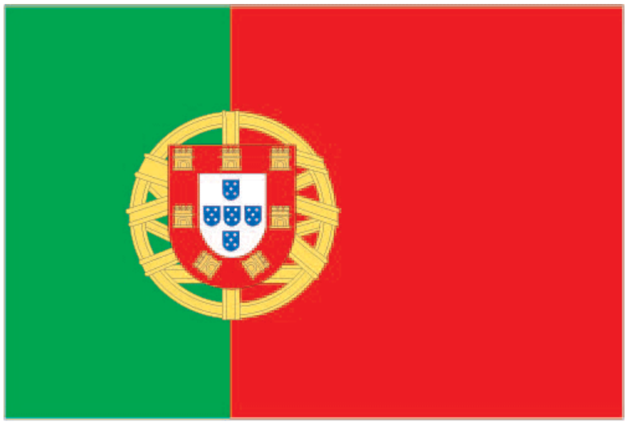


Portugal

Country Profile

August 2019

Following its heyday as a global maritime power during the 15th and 16th centuries, Portugal lost much of its wealth and status with the destruction of Lisbon in a 1755 earthquake, occupation during the Napoleonic Wars, and the independence of Brazil, its wealthiest colony, in 1822. A 1910 revolution deposed the monarchy; for most of the next six decades, repressive governments ran the country. In 1974, a left-wing military coup installed broad democratic reforms. The following year, Portugal granted independence to all of its African colonies. Portugal is a founding member of NATO and entered the EC (now the EU) in 1986.

A SAWIS publication

BACKGROUND

Geography: Southwestern Europe, bordering the North Atlantic Ocean, west of Spain, ncludes Azores and Madeira Islands. Total area 92,090 sq km.

Economy and Infrastructure: Portugal has become a diversified and increasingly service-based economy since joining the European Community - the EU's predecessor - in 1986. Over the following two decades, successive governments privatized many state-controlled firms and liberalized key areas of the economy, including the financial and telecommunications sectors. The country joined the Economic and Monetary Union in 1999 and began circulating the euro on 1 January 2002 along with 11 other EU members. The center-left minority Socialist government has unwound some unpopular austerity measures while managing to remain within most EU fiscal targets.

People: Total population is 10,839,514 and median age is 42.2 years.

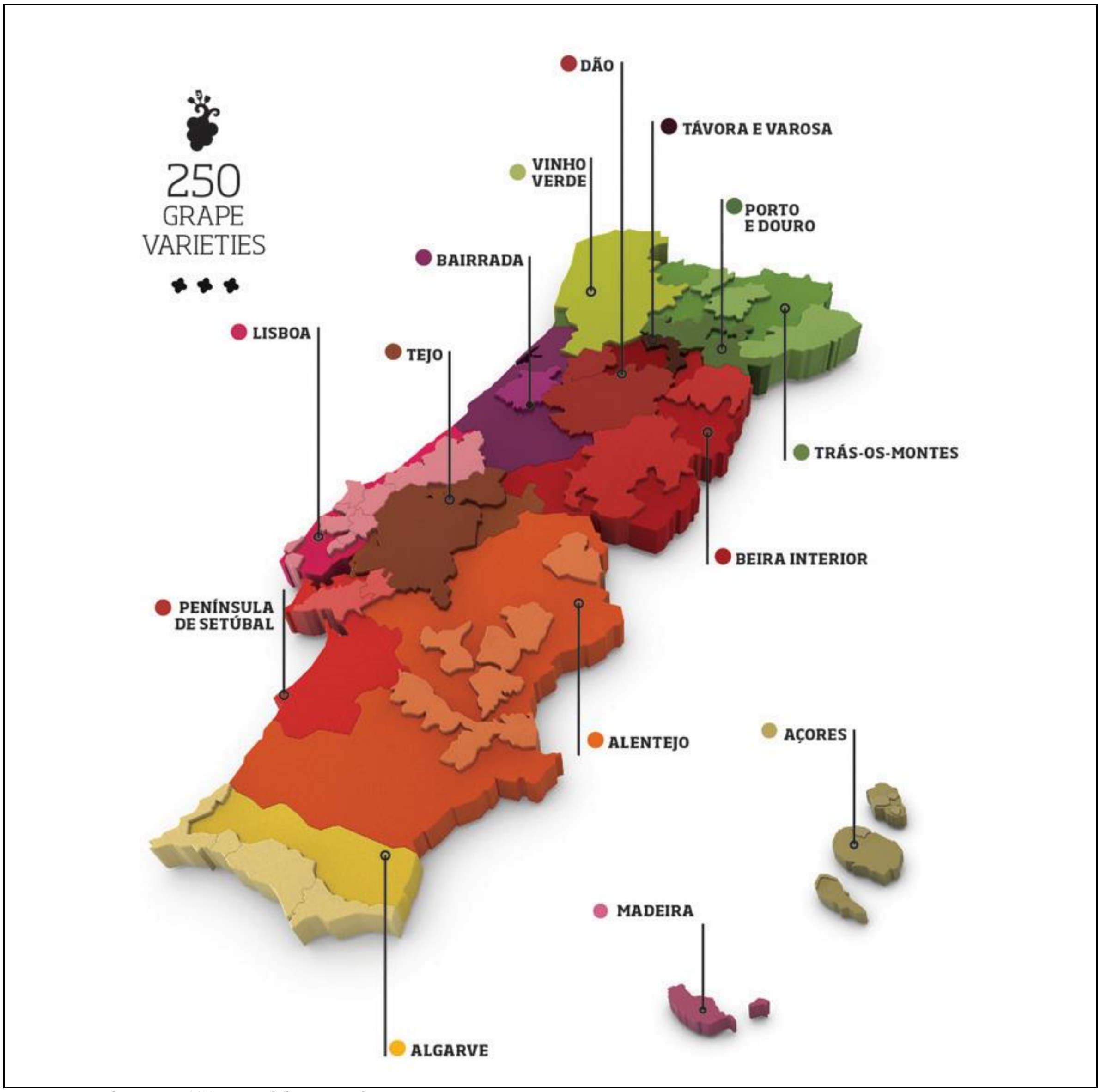
Agriculture: Grain, potatoes, tomatoes, olives, grapes; sheep, cattle, goats, pigs, poultry, dairy products; fish.

