Rehabilitating the coffee sector in Angola – full paper by George Odour, CAB International

An overview of Angola:

Situated on the South West coast of Africa, Angola is the fourth largest country of Africa (1.2 million km^2) and can take advantage of considerable natural resources - agricultural (manioc, maize, coffee), mining (diamonds) and oil. The country's fertile land is plentiful for its population of about fifteen million inhabitants. However, Angola's full growth and development potential is not exploited yet. After three consecutive decades of war (independence from 1961 to 1974, civil war between the 1976 to 1991; and the third war period following the outcome of the first round of presidential elections held in September 1992 interrupted by 4 years of peace, which were initiated with the signing of the Lusaka Peace Accords, in November 1994). Since the April 2002 Luanda accords, peace has returned. About 4 million displaced persons have returned to their communities, including most former combatants from UNITA.

The agricultural sector in Angola has especially been devastated by 27 years of war, and currently represents about 8% of GDP. Investments are concentrated in the oil sector. The marketing system has been affected, roads, bridges and other rural infrastructure have largely been destroyed, and as many as 10 million land mines are scattered about the country. According to the Mine Action Program, 4,000 mine fields have been identified and the de-mining program concerns 4.7 million landmines, 26,000 km of roads, at a cost of US $285 million. Since 2002, 27 roads and 374 villages have been opened by the UN security team. The country depends on food aid to meet its internal requirements and agricultural exports have virtually disappeared.

This is in sharp contrast to both the situation of thirty years ago and the potential of the sector. At one time Angola was not only self sufficient in food production, but it exported surplus maize from its smallholder sector. In addition, the coffee sector was a major earner of foreign exchange. At Independence agriculture was hard hit by the exodus of Portuguese settlers who had run large farms and also provided the marketing and credit networks for smallholder farmers. The Government tried to take on these functions and also nationalised most of the large farms which had been abandoned, attempting to run them as state farms. The state tried to exercise controls throughout the agricultural sector, regulating prices, and using parastatals for the import and distribution of both agricultural inputs and some food products.

The attempts at central control and planning by the Government were not successful. By the mid 1980s the Government began to change its policies, opting for a more liberalised economy with an increased role for the private sector. In agriculture, this meant selling or turning over some of the large state farms to private operators. In addition there was some liberalisation of prices.

On an economic level, the successive processes for economic stabilisation brought out a recovery and a real GDP growth around 10% between 1994 and 1996. In 1997 real GDP growth declined to 7.6% and for 1998 a further reduction was expected. Between 1994 and 1998 the contribution of oil exploitation to the GDP increased from 35% up to 45%. At this time, it represents nearly half of GDP and about 90% of Government revenues and export earnings. Angola increased its oil production from 903,000 barrels/day (bbd) in 2002 to 1,230,000 in 2005. High oil prices in 2004 and part of 2005 have translated into high export revenues. Output per capita nearly doubled from US$764 in 2002 to US$1,550 in 2005. However, Angola is still classified as a developing country under stress. Real GDP reached 11.7% against 3.4% in 2003. Despite its abundant natural resources, 64% of the population lives with less than a dollar a day. Subsistence agriculture still drives the rural economy. Improvements in transport infrastructure are desperately needed, as well as increasing access to inputs like seeds and fertilizer, and opening up marketing opportunities. However, according to the World Bank, many producers may be unable to compete with imported food at the current exchange rates once road links have been fully restored. Given the risks of inefficiency and corruption, it cautioned against renewed public sector involvement in providing inputs or marketing[1].

[1] IMF Article IV Staff Report - 22 February 2005

Since 2000, Angola has embarked on a programme of economic stabilization leading to lower inflation (from 268% in 2000 to 55% in 2004, further expected to decline further to less than 20%). Since May 1999, following the liberalisation of the exchange policy, the Central Bank of Angola publishes the daily Kwanza reference rate (AOK), which is the moving average of commercial bank lending rates. The difference between the black market and the official exchange rate is minimal (less than 1%).

