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Agribusiness 2025

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Portugal: Law & Practice & Trends & Developments

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PORTUGAL



Law and Practice

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Contents

1. Agribusiness Market Overview p.4

- 1.1 Key Economic Indicators p.4
- 1.2 Main Crops and Supply Chains p.4
- 1.3 Export Profile and Global Trade Role p.4

2. Legal and Institutional Framework p.5

- 2.1 Agricultural Policies and Planning Instruments p.5
- 2.2 Agribusiness Finance p.6
- 2.3 Key Authorities and Supervisory Bodies p.6
- 2.4 Interaction With Other Areas of Law p.6

3. Land Ownership, Use and Environmental Compliance p.7

- 3.1 Rural Land Use Regulation p.7
- 3.2 Foreign Ownership Restrictions p.7
- 3.3 Environmental Requirements p.7

4. Legal Concepts and Regulatory Definitions p.7

- 4.1 Definition and Scope of Agribusiness p.7
- 4.2 Conflicts Across Regulatory Instruments p.7

5. Financial Instruments and Financing Structures p.8

- 5.1 Agribusiness Credit Instruments p.8
- 5.2 Export Financing Structures p.8
- 5.3 Capital Market Instruments p.8
- 5.4 Investment Funds and Securitisation p.8
- 5.5 Collateral Structures and Guarantee Models p.8

6. Legal Advisory and Market Practice p.9

- 6.1 Role of Legal Advisers in Transaction Structuring p.9
- 6.2 Legal Opinions and Market Acceptance p.9
- 6.3 Due Diligence and Documentation p.9
- 6.4 Legal Practice and Risk Allocation p.9

7. Taxation and Incentives in Agribusiness p.9

- 7.1 Tax Regime for Rural Operations p.9
- 7.2 Tax Benefits and Incentives p.10
- 7.3 Taxation of Financial and Capital Instruments p.10

8. Dispute Resolution and Enforcement p.10

- 8.1 Enforcement of Agribusiness Contracts p.10
- 8.2 Litigation and Arbitration Trends in Agribusiness p.10
- 8.3 Creditor Protection and Collateral Enforcement p.10
- 8.4 Disputes in Uncompleted Transactions p.10

9. Recent Developments and Future Trends p.11

- 9.1 Regulatory and Legislative Developments p.11
- 9.2 Market Adaptation and Investor Sentiment p.11
- 9.3 ESG and Sustainability p.11

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1. Agribusiness Market Overview

1.1 Key Economic Indicators

Although primary agriculture is a modest share of Portugal's national GDP, the broader agribusiness complex (including farming, forestry, transformation, logistics and services) adds materially more in gross value and has strong regional significance. The agri-food sector is a big exporter, but there is still a deficit in the commercial balance, whereas the forestry sector has a relevant surplus.

The sector is important regionally, sustaining rural livelihoods mainly across the Alentejo, Ribatejo, Oeste and the Algarve, and supporting Portugal's territorial cohesion objectives.

Agribusiness employment remains structurally important and increasingly skills-intensive with the growth of precision farming, data analytics and sustainability compliance. Productivity has risen on irrigated land due to modernisation of schemes and technology adoption, while rain-fed areas face volatility from climate stress. Investment flows reflect these dynamics, with capital directed to irrigation efficiency, high-value crops, post-harvest infrastructure and renewable energy on farms.

A specific area deserves a special mention: the Alqueva in the Alentejo region has faced a structural change in the last years with the development of Alqueva Dam, which irrigates an area of up to 150,000 hectares.

The sector is facing relevant changes with innovation (new techniques, novel food, etc) and digitalisation playing an increasingly relevant role.

1.2 Main Crops and Supply Chains

Portugal's hallmark products include wine, olive oil, cork, fresh fruits (notably berries and citrus), vegetables, rice and nuts, along with significant livestock (poultry and pork). Supply chains are organised mostly around producer organisations and co-operatives (although the offer concentration numbers remain well below the average at the EU) and include large integrated agribusiness groups, specialised input providers and processors, and exporters. Cold-chain logistics, quality certification and traceability systems serve the dominant retail and hotel, restaurant and catering (HORECA) channels.

The structure remains a mix of small and medium-sized family farms and increasingly capitalised operations in high-value segments. Contract farming and long-term off-take arrangements with retailers and exporters are common for perishable produce. Public irrigation perimeters and collective irrigation user associations play a key role in water allocation and on-farm investment planning.

1.3 Export Profile and Global Trade Role

Agri-food exports are a resilient pillar of Portugal's external accounts, anchored by fresh produce, olive oil, wine and cork. The European Union is the primary destination, with Spain, France and Germany, plus the UK, as leading markets, while North American and Asian demand is gradually expanding. Export performance benefits from EU single market access, harmonised standards and participation in EU trade agreements.

