

Voluntary Report – Voluntary - Public Distribution

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Report Name: New Wheat Mills Expand Opportunities for US Wheat Exports to Angola

Country: Angola

Post: Luanda

Report Category: Grain and Feed

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Report Highlights:

Angola's wheat milling capacity has increased to achieve self-sufficiency with five wheat mills now operating in the country, with milling capacity of up to 1 million metric tons of wheat per year. Market price is a major challenge to increasing U.S. wheat exports to Angola. However, the expanded milling capacity and demand could help create an opportunity for American wheat exports to Angola as the ongoing Russia-Ukraine conflict has created supply chain disruptions. Russia and Ukraine accounted for about 30 percent of Angola's wheat imports in 2021.

Angola's Wheat Milling Capacity

The country's wheat milling capacity has been expanding since 2017, with the opening of the first wheat mill by Grandes Moagens de Angola (GMA). The facility has a processing capacity of approximately 280,000 metric tons (MT) annually. The Carrinho Group, based in Benguela province, also opened a mill with a similar capacity. Kikolo wheat mill, on the outskirts of Luanda, has the capacity to process 140,000 MT per year. AP Foods is a pasta factory, but in 2019 the company built a wheat mill with a capacity of approximately 100,000 MT per year. These wheat mills collectively offer about 800,000 MT of milling capacity in Angola annually. They are also all associated with the Association of Wheat Flour Producers of Angola.

Government Investment in Non-Oil Sectors

With the instability of oil prices in recent years, Angola, which derives about 90 percent of its GDP from petroleum exports, has taken measures to diversify the country's economy, including support for the development of the agricultural processing sector. One such effort is the Production Support, Export Diversification, and Import Replacement Program, known by the Portuguese acronym PRODESI, was approved by Presidential Decree 169/18 on July 20, 2018. PRODESI aims to facilitate the economic diversification of targeted non-oil sectors, and to that end, the government of Angola (GRA) created the Credit Support Project (PAC) that was approved by the Council of Ministers on March 22, 2019. PAC is an instrument to facilitate the financing of private investment projects in PRODESI's targeted goods and services sectors. Through PAC, the GRA can allocate \$434 million of public resources through commercial banks to reduce interest charges and improve credit guarantees.

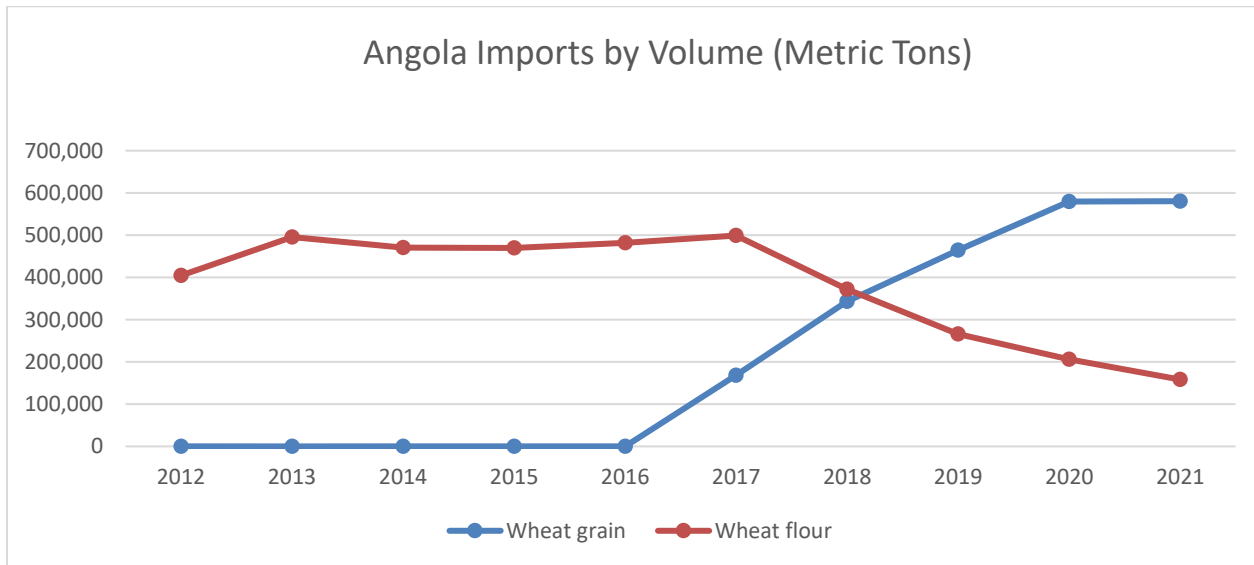
New Mill Adds a Quarter Million MT of Capacity

In 2020, PAC provided financing worth \$20 million to Induve, an Angolan processing company, to build a new wheat mill with the capacity to process 700 MT per day and an annual average of 255,000 MT of wheat. Angola has very limited wheat production, so the new mill is expected to drive demand for increased wheat imports, supported by the GRA's increase of tariffs on wheat flour imports from 0 to 20 percent, thus encouraging more imports of wheat grain to be milled domestically. Induve mill is not a member of the Association of Wheat Flour Producers, but including the capacity of the new mill, Angola can now mill over 1 million MT of wheat each year.

Angola's Wheat Flour Demand

According to the latest data released by the Angola Ministry of Industry and Commerce in 2020, Angola annually consumes about 650,000 MT of wheat flour (equivalent to approximately 890,000 MT of wheat grain, using a milling conversion factor of 1.368). However, since the country produces very little wheat domestically, virtually all consumption is fueled by imports of wheat flour or wheat grain that is then milled domestically. As milling capacity has increased, imports of wheat grain have replaced imports of wheat flour, as shown in the chart below. The main import sources of wheat flour imported by Angola in 2020 were Turkey with 164,000 MT, followed by the EU with 42,000 MT. At the same

time, the EU led the way in exports of wheat grain to Angola with 380,000 MT in 2020, followed by Russia with 199,000 MT.



Source: Trade Data Monitor LLC

Trade Implications of Russia’s Invasion of Ukraine

Russia and Ukraine are large producers and exporters of wheat, and Russia’s invasion of Ukraine has exacerbated already-high global wheat prices. The conflict is also drastically increasing prices for fertilizer and fuel, which make up a large percentage of food production costs. While Angola’s oil-based economy has seen some benefit from high prices, the increased cost of imports, including food, is threatening food security. The Association of Wheat Flour Producers of Angola have stated that the situation could cause the consumer price of wheat flour to rise by 40 percent or more. The industry is working with the GRA to identify ways to mitigate this potential price increase. In 2021, the GRA announced the new management of a strategic food reserve (REA) for staple commodities, and in early April 2022, the GRA reduced the official prices for food products in the “basic basket,” reducing costs by about 17 percent compared to November 2021. REA is a mechanism created by Presidential Decree 102/18 and regulated by Decree 209/18, which aims to stabilize prices and guarantee the supply of basic basket goods at rational and fair prices in the domestic market. The 11 commodities that are included on the REA are: Dry beans; yellow maize flour; wheat flour; white maize flour; sugar; chicken meat; vegetable oil; salted dry fish; salt; rice and pearl millet.

Attachments:

No Attachments.