Historical Aspects of Coffee Production in Angola:

Coffee produced in Angola is primarily Robusta (>98%) with small quantities of Arabica coming from the central highlands. Robusta production is mainly in the provinces of Uige, Kwanza Norte, Kwanza Sul, Bengo and Cabinda, whereas Benguela, Bie and Huambo represent the main Arabica producing areas.

Prior to independence, production was from an area of 596,000 ha and was dominated by large plantations. Almost 60% of the coffee area was managed by plantations with more than 100 ha each. These produced about 70% of the crop and often had a sophisticated infrastructure of roads, had their own coffee processing facilities, recruiting man power from the Central Highlands especially during the harvesting season. Agrochemical inputs were applied regularly and yields were in the range of 450 – 520 kg/ha of green coffee. Total production reached about 230,000 t in the mid 1970s. Angola by that time was no. 4 among the coffee producing nations in terms of production.

After independence, the situation changed drastically. The majority of the original farm owners left the country and the government nationalised most of the farms. In total 33 state enterprises were created to run a number of plantations and to commercialise its coffee production. Experience of the new farm managers, however, was very limited and, thus, a combination of mismanagement, loss of labour and poor supply of essential inputs led to the drastic decrease of yields. INCA statistics indicated the average yield of the state farms around 80 kg of green coffee per hectare.

With the shift to a market led economy in the beginning of the 1990’s the government privatised the state farms by subdividing and giving them to the private sector. The beneficiaries of this process were small scale farmers but mainly civil servants and other privileged individuals from the official and the private sector. The deterioration of the security situation following the elections in 1992 did not allow the new farm owners to rehabilitate the coffee plantations.

Characterisation of the present Situation and Identification of determining Factors:

Production

Harvested area has decreased to about 100,000 ha and export figures today reach about 5,000 t of green coffee per year (Fig. 1). Yields vary to a large extent depending on the intensity of the cropping system and the resources used for coffee production. Today the vast majority of coffee in Angola is harvested by small scale farmers. It is estimated that commercial plantations contribute only by about 8 – 10% to harvested volumes.

Due to the employment of family labour, small holder farms presently achieve higher yields than large scale plantations depending on external workforce which is scarce and only available at rather high cost. Many of the larger farms which were abandoned are now being rehabilitated by private investors or divided into smaller plots. Some of them are still mined although the demining process is progressing well. In vast areas, in consequence, coffee grows without being attended and cannot be harvested. Average yield in Angola, therefore, should be close to about 50kg/ha green coffee although in productive areas about 150 – 250kg/ha green coffee are being harvested.

The low level in coffee production today (estimated at 1,969 tonnes produced over 23,000 ha in Kwanza Sul as of June 2005) is related to a number of factors both crop related and socio-political. Most plantations are old, pests spread and crop husbandry, in general, is