Compliance with sanitary and phytosanitary rules, sustainability certifications and the evolving EU regime on deforestation-free supply chains is now central to

market access. Logistics connectivity through ports such as Port of Sines, Port of Leixões and Port of Lisbon, facilitates fresh and processed exports. Export credit insurance and pre-shipment finance further support working capital for seasonal producers.

2. Legal and Institutional Framework

2.1 Agricultural Policies and Planning Instruments

The Portuguese CAP Strategic Plan 2023–2027

Portugal implements the EU Common Agricultural Policy (CAP) via the Portuguese CAP Strategic Plan 2023–2027 (“PEPAC”), which structures support across three pillars: direct income support, sectoral programmes and rural development/innovation. The plan targets competitiveness, climate and biodiversity, water efficiency, generational renewal and digitalisation, and it integrates crisis-response tools and food-chain resilience.

Direct income and coupled support instruments

Direct income support instruments include the Basic Income Support for Sustainability (BISS), the Complementary Redistributive Income Support for Sustainability (CRISS) and the Complementary Income Support for Young Farmers. Eco-schemes provide annual payments for practices such as cover crops, precision fertilisation, carbon-sequestering pasture management, enhanced animal welfare and landscape/biodiversity features. Coupled support remains available for selected sectors where justified by market or territorial needs, and all payments are subject to enhanced conditionality – Good Agricultural and Environmental Conditions (GAEC)/statutory management requirements (SMR) – on soils, water, nutrients and habitat protection.

Sectoral interventions and market-stabilisation tools

Sectoral interventions under the Common Market Organisation cover operational programmes for recognised producer organisations in fruit and vegetables, apiculture support, the national support programme for wine, olive-oil quality actions and the EU school scheme for fruit, vegetables and milk. Market-stabilisation tools (including the EU agricultural

crisis reserve, private storage aid and exceptional measures) can be activated for severe shocks.

Rural development co-funding

Rural development measures co-fund investment in primary production and agri-food processing, on-farm renewable energy and energy efficiency, animal-welfare upgrades and bioeconomy projects. They also finance agri-environment-climate commitments, organic conversion and maintenance, payments to Areas facing Natural Constraints (ANC), knowledge transfer and advisory services (“AKIS”), LEADER/CLLD (community-led local development) projects, European Innovation Partnership (EIP-AGRI) operational groups, and financial instruments/guarantees deployed through the national paying agency.

Water, land-use and environmental planning instruments

Water, land-use and environmental planning instruments are central. The National Agricultural Reserve (*Reserva Agrícola Nacional*, RAN) and National Ecological Reserve (*Reserva Ecológica Nacional*, REN) constrain non-agricultural use of priority soils and sensitive areas. River Basin Management Plans under the Water Framework Directive steer abstraction licensing, irrigation quotas and ecological flows, complemented by Nitrates Action Programmes in designated vulnerable zones and the national integrated pest management framework. Public investment is guided by the National Irrigation Programme and irrigation-district modernisation, alongside drought contingency and efficient-use measures.

Food-chain governance and quality policies

Food-chain governance and quality policies also shape development. Portugal has implemented the EU Unfair Trading Practices regime for the agri-food supply chain, setting payment terms and prohibiting certain buyer practices. EU quality schemes (PDO/PGI/TSG), organic certification and official controls by the veterinary and food authority and the economic and food safety authority, promote market access, traceability and fair competition.

Complementary funding and state-aid schemes

Complementary funding streams – in particular, Portugal 2030 programmes and the Recovery and Resil-

ience Plan – support digitalisation, precision agriculture, water-efficiency infrastructure, cold-chain/logistics and skills. Fiscal levers (eg, reduced VAT on specific inputs and partial excise relief for agricultural diesel) and targeted state-aid frameworks round out the incentives landscape.

Strategic planning instruments and actions

National spatial planning instruments, together with RAN/REN classifications, continue to frame rural land use, while conditionality links CAP support to good agricultural and environmental practices. Irrigation modernisation and drought-response actions remain priorities given structural water stress.

The recently approved strategic plan, “The Water that Unites”, reinforces the priority of investments in the water sector as a whole and also in relation to agricultural uses and needs. Besides the projects already identified, other new projects are expected to be developed.

2.2 Agribusiness Finance

The legal framework for agribusiness finance combines EU-backed guarantees and grants with domestic credit markets. CAP funding, Portugal 2030 programmes and national credit lines support farm and agro-industrial investment, innovation and sustainability upgrades. Rural credit co-operatives operate within a specialised banking network, and mutual guarantee schemes, together with the *Banco Português de Fomento* (the national promotional bank), enhance access to finance for SMEs and mid-caps.

Standard commercial law instruments govern loan, security and leasing structures, complemented by public law regimes for state aid and grant compliance. Export-oriented firms rely on trade finance, with export credit insurance and receivables-based solutions well established. Financing terms increasingly reflect ESG performance and water-risk exposure.

