
AGRICULTURE AND FOOD SECURITY IN ANGOLA

From problem to solution: the strategy of "FAZENDA MAXI"



On the morning of 28th December 2018, the Director of the National FAZENDA MAXI Program, was sharing with Hugo Santos, Director of Teixeira Duarte Construction in Angola, his perspective on what challenges would arise in the agribusiness sector in the medium term:

"How are we going to raise the level of food production to reach future levels of consumption in a sustainable manner? "

and added:

"The problem today arises from proper structuring and at a consistency level. Organizational capacity is limited, and some critical mass is missing in order to link the production chains with the targeted markets and to enhance the production network in a sustainable manner.

On the other hand, it is hard work, bringing together the necessary agents to secure proper farmers associations and cooperatives dynamics and, thus, enhance and sustain the aggregation of value.

Angola has fabulous land that can be arable. It can turn into a notorious regional and even global producer of cereals and vegetables. One can greatly reduce the cost of production on these items. The country can quickly become self-sufficient in Potato and Onion for example and even progress to exporting ...

*... by converting this huge idle production capacity, using **local microeconomy, small and medium-sized companies** and finally setting ground at the **level of agro-industry**. The potential is huge."*

Case prepared by Susana Falcão Martins from the Center for Agribusiness and Entrepreneurship, in Angola, in collaboration with Professor Bernardo Piazzardi and Professor Marcelo Paladino, from the Agribusiness Center of the Austral University of Argentina, in June 2019.

The information included in the case is relevant for its use in the classroom and, therefore, does not fully reflect the situation described, serving as a basis for discussion and not as a demonstration of appropriate or inappropriate treatment of a situation.

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Angola: Political context and agroindustry challenges

Since the end of its 27 years civil war, in 2002, Angola has guaranteed its political stability. In 2010, a constitution established a presidential parliamentary system with the president being elected as the leader of the majority party.

Angola has made substantial economic and political progress since the end of the war. However, it still faces enormous development challenges, which include reducing dependence on oil and diversifying the economy, rebuilding infrastructure, increasing institutional capacity and improving human development indicators and living conditions of the population. (**ANNEX1** - Characterization of Angola; **ANNEX2** - Angola overview)

According to the Ministry of Agriculture and Forests (MINAGRIF), the Angolan agricultural sector represented around 11% of GDP, being predominantly characterized by family businesses representing practically the totality of productive units (more than 99%), cultivating small areas, but responsible for the vast majority of production.

In **Annex 3** and **Annex 4** we can find detailed information about the agricultural territory in Angola and the main indicators of the agricultural campaign 2018-2019, presented in the results **Report of the Agricultural Campaign 2018-2019** by the Study, Planning and Statistics Office of MINAGRIF.

In 2012, the agribusiness sector in Angola was facing a large number of challenges.

In macroeconomic terms, the permanent variations, resulting from the few incentives in the agricultural sector, misadjusted prices, the lack of properties registry and the lack of legislation to protect farmers, have promoted a decrease in agricultural production, with population flocking into large center urbanized areas, and thus provoking a general loss of labour, of qualified staff in the rural areas and in the agribusiness network and loss of technical support agents and, thus, properly maintained infrastructure.

The practical consequences in the sector are evident: the logistics difficulties between places of production and consumption are quite accentuated, dependencies on agricultural imports are high and prices of products are highly inflated and of very irregular quality. In other words, small offer with inflated prices and constant stockouts.

To face these constraints in its MAXI Supermarket chain, the Teixeira Duarte Angola group (TDA), promoted an exclusive Program to encourage local production and support the growth of the agricultural sector for the various regions.

Teixeira Duarte Angola Group (TDA)

The **Teixeira Duarte Group** (TD), started its activity in 1921, currently leading one of the largest Portuguese economic groups. Based on its values - Ingenuity, Truth and Commitment - TD has continued to maintain its mission of Doing, contributing to the construction of a better world. It currently has about 11,000 workers operating in 18 countries on four continents.

With the Construction sector as its core business, the Group currently operates in 7 business sectors.

