Forum on Best Practices in the Agri-Food Supply Chain

Responses to the Cost-of-Living Crisis Framing Presentations - Portugal

Brussels, Belgium | 16 November 2023

David Gouveia
Director for Agricultural Markets and Agri-food Chain
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1. Food Inflation Rate

The average price of essential foods in Portugal went up almost 30% since 2022, with Portugal’s food and safety body estimating that a food basket went from €74.90 at the start of 2022 to €96.44 today, the government announced Thursday.

EURACTIV, 10 February 2023

- High prices for raw materials and fertilisers, uncertainty about availability have affected agricultural production, both in terms of production costs and quantity
- High energy costs
- Portugal is very exposed to the external market in the agri-food sector, particularly for cereals and feed, imported inflation
- 2022 vs 2021 increased farmgate prices (12%) but bellow costs increase (27%)
2. Stabilisation and Reduction of Food Prices

Tackling the effects of inflation on household income

Three-party pact signed between government and food production and distribution sectors

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**Government Commitments**
- Propose VAT temporary reduction to Parliament
- Exceptional support for agricultural production to mitigate impact of production costs
- Future adjusting CAP instruments
- Promote vertical communication between all the elements of the agri-food chain to guarantee transparency to the public

**Retailer’s Commitments**
- Reduce price of products exempt from VAT, not incorporating tax reduction in commercial margin
- Clear and precise information to consumers about price reduction
- Reinforce commercial campaigns for VAT exempt products
- Partnerships with producers who have reflected support in prices
- Information on retail prices to the Monitoring Committee

**Producer’s Commitments**
- Reflect the support received in the production costs of the products in the basket, directly and indirectly, taking into account the natural production cycle
- Associate support received with stabilisation or, when possible, reduction in farm-gate prices.

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AGREEMENT
## 2. Stabilisation and Reduction of Food Prices

### Tackling the effects of inflation on household income

Three-party pact signed between government and food production and distribution sectors

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<thead>
<tr>
<th>Government Commitments</th>
<th>Retailer’s Commitments</th>
<th>Producer’s Commitments</th>
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</thead>
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<td></td>
<td>Information on retail prices to the Monitoring Committee</td>
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</tr>
</tbody>
</table>
2.1. Temporary VAT reduction

‘Zero VAT’ - pact's most visible initiative as an exceptional and temporary measure in response to the extraordinary increase in food prices

Law no. 17/2023 of 14 April, temporarily exempts certain food products from VAT

- 46 products taking into account Ministry of Health's healthy eating basket and retailers data on the products most consumed by the Portuguese
  - Cereals and derivatives, tubers (4)
  - Dairy products (3)
  - Fresh fruits (5)
  - Pulses (3)
  - Fresh vegetables (13)
  - Meat and fish (10)
  - Fats and oils (13)
  - Other products (4)

- In force from 18 April to 31 October 2023
- total tax reduction expected 410 Meuro, and 0.2% contribution to reduce inflation rate in 2023
- Government's concern: ensuring benefit is passed on to the consumer and that the measure is properly applied in price stabilisation
- Retailers' concern: billing logistics and communication to the consumer
- Producers' concerns: price formation factors and maintenance of activity
2.1. Temporary VAT reduction

Supervision and impact assessment

Ensuring transfer to consumer, and preventing usurpation of economic advantage in retailer's margin

- Monitoring: Food and Economic Safety Body (ASAE)
- price formation determined by costs of raw materials, production, transport and storage, the distribution chain, the evolution of inflation, demand, and climate conditions
- asymmetrical price trends of different products, but overall a positive result which has led to an effective and proportional reduction in the price of the essential healthy food basket

Some clouds in the horizon and food inflation still above goal (7.3% in September vs 15.4% in April)

Extension of Zero VAT until 31 December 2023 for the same 46 products

140 Meuro total tax reduction expected for the extended period
2.2. Exceptional support for agricultural producers

Financial state aid support to compensate rising costs and stabilise producer prices

Increase in producer prices (12%) compared to 2022 does not accommodate the increase in the cost of inputs (27%), with a decrease in farmers' income of around 12 per cent.

180 Meiros total support

27% of the value of CAP income support without the amount of extraordinary support received by farmers during 2022 to deal with the crisis.

140 Meiros

EC notification under the temporary crisis framework for state aid measures to support the economy following the aggression against Ukraine by Russia.

40 Meiros

de minimis support for agricultural diesel and electricity.

130 000 beneficiaries

Payments to be concluded until 31 December 2023.