2.3 Key Authorities and Supervisory Bodies

Policy is led by the ministry responsible for agriculture and fisheries. Key bodies include the government body administering CAP payments, the Directorate-General for Agriculture and Rural Development (*Direção Geral de Agricultura e Desenvolvimento Rural*, DGADR),

and the government body responsible for overseeing food safety and veterinary health which ensures the implementation of and compliance with EU food safety regulations (*Direção-Geral de Alimentação e Veterinária*, DGAV). Food chain conduct and unfair practices oversight is performed by the economic and food safety authority (*Autoridade de Segurança Alimentar e Económica*, ASAE), which is responsible for overseeing economic activities in the food and non-food sectors, by monitoring the enforcement of regulation legislation, and which acts as a police and law enforcement body. Environmental licensing and water resources are overseen by the environment agency (*Agência Portuguesa do Ambiente*, APA) and, for forestry, the nature and forests institute (*Instituto de Conservação de Natureza e Florestas*, ICNF).

Financial sector supervision involves the central bank and the capital markets authority, while the export and investment agency (*Agência para o Investimento e Comércio Externo de Portugal*, AICEP) supports internationalisation. The tax and customs administration regulates excise, VAT and customs regimes. Municipalities implement land-use plans and issue licences within national planning constraints.

2.4 Interaction With Other Areas of Law

Agribusiness sits at the intersection of civil, commercial, tax, environmental and administrative law. Contracting, security and corporate structuring follow the civil and commercial codes, while subsidies and licensing are governed by administrative law and subject to public law remedies. Environmental law sets permitting and compliance thresholds, including impact assessment, water abstraction and nitrate management.

Tax law affects profitability through VAT rates on inputs and outputs, excise on energy, corporate income tax and property taxes. Competition and unfair trading practices legislation shapes bargaining power and payment terms in vertical supply chains. Labour and immigration rules are relevant for seasonal workforces, and data protection and consumer law regulate sustainability, circularity, traceability and labelling.

3. Land Ownership, Use and Environmental Compliance

3.1 Rural Land Use Regulation

Rural land use is structured by municipal master plans and national reserves. The National Agricultural Reserve protects soils with high agricultural potential and restricts non-agricultural uses, subject to tightly defined exceptions. The National Ecological Reserve safeguards ecologically sensitive zones, often limiting building and certain agricultural intensifications.

New or expanded projects may require environmental impact assessments depending on scale and location. Irrigated agriculture must comply with water abstraction licensing and efficient-use standards. Conversions of land use, farm buildings and agri-industrial facilities generally require prior licensing or prior communication, with specialised rules for installations such as livestock units and wineries.

3.2 Foreign Ownership Restrictions

Portugal does not impose blanket prohibitions on foreign ownership of rural land. Acquisitions follow standard property law, with title registration, notarial formalities and anti-money laundering checks. Specific constraints can arise for public domain areas, coastal and water margins, military or protected zones, and for properties burdened by RAN/REN classifications or Natura 2000 designations.

Pre-emption rights may apply in defined circumstances, such as public interest acquisitions, land consolidation, forestry regimes or neighbouring property protections. Foreign investors commonly streamline financing, tax and governance arrangements through Portuguese vehicles.

3.3 Environmental Requirements

Environmental compliance spans permitting, ongoing monitoring and good practices. Intensive livestock and certain processing plants may require integrated environmental permits reflecting EU industrial emissions rules. Projects in sensitive areas or above specified thresholds trigger EIAs and other assessments for protected habitats.

Water abstraction, discharge and irrigation infrastructure are licensed under water law, aligned with the EU Water Framework Directive. Areas regarded as nitrates-vulnerable zones impose fertilisation plans and storage requirements, and phytosanitary rules govern pesticide use and residues. Waste management, air emissions, noise and soil protection standards also apply, with periodic inspections by competent authorities.

4. Legal Concepts and Regulatory Definitions

4.1 Definition and Scope of Agribusiness

Portuguese legislation does not adopt a single, overarching legal definition of “agribusiness”. Instead, statutes and programmes refer to agricultural activity, agricultural holdings, agri-food industries and forestry operations for specific purposes. Eligibility for public support or licensing often turns on sectoral definitions such as farm enterprise, producer organisation or primary processor.

For statistical and regulatory classification, economic activity codes (CAE/NACE) identify agricultural, forestry, fishing and food manufacturing activities. Tax, labour and subsidy frameworks may all rely on tailored definitions to align with their policy goals. In practice, “agribusiness” is interpreted functionally to include upstream inputs, primary production, processing, logistics and commercialisation.

4.2 Conflicts Across Regulatory Instruments

Divergences can arise between definitions used in tax, subsidy and licensing regimes. For example, criteria that qualify an entity as an agricultural producer for support measures may not coincide with thresholds for reduced VAT rates or social security regimes. Similarly, land-use classifications under planning law do not always align with agronomic or cadastral categorisations.

