JADAFA

Agricultural Outlook Brief: Angola's Livestock Markets

agriculture, forestry & fisheries
Department: Agriculture, forestry & fisheries
REPUBLIC OF SOUTH AFRICA

Compiled by: Spears (Pty) Ltd and BFAP

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Introduction

The overall objective of the Joint Agri-Business and Department of Agriculture Forum for Africa (JADAFA) is to promote and develop mutually beneficial trade between South Africa and Angola through enhanced agricultural and agro-industrial investments and partnerships. To that end, this brief aims to provide market intelligence on the Angolan livestock markets; in particular, the Beef, Poultry and Milk markets.

Despite the potential for livestock trade and investments in Angola, there remains a dearth in information concerning the land that is utilised and the land that is available for pastures and forage. Nonetheless, there is information, albeit not updated, on the livestock population in the country. Data from the FAO (2012) shows that livestock numbers are increasing rapidly (see Table 1). In 2010, the FAO (2012) recorded 5.16 million head of cattle, 2.61 million goats, 0.36 million sheep, 0.8 million pigs and 7.2 million chickens (see Table 1). Cattle production is concentrated in the dry south; in wetter areas cattle production is limited by the presence of tsetse flies. Newcastle Disease is the main constraint for chicken production. In the central highlands, over 85 percent of the households own chickens, 20 – 50 percent own goats or pigs and less than 20 percent owns cattle (Norfolk, Ribeiro and Groenendijk, 2006).

Livestock Population Trends (Millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Chickens	6.80	6.90	7.00	7.10	7.20	7.30	6.80	6.90	7.00	7.10	7.20
Cattle	4.04	4.10	4.15	4.15	3.68	4.03	4.40	4.50	4.92	5.03	5.16
Goats	2.15	2.15	2.05	2.05	2.05	2.05	2.25	2.43	2.54	2.54	2.61
Pigs	0.80	0.80	0.78	0.78	0.78	0.78	0.78	0.78	0.79	0.79	0.79
Sheep	0.35	0.35	0.34	0.34	0.30	0.34	0.34	0.34	0.35	0.35	0.36

Source: FAO (2012)

The Angolan livestock industry is dominated by rudimentary production systems such as nomadic pastoralism and low-tech chicken production. However, there is a gradual introduction of high-tech systems, driven by both the private sector and government. For instance, there are new and emerging projects approved every year in the poultry sector, and South African exporters could potentially gain by getting involved from project inception with their state of the art intensive production equipment (Dutch Poultry Centre, 2012). This also brings an opportunity for the agribusiness research and investment institutions to focus on mutually beneficial development projects in Angola, that is, projects that demonstrate and sell South Africa's expertise, while developing the country's livestock industry.

Meanwhile, Angola is characterised by increased incomes and an urbanising economy. An estimated 7million people of Angola's 19million citizens are domicile in the capital city Luanda, which forms a key market for the country's livestock commodities. High levels of urbanisation, particularly in Luanda, means that supply chains are becoming more formal and organised so as to meet the increasing quality demands of an urban population.

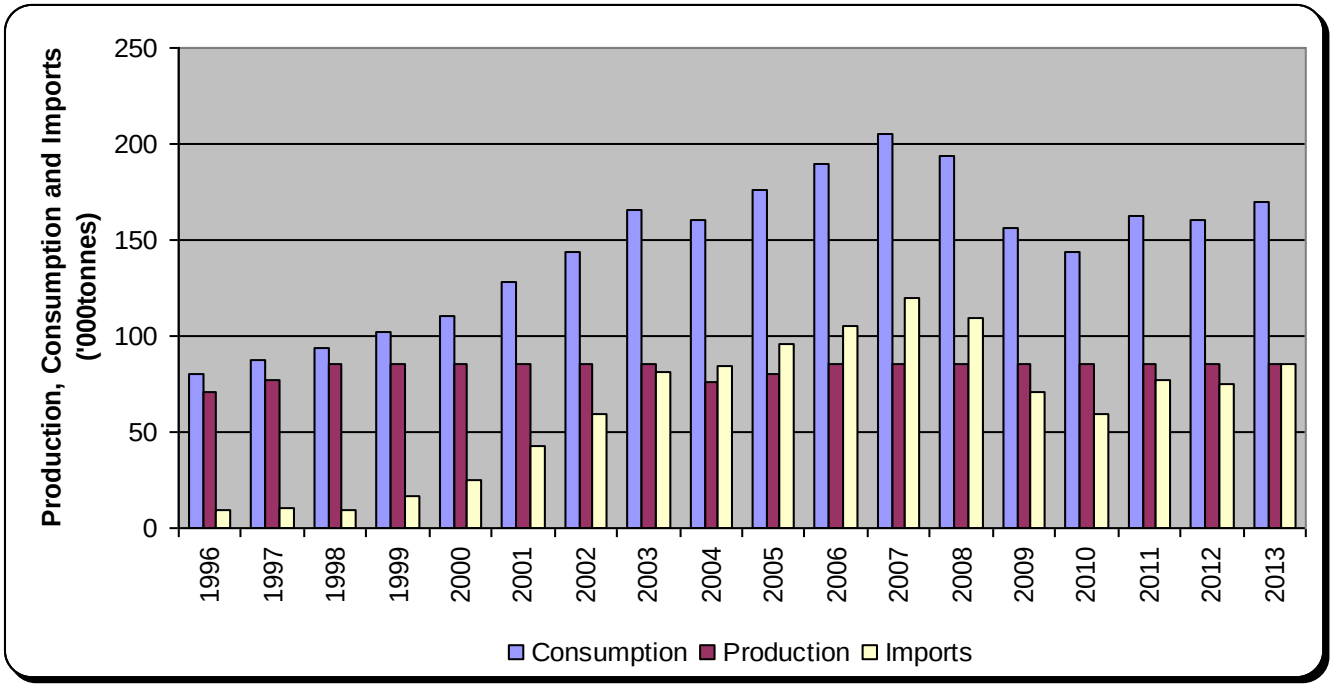
Beef Markets

Production, Consumption and Price Trends

. Information on the structure of production and the production systems is fairly scarce. However, much of the beef production in Angola is accounted under nomadic or transhumant pastoralism[1] - particularly in the drier southern parts of the country. The North is typically characterised by a lack of a pastoral tradition, abundance of the tsetse fly in many regions, and the poor quality of natural pastures are some of the factors most frequently cited to explain the lag in animal husbandry (http://www.encyclopedia.com/topic/Angola.aspx).

