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Angola Becomes Third Largest Market for U.S. Poultry

Report Categories:
Poultry and Products

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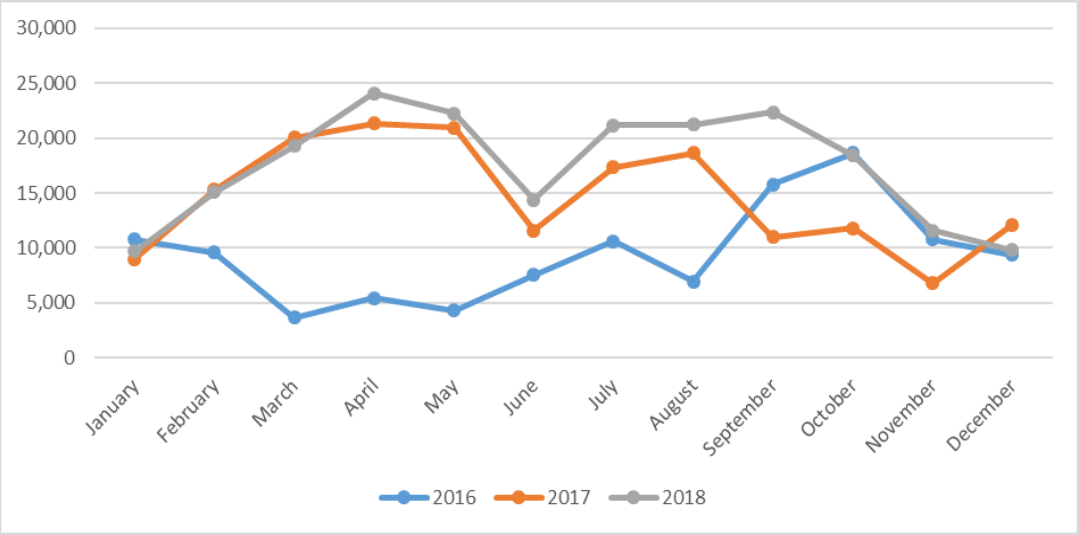
Report Highlights:
In 2018, the United States exported US$184 million of poultry to Angola, making the Southern African country the third largest market for U.S. poultry exports in the world. Angola also became the largest market for U.S. frozen chicken leg quarters with 191,187 metric tons, valued at US$166 million. Overall, U.S. chicken meat exports to Angola increased 19 percent from 2017 to 209,468 metric tons. This is due primarily to an increase in available foreign currency (forex), a growing population, a lack of domestic production capacity, and increased cold storage.

Import Dependency

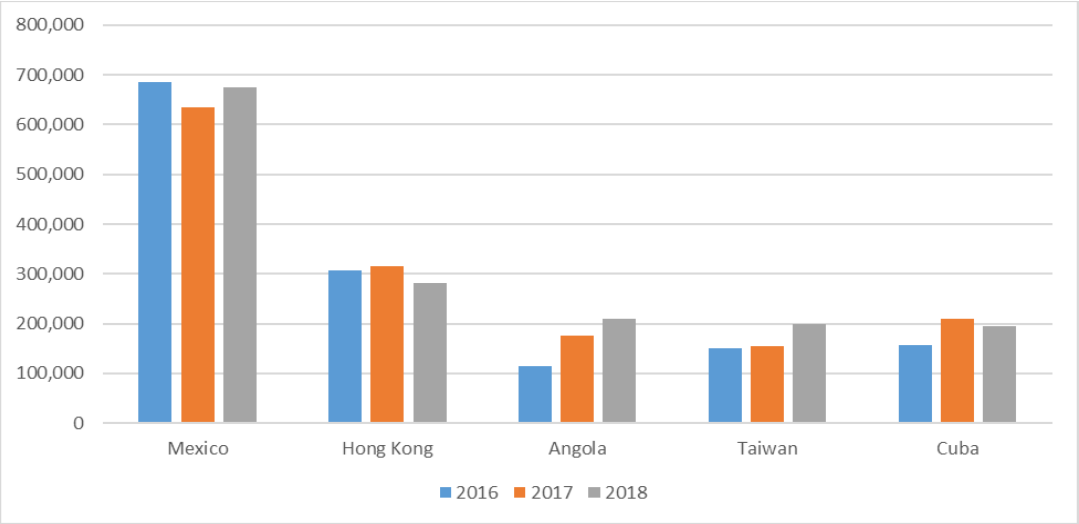
Angola relies heavily on imported food, as their farming sector was decimated after the decades-long Angolan Civil War that lasted until 2002. The United States is a vital supplier of chicken meat to Angola. Chicken leg quarters come in a 10 kg box and are mostly found in the informal market, which accounts for 70% of the total market sales according to some data sources. Chicken meat is the most affordable animal protein source (local market price is around $14/box) after the traditional Angolan fish named by Lambula (sardine). There are several factors contributing to the increase, including the availability of forex, population growth, inadequate domestic production and enhanced cold storage availability.