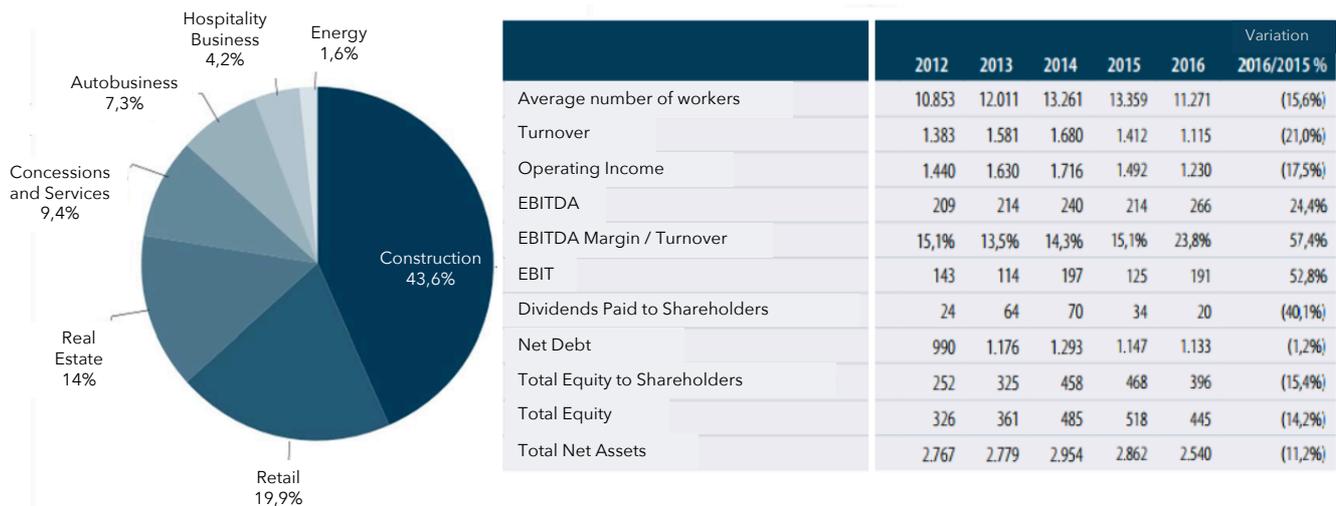


Fig 1 - TD Group's activity sectors and key Management Indicators

Teixeira Duarte Angola (TDA), has been in Wholesale and Retail, in Angola, for 20 years, with a young and motivated team, supported by senior professionals and managers from the Holding company, organized by 4 sectors: Food Retail, Specialized Retail, Distributor Exclusive and Wholesale. It currently has about 1,400 employees and 37 stores. **(ANNEX5, ANNEX6)**

In strategic terms, it defends a policy of strong management control with low operating costs, combined with the concept of adjusted-to-market-stores, bringing context to contribute strongly to a profitable business.

In the Food Retail sector, TDA also diversifies its activity in other projects, namely Cafeteria & Pastry (**Nilo**), Distributor of Consumer Goods (**DCG**), Wholesale of Drinks (**TEFAC**), Distribution Center in Luanda, Center of Professional Training and the Fazenda MAXI National Production Program (its Agribusiness Program within MAXI). **(ANNEX7 - Retail Sector)**

Program Fazenda MAXI: a national production initiative

Fazenda MAXI Integrated Strategy is set on the basis of promoting family and regional agricultural sustainability and the agricultural sector competitiveness, promoting the consolidation of experiences and the dissemination of good management practices and models, and stimulating the proximity of the farmer with technology, knowledge and industry.

The National Production Program of Fazenda MAXI, was created in 2012 with the purpose of reducing dependence on imports, guaranteeing the quality of local products and stabilizing the transaction prices of these products.

Hugo Santos, explains that "...it was easy to have early in week only 2 to 4 product references on our shelves. Our objectives became clear ... to reduce the level of disruption and increase our sales and customer retention and satisfaction."

To achieve this, the MAXI Program established partnerships with small local producers (family farming), offering them the possibility to joint with large scale producers. Not only its increased production, but it allowed for a sustained development of smaller farms, improving agricultural products and, because of the increased production scale, making them more accessible to the entire population.

To get it started, the MAXI Team of agronomists are sent to the field to assess the potential of the land, contact farmers and families, assess soil and farming practices and plan production goals.