Angola's beef production has been fairly constant averaging 85,000tonnes since 2006. Projections from PSD (2012) show that production will remain constant at 85,000tonnes in 2013. Production has remained below consumption needs – averaging about 50% of national demand (Figure 1).

Figure 1: Beef Production, Consumption Trends (2000-2010)



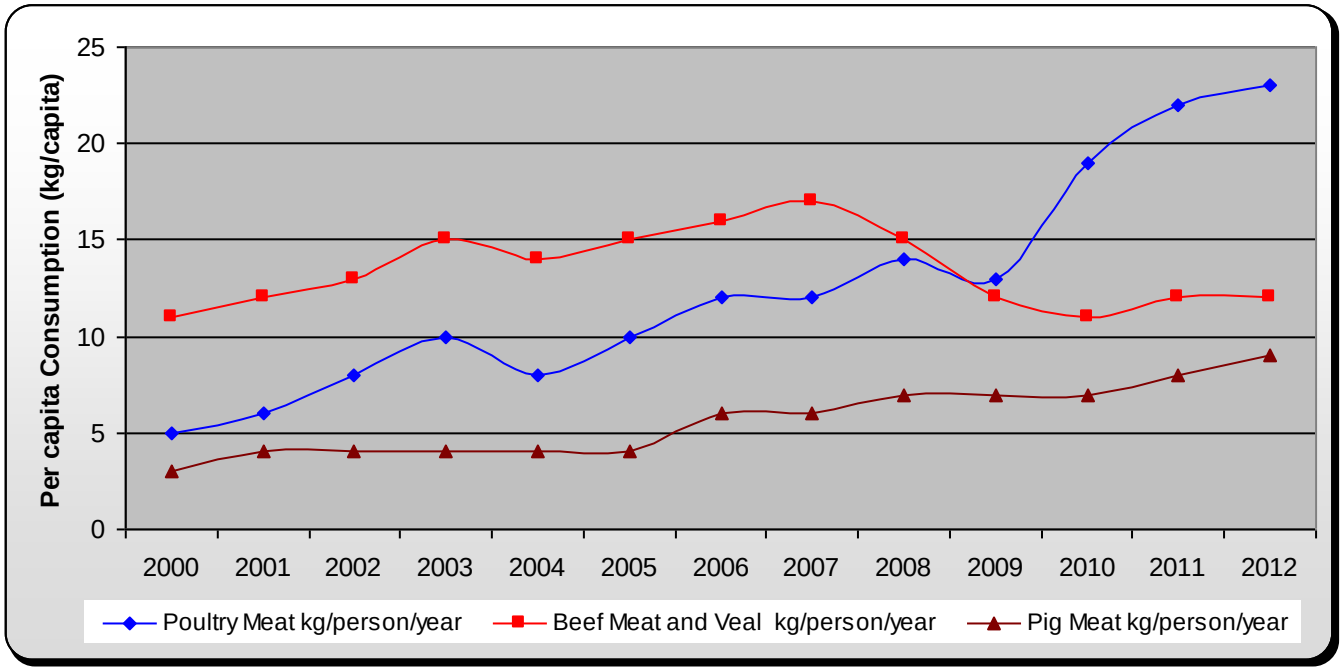
Source: PSD (2012)

While output has remained unchanged over the past 5 years, consumption has generally been increasing over time. After peaking to 205,000tonnes in 2007, demand declined from 2008 to 2010 owing to the slowing down of the global and local economy. Reduced economic activity over the period had an inevitable impact on incomes – and hence demands. Demand slowly recovered after 2010 from 144,000tonnes to 162,000tonnes in 2011. Consumption is expected to increase in 2013 to 170,000tonnes, up from 160,000tonnes in 2012.

The weakening of beef demand from 2007 onwards has seen a decline in per capita consumption in beef from 17kg/capita/yr in 2007 to 12kg/person/yr in 2012. Over the same period, a sharp increase in per capita consumption of chicken can be observed (See Figure 2). This is a reflection that a substitution between beef and chicken is taking place in response to the slower income growth and higher beef prices. This indicates that chicken is overtaking beef as a preferred animal protein source in the country.

[1] http://www.kunenerak.org/en/people/people+and+environment/livelihoods/Livelihoods+Agriculture/Livestock+Farming.aspx

Figure 1: Beef Production, Consumption Trends (2000-2010)