Industries: textiles, clothing, footwear, wood and cork, paper and pulp, chemicals, fuels and lubricants, automobiles and auto parts, base metals, minerals, porcelain and ceramics, glassware, technology, telecommunications; dairy products, wine, other foodstuffs; ship construction and refurbishment; tourism, plastics, financial services, optics.

Environment: Soil erosion; air pollution caused by industrial and vehicle emissions and water pollution, especially in coastal areas.

THE WINE INDUSTRY

1. WINE REGIONS



Source: Wines of Portugal

Vinho Verde is the biggest wine producing region in Portugal, located up in the cool, rainy, verdant north west. Main white grapes Alvarinho, Arinto Avesso, Azal, Loureiro and Trajadura. **M**ain red grapes Alvarelhão, Amaral, Borraçal, Espadeiro, Padeiro, Pedral, Rabo de Anho and Vinhão.

In the remote north east of Portugal, cut off from the coast by a series of mountain ranges, **Trás-os-Montes** is wild, high country, its soils poor and unproductive, granite with here and there the odd patch of schist. The extreme continental climate brings long, hot summers followed by long, icy winters. Principle white grapes in this region include: Côdega de Larinho, Fernão Pires, Gouveio, Malvasia Fina, Rabigato, Síria and Viosinho. Principle red grapes in this region include: Bastardo; Marufo; Tinta Roriz; Touriga Franca; Touriga Nacional and Trincadeira.

The Douro is renowned for its fine, rich unfortified wines, both red and white. Main white grapes: Viosinho, Malvasia Fina, Gouveio, Rabigato, Côdega, Donzelinho Branco, Esgana Cão and Folgazão. Main red grapes: Touriga Nacional, Tinta Roriz (Aragonez), Touriga Franca, Tinta Barroca, Tinto Cão, Sousão, Bastardo, Mourisco Tinto, Castelão, Rufete, Tinta Amarela (Trincadeira) and Tinta Francisca.

Távora-Varosa is a small, remote, mountainous region in the north of the VR Beiras, bordering on the Douro to the north, and the Dão region to the south. Main white grapes: Malvasia Fina, Chardonnay, Pinot Branco, Cerceal, Gouveio, Bical and Fernão Pires. Main red grapes: Aragonez, Tinta Barroca, Touriga Franca and Touriga Nacional.

In the western part of the Beiras, **Bairrada** has a mild, maritime climate with abundant rainfall. Main white grapes: Arinto, Bical, Cercial, Sercialinho, Chardonnay, Fernão Pires (Maria Gomes) and Sauvignon blanc. Main red grapes: Baga, Touriga Nacional, Merlot, Syrah and Cabernet Sauvignon.