These inconsistencies are managed through contract drafting, careful eligibility assessments and, where needed, obtaining binding rulings or confirmations from competent authorities. Transaction planning typically accounts for the strictest applicable definition

to preserve compliance. Where overlaps persist, parties document assumptions and allocate regulatory change risks.

5. Financial Instruments and Financing Structures

5.1 Agribusiness Credit Instruments

The market relies on bilateral and syndicated term loans, revolving credit for working capital and crop-cycle financing. Equipment, irrigation systems and renewable energy installations are generally leased, while factoring and receivables discounting support cash-flow management. Publicly supported credit lines and guarantees reduce collateral pressure and pricing for eligible projects.

Producers and co-operatives also access specialised facilities through rural credit co-operatives within the mutual agricultural banking system. Investment loans often blend bank finance with EU and national grants, requiring tight co-ordination on disbursements and compliance. Security packages are adapted to seasonal risk and asset profiles.

5.2 Export Financing Structures

Exporters use pre-export finance, post-shipment discounting and supply-chain finance anchored in confirmed purchase orders or invoices. Export credit insurance mitigates buyer and country risk, enabling better advance rates on receivables and inventory. Documentary collections and letters of credit remain tools for new markets or higher-risk geographies.

Facilities are structured to match harvest and shipping calendars, with borrowing bases tied to eligible receivables and inventory. Hedging arrangements for foreign exchange and commodities are often tools used within financing covenants, while adherence to sanctions, dual-use export controls, and product-specific regulatory regimes can be incorporated into the eligibility criteria.

5.3 Capital Market Instruments

Larger agri-food companies issue commercial paper and bonds to diversify funding beyond bank loans. Sustainability-linked and green instruments are gain-

ing traction where credible key performance indicators (KPIs) cover water efficiency, emissions, waste and supply-chain traceability. Listing and disclosure requirements are overseen by the capital markets authority.

Securitisation of trade receivables is legally available and occasionally used by sizeable processors and distributors. Private placements with institutional investors offer tailored maturities and covenants. Documentation increasingly integrates EU sustainable-finance considerations.

5.4 Investment Funds and Securitisation

Specialised funds increasingly invest in farmland, forestry and agri-infrastructure, often focusing on irrigation-enabled crops and climate-resilient strategies. Private equity and growth funds target high-income production, value-added processing, cold storage and export platforms. Securitisation vehicles may acquire diversified receivables from agri-food companies, benefiting from established securitisation law.

Investor appetite is influenced by ESG performance, water stewardship and biodiversity management. Fund structures navigate land-use constraints, tenancy and operational partnerships with experienced operators. Governance and data transparency are central to institutional due diligence.

5.5 Collateral Structures and Guarantee Models

Security packages typically combine mortgages over rural property and facilities, pledges over equipment and inventories, and assignments of receivables and insurance. Pledges over CAP support receivables and over-contractual rights under off-take agreements are common enhancements. Bank guarantees, surety bonds and mutual guarantee society backstops supplement asset-based security.

Where financial collateral qualifies, out-of-court enforcement mechanisms may be used for speed and certainty. Sponsor guarantees and cash-sweep covenants address seasonality and price risk. Intercreditor arrangements align banks, suppliers and public-finance stakeholders.

6. Legal Advisory and Market Practice

6.1 Role of Legal Advisers in Transaction Structuring

Legal advisers integrate due diligence, regulatory eligibility and compliance, land and water rights, environmental assessment and subsidy rules into financing structures. They align disbursement conditions with permitting milestones and compliance obligations to avoid grant claw-backs. Contract terms are calibrated to crop cycles, force majeure risks and price volatility.

In M&A and joint ventures, counsel structures governance, minority protections and long-term supply or off-take arrangements. For green and sustainability-linked finance, advisers design robust KPIs and verification mechanisms. Public procurement and state-aid controls are managed for projects involving public entities or funding – processes in which legal advisers also play a relevant role.

6.2 Legal Opinions and Market Acceptance

Capacity and enforceability opinions are standard for cross-border lenders and institutional investors. Opinions typically cover due authorisation, legality of security, perfection steps and enforceability under insolvency scenarios. Where financial collateral or securitisation is used, targeted opinions address safe-harbour and true sale questions.

Well-constructed opinions adjust pricing to risk and facilitate syndication and secondary market acceptance. For sustainability-linked instruments, external assurance and legal confirmation of calculation and adjustment mechanics support investor confidence. Regulatory compliance memorandums often accompany opinions in complex permitting contexts. These legal opinions contribute to the success of agribusiness structures, as they lay the foundation for robust and well-structured deals.

6.3 Due Diligence and Documentation

Due diligence focuses on titles, encumbrances and land-use constraints arising, namely, from RAN, REN and Natura 2000. Water abstraction rights, irrigation quotas and infrastructure concessions are verified, alongside environmental permits and compliance his-

tory. For livestock, animal welfare, manure management and biosecurity regimes are reviewed.

