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Portugal

Tomatoes and Products

Annual

2002

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Report Highlights:
Portugal's tomato production for MY2002/03 is forecast to increase by six percent to about 1.13 mt, 85 percent of which (972,000 mt) is expected to be sold for processing. A new threshold regime was implemented during the 2001/02 crop year. Reportedly, the implementation of the new regime run smoothly with no major problems. However, producers and processors are now worried about the large amount of Chinese tomato paste now entering EU, Portugal's biggest export market.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Madrid [SP1], PO

Executive Summary

Portugal's tomato production for Marketing Year (MY) 2002/03 (July-June) is forecast to increase six percent from last year's levels. Total production is forecast at 1.13 million metric tons (mt); over 85 percent (972,000 mt) is expected to be processed. Production for fresh consumption is expected to remain near MY2001/02 levels. In MY2001/02, production for processing of tomato products is estimated to have been 917,237 mt, 15 percent below the production level of 1.05 mt allotted to Portugal under the new threshold regime.

Production of processed tomato products in MY2002/03 is expected to be similar to the MY2001/02 output of 168,751 mt, consisting mainly of tomato paste. In MY2001/02, diced tomato output was estimated at 9,610 mt and whole peeled tomato output at 754 mt. MY2002/03 production of these products is forecasted to be similar, except for whole peeled tomatoes that will not be produced during the season.

Portugal's exports of tomato paste are projected at 125,000 mt in MY2002/03. The main export market continues to be the rest of the European Union (EU), followed by Japan. Exports in MY2001/02 are expected to be similar to MY2000/01 levels of 124,383 mt.

Since Portugal is self-sufficient in both fresh tomatoes and tomato products, there are few opportunities for U.S. exports.

Production

Seeding normally takes place from the period mid-April to May. This year's seeding is running smoothly with mild weather and almost no rain.

Total production for MY2002/03 is forecast to increase six percent to 1.13 million mt, of which 85 percent, or 972,000 mt is expected to be processed. Area planted and production for fresh consumption are expected to be similar to the previous year. [Note: Data in the PS&D Table for tomatoes for fresh consumption are based on information provided by the National Statistics Institute. Area data for tomatoes for processing in MY2001/02 is updated based on actual figures from the National Intervention and Guarantee Institute (INGA), reflecting declared area for that period.]

At an average 78 mt/hectare (ha), 20 percent above the previous year, MY2001/02 is considered to have "abnormally" high yields. Industry contacts cite no one specific reason for the high yields but it is believed that the combination of good weather plus some rains over the whole season contributed. Crop quality and color is reportedly very good. In addition, industrial yields and quality are also reported to be good, although the average solid content in the crop is considered normal.

Roughly 80 percent of total Portuguese production is produced in the "Ribatejo e Oeste" and the "Algarve" areas. Most of the tomatoes for processing are produced on small (5-10 ha) units. However, the structure of the industry is changing, and an estimated 50 percent of all tomato area (about 6,000 ha) now consist of larger-scale units with new direct-seeding technologies. All areas are irrigated. While the low cost of rural labor is one advantage that the Portuguese sector enjoys, costs of other inputs are much higher than in the rest of the EU. Higher land costs seriously hurt the sector.

Tomato Use By the Processing Industry (Metric Tons)

	2000/2001		2001/2002	
	Fresh	Processed	Fresh	Processed
Paste	821,750	155,955	897,267	158,387
Whole Peeled	2,685	1,988	993	754
Other	30,247	15,411	18,977	9,610
Total	854,682	173,354	917,237	168,751

Source: National Intervention and Guarantee Institute (INGA).

Average Producer Prices in Portugal (PE/Metric Tons)

	1999/2000	2,000/2001	2001/2002 (*)
Paste & Juice (1)	17,652	17,652	34.5€/mt
Canning (Whole Peeled, Roma Variety)	22,478	22,478	34.5€/mt

(1) For "standard" tomatoes, in accordance with Reg.(CE) 1513/99 of the Commission. Prices are adjusted (+5% or -5%) in accordance with soluble solid levels.

(*) Fixed, as per the new threshold regime for all EU member states, including Portugal.

EURO Rates: EURO=200.482 PE, January 1, 1999; US$1 = 1.12 EURO currently
USD Rates: US$1=188 PE in CY1999; US$1=220 PE in CY2000; US$ = 225 PE in CY2001

Consumption

There is no significant direct consumption of tomato paste in Portugal. Data for domestic consumption in the PSD table includes 20,000 mt (Post estimate) of paste transformed into tomato powder (which is all channeled for export) and other tomato products (mainly pizza sauce).

Trade

Exports of tomato paste are estimated at 124,383 mt in MY2000/01, slightly above MY1999/2000 export levels. The main export market continues to be the rest of the EU, followed by Japan. Sales to the United States are minimal, accounting for only 278 mt of total exports in MY2000/01. Total exports in MY2001/02 are expected to be similar to the previous year’s level of roughly 125,000 mt. The TRADE MATRIX 2001 data refer to the period July 1, 2001 through December 31, 2001. Data is indicated in net weight.