Coffee exports from Angola

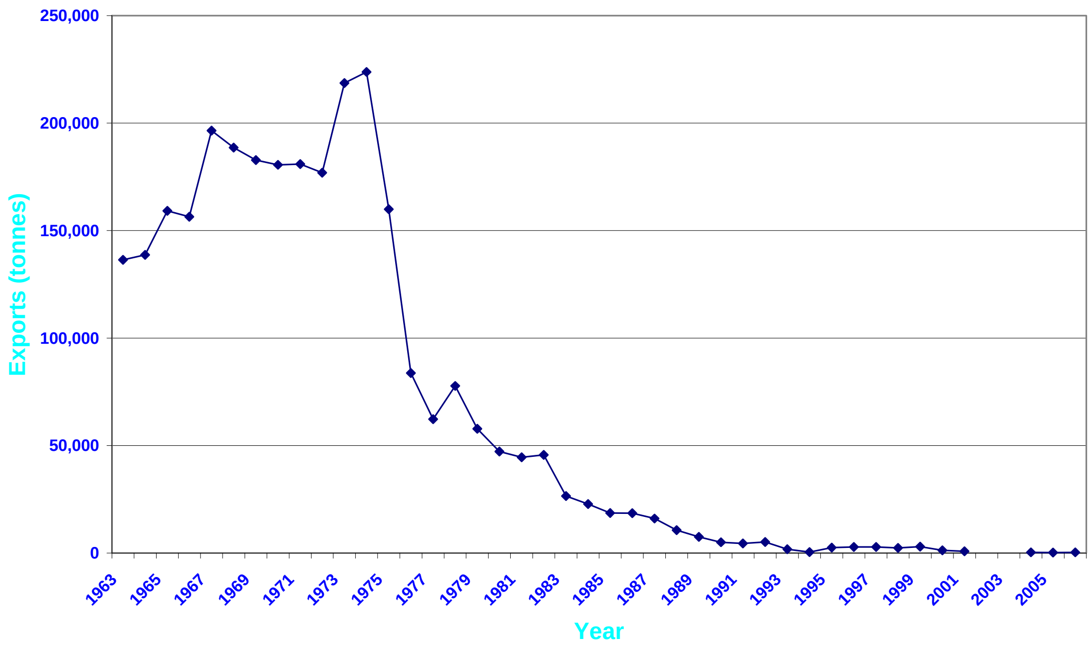

Fig 1. Coffee exports from Angola between 1963 and 2006

deficient. Agricultural inputs are either not available or can only be purchased at high prices and essential support services like rural extension, research and financial systems are practically not in function. Furthermore, several farms are still mined, farmers and their families were fleeing from civil strife in their home places and rural infrastructure has been destroyed. Due to scarcity and high demand gross margins achieved in certain food crops are sometimes more attractive than those in coffee. INCA estimates that 170 million Euros will be required to rehabilitate the entire coffee sector in Angola over several years.

Processing and Commercialisation

Coffee marketing has been liberalised and the parastatal CAFANGOL, today, competes directly with companies of the private sector. A number of licensed traders are involved in the commercialisation of coffee. Licenses are granted by the Ministry of Commerce upon recommendation of INCA. Coffee can be traded in form of café mabuba (dried cherries/parchment) or café comercial (green coffee).

Small scale farmers are merely not in the position to participate in added value generating processes and are restricted to sell their coffee in form of dried cherries. The intermediaries care for coffee hulling and the transport to Luanda where they sell it to exporters. The majority of processing facilities for hulling of coffee cherries in the producing areas is outdated. Breakdowns occur frequently and their processing yield is low (45% as compared to 50 – 53% achieved with new hulling equipment). Although a number of hulling stations exists in the producing areas net working capacity is reduced. Functioning hulling stations are sometimes rather distant and transport costs are high due to a lack of transport facilities and poor infrastructure.

Medium to large farmers often commercialises green coffee hulled at their own premises or with licensed hulling stations, which offer the service against payment. Medium to large farmers may also enter in direct commercial contact with exporters.

There is no continuous flow of coffee to the exporters during the harvesting season and in view of the low level of production intermediaries and exporters frequently have to blend coffee from different sources and store it for a longer period in order to accumulate sufficient volumes for forming commercial lots. Internal transport is chiefly realised by use of trucks with a loading capacity of about 10 t whereas the average export lot from Angola comprises 250 bags of 60kg (15 t). In view of a rather high degree of loss in export processing and a high share of output classified as residues, about 20 t of café comercial are required to achieve an export lot.

Due to infrastructure problems caused by the poor conditions of many interregional roads, internal transport is hindered and tends to be expensive. After the breakdown of the harbour facilities at Lobito, Porto Amboim and Cabinda, commercialisation costs further increased due to the fact that merely all export business has to be realised through the port of Luanda. All three functional facilities for export processing of coffee are also concentrated in and around Luanda. The Lobito port is being rehabilitated and the train connection from Lobito to Cubal (197 km) is operational again.