Contractual audits cover leases, off-takes, input supply, operations and maintenance, and storage arrangements. Corporate, tax, labour and litigation checks complete the picture. Documentation aligns representations and undertakings with diligence findings, sets conditions precedent around permits and subsidies, and establishes robust information and audit rights.

6.4 Legal Practice and Risk Allocation

Risk is allocated through detailed representations on compliance, land and water rights, environmental matters and subsidy eligibility. Material adverse change clauses, price and yield covenants, and hedging requirements address volatility. Specific indemnities and escrow mechanics are used for legacy environmental and title risks.

Termination and step-in rights protect financiers where performance falters or permits are jeopardised. ESG-linked covenants drive continuous improvement on emissions, water and biodiversity metrics. Dispute resolution clauses favour arbitration for complex cross-border arrangements and courts for security enforcement.

7. Taxation and Incentives in Agribusiness

7.1 Tax Regime for Rural Operations

Corporate income from agribusiness is subject to the general corporate income tax framework, with municipal and state surcharges potentially applying above turnover or profit thresholds. VAT applies to supplies of goods and services, with reduced rates available for certain agricultural inputs and staple foods. Property tax is levied annually on rural and urban property, and transfer tax may apply on acquisitions of real estate.

Excise on energy (including agricultural diesel) follows specific rules, with partial reliefs for eligible agricultural uses. Personal income tax regimes for individual farmers include simplified regimes for small-scale activity subject to thresholds. Cross-border operations must

consider transfer pricing, permanent establishment and withholding tax implications.

7.2 Tax Benefits and Incentives

Investment incentives under national and EU-funded programmes co-finance eligible capex in primary production and processing. Tax credits for productive investment, R&D and innovation can reduce effective tax burdens for agri-food technology projects. Regional incentives may provide enhanced support for projects in less-developed areas.

Forestry and climate-adaptation projects can access targeted grants and, in some cases, favourable tax treatment. Reduced VAT rates apply to specific inputs and outputs defined in law. Export-oriented projects benefit from support mechanisms tied to internationalisation and market diversification.

7.3 Taxation of Financial and Capital Instruments

Interest deductibility, withholding taxes on cross-border payments and stamp duty on certain financing instruments are central to structuring. Securitisation vehicles and certain debt issuances may benefit from specific tax regimes, subject to eligibility and anti-abuse safeguards. Leasing and factoring receive their own VAT and stamp duty treatments.

Green and sustainability-linked bonds follow the general tax framework, with investor-side treatment depending on residency and instrument features. Collateral and guarantees can attract stamp duty unless exemptions apply. Early tax assessment helps align grant disbursements, depreciation and tax credits with financing covenants.

8. Dispute Resolution and Enforcement

8.1 Enforcement of Agribusiness Contracts

Agribusiness contracts are enforced through the civil courts, with interim measures available to protect perishable goods and time-sensitive obligations. Contracts typically include detailed specifications on quality, delivery windows, and rejection rights to limit disputes. Payment terms comply with late payment

rules, and default interest applies where deadlines are missed.

Administrative courts have jurisdiction over disputes involving permits, sanctions and subsidies. Settlement and mediation are pragmatic tools to preserve commercial relationships in seasonal supply chains. Security enforcement follows established judicial and, where applicable, out-of-court mechanisms.

8.2 Litigation and Arbitration Trends in Agribusiness

Parties increasingly choose arbitration for cross-border sales, joint ventures and high-value processing agreements. Specialised arbitration centres and expedited rules accommodate perishability and seasonal timelines. Domestic supply disputes often remain in court, but mediation clauses are common in co-operative and association by-laws.

Regulatory disputes, including sanctions for unfair trading practices or non-compliance with food safety, proceed before administrative authorities with subsequent judicial review. Class-type dynamics can arise in consumer matters tied to labelling or allergens. Overall, the trend is towards faster, contractually tailored dispute mechanisms.

8.3 Creditor Protection and Collateral Enforcement

Mortgages are enforced through judicial sale, with priority determined by registration. Pledges over receivables and bank accounts enable swifter enforcement, and financial collateral arrangements may allow appropriation or set-off outside court. Retention of title and warehouse control agreements strengthen position over inventory.

Insolvency law provides for restructuring plans, creditor committees and security ranking, requiring early engagement by secured creditors. Standstill and forbearance agreements are used to stabilise seasonal cash cycles. Cross-default and step-in rights support continuity of operations where sponsors falter.

8.4 Disputes in Uncompleted Transactions

Where transactions fail completion, remedies include termination, break fees if agreed, and restitution of

advances. Courts or arbitral tribunals may grant specific performance for unique assets, though practicalities often favour damages. Interim relief preserves assets and documents, and escrow arrangements protect deposits.

Conditions precedent related to permits, land rights or subsidies are frequent sources of non-completion. Drafting typically allocates regulatory risk and sets long-stop dates with cure periods. Evidence of diligent efforts to obtain approvals is critical in allocating liability.

