

# 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

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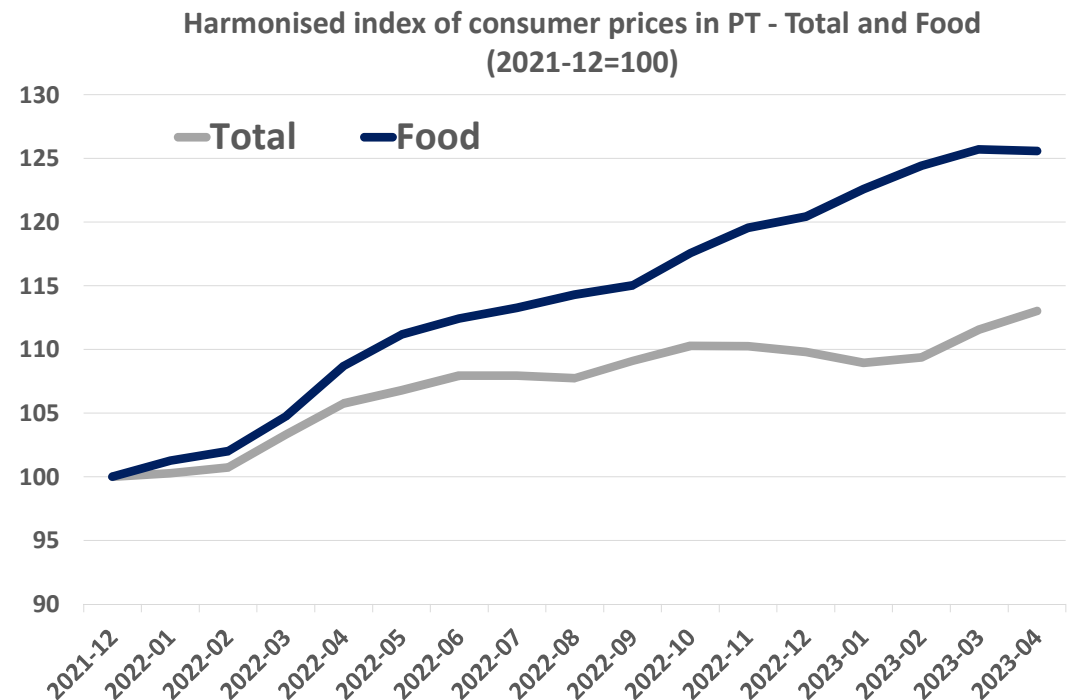


## 1. Food Inflation Rate

*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%)



Source: INE



## 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

#### 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.

**AGREEMENT**



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**AGREEMENT**



## 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

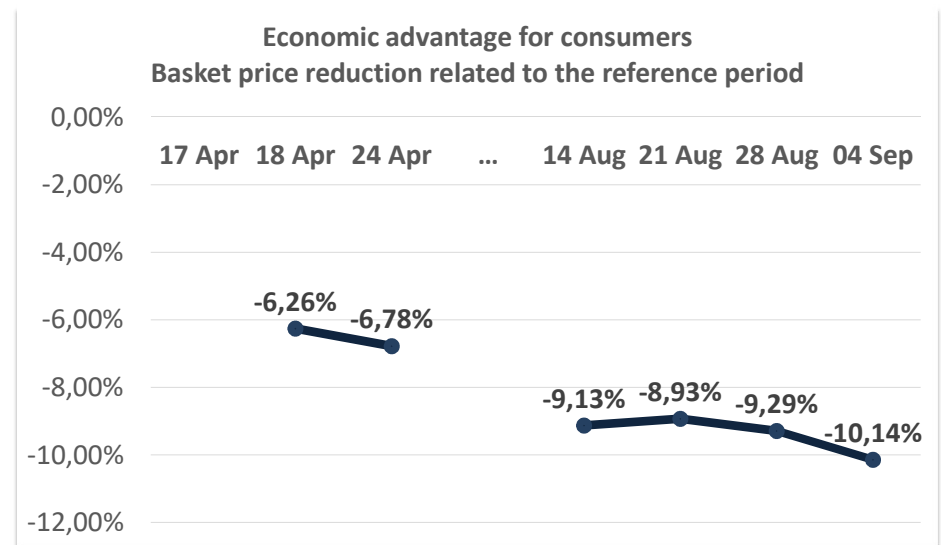


## 2.1. Temporary VAT reduction

### 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 Meuros 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 Meuros