INCA is responsible for observing the commercial operations in the coffee sector. It therefore establishes minimum reference prices for the purchase of coffee at farm gate level as well as minimum export prices on the basis of the quotations in the international market. These prices reflect the government's policy that each group of market participants, i.e. producers, traders/intermediaries and exporters, should equally benefit from the value of coffee and, in consequence, be entitled to receive 1/3 of the coffee's export price. The official reference prices are established both for café mabuba and café comercial as well as for Robusta and Arabica coffee. They are revised regularly by INCA and are announced to the provincial and municipal authorities as well as to exporters. No business can take place below the level of the corresponding reference prices. Although farm gate prices are above the minimum reference price as published by INCA farmers in the municipality of Amboim obtain merely about 45 – 47% of the f.o.b. value of their coffee. Compared to the level of farm gate prices in other coffee producing countries (Guatemala 70%, Uganda 66%) this is rather low.

Exports

Volumes in coffee exports had been variable at a very low level. On average over the last three years about 50,000 bags of 60kg have been officially exported on an annual basis. The volumes smuggled to the Democratic Republic of Congo are unknown. Most important destinations are today Portugal, Spain, Italy, Germany and Holland. The country does not face any international marketing problems. The limiting factor is with production, i.e. achieving consistently high volumes.

Export business is realised by a handful of active exporters, whose number shrank from 14 in the late 1990's to only four in 2005, who work in a difficult environment. Although interest rates declined, the conditions of bank loans are still difficult for small business people and exporters therefore have to employ own capital resources for pre-financing intermediaries and buying coffee. Since volumes are low and the flow of coffee is not continuous business can only be realised on a spot basis. Hedging is impossible and the price risk is always with the coffee owner. Exporters, on average, hold coffee for about 90 – 120 days from the time of purchase until the shipments can be realised. Coffee is sold to the international market by irrevocable letter of credit.

After a decline in importance during the mid-1990s, the role of CAFANGOL has increased with about 10% in coffee exports. The company now exports between 70 to 80% of coffee.

After reaching USD 182.4 million in 1974, the value of coffee exports plunged to only about USD 4.0 – 5.0 million in the early 2000s. It is now estimated at USD 247,020.

Coffee consumption in Angola is low and estimated to reach about 25,000 – 30,000 bags per year. 4 – 5 companies including CAFANGOL are roasting coffee in Angola and are selling the production to the national market.

Coffee Quality

The quality classification system is based on the producing areas where Ambriz and

Amboim coffees are distinguished. Ambriz coffees are originating from the northern provinces of Uigi, Zaire which used to be exported through the habour of Ambriz. Amboim coffees originate from the provinces of Kwanza Sul, Kwanza Norte, Bengula and used to be exported in particular through Porto Amboim.

The grading system classifies coffee according to bean size in “Grado”, “Medio” and “Corrente” and according to defects in “Extra”, “Superior”, “1a Qualidade”, “2a Qualidade AA”, “2a Qualidade BB”, “3a Qualidade CC”, “3a Qualidade DD” and “Residuos”. The vast majority of export lots today belong to the segments of “2a Qualidade AA and BB”.

Angolan Robusta coffee is famous in the international market for its neutral and pleasant cup without showing the typical penetrating Robusta taste. It usually has a very good acidity. It is used in particular in Southern Europe in blends with Arabica coffee to give them a strong and balanced aroma.