Graph 1: U.S. Exports of Chicken Meat to Angola (volume – MT)



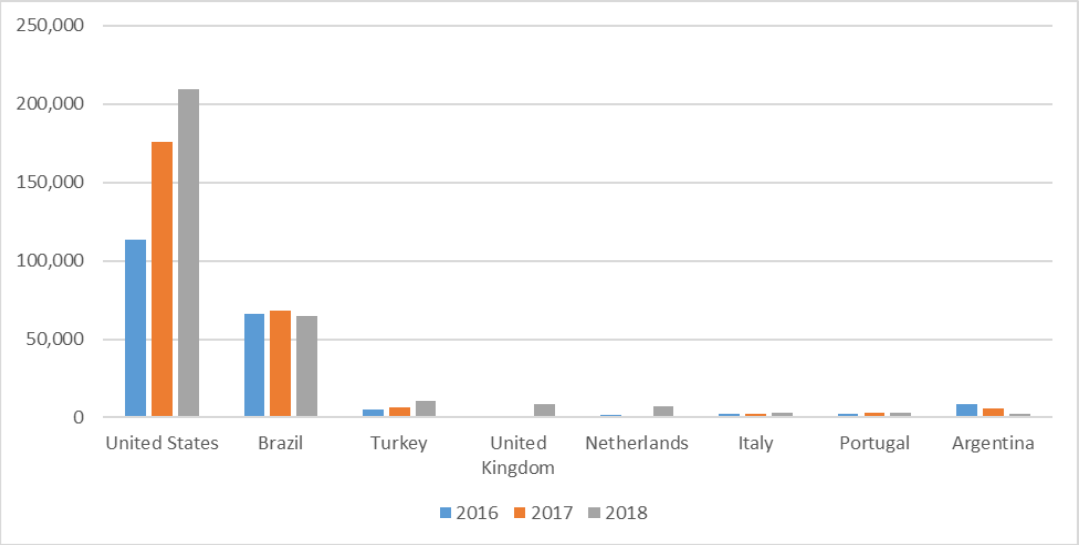
Source: GTA

Graph 2: U.S. Exports of Chicken Meat (volume – MT)



Source: GTA

Graph 3: Angola Chicken Meat Imports (volume – MT)



Source: GTA

<u>Factors Aiding the Increase in U.S. Poultry Exports:</u>

Increased Availability of Forex

After the 2015 economic crisis and drop in global oil prices, it became more difficult to convert the local Angolan currency (kwanza) into foreign currency to purchase imports. U.S. dollar transaction services have been unavailable in Angola since November 2016 because of a lack of compliance by commercial banks in Angola, which made the corresponding foreign banks cut ties with Angola. With an increase of global oil prices since mid-2017 and new National Bank of Angola (BNA) policies in 2018, the access to forex has become less restricted, making it easier for importers to purchase goods.

In August 2018, after more forex became available, the BNA started issuing letters of credit for importers to use to purchase foreign goods. Foreign exchange availability increased significantly in early 2018, and the BNA sold approximately US$ 1.8 billion in the first quarter of 2018 to commercial banks. The Angolan government, which regulates the BNA, prioritized the following areas for forex:

1) Employment retention (raw materials and inputs, equipment, technician salaries, and oil sector operations);

2) Inflationary control (food, consumer necessities, fuel);

3) Health and education; and

4) Priority government expenses for necessary operations.

A Growing Population

Angola's population currently sits at 29.3 million. The Angola National Statistics Institute (INE) estimates that the population will grow to 30 million inhabitants in 2019, and to 33 million by 2022. With a growing population and low capacity for the national production of chicken meat, there is a clear need for the continuity of poultry imports.

Lack of Domestic Production

Although there is a determination by the Angolan government to diversify the economy and increase productivity in the agricultural sector, it is difficult for any projects to be sustained, since most of the inputs are imported. For example, in order to increase poultry production in Angola, there would need to be a robust animal feed sector. The lack of domestically-produced animal feed means imports are required, which is not reliable because the supply is ultimately based on the availability of forex. Compounding the problem is the fact that Angola lacks a National Biosafety Law capable of properly regulating the importation, registration, use, and eventual production of genetically engineered (GE) organisms in the country. Without access to GE soybeans and corn for animal feed, the domestic poultry sector will not be able to grow.

Addition Cold Storage Investments

The creation of new cold stores in Angola are increasing storage capacity for large importers. With this additional capacity, importers can buy more stock when forex is available. The new cold storages in the Luanda Province boasts the latest technology to ensure a higher-quality products reach the retailers. As reported from one of Angola's biggest importers of chicken meat, they finished the construction of cold storage in 2019, with a capacity of over 15,000 metric tons of storage and capacity to store 450 containers.

Potential Challenges in the Market:

The 54 Products Rule

The Angolan Government is attempting to diversify the economy in the short term, evidenced by the new law from January 14, 2019 in which President Joao Lourenco issued a decree aimed at reducing Angola's heavy reliance on imports. The decree, which includes poultry, identifies 54 products (mainly agricultural) that will have priority acquisition over imports. The decree also mandates pre-shipment inspection for the 54 products and medicines. Angola has introduced a ban on pork imports, demonstrating the government's willingness to enforce this new rule when it sees fit.

Credit Support Project (PAC)

Another tool is the Credit Support Project (PAC) that was approved by the Council of Ministers on March 22, 2019 and is part of Support Program for Production, Diversification, Exports and Import Substitution (PRODESI) and is an instrument to facilitate the financing of private investment projects in PRODESI's productive lines of goods and services.

With PAC, the government of Angola will allocate public resources to reduce interest charges and improve credit guarantees. The project will be available to support micro and small enterprises, family farming, small-scale fishing and small processing units linked to the production of 54 products listed on the decree n 23/19 from January 14, 2019. The total amount available in commercial banks for PAC will be $434 million.

Conclusion

This new decree could affect U.S. poultry and beef exports to Angola, as some importers could face difficulties getting import permits. Currently, there is no significant poultry and beef production in Angola, so they would still need to import for the foreseeable future. The decree does not specify any additional taxes or tariffs on the listed products.

FAS Pretoria/Luanda, in collaboration with Mission Luanda, will continue to monitor and report and impact to trade resulting from this policy.