Pigs, poultry, dairy cows, suckler cows, sheep and goats and agricultural crops.
3. Agri-Food supply chain prices Observatory

Objectives

- Increase transparency with information on costs, prices and margins
- Enhance knowledge and monitoring
- Increasing competitiveness
- Support policy formulation
## 3. Agri-Food supply chain prices Observatory

### Products

<table>
<thead>
<tr>
<th>Olive Oil</th>
<th>Cereals</th>
<th>Milk and Dairy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poultry Meat</td>
<td>Fruits</td>
<td>Eggs</td>
</tr>
<tr>
<td>Pig Meat</td>
<td>Vegetables</td>
<td>Fish</td>
</tr>
</tbody>
</table>
3. Agri-Food supply chain prices Observatory

<table>
<thead>
<tr>
<th>Fase</th>
<th>Produção</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produto</td>
<td>Cebola</td>
</tr>
<tr>
<td>Período</td>
<td>Início</td>
</tr>
<tr>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>Período 13 (2019-12-02 a 2019-12-29)</td>
<td></td>
</tr>
<tr>
<td>Fim</td>
<td>2023</td>
</tr>
<tr>
<td>Período 8 (2023-07-17 a 2023-08)</td>
<td></td>
</tr>
</tbody>
</table>

Comparar preços com:
- Cebola - Consumo (€/kg)

#### Cebola

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
<th>2023</th>
<th>Período Homólogo</th>
<th>Período Anterior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Período (4 semanas)</td>
<td>Período 7 (2023-06-19 a 2023-07-15)</td>
<td>Periodo Homólogo</td>
<td>Periodo Anterior</td>
<td>Absoluta %</td>
<td>Relativa %</td>
</tr>
<tr>
<td>Cebola - Produção (€/kg)</td>
<td>0,53€</td>
<td>0,24€</td>
<td>0,64€</td>
<td>0,10€</td>
<td>55,06%</td>
</tr>
<tr>
<td>Cebola - Consumo (€/kg)</td>
<td>1,46€</td>
<td>1,0€</td>
<td>2,99€</td>
<td>0,49€</td>
<td>45,4%</td>
</tr>
</tbody>
</table>
### Agri-Food supply chain prices Observatory

#### Período 8 (17-07-2022 a 13-08-2022)

<table>
<thead>
<tr>
<th>Produto</th>
<th>Preços médios</th>
<th>Variações</th>
<th>Tendência interanual</th>
<th>% Variação no Período</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2023</td>
<td>2022</td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>2023</td>
<td>2022</td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>Preço (€/kg)</td>
<td>% Alteração</td>
<td>% Alteração</td>
<td>% Alteração</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(%)</td>
<td>(%)</td>
<td>(%)</td>
</tr>
</tbody>
</table>

#### Preços médios

- **Alface**: Produção - €/kg: 0.62 → 1.10 → 0.64 → 0.39 → -38% → 0.62 → -3% (Alface (Produção))
- **Consumo**: Alface 40cm - €/kg: 4.08 → 5.23 → 3.99 → 1.13 → -32% → 0.09 → 2% (Alface (Consumo))
- **Batata**: Produção - €/kg: 1.99 → 2.30 → 2.04 → 0.31 → -13% → 0.04 → 2% (Batata (Produção))
- **Carne**: Carne - €/kg: 1.36 → 2.46 → 1.40 → 0.62 → -51% → 0.03 → 6% (Carne (Produção))
- **Cenoura**: Produção - €/kg: 0.40 → 0.53 → 0.42 → 0.05 → -18% → 0.07 → 15% (Cenoura (Produção))
- **Couve**: Produção - €/kg: 0.94 → 0.66 → 0.80 → 0.32 → -48% → 0.04 → 13% (Couve (Produção))
- **Toma**: Produção - €/kg: 0.56 → 0.85 → 0.59 → 0.15 → -19% → 0.07 → 12% (Toma (Produção))
- **Tomate**: Consumo - €/kg: 1.65 → 1.38 → 1.86 → 0.27 → 20% → 0.23 → 12% (Tomate (Consumo))

#### Variáveis

- **Período Homólogo**: €/kg
- **Periodo anterior**: €/kg
- **% Alteração**:
- **% Alteração (%)**:
- **% Alteração (%)**:
- **% Alteração (%)**:

#### Tendência interanual

- **% Variação no Período**:
  - **2023**:
  - **2022**:

#### Notas

- Em termos métricos, os preços no consumo dos produtos da lista dos hortícolas aqui acompanhados, apresentam uma tendência de decréscimo dos preços nos últimos quatro períodos.
- A **Alface (Produção)** teve um preço de 0.63 €/kg no período 8 (17-07-2022 a 13-08-2022), 30% abaixo do preço do mesmo período do ano 2021 e 3% abaixo do período anterior. Apresenta uma tendência de subida dos preços nos últimos quatro períodos.
- A **Batata (Consumo)** atingiu um preço de 5.23 €/kg no período 8 (17-07-2022 a 13-08-2022), 32% abaixo do preço do mesmo período do ano 2021 e 2% abaixo do período anterior. Apresenta uma tendência de manutenção dos preços nos últimos quatro períodos. Este produto diminuiu a taxa de penetração nos meses de 38,8% em 2022 para 38,6% em 2023.
- A **Cenoura (Produção)** atingiu um preço de 0.53 €/kg no período 8 (17-07-2022 a 13-08-2022), 32% abaixo do preço do mesmo período do ano 2021 e 1% abaixo do período anterior. Apresenta uma tendência de manutenção dos preços nos últimos quatro períodos. Este produto diminuiu a taxa de penetração nos meses de 38,8% em 2022 para 38,6% em 2023.
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