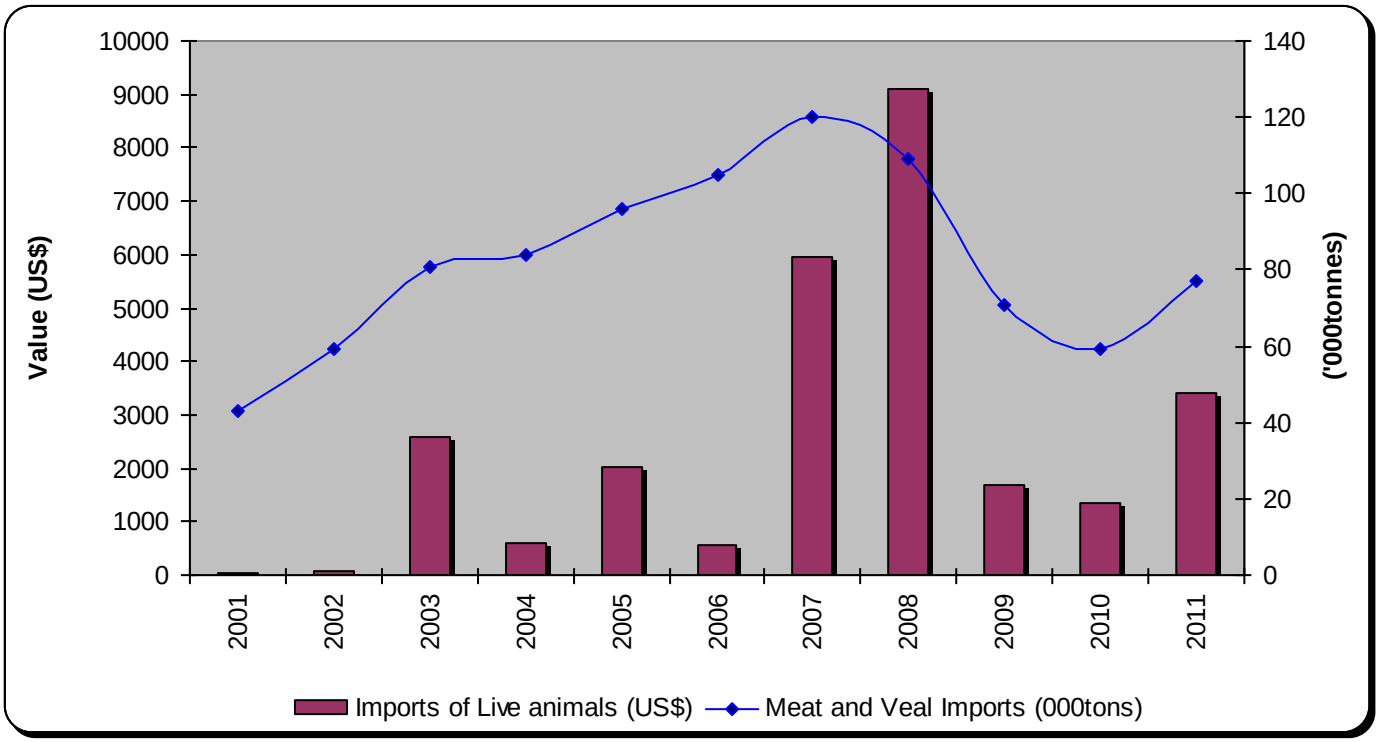


Source: PSD (2012)

Trade Flows

Data from the ITC and PSD shows that Angola is a net importer of beef. The country has imported an increasing quantity of meat and veal, from 43,000tonnes in 2000 to a decade high of 120,000tonnes in 2007. This increase may be explained to the increase in incomes that has jerked up consumption over the period of political stability. The decline in imports after 2007 is underlined by the negative effects of the global food price crisis that saw commodity price spikes that saw international beef prices increase to US$3.14/kg.

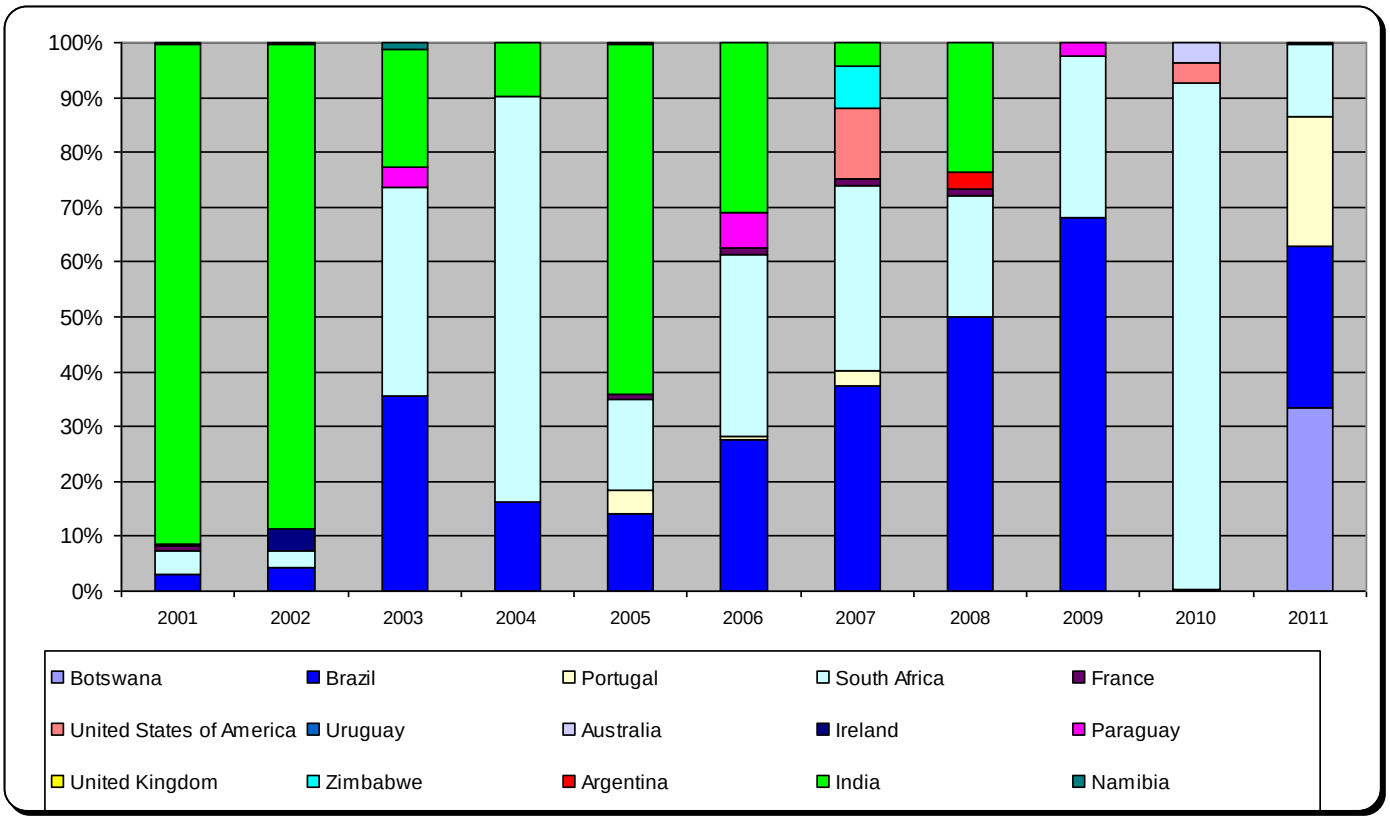
Figure 3: Aggregate Quantity of Beef Trade Flows (2000-2010)



