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Portugal

Tomatoes and Products

Annual Report

2004

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Report Highlights:
Portugal's tomato production reached 1.01 million tons in MY 03/04, a two percent improvement over last year's poor crop; about 84 percent of this amount was sold for processing. The output of 159,467 tons would have been even higher, but high temperatures during the summer harvest period destroyed around 100,000 tons of fresh tomatoes for processing. Total exports in MY 03/04 are expected to increase by two percent to around 120,000 tons.

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

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Executive Summary

Portugal’s tomato production for Marketing Year (MY) 04/05 (July-June) is forecast to increase 33 percent from MY03/04 when yields were down due to abnormally high temperatures that affected Portugal (and most of Europe) from late July through mid-August. Total production is forecast at 1.35 million tons (metric); over 88 percent (1.2 million tons) will likely be processed. Production for fresh consumption is expected to remain near MY2003/04 levels.

In MY03/04, production for processing of tomato products is estimated to have been 857,674 tons, 18 percent below the production quota level of 1.05 tons allotted to Portugal under the EU’s new threshold regime.

Production of processed tomato products in MY04/05 is forecast to increase 13 percent from the MY03/04 production of 159,467 tons, consisting mainly of tomato paste. In MY03/04, diced tomato production was estimated at 4,444 tons and tomato juice production at 9,756 tons; there was no production of whole peeled tomatoes. MY04/05 production of these products is expected to be similar to MY03/04 levels.

Portugal's MY04/05 exports of tomato paste are forecast at 130,000 tons. The main export market continues to be the rest of the European Union (EU), followed by Japan. Exports in MY03/04 are estimated to increase by two percent from 117,446 tons in MY02/03.

Since Portugal is self-sufficient in both fresh tomatoes and tomato products -- and is in fact a substantial exporter of tomato paste -- there are few opportunities for U.S. exports of these products.

Production

Seeding normally takes place in mid-April to May. This year's seeding (2004) is running smoothly with mild weather and almost no rain.

Total production for MY04/05 is forecast to increase 33 percent to 1.35 million tons, of which 88 percent, or around 1.2 million tons, is expected to go to processing. Area planted and production for fresh consumption are both 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 MY03/04 is updated, based on actual figures from the National Intervention and Guarantee Institute (INGA), reflecting declared area for that period.]

Farmers initially thought that the MY 03/04 crop would be an exceptionally large one. However, the abnormally high temperatures that affected Portugal (and most of Europe) from late July through mid-August destroyed around 100,000 tons of fresh tomatoes for processing. Processors report that the low output of processed tomato products (estimated at 145,267 tons) is also due to problems with deliveries from producers. Some producers were afraid of increased loses during the summer and shipped tomatoes of different maturities in the same container. Processors report that this has caused a decline in industrial yields and affected the color of the final product.

Roughly 80 percent of total Portuguese tomato production is in the "Ribatejo e Oeste" and the "Algarve" areas. Until a few years ago, most of the tomatoes for processing were produced on small (5-10 ha) units. This farm size now represents 10 percent of the total production and has been replaced by modern farms of twenty or more hectares, which allocate one-third of its area to tomato production using the most modern technology. This new type of farm accounts for 70 percent of the total tomato production. However, the structure of the industry is changing, as an estimated 20 percent of the tomato production is grown on even larger farms. Incentives from tomato processors have encouraged cereal producers, particularly corn growers, to shift to production of processing tomatoes on farms ranging from 10 to 90 hectares with new direct-seeding technologies. These farms are all irrigated. While the lower cost of rural labor is one advantage that the Portuguese sector enjoys as compared to other EU countries, costs of other inputs are much higher than in the rest of the EU. Higher land costs seriously hurt the sector.

Tomato Use and Output by the Processing Industry (Metric Tons)

	2002/2003		2003/2004	
	Fresh	**Processed**	**Fresh**	**Processed**
Paste	810,889	137,249	830,755	145,267
Whole Peeled	0	0	0	0
Other	9,340	3,902	6,549	4,444
Juice	14,480	12,306	20,370	9,756
Total	**834,237**	**153,457**	**857,674**	**159,467**

Source: National Intervention and Guarantee Institute (INGA).

Tomato Contracted by the Processing Industry
Metric Tons

2004/2005	
Paste	1,166,271
Other Products	33,450
TOTAL	1,199,721

Consumption

Processed tomato products are not an important part of Portuguese cuisine so there is no significant direct consumption of tomato paste in Portugal. Data for domestic consumption in the PSD table includes 20,000 tons (Post estimate) of paste transformed into tomato powder (which is all channeled for export) and other tomato products (mainly pizza sauce).