9. Recent Developments and Future Trends

9.1 Regulatory and Legislative Developments

The current CAP Strategic Plan reshaped support through eco-schemes and stronger conditionality, reinforcing climate and biodiversity goals. The unfair trading practices regime in the agricultural and food supply chain has been implemented, tightening payment terms and prohibiting specific practices. Water-management rules and drought-response measures have been reinforced, with emphasis on efficient irrigation and groundwater protection.

At EU level, sustainability initiatives – covering industrial emissions updates for livestock, packaging and waste, and deforestation-free supply chains – are reshaping compliance expectations. Forestry governance and wildfire risk mitigation continue to evolve. Reporting obligations for larger agri-food groups are expanding under corporate sustainability disclosure rules.

9.2 Market Adaptation and Investor Sentiment

Producers are pivoting to higher-value, export-grade crops, protected cultivation and precision irrigation to manage climate risk. Investors favour platforms with secure water rights, modern post-harvest facilities and robust ESG credentials. Consolidation is ongoing in processing and distribution, with digital traceability and quality assurance as differentiators.

Input cost volatility and labour availability remain challenges, pushing adoption of automation and renewable energy. Lenders reward strong governance, data transparency and risk hedging. International buyers increasingly demand verified low-carbon and biodiversity-positive supply chains.

9.3 ESG and Sustainability

ESG is now embedded in strategy, financing and market access. Climate adaptation focuses on water stewardship, soil health and crop diversification, with measurable KPIs tied to finance terms. Biodiversity considerations affect land conversion, buffer zones and pesticide use, aligning with EU green objectives.

Social factors include safe working conditions, fair trading terms and community engagement in rural areas. Governance emphasises traceability, anti-corruption and responsible sourcing, including screening for deforestation-linked commodities. Credible assurance and data systems are essential to secure premiums and comply with evolving EU rules.

Trends and Developments

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Portugal's agribusiness market currently pivots around significant reinforcing dynamics: accelerated adoption of technologies and data-driven farm management; mounting pressure on freshwater resources and tighter governance of abstraction and reuse; growing regenerative sustainable production models and a practical shift from “pure organic” or biological to regenerative; sustained interest from investment funds in farmland and agricultural infrastructure; and the measured but persistent march of “novel foods”, from concept to selective commercialisation. These forces are being shaped by EU-wide frameworks and national policy, by climate volatility that is felt acutely across the country, and especially across the Alentejo and Algarve regions, and by evolving consumer and retailer expectations. For market participants, success increasingly turns on water and energy resilience, credible measurement and verification of sustainability outcomes, robust data and contracting disciplines, and partnerships that can scale technology while managing operational and regulatory risk.

Technology and Digitalisation in Portuguese Agriculture

Digitalisation has moved from pilot projects to embedded practice across Portugal's main production zones. This trend – supported mainly by big companies and business groups – goes hand in hand with familiar farming, which due to lower capacity for investment in

technology, especially in smaller concerns, remains as traditional farming. In any case, the use of technology and digitalisation is continuously increasing.

Precision agronomy, sensor networks, satellite and drone imagery, variable-rate application, and farm management software are now used to optimise inputs and stabilise yields in viticulture; olive, fruit and vegetable production; and raising of field crops. Adoption has been catalysed by EU and national funding windows tied to digital transition, by labour constraints, and by the imperative to extract more value from each hectare of land in water- and energy-scarce contexts.

Data is the strategic substrate. Modern tractors, harvesters, irrigation systems and ancillary devices continuously generate datasets on soil moisture, the crop canopy, machine health, and spatial yields. These datasets can improve input efficiency, take the risk out of decision making, and support financial and insurance solutions, but only if the contractual terms are clear. There is a growing need for the parties to address ownership and use rights in their data, portability and interoperability to avoid vendor lock-in; service levels and performance warranties for analytics and autonomous features; and cybersecurity obligations proportionate to the criticality of on-farm systems. As mixed fleets are common, interoperabil-

ity clauses are particularly salient to avoid stranded investments and ensure seamless data flows between machinery, irrigation, and farm software.

Autonomous and semi-autonomous machinery is advancing in orchards and vineyards, where repetitive tasks and structured environments allow for safe deployment. The liability profile requires careful mapping: product safety, training and supervision of operators, geofencing and mapping accuracy, and incident reporting protocols need to be defined ex-ante. Insurers are beginning to incorporate remote sensing and on-farm telemetry into parametric covers for drought and storm events, which complements precision irrigation strategies. For lenders, telemetry and third-party verification can underpin sustainability-linked covenants tied to input reductions, emissions intensity, or water productivity, aligning financing terms with operational outcomes.

Competitive dynamics deserve attention. Equipment manufacturers, input suppliers and platform providers are building increasingly closed ecosystems around hardware, software and analytics. Procurement needs to preserve flexibility to integrate best-in-class tools and protect the producer's ability to repair, access machine data, and switch providers without disproportionate cost or downtime.

