CBI MARKET SURVEY

The spices and herbs market in Portugal

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Introduction
This CBI market survey gives exporters in developing countries (DCs) information on some main developments in the spices and herbs market in Portugal. The information is complementary to the information provided in the CBI market survey 'The spices and herbs market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: consumption and production

Consumption
To give an idea of the demand for different product groups, apparent consumption (production + imports - exports) is calculated. Please apply these data with care, as they can only be used as an indication of the market. Also see chapter 1 of the CBI market survey covering the EU market.

Portugal is a small consumer of spices and herbs in the EU; in 2008, the country's apparent consumption amounted to 1.9 thousand tonnes. In the period 2004-2008, the market for spices and herbs declined at an annual average rate of 3.4%.

The market for paprika, chillies & allspice, the largest product group, had a sharp annual average decrease of 7.6% in the review period, amounting to 521 tonnes in 2008. Similarly, apparent consumption of cinnamon and pepper, the second and third largest product groups, had respective annual average decrease rates of 5.9% and 5.7%.

In contrast to most product groups, apparent consumption of mixtures had a significant annual average increase of 17% between 2004 and 2008, amounting to 217 tonnes in 2008. Of all other product groups which are consumed in smaller quantities, only the market for ginger experienced growth; apparent consumption of this product group increased at an annual average rate of 19%.

Apparent consumption of saffron, nutmeg, mace & cardamom and vanilla had especially heavy annual average decline rates in the period 2004-2008. Whereas saffron decreased at an annual rate of 100% since 2004, the other two product groups decreased at rates which exceeded 20%.

Finally, the market for the product group 'other spices and herbs' increased considerably at an annual average rate of 13% in the review period, amounting to 282 tonnes in 2008.

Industry sources indicate that there is still a lot of uncertainty on the market due to the recent economic crisis, and that traders are reluctant to build stocks. There is an overriding hesitance in making predictions on how the spices and herbs market will develop in the coming years.

Consumption trends
Having a traditionally rich and full-flavoured character, Portugal's cuisine makes use of a number of ingredients. In addition to herbs such as coriander and parsley, Portuguese dishes have strong influences from the country's former colonies, which introduced spices such as piri piri chillies and black peppers, as well as cinnamon, vanilla and saffron.

In spite of its traditional cuisine, Portuguese eating habits are shifting as a result of social and cultural changes. Just like in many other European countries, Portuguese citizens are increasingly leading fast-paced lifestyles and demanding more fast food, convenience products and ready-made meals to meet their needs. This trend is supported by the rising number of women employed, which increases household income and, in turn, the demand for prepared or quick meal solutions. In addition, food of other ethnic origins is becoming more popular, though Portuguese cuisine remains dominant.

Furthermore, the Portuguese are growing more conscious of health and the environment, which explains the rising interest in natural foods and fibres. Their increasing purchasing power further encourages this development. However, Portuguese place great value on high quality and traditional items, and per capita income is still relatively low. That is why organic food has so far made few inroads into the Portuguese market. Portugal is considered to be an emerging organic market, but the share of organic food sales in total food sales is estimated to be below the average West European level.

For more information on consumption trends, please also refer to the CBI survey covering the EU market for spices and herbs.

Production

Eurostat does not report on Portugal's production of officinal herbs, aromatic plants and plants for seasoning. However, the statistical database of the Food and Agriculture Organization of the United Nations (FAOSTAT) reports a vanilla production of 15 tonnes in Portugal in 2008, indicating an annual average growth of 11% in the period 2004-2008.

Production trends

Organic farming has increased considerably in the past decade. Between 2001 and 2007, Portugal's organic cultivation increased by around 70% and, in the latter year, Portugal's area dedicated to organic farming already amounted to 250,000 hectares (more than 7% of the total agricultural area). This area increased by 9.8% in 2008, and is expected to increase further in coming years. Nonetheless, the market for organic foods in Portugal is still smaller than the country's supply, although increasingly conscious consumers are contributing to a fast growth in the consumption of organics. Furthermore, most of the (processed) organic products are imported.