Today, coffee from Angola is not necessarily homogeneous in terms of quality and age. Traders in the international market confirm that Angolan coffees are often characterised by an oldish taste, yellowish colour and a very low moisture content. Nevertheless, still premiums are paid in particular in Portugal and Spain for Angolan Robustas. In August 1999 traders reported the following differentials on a c.i.f. basis:

- Amboim 2ª Qualidade AA Corrente USD +225.00 per tonne
- Amboim 2ª Qualidade BB Corrente USD +175.00 per tonne
- Ambriz 2ª Qualidade AA Corrente USD + 75.00 per tonne
- Ambriz 2ª Qualidade BB Corrente USD + 25.00 per tonne

The most important quality in terms of volumes is 2ª Qualidade BB Corrente.

The market potential for Angolan Robusta coffees was confirmed to be very good. Additional quantities could easily be sold. The lack of continuity in availability of Angolan coffees as well as the variations in quality were stated as problematic. As quantities would increase, however, differentials would tend to ease.

Presently, no cup testing is realised and coffee is only checked by appearance, defects and bean size. This represents a market risk since off-flavours cannot be detected.

Support Services

INCA has several services to support coffee production. At the central level there are the of Technical Brigade, responsible for technical support to farmers especially the small-holders, the Department of Research and Experimentation, in charge of promoting research leading to more productivity as well as better coffee quality and the Department of Licensing dealing with issues related to classification, certification and licensing of exports. There is also a Central Laboratory with potential capacity for different types of analysis, namely plant and soil analysis. The Laboratory is not functional at present.

On a regional level INCA runs three Regional Research Stations, although, only the station in Gabela is functional on a very low level.

Also in the region there are the Technical Brigades (“brigadas técnicas”) INCA’s rural extension service. These brigades perform a variety of activities ranging from assistance to producers on crop husbandry techniques to representing the Coffee Development Fund (FDCA) for credit purposes.

In 1998 a survey on the technical staff of INCA showed that, in total, there were about 36 graduates and 83 technicians (Medium level) most of them in agronomy. However, two thirds of the graduates and about 50% of the technicians were in Luanda. Kwanza Sul Province had 5 graduates and 9 technicians (*técnico médio*).

INCA’s technical brigades are understaffed and poorly equipped what limits their coverage ability. For instance in Gabela there are 12 extensionists divided by areas. One extensionist was said to work with 78 farms. According to the program they should visit each area at least once a month. Lack of transport and other technical equipment are a major constraint and restrict severely the number of visits. Salaries of personnel are very low and the absence of incentives for staff in the field has a negative impact on their performance. There is also a lack of adequate and well programmed training activities for technicians in charge of providing technical assistance as well as an adequate budget to finance operations. This is also valid for research where the operations at the regional research station in Gabela are presently limited to seed preparation from selected amboim clones, seed nursery and to some extent to clonal propagation. All the above mentioned factors result in poor technical assistance and very limited research being carried out on coffee.

Financing

Financing for the agricultural sector is practically not existent in Angola. Experience with low rates of loan repayment, the insecure situation related to the internal conflict, the high rate of inflation as well as the continuous devaluation of the local currency represented a great risk for banking institutions. Today, despite the return of peace and the relative stabilization of the Kwanza (currently at 75 to the dollar), interest rates are still high and reported to be in the range of 20 – 30 % per year. Credit operations are beginning to take place, including in microfinance. All steps involved in coffee marketing are still very much financed from the respective participants' own financial resources.

Capital is still needed to finance the activities in the coffee sector, for more investments and essential agro-chemical inputs. Routine farming operations like weeding or pruning cannot be realised and the production of many large scale plantations cannot be harvested due to a lack of funds to pay for required labour. Small scale farmers often lack adequate farming tools but at least can harvest their coffee since primarily family labour is employed.

Despite recent improvements and the decline in inflation, the banking system is still risk averse; especially in rural areas farmers tend to use coffee as a saving account. Usually, they only sell part of their production immediately after harvesting and keep the rest in stock to sell it whenever the need arises.

Coffee business, furthermore, is frequently not realised on a cash basis. Often coffee is bartered for agricultural inputs like basic farm tools as well as food items. This system is used by intermediaries for prefinancing the coffee harvest.