In MY2001/02 the EU tomato sector faced a "new menace" -- China. China has supplied about 50,000 mt of tomato paste into the EU during the period. Although quality is reportedly not very good, processors know that China learns fast how to produce a better quality product. Processors are already thinking of new products to replace the production of tomato paste. The EU Commission is also reportedly worried this new source of product. While no one knows how to deal with it, it is expected that some "thought" will be given on how to bring back some serenity into the EU tomato sector.

There are no imports of fresh tomatoes for processing. However, in MY2000/01, an 20,963 mt of fresh tomatoes for fresh consumption were imported. Most of the imports originated in the EU, with Spain accounting for 19,178 mt of total imports.

Stocks

MY2001/02 stocks have decreased to an estimated 13,500 mt and MY2002/03 stocks are forecast 5,000 mt.

Policy

In MY2001/02, a new threshold regime, which replaced the old quota system, was implemented. Portugal's maximum threshold, 1.05 million mt, is considered by the industry to be a little over what the country can actually produce. Processors are happy with this new regime, since they will now know in advance what their final costs will be and thus will be able to negotiate with producers at international market prices.

Under the new threshold regime, Portugal can produce 1.05 million mt of fresh tomato equivalent. There is more flexibility as there are no restrictions on the specific type and quantity of each processed tomato product produced except that it has to be a type of product that was included under the previous quota regime. The aid for tomatoes of 34.5 Euro/mt is paid directly to the producer organizations for the quantity of raw material produced. If a member state exceeds its national threshold limit, aid will only be paid up to its threshold limit. However, if there are one or more member states that do not use their total national thresholds, their unused aid will be transferred, uniformly, to the member states that overrun theirs.

Portugal Production Quotas and New Threshold Regime
(Fresh Tomato Equivalent) (Metric Tons)

	2000/2001	2001/2002 (1)	2002/2003 (1)
Tomato Paste	822,206		
Whole Peeled Tomato	8,570	{ 1,050,000	{ 1,050,000
Other Products	35,885		
Total	868,660	1,050,000	1,050,000

(1) New EU threshold regime.

Producers, however, were anxious about the new regime's impact. The Portuguese sector is very fragmented with 40 producer organizations currently; the top 7 are responsible for 50 percent of total production (one is responsible for 15 percent). This fragmentation has hurt the sector since there is no association which can speak for the entire sector. It is expected that the number of producer organizations will decrease or that smaller organizations will merge with larger ones, since the small organizations will not be strong enough to face the challenges of the sector.

However, producer organizations have made a major effort to understand the new threshold regime. Reportedly, the transition to the new regime has been smooth although some weakness is noted on the management tools producer organizations need to deal with the new regime. The most difficult adjustments found were making producers understand:

1. that they are responsible for how many tomatoes would be produced since they have a new "limit" of 1.05 million mt beyond which aid will not be paid;

2. the market rules necessary to negotiate prices with the processor at international market levels; and

3. the "paper work" related to the new regime.

Marketing

Since Portugal is self-sufficient in tomato products, there are few opportunities for exports of U.S. products..

PS&D, Fresh Tomatoes

PSD Table						
Country	Portugal					
Commodity	Fresh Tomatoes				(HA)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2000		07/2000
Plnt For Fresh Consump	0	1500	0	1500	0	1500
Plnt For Processing	0	12860	0	11761	0	12000
TOTAL Area Planted	0	14360	0	13261	0	13500
Harv. For Fresh Cons.	0	1500	0	1500	0	1500
Harv. For Processing	0	12860	0	11761	0	12000
TOTAL Area Harvested	0	14360	0	13261	0	13500
Fresh Sale Production	0	155000	0	155000	0	160000
Processing Production	0	854682	0	917237	0	972000
TOTAL Production	0	1009682	0	1072237	0	1132000
TOTAL SUPPLY	0	1009682	0	1072237	0	1132000

PS&D, Tomato Paste

PSD Table						
Country	Portugal					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Deliv. To Processors	821750	821750	966000	897267	0	950000
Beginning Stocks	27650	27650	10000	20000	5000	13500
Production	155955	155955	160000	158387	0	155000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	183605	183605	170000	178387	5000	168500
Exports	135000	124383	130000	64781	0	125000
Domestic Consumption	38605	39222	35000	100106	0	38500
Ending Stocks	10000	20000	5000	13500	0	5000

TOTAL DISTRIBUTION	183605	183605	170000	178387	0	168500

Trade Matrix, Tomato Paste

Export Trade Matrix			
Country	**Portugal**		
Commodity	**Tom. Paste,28-30 % TSS Basis**		
Time period	**July-June**	Units:	**metric tons**
Exports for:	**2000**		**2001**
U.S.	278	U.S.	324
Others		Others	
United Kingdom	40,342	United Kingdom	17,800
Netherlands	14,717	Netherlands	8,699
France	11,572	Italy	6,341
Germany	10,418	Germany	6,119
Ireland	6,929	France	3,255
Sweden	5,605	Sweden	3,008
Spain	5,434	Belg-Lux	2,678
Denmark	2,904	Ireland	2,362
Other EU	5,401	Other EU	4,701
Japan	10,952	Japan	4,162
Total for Others	114,274		59,125
Others not Listed	9,831		5,332
Grand Total	124,383		64,781