Source: ITC (2012) and PSD (2012)

A look at import source markets between 2000 and 2011 shows that Angola's beef imports are more concentrated to 6 key countries namely, India, South Africa, Brazil, and more recently, Portugal Botswana and Australia. Between 2001 and 2011, South Africa has been the most consistent and one of the largest exporters of beef to Angola – exporting an average of 32.7% of beef cuts. India was particularly dominant between 2001 and 2008 – exporting an average of 41.7% over the same period. In 2011, Botswana, Brazil and Portugal have exploited the Angolan beef markets by exporting 33.5%, 29.3% and 23.6% of the total value of beef (UNCOMTrade, 2012; See Figure 4).

Figure 4: Primary Source of Beef Imports for (Fresh and chilled) Beef Cuts, 2001 - 2011



Source: ITC Calculations of UN COMTRADE statistics (2012)

Poultry Markets

Production, Consumption and Price Trends

Before1992 all poultry farms were state owned. In 2011, there were a reported 15 commercial poultry producers (up from 6 in 2008). The growth in commercial production has been noted to be stemming from re-investment in the poultry sector which started taking place after the war in 2002. Angola's chicken production structure is typified by three types of poultry producers namely:

- Subsistence (backyard) farming,
- Smallholders supported by new government/NGOs projects, and
- The big private companies.

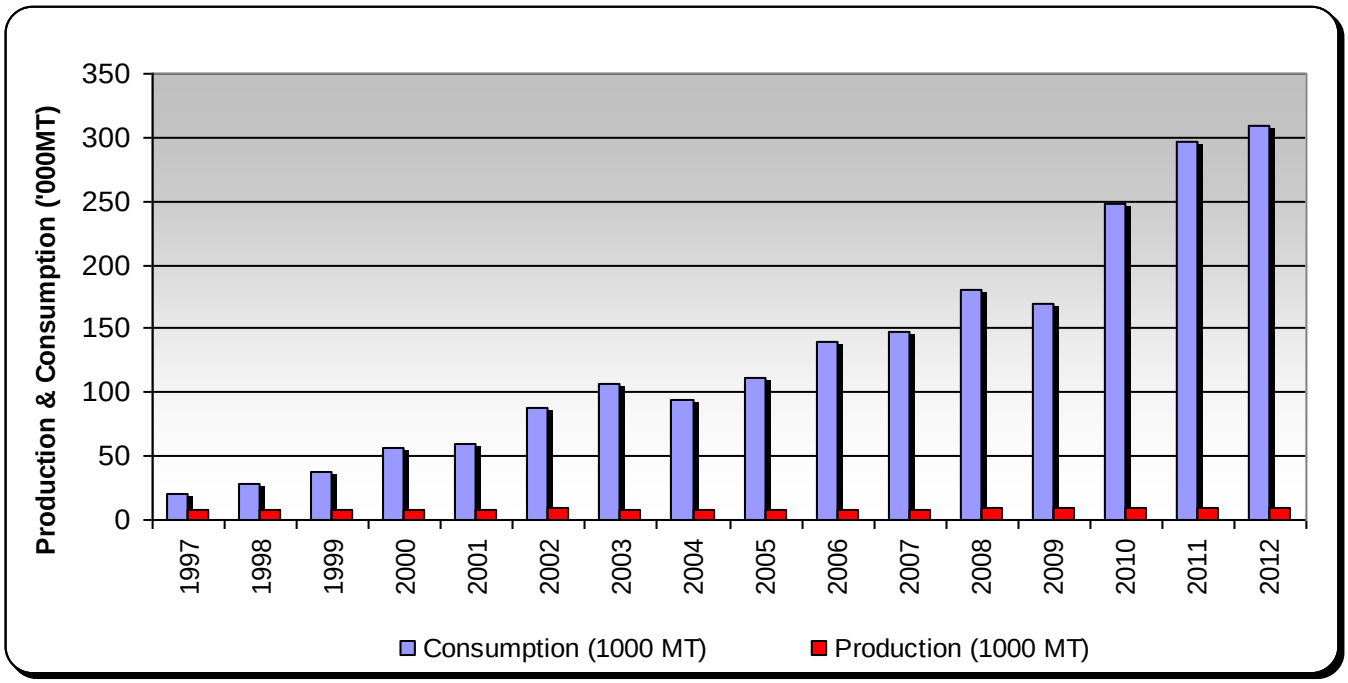
Large scale poultry production in Angola is concentrated around the major cities like Luanda. Due to logisticsal constraints, private producers position their production sites closer to markets. The major private commercial poultry 30 companies are Avinova (with 22 million eggs per year), Angolaves, and PECAC. These private companies belong to the Associacao de Avicultores de Angola (Aavil) – the Angolan association for poultry producers.

Angola's chicken production has been relatively flat over the past 10 to 15 years, with production averaging 8,000tonnes (PSD, 2012). This represents only 3% of the country's consumption needs. The 97% balance is met through imports from countries such as South African and Brazil (Author's calculations based on PSD Data). The lack

of growth of production has been attributed to high costs of broiler production in Angola. It costs between US$3.50 and US$ 5.50 in Angola to produce chicken compared to US$0.60 in Brazil and US$1 in South Africa. This has inevitably forced some private producers to shift their focus to other sub-industries, namely egg production, day-old chick production and even downstream into feed production (cite).