The initiatives being put in place to help address the issues:

To address some of the above constraints, the Common Fund for Commodities (CFC, The Netherlands) and the Government of Angola are financing, through the International Coffee Organisation (ICO, UK) a project to improve the coffee sub-sector in Angola. Titled "**Pilot Rehabilitation of Neglected Coffee Plantations into Small Family Production Units in Angola**", the 3 year project which commenced in March 2006 aims to bring abandoned coffee estates into production through resettlement of displaced people and provision of support services to increase the productivity of small coffee producers. This will increase the income of participating families through increased coffee production, productivity and trade, in addition to facilitating the resettlement of displaced families.

The specific objectives of the project are (a) to increase the production, productivity and quality of coffee; (b) to increase the share of the FOB price realised by the farmer; (c) to provide rural extension, credit facilities, and market information services to small-scale coffee farmers; (d) to resettle 4,000 displaced families on abandoned coffee estates by sub-dividing them into small production units; (e) to develop the technical capacity of the personnel and institutions involved in the project for future sustainability; (f) to provide technical assistance for capacity building and training; (g) to train technical extension staff and farmers and provide them with equipment and support services and (h) to disseminate the experiences gained.

Collaborators in the US$ 8 million project executed by Instituto Nacional do Café (INCA, Angola) include the Banco de Poupanca e Credito, The Corporative League of the USA (CLUSA) and farmers.

To date, achievements in the project include the following;

Large areas of land have been acquired, divided into small 2-5 hectare parcels and distributed to over 4,000 previously dislocated farmers and the project is also facilitating the acquisition of individual titles deeds for each farmer collaborating in the project.

Over 3 million coffee seedlings have been raised so far; mainly in over 33 farmers' fields. A supplementary coffee tree nursery at a research station of INCA (with a capacity of 60,000 seedlings) has also been set up and these nurseries also serve as excellent sites for training farmers on how best to produce coffee seedlings. INCA scientists have been trained abroad and local extension workers are being trained on the job in order to ensure the best results in coffee production.

The soils from various locations in the project area have been analysed and most found to be v. acidic and lacking in specific macro nutrients. In collaboration with foreign collaborators, location-specific fertilisers have been formulated to address the deficiencies at each site. Fertilisers, together with lime (to correct the acidic soils) was identified by farmers as one of the inputs they will spend their credit once it is availed by the project.

Consultancies have been undertaken and specific recommendations for improvement made in the areas of socioeconomics & rural development, coffee processing and marketing; rural extension; rural credit, market information systems, coffee quality and Market Information Systems.

CLUSA Angola has been engaged in the project and is organising resettled farmers into business organisation and training members on effective management of these organisations as business entities. Over 30 business organisations have been legally constituted.

In collaboration with a local bank (Banco de Poupança e Crédito) an effective micro credit financial system, through which the project will avail loans (US$ 2.7 million) to coffee farmers and traders, is being finalised. In addition a US$ 200,000 loan has been made available to a beneficiary in the project area, to procure, install and use a coffee processing facility which will in turn improve the quality of coffee produced by the 4,000 farmers in the project.

Over 2,000 farmers, extensionists and scientists have been trained in various aspects of coffee production, processing and marketing. This included the training of trainers who will in turn train farmers and others.

Equipment including coffee tasting kits, soil sampling kits, tractors and other vehicles have been procured and INCA scientists trained on how to use them.

The upshot of the project will be to provide governmental decision makers at provincial and national level with a proven concept to develop strategies for coffee rehabilitation and to further develop related policies in other coffee regions of Angola.

Government Strategy and Support to the Sector

The promotion of cash crops such as coffee has been considered within the programs but has not yet been the focus of project work.

The government is aware of the difficult situation of coffee farmers and the importance of the factors limiting the development of the sector. It considers the potentials of coffee production in economic and socio-economic terms and gives priority to the rehabilitation of coffee plantations and the resettlement of rural families.