Water Under Strain: Allocation, Efficiency and Reuse

Water is the defining constraint for Portuguese agriculture. Multi-year droughts, competition from urban and tourism demand, and ecological baselines are forcing a shift towards precise measurement, allocation discipline, and efficiency. Irrigation modernisation from drip and micro-sprinkler systems to variable rate irrigation and AI-assisted scheduling is now a board-level priority. The economics of new plantings, particularly permanent crops in the Alentejo and Algarve, hinge on credible multi-decade water availability models that stress-test extreme scenarios, not just historical averages.

Where abstraction is licensed, the security and seniority of rights, the renewal horizon, and the conditions attached to volumes are central to investment and valuations. The condition of conveyance infrastructure,

on-farm distribution networks and pumping systems materially affects effective water costs and loss rates. Increasingly, digital metering and reporting obligations require systems that can withstand audit and enforcement, and producers should plan for near real-time monitoring that satisfies both regulators and lenders.

Diversification of sources is becoming standard. Projects that integrate reclaimed water from municipal plants, on-farm storage to smooth seasonal variability, and managed aquifer recharge can reduce dependency on a single source, but add permitting and quality-control complexity. For instance, desalination for agricultural use is an emerging topic. Stakeholder engagement is critical where catchment-scale solutions are contemplated, particularly in regions where community and environmental sensitivities are heightened. Buyers and financiers are placing greater weight on water footprints, irrigation efficiency plans, and drought resilience in procurement and due diligence, with pricing and availability often contingent on demonstrable risk mitigation.

Sustainability in Practice: the Rise of Regenerative Agriculture and Carbon Credits

Regenerative agriculture has gained traction across Portugal as a pragmatic, outcomes-focused pathway to build soil health, improve water infiltration, and enhance resilience without the constraints that have challenged the profitability of "pure organic" agriculture in certain segments. The commercial pull comes from food companies that now embed regenerative practices into supplier programmes, offering technical assistance, incremental premiums, or multi-year offtakes that recognise transition costs.

For producers, the transition is a change programme, not a single decision. Capital outlays for planters, crimpers, seed, fencing, and monitoring need to be budgeted alongside a realistic agronomic learning curve. Financing structures that align incentives, such as sustainability-linked loans with margin ratchets tied to soil organic carbon, input intensity, or biodiversity indicators verified by independent parties, can reduce the adoption risk. Measurement, reporting and verification will only be accepted if they are credible and portable across counterparties: baselines, sampling methods and cadence need to be harmonised with

what buyers, auditors and lenders accept to avoid duplicate effort or unrecognised outcomes.

Land tenure matters. Many Portuguese farms operate under leases or mixed ownership structures. Leases should reflect the multi-year horizons required for soil investments, specify cultivation practices and residue management where appropriate, and address environmental attribution and monetisation such as carbon or biodiversity outcomes. Early clarity on who owns any tradable environmental value prevents disputes and enables producers to capture the upside if carbon or ecosystem markets mature further.

Carbon and ecosystem markets remain heterogeneous and evolving. While some insetting arrangements within corporate supply chains are paying for verified improvements, producers are still struggling to find bold opportunities to generate and place carbon credits, while avoiding building business cases that rely on speculative credit revenues. It is preferable to treat potential crediting as an optional upside and to structure programmes around agronomic and commercial benefits that stand on their own merits.

Investment Funds and Institutional Capital: Where and How These Are Flowing

Portugal continues to attract specialist agricultural funds, infrastructure managers and diversified private capital into farmland, irrigation and water assets, storage and logistics, and midstream processing. The macro drivers are familiar – inflation hedging, diversification, and alignment with sustainability mandates – but the micro drivers are distinctively Portuguese – investment-grade irrigation districts in the Alqueva system, comparative advantages in olives, almonds, vineyards and horticulture, export connectivity through the modern cold chain and ports, and increasing technology adoption on farms.

Valuations differentiate sharply according to water security, climate exposure, and the option to pivot into higher-value crops. Aggregation strategies emphasise operational synergies, rotational flexibility between annuals and perennials, and shared services for agronomy, data and compliance. Controlled-environment agriculture retains strategic interest for near-market leafy greens and speciality crops, but energy

procurement, operator depth and offtake solidity are decisive, and conservative ramp-up assumptions and contingency planning are prudent given recent sector volatility across Europe.

Transaction execution has become more professional. Due diligence now routinely covers land title and encumbrances, abstraction licences and compliance history, biodiversity and habitat constraints, food-safety systems and audit trails, labour practices and worker accommodation, and the alignment of public sustainability claims with internal records. Financing increasingly embeds sustainability-linked mechanics with clear KPIs, calibrated baselines, and third-party verification.