While production has been relatively stagnant, consumption has been increasing rapidly from 21,000tonnes in 1997 to 297,000tonnes in 2012 – an increase in demand of over 1400% (see Figure 5). On the back of a positive and stable political environment, the phenomenal increase in consumption has been driven by increases in per capita income over time and a general increase in population. After the 2009 demand slump that reflected the negative effects of the food price crisis, poultry demand firmed and increased steeply as the local economy recovered from the effects of the global economic recession. Consumption in 2012 is projected to increase to an all-time high of 309,000tonnes.

Figure 5 Poultry Production and Consumption Trends (1997-2012)



Source: PSD and FAO (2012)

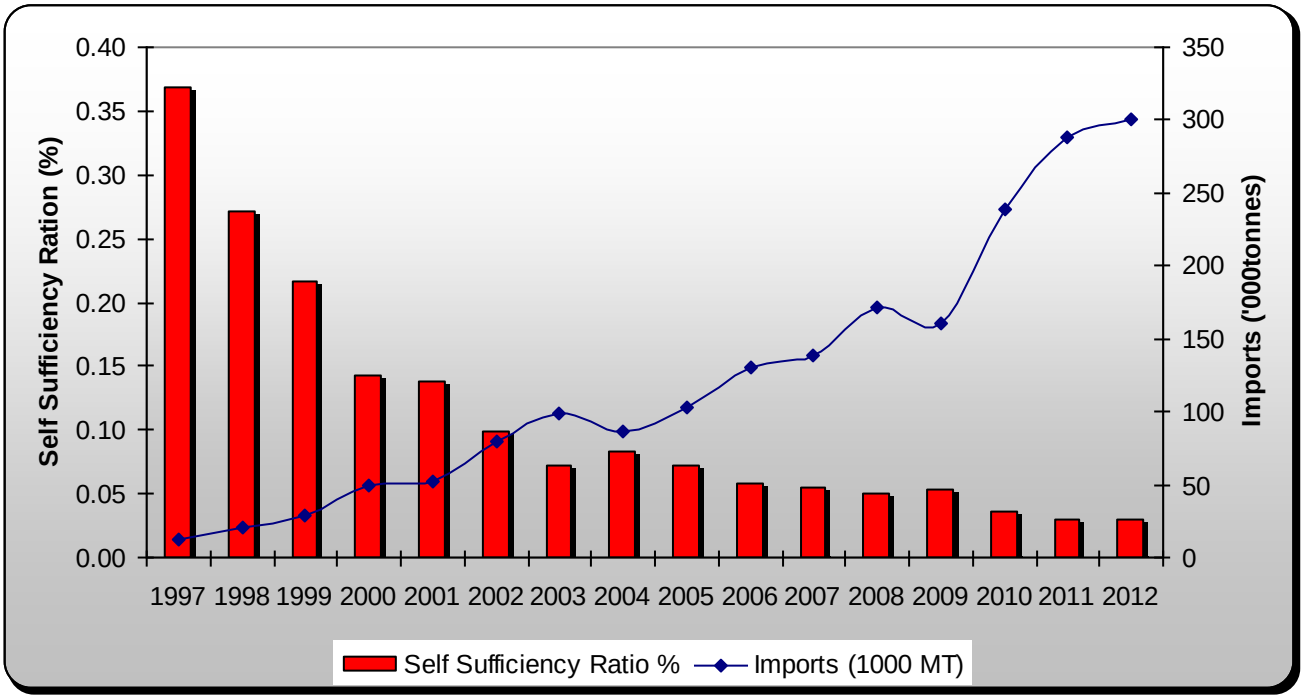
Trade Flows

Angola is a net import market for chicken, with imports reaching 97% of consumption requirements in 2011. Between 1997 and 2011, poultry imports increased from 13,000tonnes to 297,000tonnes in 2011 – a 2215% increase. This huge increase in chicken imports can be viewed within the context of the country's small capacity to meet domestic needs, against an increasing demand over time. Most chicken imports into Angola come mostly from the USA and Brazil – and the EU. Cheaper imports from much more efficient international producers have been crowding out the re-establishment of small-scale domestic poultry production. Production in subsistence and smallholder farming has generally been constrained by the following factors.

- lack of funds to expand production,
- lack of technology to increase production efficiency, and
- High mortality rates caused by, among other factors, poor access to vaccines (Dutch Poultry Centre, 2012).

Angola was more self sufficient in chicken during the civil war as seen on the graph (1997 and 2002). This trend if increasing imports is an indication of a combination of two key factors: (1) the opening up of trade after the war, (2) the subsequent increase in incomes and demand due to economic growth in Angola. The declining self sufficiency shows that production has not responded to increased demand, and this is due to the lack of expansion and re-investment in the poultry sector, as discussed.