Surrounded on all sides by mountains, the **Dão region** is protected both from the direct influence of the continental climate and from the chill and rains from the ocean. Main white grapes: Encruzado, Bical, Cercial and Malvasia. Main red grapes: Touriga Nacional, Alfrocheiro, Jaen, Aragonez and Rufete.

These high, granite uplands over by the Spanish border, **Beira Interior**, include some of Portugal's highest and most impressive mountains. Main white grapes: Síria, Arinto, Fonte Cal, Malvasia and Fernão Pires. Main red grapes: Touriga Nacional, Aragonez, Alfrocheiro, Trincadeira,Touriga Franca, Rufete, Bastardo and Marufo.

A lot of wine is made in the **Lisboa wine region**, much of it in co-operatives, in a very wide variety of styles and qualities. This region where the "vinho regional" Lisboa is predominant also has nine DOC. Main white grapes: Arinto, Fernão Pires, Malvasia, Seara-Nova and Vital. Main red grapes: Alicante Bouschet, Aragonez, Castelão, Tinta Miúda, Touriga Franca, Touriga Nacional and Trincadeira.

DOC Do Tejo occupies almost the same large area as VR Tejo, on either side of the River Tagus (Tejo in Portuguese) as it flows gently along in a south-westerly direction towards its estuary at Lisbon.

The **Setúbal Peninsula** lies across the estuary of the River Tagus directly south of Lisbon, and linked to Lisbon by two bridges. Main white grapes: For Setúbal: Antão Vaz, Arinto, Fernão Pires, Malvasia Fina, Moscatel Galego Branco, Moscatel de Setúbal, Rabo de Ovelha, Roupeiro Branco, Verdelho, Viosinho. For Palmela: Alvarinho, Antão Vaz, Arinto,Chardonnay, Fernão Pires, Loureiro, Malvasia Fina, Moscatel Galego Branco, Moscatel de Setúbal, Pinot Blanc, Rabo de Ovelha, Roupeiro Branco, Sauvignon, Semillon, Verdelho, Viosinho. Main red grapes: For Setúbal: Aragonez, Bastardo, Castelão, Touriga Franca, Touriga Nacional, Trincadeira, Moscatel Roxo. For Palmela: Alicante Bouschet, Aragonez, Bastardo, Cabernet Sauvignon, Castelão, Merlot, Petit Verdot, Syrah, Tannat, Tinta Miúda, Tinto Cão, Touriga Nacional, Trincadeira.

The **Alentejo region** covers about a third of Portugal, and Alentejo wines are popular. Main red grapes (variable according to sub-region): Aragonez, Trincadeira, Castelão, Alfrocheiro and Alicante Bouschet. Main white grapes: Arinto, Antão Vaz, Roupeiro, Fernão Pires and Perrum.

Algarve is Portugal's southernmost region. Main white grapes: Siria, Arinto and Malvasia Fina (the latter only in Lagos). Main red grapes: Negra Mole, Trincadeira and Castelão.

The Azores are an archipelago of nine islands about a third of the way out into the Atlantic on a line between Lisbon and New Jersey. Main white grapes: Verdelho, Arinto and Terrantez.

Madeira's fortified wines keep practically for ever - they have been known to survive for more than two centuries. Off the coast of Africa, 1,000km from mainland Portugal, the semi-tropical island of Madeira has long been famous for its fortified wines, DOP Madeira**.** Authorized grapes for DOP Madeirense and IGP Terras Madeirenses: Verdelho, Malvasia Fina (Boal), Sercial, Malvasia, Folgasão (Terrantez), Chardonnay, Chenin, Bastardo, Cabernet Sauvignon, Complexa, Deliciosa, Merlot, Tinta Barroca, Tinta Negra, Touriga Francesa, and Touriga Nacional. Main grapes for DOP Madeira**:** Tinta Negra, Sercial, Boal, Malvasia, Terrantez and Verdelho.

2. AREA UNDER VINES

YEAR	HECTARES
2013	229 000
2014	224 000
2015	204 000
2016	195 000
2017	194 000
2018*	192 000

Provisional
Source: OIV

3. CULTIVARS

Refer to paragraph 1 – Wine Regions.

4. PRODUCTION

Domestic Wine Production

YEAR	'000 litres
2011	560 000
2012	630 000
2013	620 000
2014	620 000
2015	700 000
2016	600 000
2017	660 000
2018*	610 000

Provisional
Source: OIV

5. CONSUMPTION

Consumption is currently at 47.10 litres per capita.