Operationally, value-creation levers are consistent. Precision input use and progressive automation can lift margins and take the risk out of operations. Onsite renewables, storage and structured power purchase agreements can stabilise energy costs and strengthen environmental credentials. Data-enabled supply contracts that document origin, practices and quality can unlock premiums or priority access, particularly with Northern European retailers. Professionalised workforce management and safety systems reduce compliance risk and improve retention in a tight labour market.

Novel Foods in Portugal: Cautious Momentum

Novel foods encompassing new protein sources such as microbial and algae-based ingredients, precision-fermentation derived components, and cell-cultivated products are being carefully progressed through the EU regulatory framework and into selective commercial use. Portugal's foodtech ecosystem is smaller than those in larger EU markets but is connected to European research networks, contract development and manufacturing capacity in fermentation, and pilot-scale testing environments. For companies operating or launching in Portugal, the strategic imperatives are clear: map the pre-market authorisation pathway early, define data packages and timelines, and stage market entry plans to reflect regulatory pacing across jurisdictions.

Manufacturing readiness is a gating factor. Processes need to align with good manufacturing practice, with

validated cleaning and allergen controls, traceability and recall capabilities that can pass scrutiny from both regulators and multinational counterparties. Claims and communications must stick to what the evidence and labelling frameworks permit; over-claiming on sustainability, nutrition or equivalence invites litigation or regulatory friction. Investor interest is disciplined and rewards platforms with credible cost curves, near-term revenue from ingredients or hybrid products, and partnerships with established food manufacturers to reduce risk in scale-up and distribution.

Practical Implications for Entrants and Expanders

Across these themes, a common operating model emerges. Governance and contracts increasingly need to treat data and sustainability outcomes as strategic assets, with explicit ownership, access and use rights, performance metrics, and verification mechanisms that tie seamlessly into supply and finance agreements. Water and climate resilience are considered to be at the centre of investment decisions: long-term water strategies, diversified sourcing, and irrigation efficiency programmes are not optional add-ons but core to asset value and financing.

It makes sense to begin technology integration with high-return use cases (fertiliser optimisation, targeted irrigation, and fleet telemetry) and progress to autonomy and robotics as data quality and systems build maturity. Measurement systems matter, and early investment in credible infrastructure sensors, calibrated data platforms and quality analysis processes will ensure that sustainability claims can withstand auditor and counterparty scrutiny. Technology adoption and regenerative transitions depend on operator capability, continuous training, and access to agronomy and engineering expertise that is localised to Portuguese soils, climates and crop systems, making people and partnerships a decisive part of success.

Risk Management, Compliance and Green Claims Discipline

Biosecurity, food safety, and traceability remain non-negotiable. As production and logistics become more digitalised, incident response must be data-rich and rapid, with Hazard Analysis and Critical Control Points (HACCP) certification or equivalent frameworks embedded, supplier approval programmes robustly

documented, and recall playbooks rehearsed. Cybersecurity becomes a food safety issue when irrigation controllers, cold stores or processing lines can be compromised; in-depth defence, supplier security assessments, and segregation of critical systems are therefore prudent.

Scrutiny of environmental and sustainability claims is intensifying across Europe, and Portugal is no exception. Terms such as “regenerative”, “carbon neutral”, “water positive” or “pesticide-free” must be supported by evidence, not omit material context, and avoid exaggeration. Establishing a cross-functional claims governance process that channels all marketing content through legal and technical review reduces risk. In finance, sustainability-linked KPIs have to be material, ambitious yet achievable, and independently verified; boilerplate targets that cannot be evidenced will erode credibility with lenders and investors.

Labour and community relations are strategic risk areas. Tight labour markets, heightened expectations for worker welfare and housing, and community sensitivities require proactive engagement and transparent policies. Documented standards on wages, health and safety, accommodation and grievance mechanisms are increasingly a prerequisite in buyer audits and lender diligence. Projects that engage early and share data on water stewardship, environmental performance and community impact tend to secure “social licence” more readily.

The Road Ahead: Integration and Execution

Portugal’s agribusiness is entering a phase of integration. Precision technologies generate the datasets that justify sustainability finance and underpin differentiated supply contracts. Water scarcity accelerates adoption of both technology and regenerative practices, while investment funds provide the capital to professionalise operations and upgrade infrastructure. Novel foods and premium positioning thrive where traceability and verified environmental performance are reliable.

There will be a clear advantage for those who execute across these interfaces. They will harmonise data standards across fleets and fields, contract for outcomes rather than inputs, and embed resilience into

PORTUGAL TRENDS AND DEVELOPMENTS

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asset selection, cropping choices and farm practice. Near-term priorities include locking in long-term water and energy strategies, building trusted governance, and partnering upstream and downstream to accelerate learning while sharing risk.

By reframing agribusiness as a technology-enabled, resource-constrained, outcomes-verified industry, Portuguese market participants will capture durable returns while meeting the rising bar set by regulators, financiers and consumers. The opportunity is material, but so is the execution challenge. Those who invest early in governance, data and resilience will be best placed to thrive in this next cycle of Portuguese agriculture.

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