Fazenda MAXI Program Steps

The Program’s Intervention Model takes several stages, most of which are targeted at particular interventions and specific investment throughout the agribusiness value chain. These steps are the following:

1. **Develop Training Programs and technical advice (training, support and consultancy).** By

teaching and training agricultural producers to autonomously deal with the agricultural cycle, the Program not only is mitigating risk, it is creating long term value for the community. The program focuses on the general training of agricultural production by exploring best practices and more appropriate methods of cultivation, but also by strengthening technical, managerial and personal skills of the community attendees.



Fig. 2 - Documents to support production

2. **Support to Production.** This stage requires the profiling of each producer (Tab.1) and determining which kind of monitoring and support the Program will give the farmer throughout the crop cycle (Tab. 2). These can include planning of the entire production process, support on technical data sheets for the product, selection of technology to be used, monitoring of the production (preparation, monitoring and harvesting), and/ or product packaging (Fig. 3).

Assessment of farmer characteristics	
Location	Production area
Contact	Delivery logistics
Interlocutors	Packing
Distance to town	Potential for the project
Early scheduling	Legal documentation

Tab. 1 - Evaluation of the farmer's profile | National Production Program of Fazenda MAXI

Challenges in monitoring the production

Proximity between farms	Timely seedings
Transport from the Farm to the DC	Difference in planting dates
Difficulty in carrying out nurseries	Common seeds
Difficulty in accessing the land	Absence of phytodrugs
High temperatures and humidity	Fertilizer application
Phytosanitary prevention	Perform soil analysis

Tab. 2 - Challenges in monitoring the production | National Production Program of Fazenda MAXI

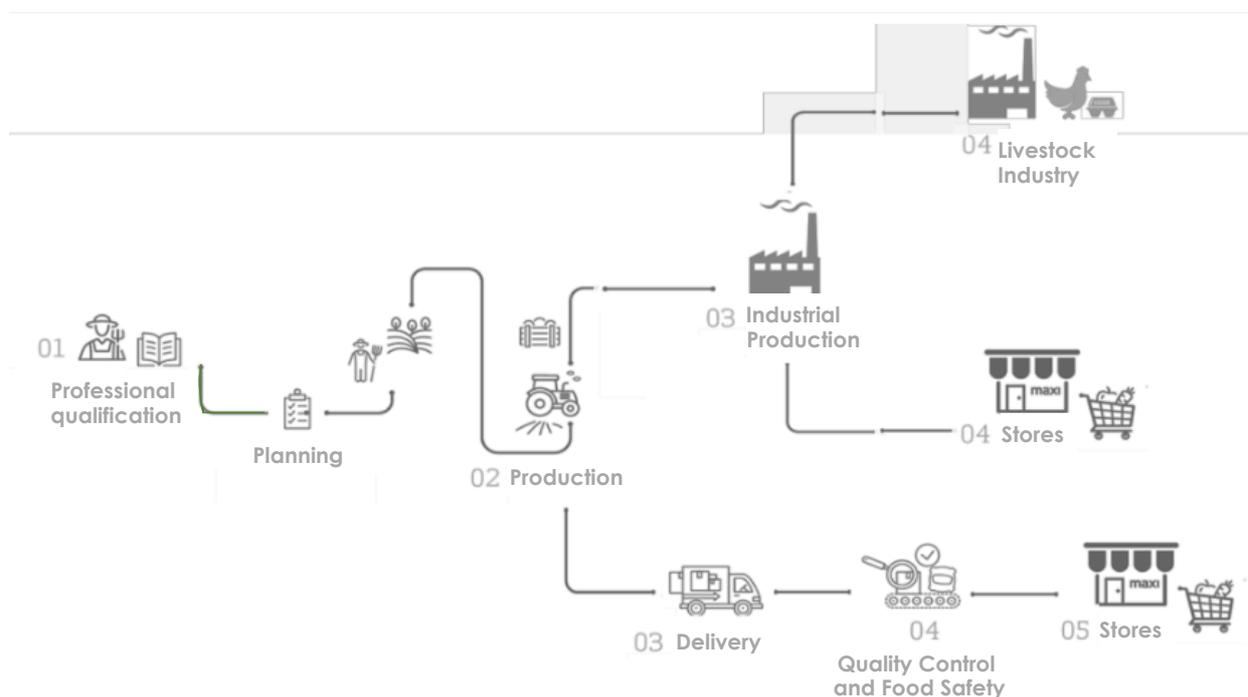


Fig. 3 - Production flow of the National Production Program of Fazenda MAXI

In Bazalungo in the province of Kwanza Sul, Mr. Ângelo Santareno, from Fazenda Kibanda, became one of the largest producers of these lands. In the early days he only produced for his family and for his local community, today his farm supplies the large MAXI Chain in Luanda, the Angolan capital.