Opportunities and threats

- \- Portugal has a small market for spices and herbs. Furthermore, total consumption has declined in recent years. This (further) limits the possibilities for developing country (DC) exporters.
- \+ Although apparent consumption indicates a drop in the market for various spices and herbs in Portugal, consumption trends indicate a growing demand in Portugal.
- \+ Production of spices and herbs in Portugal is very limited, which means that these have to be imported from abroad. This offers opportunities to DC exporters.
- -/+ Portugal is not (yet) an interesting market for DCs exporting organic spices and herbs, but the organic market is growing at a fast pace.

For more information on opportunities for and threats to exporters in DCs stemming from trends and patterns in consumption of spices and herbs, please refer to chapter 7 of the CBI market survey, covering the spices and herbs market for the EU.

2 Trade channels for market entry

Spices and herbs, mostly entering the EU as whole, un-ground products, share the same trade channels. The most important partners for DC exporters to the EU are a small number of specialised importers and brokers, which are mostly located in other EU countries. Organic spices and herbs are most often imported by importers specialised in organics. Direct trade by processors and, to a lesser degree, food processors has become more prevalent, but here large and consistently high quality volumes are relevant. It should be noted that, in Portugal, a more substantial part of spices and herbs is imported from traders in other EU countries, instead of directly from DCs. The most important end-users are the retail sector and the catering sector, and especially the food processing industry.

The main trade channels for spices and herbs are shown and further explained in the CBI market survey covering the EU market for spices and herbs. It should be noted that, throughout the various trade channels, different prices and margins apply for spices and herbs. There is no specific information about the prices and / or margins for spices and herbs in Portugal.

Companies which could be of interest include:
- Ferbar - http://www.ferbar.com

Good *Internet sources* for encountering trade partners in Portugal, such as importers, agents and processing industries are the following:
- Food world - http://www.thefoodworld.com - an extensive on-line food business directory, with full EU coverage. Condiments, spices and herbs are a separate product group.
- Europages - http://www.europages.com – on-line business directory, with full EU coverage. Condiments, extracts and spices are a separate product group, falling under the category of 'Food & related products'.
- HerbImporters.com - http://www.herbimporters.com - provides contact information of 135 European importers of herbs and herbal medicine products at a cost of US$15 (updated in 2009).
- SpiceImporters.com - http://www.spiceimporters.com - provides contact information of 220 European importers of spices, seasoning and flavouring at a cost of US$20 (updated in 2009).

On line market places such as those below are also useful:
- Agronetwork.com - http://www.agronetwork.com/global
- Organic-market.info - http://www.organic-market.info – on-line magazine for organic trade.
- Spices Trade world - http://spices.tradeworlds.com
- IngrIDnet - http://www.ingridnet.com - for ingredient suppliers.

For more information on *prospects* for the spices and herbs market in Portugal:
- FAO's statistical database FAOSTAT, available at http://faostat.fao.org – is a valuable source.
- Furthermore, Portuguese trade associations mentioned in section 6 of this survey, and the Portuguese statistics agency - http://www.ine.pt/index_eng.htm - can be good sources of information.

3 Trade: imports and exports

Imports

Portugal is among the smallest importers of spices and herbs in the EU. In 2008, Portugal was the eleventh smallest EU importer, accounting for 0.9% of total EU spices and herbs imports (about the same size as Greek imports). The country's total imports amounted to € 9.7 million/ 2.2 thousand tonnes in 2008, increasing at an annual average rate of 5.2% in value but decreasing by 2.7% in volume between 2004 and 2008.

In 2008, the lion's share of Portuguese imports was supplied by intra-EU countries (92%). Approximately half of total imports was supplied by France, followed by Spain (21%) and Germany (12%). At the same time, 7.3% of imports was supplied by DCs - far below the EU average of 50%. Furthermore, Portuguese imports sourced in DCs had an annual average decrease of 11% in the review period. The leading DC supplier was Indonesia, accounting for 2.4% of total imports, followed by Brazil (1.2%), Turkey (1.0%) and Syria (0.9%).

