street Address:**

Avenida da Liberdade, 198-200, 3rd  
Floor  
1269-121 Lisbon, Portugal

**Mailing Address:**

The Canadian Embassy  
N-0244 Lisbon  
Portugal

Tel.: (351) 21-316-4651

Fax: (351) 21-316-4695

E-Mail: [lsbon-td@international.gc.ca](mailto:lsbon-td@international.gc.ca)

URL: <http://www.dfait-maeci.gc.ca/canadaeuropa/portugal/menu-en.asp>

Hours:

Monday through Friday - 8:30 - 12:30 and 13:30 - 17:00

**José Correia**

Trade Commissioner

Advanced Manufacturing Technologies, Aerospace and Defence, Agriculture, Food and Beverages, Fish and Seafood Products, Information and Communications Technologies