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

#### 40 Meuros

*de minimis* support for agricultural diesel and electricity

Pigs, poultry, dairy cows, suckler cows, sheep and goats and agricultural crops

#### 130 000 beneficiaries

Payments to be concluded until 31 December 2023

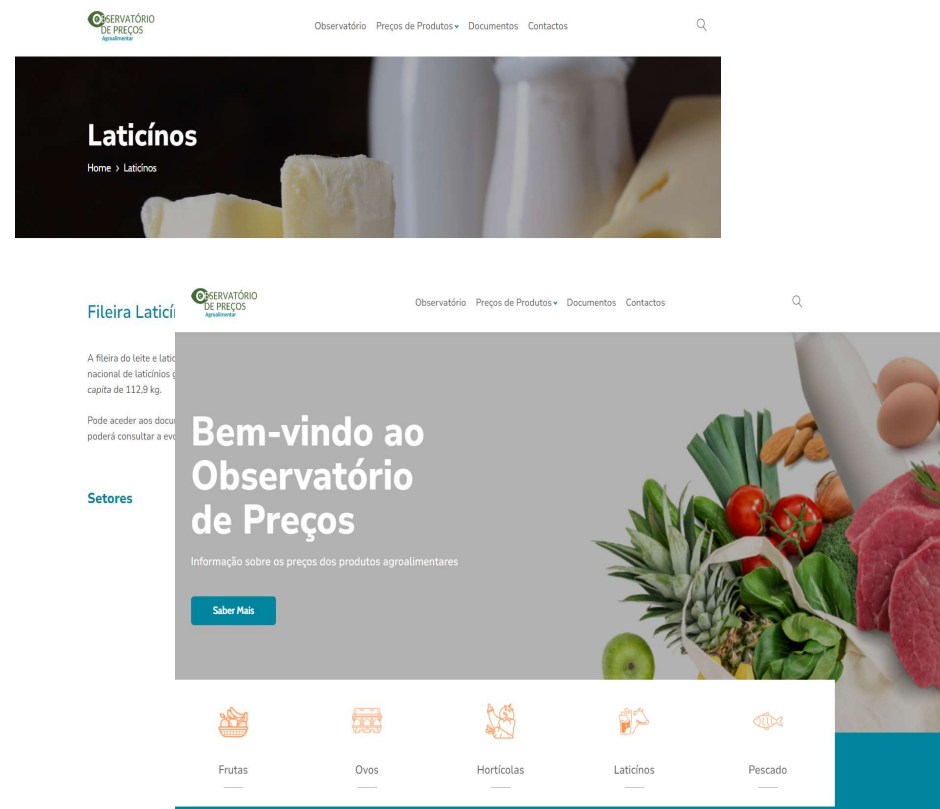




### 3. Agri-Food supply chain prices Observatory




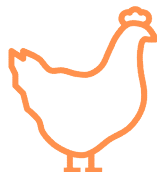

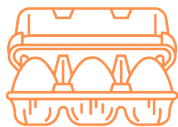
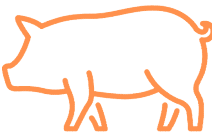


## Objectives

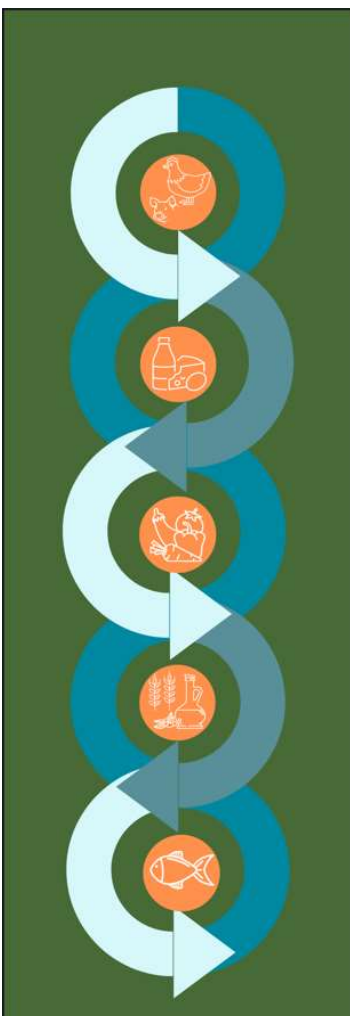
- ❖ Increase transparency with information on costs, prices and margins
- ❖ Enhance knowledge and monitoring
- ❖ Increasing competitiveness
- ❖ Support policy formulation