YEAR	‘000 litres
2013	420 000
2014	430 000
2015	480 000
2016	460 000
2017	450 000
2018*	550 000

**Provisional*
Source: OIV

Per capita consumption

YEAR	LITRES PER CAPITA
2011	46.30
2012	44.60
2013	42.50
2014	42.20
2015	44.10
2016	45.60
2017	47.10

Source: 2018 Euromonitor International

6. INTERNATIONAL TRADE

Total exports

Exports represent 49% of total wine production. Main exports countries are France (13%), Angola (9%), Germany 8%), the UK (7%), Spain (7%), the USA (7%), Brazil (6%), Belgium, The Netherlands, Canada, and China.

YEAR	‘000 LITRES
2011	309 000
2012	337 000
2013	310 000
2014	283 000
2015	280 000
2016	277 000
2017	300 000

2018	300 000

Source: OIV Comtrade

Total imports

Imports mainly from Spain (94%) and Italy (3%).

YEAR	'000 LITRES
2011	163 000
2012	130 000
2013	160 000
2014	233 000
2015	215 000
2016	179 000
2017	211 000
2018	198 800

Source: Comtrade

7. INTERNATIONAL POSITION

9th in global vineyards area.

11th in global wine production.

3% of global exports.

8. TRENDS & FORECASTS

- Wine grows by 3% in total volume terms in 2017
- Tourism and macroeconomic indicators drive growth for wine in Portugal in 2017
- Vermouth is best performer in 2017 with 10% total volume growth
- Average unit price records 2% value growth in 2017, benefiting from improving purchasing power
- Competitive landscape of wine remains highly fragmented, with no companies achieving more than 2% total volume share, although local companies dominate overall
- Wine is set to record a 3% total volume CAGR over the forecast period, reaching 555 million litres in 2022

Tourism and macroeconomic performance pave the way for wine's growth
Touristic inflows and positive macroeconomic momentum have combined to set the perfect environment for wine to flourish. With the recession years far from consumers' memories, the growth of wine experienced towards the end of the review period is expected to continue into the forecast period, with increasing diversification and specific value offered. With growing average incomes, there is increasing interest amongst consumers to spend more on selected indulgent consumption. The record high touristic inflows are a significant boost for wine, since Portugal is correctly perceived as a producing country of diversified, quality wines.

Tourism and mixology boost fortified wine
Fortified wine and vermouth is set to experience significant growth during the forecast period, particularly pushed by trends in tourism and changes in consuming habits. Touristic inflows are leading growth through the on-trade channel, which is particularly noticeable in traditional port. The on-trade channel is also encouraging Portuguese consumers to rediscover existing types of wine that have long been underperforming, as is the case for vermouth, led by the quest for new and differentiated products introduced by the mixology trend.

The challenge for wine: Gaining young consumers' attention
Despite positive momentum for wine, young consumers still present a challenge for players. As wine is a very traditional and conservative category, its consumption is still associated with a more aged and affluent population, particularly for non-economy still light grape wine. Furthermore, the category's specificities and higher price, when compared to beer for example, makes wine less appealing to younger consumers, whether for financial reasons or flavour.

Local wine remains highly fragmented
The competitive landscape of wine remained highly fragmented in 2017. The National Statistics Office references the existence of 1,296 companies operating within the wine industry in the country, a number that has been growing continuously since 2010. Wine is dominated by local companies. Since Portugal is a wine- producing country, several of these companies have significant operations abroad.

Growing myriad of niche wines
Apart from high fragmentation, wine in Portugal is also divided into several niche areas. Each origin-producing region of wine has its own characteristics, thus offering distinct flavours – distinctions the Portuguese consumer is able to identify, particularly notable in still light grape wines. Companies are increasingly directing their different wines to better tackle various audiences, further segregating the category into different niche types.

This trend is also notable in fortified wine, with the mixology trend favouring the emergence of new ways of consuming this drink in combination with different elements. This is leading to consumers' increasing sophistication, with the search for differentiated products and new ways to consume them, favouring the creation of new niche areas. An example of this is the re-emergence of vermouth, with new players and new brands emerging, particularly focused on capturing this effect in on-trade.

Signs of price promotions giving place to value creation
Price promotions have been key to developing still light grape wine, with a strong focus on the off-trade. Wine fairs in modern grocery retailers are recurrent, particularly in the autumn, although major retail chains operate continuous price promotions, and repeat wine fairs throughout the year. These practices have led to higher volume sales and higher-priced wines.

Although price promotions have been a characteristic of the off-trade channel, there is a stabilisation trend in the severity of price promotions within wine. Promotions are becoming less aggressive in the price discounts being offered, without impacting volume sales; hence, creating value for the category.
Source: Euromonitor International