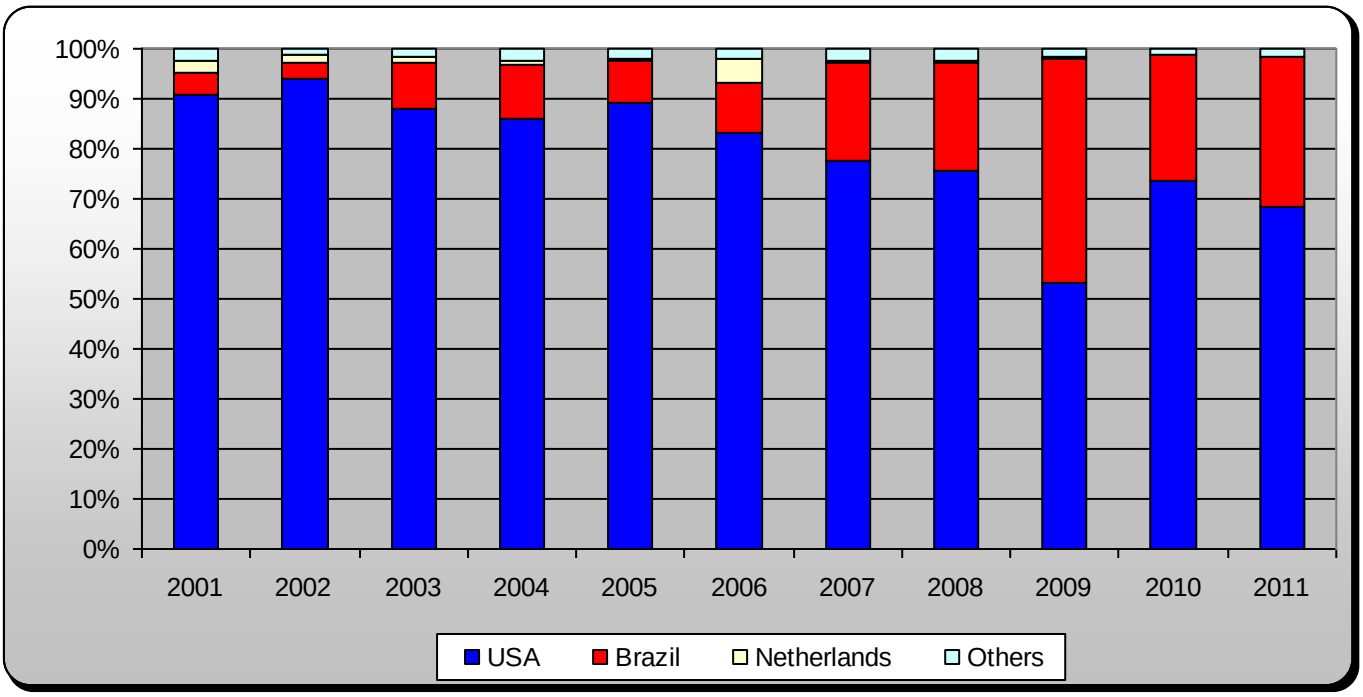
Figure 6: Poultry Imports (MT) vs. Self Sufficiency (%); 1997 to 2012



Source: PSD statistics (2012)

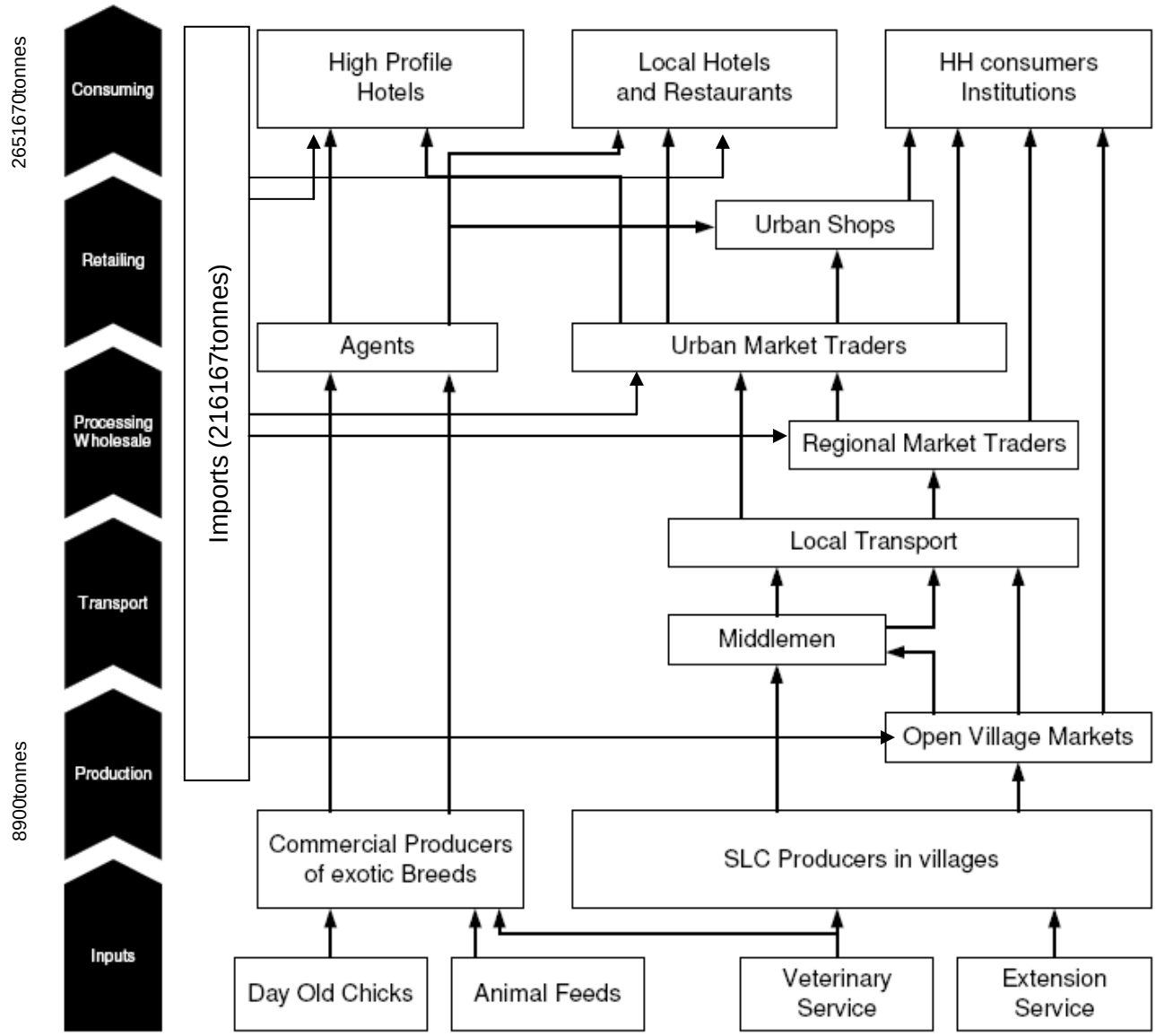
The USA and Brazil are the primary sources of poultry meat products for Angola. Between 2001 and 2011, the USA has exported an average of 80% of poultry products (frozen cuts and offals) with Brazil averaging 17% over the same period. The Netherlands used to exported an average of 2% of Angola's value of chicken exports between 2001 and 2006.The Netherlands' exports to Angola have declined from 2007 onwards, and countries such as South Africa, Argentina and Portugal have filled in the gap to contribute the 3% share of chicken exports to Angola (Figure 7) . Figure 7 below illustrates the share for poultry meat (HS 020714, frozen cuts & offals) imports to Angola, disaggregated by supplying markets between 2001 and 2011.