“At Fazenda MAXI, not only do they buy our products, but also instruct me and my farmers on how to manage the farm. This has been very valuable to me and I have gained good experience and put my expenses in order! (...) I can, now, estimate which seeds I can drop on the ground and I know that when sowing time comes, I can sell the harvested crop because I have the orders already settled with Fazenda MAXI.”, says Ângelo.

For 6 years now Ângelo supports and is supported by the MAXI Program, which guarantees sales and future prospects! (Fig.4)

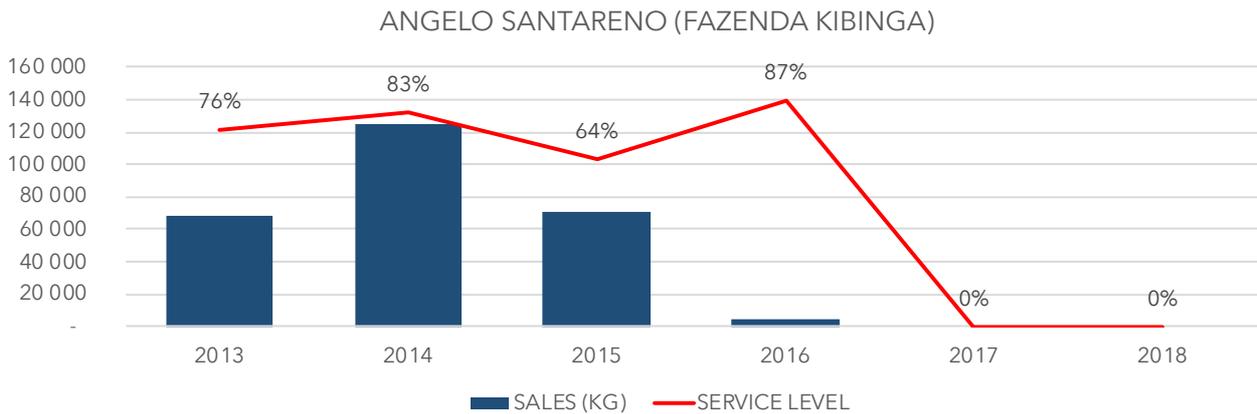


Fig. 4 - Sales and Service Level of Mr. Ângelo Santareno Fazenda | Fazenda Kibinga 2013-2016

Note1: Service level is the quantity of product that the producer delivered to MAXI when compared to a pre-agreed quantity, Ex: 64% means the farmer was 36% short (ruptures) on the quantities delivered to the agreed ordered quantity.

Note2: Mr. Ângelo did not supply in 2017 and 2018, because the pH of the land was approximately 5. He left the land to fallow, lost his transport vehicle in a disaster in which a family member died. He resumed in 2019 with watermelon culture, made his first delivery at Wako Kungo, whilst Fazenda MAXI helped out with the logistics/ transport.

Mr. Rui Peres, a farmer integrated in the Project Fazenda MAXI, has a farm in Kwanza Sul, an area blessed by 3 rivers, says:

"Fazenda MAXI proposed production areas for us. With some planning they asked us to produce a certain monthly amount of potato for them. This integration was a great lever for our organization, for it allowed us to plan a set of actions."

And adds:

"The yields we are having are enough to keep the entire structure, to buy all seeds and fertilizers ... so we can now work! (...) I think we are now capable of entering into a cruising speed, with regard to operating costs!"