Trade

Portuguese exports of tomato paste in MY 02/03 are estimated at 117,446 tons, ten percent below MY 01/02. The main export market continues to be the rest of the European Union (EU), followed by Japan. Sales to the United States are minimal, accounting for only 111 tons of total exports in MY 02/03. Total exports in MY 03/04 are expected to increase by two percent to around 120,000 tons.

Exports from China continue to worry the Portuguese industry. China exported about 50,000 tons of tomato paste to the EU during this period. Although quality is reportedly not very good, Portuguese processors know that Chinese producers adapt quickly and will likely be producing a better quality product in the near future. With this competition in mind, Portuguese processors are already looking for alternative products to replace tomato paste. The EU Commission is also reportedly worried about this new source of product.

Stocks

Stocks of tomato paste have decreased to an estimated 1,000 tons in MY 03/04. Stocks are expected to be maintained at this level in MY 04/05.

Policy

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

Under this new threshold regime for processed tomato products, Portugal is allowed to produce up to 1.05 million tons of fresh tomato equivalent. The regime is more flexible than its predecessor, since it places no restrictions on the type or 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 subsidy for tomatoes, €34.50/ton, 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.

Producers, however, have been adapting quickly to the new regime. Although the Portuguese sector is still very fragmented (there are currently 34 producer organizations), the top 7 are responsible for 50 percent of total production and one of these is responsible for 15 percent. As a result of this rapid adaptation, an Association of Producer Organizations – Produland – has been formed to start operating during the 2004/2005 campaign. Produland already has six members and it is expected that other producer organizations will join the association. However, the overall number of producer organizations is still too high. Reportedly, twenty producer organizations would be enough to handle the tomato sector in Portugal. Therefore, it is expected that the number of producer organizations will continue to decrease as smaller organizations merge with larger ones.

Marketing

Since Portugal is self-sufficient in both fresh tomatoes and tomato products – and is in fact a substantial exporter of tomato paste -- there are few opportunities for U.S. exports of these products.

PS&D, Fresh Tomatoes

PSD Table

Country **Portugal**

Commodity **Fresh Tomatoes** (HA)(MT)

	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		07-2002		07-2003		07-2004
Plnt For Fresh Consump	0	1500	0	1500	0	1500
Plnt For Processing	0	11851	0	12466	0	12500
TOTAL Area Planted	0	13351	0	13966	0	14000
Harv. For Fresh Cons.	0	1500	0	1500	0	1500
Harv. For Processing	0	11851	0	12466	0	12500
TOTAL Area Harvested	0	13351	0	13966	0	14000
Fresh Sale Production	0	160000	0	160000	0	160000
Processing Production	0	834709	0	857674	0	1199721
TOTAL Production	0	994709	0	1017674	0	1359721
TOTAL SUPPLY	0	994709	0	1017674	0	1359721

PS&D, Tomato Paste

PSD Table

Country **Portugal**

Commodity **Tomato Paste,28-30% TSS Basis** (MT)(MT, Net Weight)

	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		07-2002		07-2003		07-2004
Deliv. To Processors	810889	810889	1070000	830755	0	1166271
Beginning Stocks	13500	13500	1000	3000	5000	1000
Production	137249	137249	165000	145267	0	165000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	150749	150749	166000	148267	5000	166000
Exports	120000	117446	125000	120000	0	130000
Domestic Consumption	29749	30303	36000	27267	0	35000
Ending Stocks	1000	3000	5000	1000	0	1000
TOTAL DISTRIBUTION	150749	150749	166000	148267	0	166000

Trade Matrix, Tomato Paste

Export Trade Matrix

Country	Portugal		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period	July-June	Units:	Metric Tons
Exports for:	7/02-6/03		**7/03-6/04**
U.S.	111	U.S.	67
Others		Others	
United Kingdom	29828	United Kingdom	31754
Netherlands	15209	Netherlands	18359
Germany	14697	Germany	5133
Sweden	6491	Spain	4426
Italy	6347	Ireland	3565
Spain	5288	Sweden	2887
Ireland	5171	France	2661
Denmark	2943	Denmark	1350
Other EU-15	6708	Other EU-25	3770
Japan	8959	Japan	4390
Total for Others	101641		78295
Others not Listed	15694		5152
Grand Total	117446		83514