### 3. Agri-Food supply chain prices Observatory

## Products

Olive Oil		Cereals		Milk and Dairy	
Poultry Meat		Fruits		Eggs	
Pig Meat		Vegetables		Fish	



### 3. Agri-Food supply chain prices Observatory



**Fase**  
 Produção

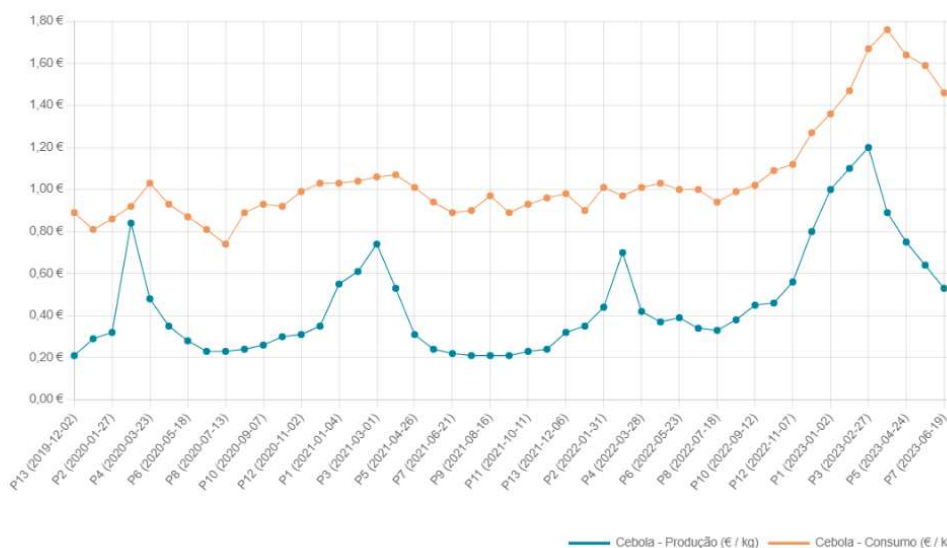
**Produto**  
 Cebola

**Período**  
 Início: 2019  
 Período 13 (2019-12-02 a 2019-11-11)

**Fim**  
 2023  
 Período 8 (2023-07-17 a 2023-08-13)

#### Cebola

Período 13 (2019-12-02 a 2019-12-29) a Período 8 (2023-07-17 a 2023-08-13)



#### Comparar preços com:

Cebola - Consumo (€/kg)

Ano	Preços médios			Variações			
	2023	2022	2023	Período Homólogo	Período Anterior	Período Anterior	Período Anterior
<b>Período (4 semanas)</b>	<b>Período 7</b>	<b>Período Homólogo</b>	<b>Período Anterior</b>	<b>Absoluta €</b>	<b>Relativa %</b>	<b>Absoluta €</b>	<b>Relativa %</b>
	(2023-06-19 a 2023-07-16)						
Cebola - Produção (€/kg)	0,53€	0,34€	0,64€	0,19€	56,86%	-0,11€	-17,15%
Cebola - Consumo (€/kg)	1,46€	1,0€	1,59€	0,45€	45,4%	-0,14€	-8,72%



### 3. Agri-Food supply chain prices Observatory

Período 8 (17-07-2023 a 13-08-2023)

Boletim Resumo - Evolução de Preços Por Setor e Fase da Cadeia  
Valores referentes a períodos de 4 semanas