Paprika, chillies & allspice, accounting for 26% of Portugal's total spices and herbs imports, was the largest product group, followed by pepper (21%). Both product groups increased significantly in terms of value, but decreased in terms of volume. Another important product group among Portuguese imports was mixtures, accounting for 10% of total imports; cinnamon (8.5%) and spice seeds (8.1%) also played a significant role. Imports of the product group 'other spices and herbs' represented 16% of total imports, increasing significantly in terms of both value and volume between 2004 and 2008.

Exports

Portugal is a small exporter of spices and herbs, accounting for 0.4% of total EU spices and herbs exports in 2008. Portugal's exports amounted to € 2.8 million/ 0.4 thousand tonnes, indicating a large annual average growth of 29% in terms of value and of 6.3% in terms of volume between 2004 and 2008.

The large majority of Portuguese exports is destined to extra-EU countries, including DCs (the share of exports to DCs amounted to 84% in 2008). More than a quarter of total exports was destined to Angola, followed by Canada (22%), France (8.4%) and the United Kingdom (6.4%).

Saffron, which accounted for an exports share of 48%, was the largest product group in total Portuguese spices and herbs exports in 2008. Pepper, which accounted for 9.7% of total exports, also represented an important product group among Portuguese imports, followed by mixtures (8.2), cinnamon (6.3%) and paprika, chillies & allspice (4.1%). Imports of the product group 'other spices and herbs' represented 20% of total exports.

Opportunities and threats

- -/+ Portugal is a small importer (and exporter) of spices and herbs. However, the positive development of imports in the review period (in terms of value) offers promising prospects to DC exporters.
- \- Only a small share of Portugal's imports comes from DCs, from which imports have decreased considerably in recent years. As a result their share has declined, falling further below the average EU level. This makes Portugal an increasingly uninteresting market for DC exporters.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The market for spices and herbs in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

Useful sources

- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu
- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu;
- Understanding Eurostat: Quick guide to easy comext - http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4 Price developments

Prices of spices and herbs can be found in the CBI market survey covering the EU market, as the indications of prices given there do not differ from those in Portugal. Prices of spices and herbs depend on origin and buyer preferences (quality demanded, order size etc.), and on negotiations with partner companies. Prices provided in the market survey covering the EU should be used as a reference point only. Margins charged by different intermediaries are influenced, among others, by the type of spice or herb, current and expected future harvest situation, availability and number of sources, the level of demand and trends in prices.

Useful sources for price information are:
- ITC Market News Service (MNS) - http://www.intracen.org/mas/mns.htm
- Public Ledger - http://www.agra-net.com
- International Pepper Community - http://www.ipcnet.org
- Indian Spices Board - http://www.indianspices.com

5 Market access requirements

As a manufacturer/ supplier in a DC preparing to access Portugal, you should be aware of the market access requirements of your trading partners and the Portuguese government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select spices and herbs and Portugal in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packit.htm

Information on tariffs and quota can be found at http://exporthelp.europa.eu

The standard VAT rate in Portugal is 20%. The VAT rate applied to food products is 5%, 12% or 20%, depending on the product.

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Portugal, visit the following websites:

Trade associations
- Federation of Portuguese Agro-Industries / Federação das Indústrias Portuguesas Agro-alimentares (FIPA) - http://www.fipa.pt
- Portuguese Industry Association / Confederação da Indústria Portuguesa (CIP) - http://www.cip.org.pt
- Agrobio - http://www.agrobio.pt - the first organic farming association in Portugal

Trade press
- Culinárias.net - http://culinarias.net – a portal dedicated to the Portuguese cuisine and gastronomy

Trade fairs
- Agro - http://www.peb.pt/evento.php?id=90- Feira Internacional de Agricultura, Pecuária e Alimentação / International Agriculture and Food Show. The most recent event was held 11-14 March 2010 in Braga, Portugal.
- Expofrescos - http://www.eventseye.com/fairs/f-expofrescos-881-1.html – Fresh Products Exhibition. The next event will be held May 2010 in Porto, Portugal.

Other
- A possible source of cultural specifics of Portugal is: http://www.kwintessential.co.uk/resources/global-etiquette/portugal.html
- Information on Portuguese business culture can be found at: http://www.worldwide-tax.com/portugal/porpractice.asp, or: http://www.businessculture.com/portugal/index.html

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