In its sector strategy the Government has formulated the following general objectives:

- Increase of the productive potential of the sector
- Increase of foreign exchange earnings from coffee
- Increase of employment

- Socio-economic integration of demobilised soldiers, displaced families and graduated young people.

Focus is put on the traditional coffee producing provinces like Uige, Kwanza Norte, Kwanza Sul and Bengo, where economic and social activities are almost completely depending on coffee. The Government is favouring an integrated approach and by providing required services and defining favourable economic policies for producers is aiming to encourage the initiatives of the private sector.

Priority is given to the integration of demobilised soldiers, displaced families and young people in order to contribute significantly to a climate of social stability. The coffee sector is believed to represent the potential to absorb a considerable number of these people as agricultural entrepreneurs, agricultural workers as well as family producers.

The current situation:

After a hard start, the project is making good progress. The initial problems are linked to the farmers' being accustomed to free gifts – an attitude associated with the relief aid following the civil strife, and the "invasion" of the country by NGO's specializing in distributing free relief aid. However, the farmers are now more understanding and appreciate the critical role they have to play in a liberalized economy – financial assistance will be given but as loans which have to be repaid. The setting up of the communally managed coffee nurseries also increased ownership of the project, and increasingly more and more farmers request to be included in the pilot project. However, resources can not allow all interested farmers to join in.

Given the success with the raising of the coffee nurseries, more emphasis is now being given to transplanting the seedlings to renovate/rehabilitate farms as well as subsequent activities like training, processing and marketing (including provision of credit). Emphasis will progressively be laid to the later stages in the coffee industry (from seed towards cup) as the project progresses.

What next?

As a perennial crop coffee is considered as beneficial for the environment. Within the scope of cultivation, cautious production practices shall be given priority. The creation of farmer organisations such as co-operatives or associations is going to be encouraged to enable the participation in added value generating processes. Additionally, the establishment of producer, trader and exporter interest groups shall be intensified to allow an active involvement of key players of the coffee industry in determination of relevant policies.

Data from the ICO show that that coffee world consumption has more or less equalled production. World consumption was recorded as 115 million bags in 2005, increased to 116 million bags in 2006 and is projected to rise further to up to 120 million bags in 2007. This among other factors, has led to a steady recovery in the world coffee prices. The Amboim coffee produced in Angola has an international demand due to its unique taste. The challenge in Angola is therefore to increase and maintain high volumes of this coffee, to maximise benefits to especially the small holder coffee producers.

The project aims to continue improving the infrastructure (to produce quality coffee) and private sector participation (coffee processing and marketing), to ensure sustainability beyond the lifespan of the project.

With increased crop density and improved agronomic practices, it is hoped that the crop yield from the renovated plantations should produce up to 800kg per hectare within 7 year. However, improvement in the coffee processing facilities and methods should go in tandem with this increased production.

Results from this pilot project are hopefully to be disseminated to and replicated in other coffee producing provinces and in deed other countries emerging from civil strife.

Change in attitude of farmers and other stakeholders proved to be one of the major challenges of the project, leading to its slow start. Many resettled farmers were previous farm worked in the coffee plantations and continued to behave as such, wanting “assistance” at every stage! This request was mainly in the form of food, following the much publicized and practiced “food-for-work“championed by several aid NGOs.

Capacity building (both in terms of human as well as equipment) continues to be a crucial area needing strengthening.

Although the Government is quickly addressing the problem, poor infrastructure especially feeder rural roads which become impassable during the rains have slowed down and impeded the commercialization of coffee.

Contacts:
Dr. George Isaiah Oduor
Chief Technical Advisor
Instituto Nacional do Cafe (INCA)
Avenida 4 de Fevereiro 107 C.P 527
Luanda
Angola
Tel: +244 222338671
Fax: +244 222338678

Email: g.oduor@cabi.org