Figure 7: Primary Supplying Markets for Frozen Chicken Cuts and Offals, 2001 - 2011



Source: UN COMTRADE statistics

Figure 8: Broiler Value Chain



Adapted from the Dutch Poultry Centre Industry Profile

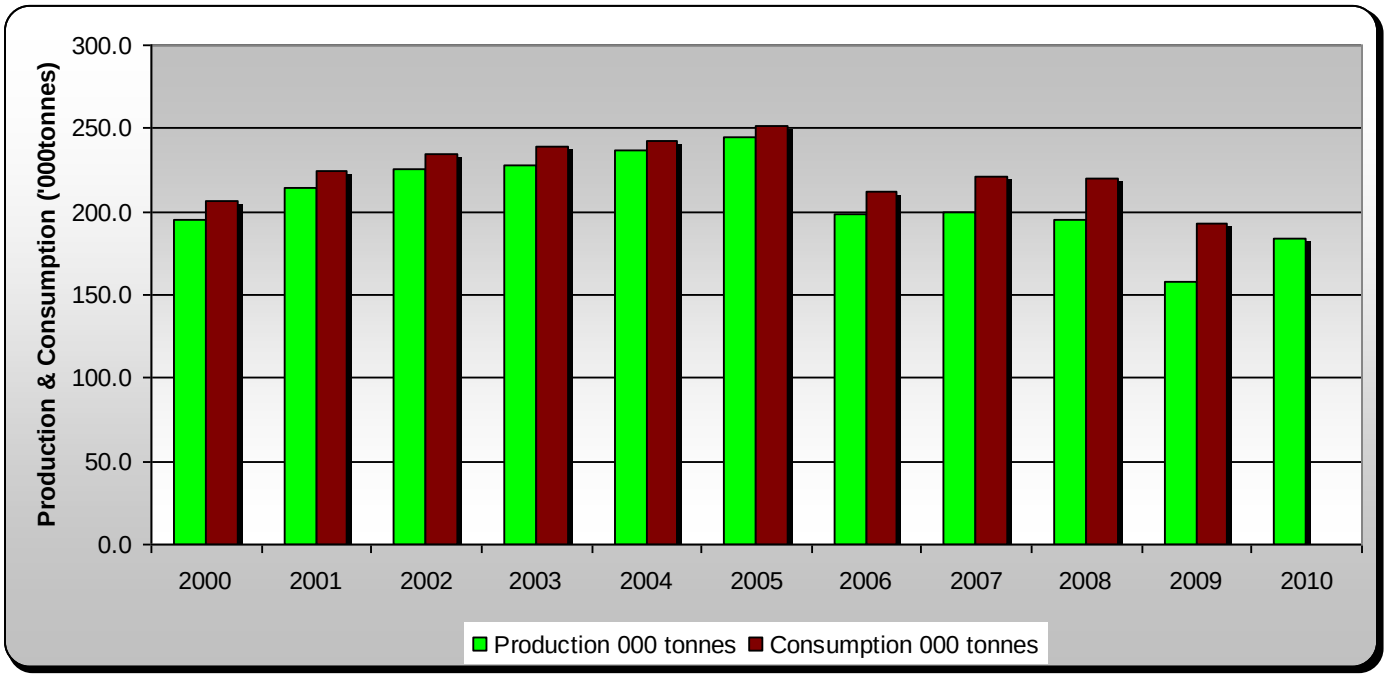
Milk Markets

Production and Consumption Trends

Dairying is one of the core livelihood activities in rural Angola with dairy livestock ranging from cattle, dairy goats and water buffaloes. Angola's milk production has been trending downwards since peaking to 244,300tonnes in 2005. Production declined to 283,000tonnes in 2010 – a 33% decline in output. The decline in milk production has been mirrored by a decline in the milking herd. Milking cows were estimated at 404,000 in 2000, declined to 335,300 heard in 2010 - a 20% decline.

Nonetheless, between 200 and 2007, Angola's milk production was at least 90% of its consumption – which was declining after 2007 due to the food price crisis and weakening purchasing power. By 2009, milk consumption was estimated at 193,060tonnes, and this was met with a declining milk output of 158,400tonnes. This meant that Angola could only meet 82% of its total milk demand by 2009.