Setor	Fase da Cadeia	Produto		Preços médios			Variações				Tendência últimos 4 períodos	% lares com aquisições no Período		Produto
				2023	2022	2023	Período Homólogo		Período anterior			2023	2022	
				Período 8 (17-07-2023 a 13-08-2023)	Período Homólogo	Período anterior	Absoluta (€)	Relativa (%)	Absoluta (€)	Relativa (%)				
<b>Hortícolas</b>														
Alface	Produção	Alface	€/kg	0,62 €	1,00 €	0,64 €	-0,38 €	-38%	-0,02 €	-3%				Alfaca (Produção)
	Consumo	Alface 4ªGama	€/kg	4,08 €	5,21 €	3,99 €	-1,13 €	-22%	0,09 €	2%		4,2%	4,1%	Alfaca 4ªGama (Consumo)
	Consumo	Alface	€/kg	1,99 €	2,30 €	2,03 €	-0,31 €	-13%	-0,04 €	-2%		34,4%	38,4%	Alfaca (Consumo)
Batata	Produção	Batata	€/kg	0,52 €	0,27 €	0,49 €	0,25 €	93%	0,03 €	6%				Batata (Produção)
	Consumo	Batata	€/kg	0,97 €	0,77 €	1,01 €	0,20 €	26%	-0,04 €	-4%		35,6%	38,7%	Batata (Consumo)
Cebola	Produção	Cebola	€/kg	- €	0,33 €	0,53 €	-0,33 €		-0,53 €					Cebola (Produção)
	Consumo	Cebola	€/kg	1,36 €	0,94 €	1,46 €	0,42 €	45%	-0,10 €	-7%		35,2%	40,2%	Cebola (Consumo)
Cenoura	Produção	Cenoura	€/kg	0,40 €	0,35 €	0,47 €	0,05 €	14%	-0,07 €	-15%				Cenoura (Produção)
	Consumo	Cenoura	€/kg	1,09 €	0,77 €	1,14 €	0,32 €	42%	-0,05 €	-4%		43,5%	45,6%	Cenoura (Consumo)
Couve	Produção	Couve Repolho Coração	€/kg	0,34 €	0,66 €	0,30 €	-0,32 €	-48%	0,04 €	13%				Couve Repolho Coração (Produção)
	Produção	Brócolo	€/kg	- €	1,02 €	- €	-1,02 €							Brócolo (Produção)
	Consumo	Brócolo	€/kg	2,85 €	2,65 €	2,43 €	0,20 €	8%	0,42 €	17%		11,9%	11,6%	Brócolo (Consumo)
Curgete	Produção	Curgete	€/kg	0,61 €	0,68 €	0,52 €	-0,07 €	-10%	0,09 €	17%				Curgete (Produção)
	Consumo	Curgete	€/kg	1,12 €	0,94 €	1,12 €	0,18 €	19%	- €	0%		17,4%	19,9%	Curgete (Consumo)
Tomate	Produção	Tomate	€/kg	0,66 €	0,81 €	0,59 €	-0,15 €	-19%	0,07 €	12%				Tomate (Produção)
	Consumo	Tomate	€/kg	1,65 €	1,38 €	1,88 €	0,27 €	20%	-0,23 €	-12%		44,0%	46,6%	Tomate (Consumo)
Notas	<p>Em termos médios, os preços no consumo dos produtos da fileira das hortícolas aqui acompanhados, apresentam uma tendência de descida dos preços nos últimos quatro períodos.</p> <p>A Alfaca (Produção) atingiu um preço de 0,62 € / kg no período 8 (17-07-2023 a 13-08-2023), 38% abaixo do preço do mesmo período do ano 2022 e 3% abaixo do período anterior. Apresenta uma tendência de subida dos preços nos últimos quatro períodos.</p> <p>A Alfaca (Consumo) atingiu um preço de 1,99 € / kg no período 8 (17-07-2023 a 13-08-2023), 13% abaixo do preço do mesmo período do ano 2022 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 lares de 38,4% em 2022 para 34,4% em 2023.</p> <p>A Batata (Produção) atingiu um preço de 0,52 € / kg no período 8 (17-07-2023 a 13-08-2023), 93% acima do preço do mesmo período do ano 2022 e 6% acima do período anterior. Apresenta uma tendência de subida dos preços nos últimos quatro períodos.</p> <p>A Batata (Consumo) atingiu um preço de 0,97 € / kg no período 8 (17-07-2023 a 13-08-2023), 26% acima do preço do mesmo período do ano 2022 e 4% abaixo do período anterior. Apresenta uma tendência de manutenção dos preços nos últimos quatro períodos. Este produto diminuiu a taxa de penetração nos lares de 38,7% em 2022 para 35,6% em 2023.</p>													



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