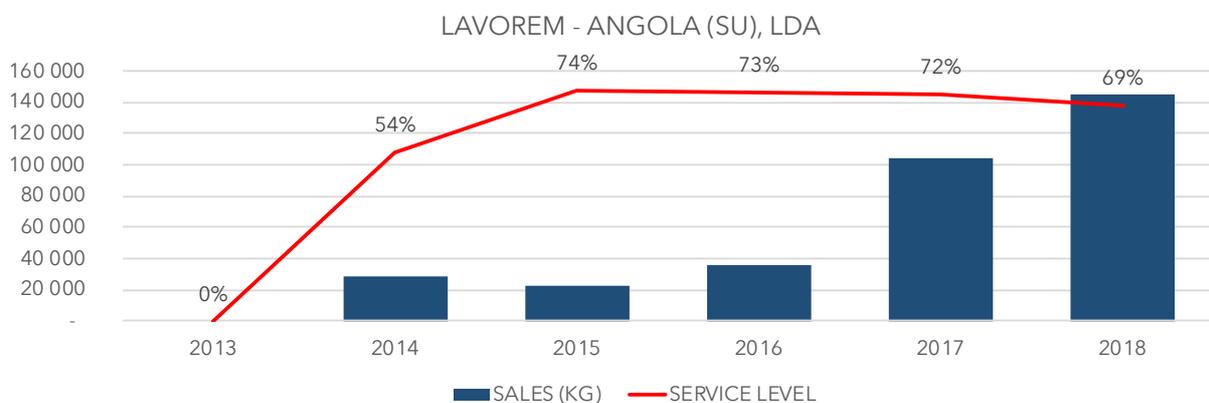


Fig. 5 - Sales and Service Level of Mr. Rui Peres | Lavorem - Angola 2013-2018

At Mr. João Carlos' farm, the cultivated area is already over 300 hectares.

“We want to grow in Cabbage. It is a very seasonal culture in this region. Here it rains heavily from November to April! We have to focus on producing the maximum amount of Cabbage and take it to Luanda, then, from May until September / October, we move the production to the Zango farm close to Luanda, next to the Cuanza river...”

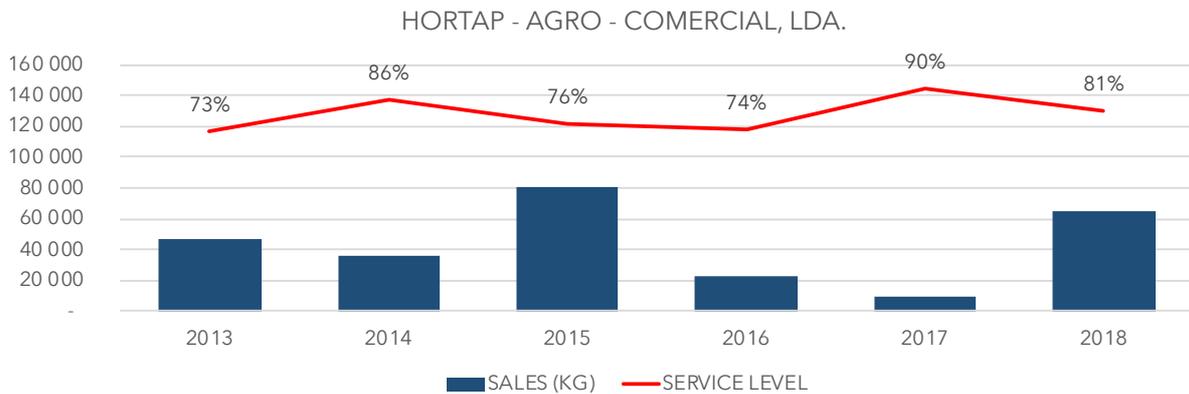


Fig. 6 - Sales and Service Level of Mr. João Carlos | Hortap - Agro Comercial 2013-2018

They want to be big in productivity and sales. With Fazenda MAXI, they want to build a family owned brand in this business sector...

3. **Central logistics and Distribution Network.** This is where TDA / MAXI provide storing and sorting facilities, and secure distribution to their retail channel stores. Storage is done at a controlled temperature, in equipment owned and maintained by the company.

The distribution network makes it possible to support product distribution operations from the logistics center to the retail sector. The company has its own fleet and logistics equipment to ensure the transport of products.

4. The **Quality Control and Food Safety (QSA)** from production, handling, packaging and final transportation and distribution of products, was developed based on well-defined product evaluation criteria and regular audits to suppliers, ensuring **conformity of products** that are sold to clients. (Fig.7-8) **(ANNEX8)**



Fig. 7 - Food Safety & Quality Criteria | National Production Program of Fazenda MAXI

"This control an achievement of these implementation criteria involve costs but have a major contribution to product differentiation.", says João Nunes.