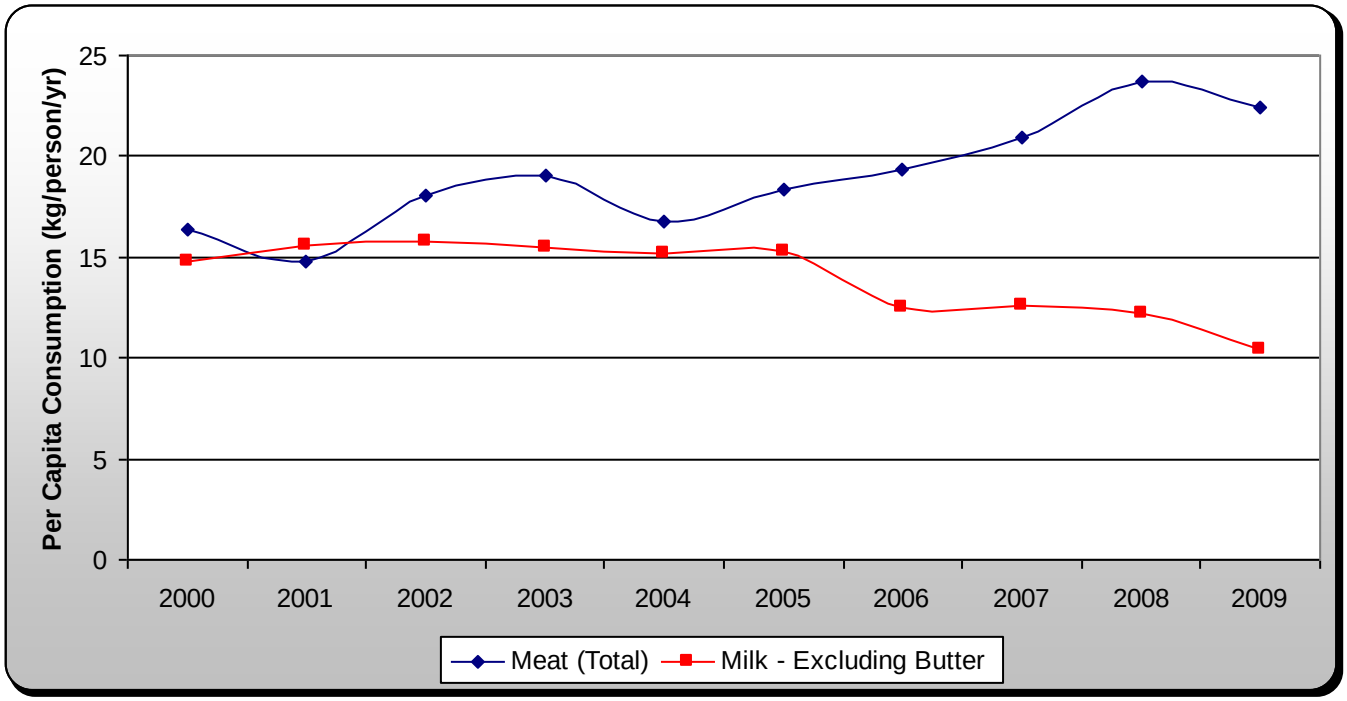
Figure 8: Milk Production and Consumption Trends (2000-2010)



Source: FAO (2012)

Statistics from FAO (2012) show a slightly declining per capita consumption of milk trend in over time. When compared to meat (overall), it would seem that Angolans are consuming more meet and less milk – particularly from 2005 onwards. Declining per capita consumption of milk could be improved by increased production on the back of stronger income growth in the future.

Figure 8: Milk vs. Meat Per Capita Consumption Trends (2000-2009)

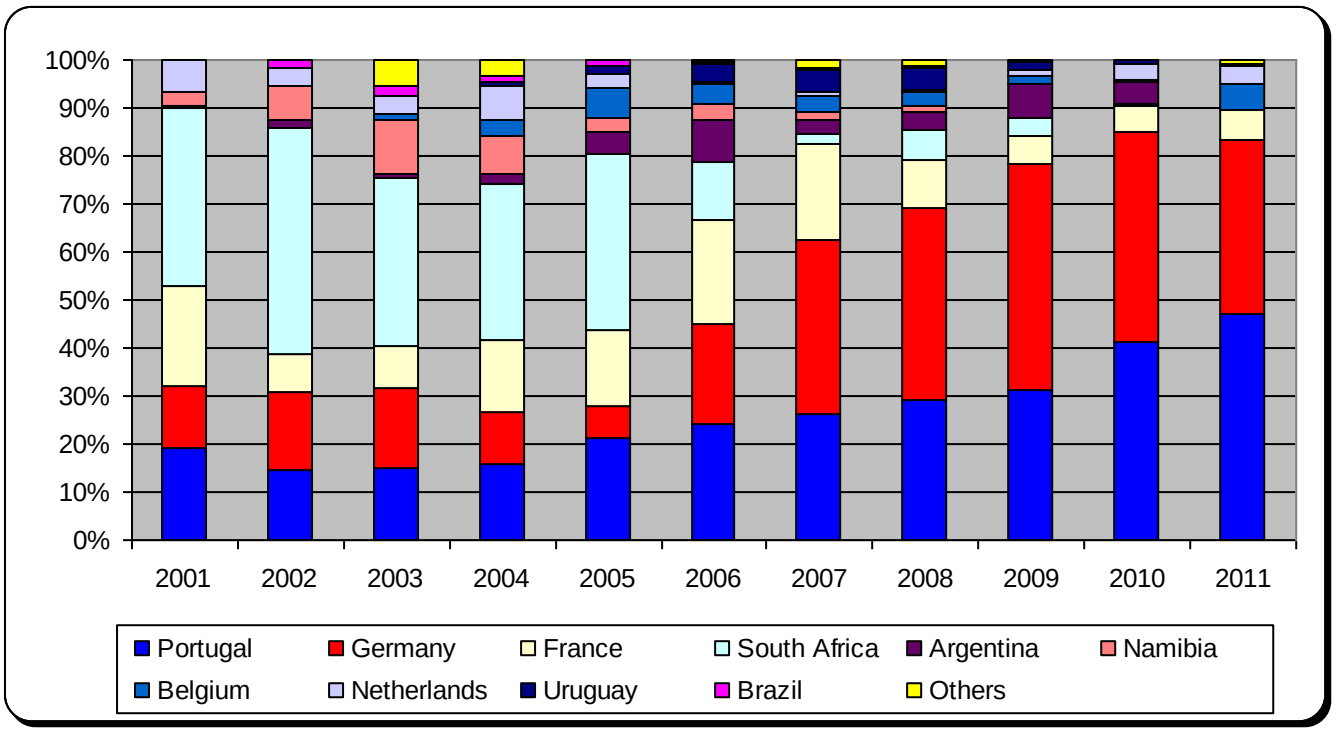


Source: FAO (2012)

Trade Flows

The primary suppliers of milk and dairy products to Angola include the EU countries plus South Africa. In particular, Portugal, Germany, France and South Africa have, on average exported a combined 84% of dairy output to Angola between 2001 and 2011. In 2011, Portugal had a 47% share of the Angolan milk export market while French dairy exports constituted 36%. Belgium and Netherlands also form part of the dairy export suppliers – exporting 5% and 4% respectively (See Figure 9).

Figure 9: Primary Supply Markets for Milk 2000 to 2011 (MT)



Source: FAO (2012)

HS Code: 040120 Milk not concentrated & unsweetened exceeding 1% not exceeding 6% fat

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