Major non-conformities registered in 2014

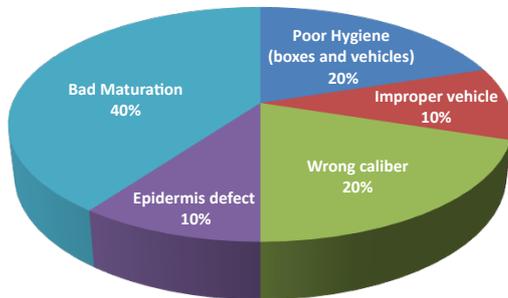


Fig. 8 - Major non-conformities registered in 2014

Program Results | 2013 results (1st year)

"In September 2012 we placed the first seeds on the ground", says João Nunes, "and we had already selected the 7 producers with whom we would be working in 2013". MAXI had also concluded the sales planning projections until the year end by that time. "We decided that we should, cautiously, contract 55% of the production for the next year", but a good surprise was on the way. "It happens that in January 2013, when the first deliveries were made, we soon found that everything we put up for sale was quickly sold.... And this kept happening from February onwards: the more products we had, the more we would sell!".

As a result of this market reaction Fazenda MAXI had to quickly diversify crops and farms. In 2013 the Program grew 26% in quantity over 2012. (Fig. 9)

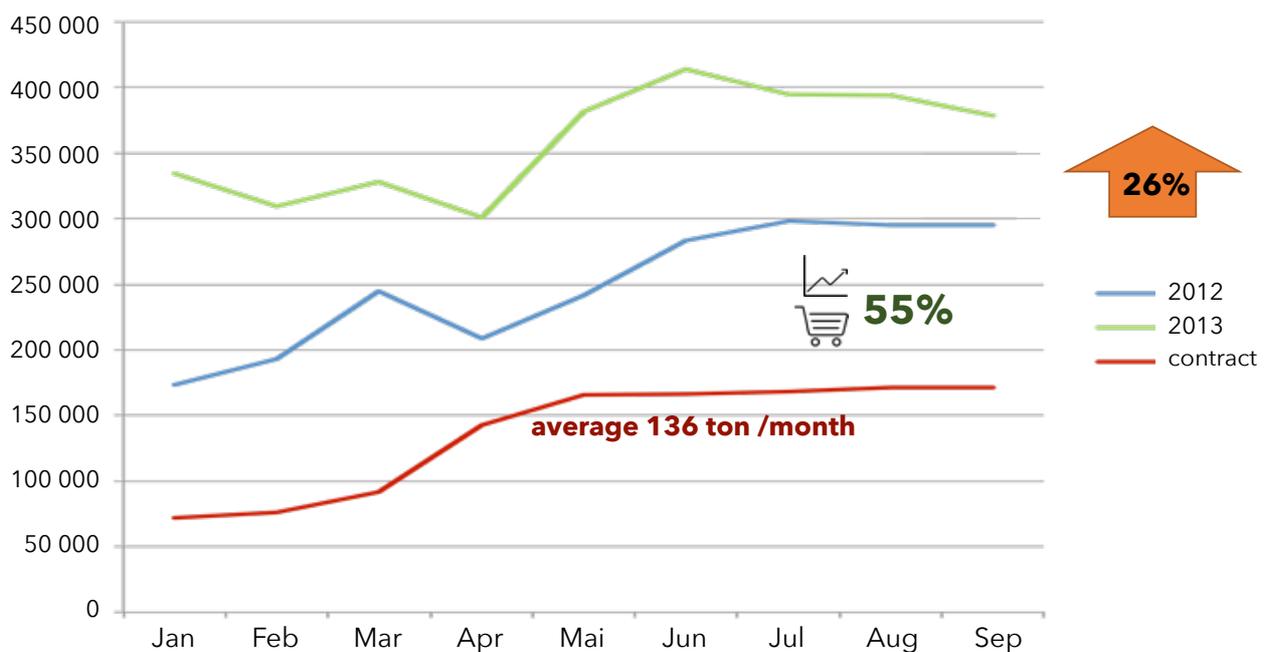


Fig. 9 - Program results 2012-2013

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- Quantity produced showed a good performance, growing 26% over 2012;
 - 55% of production was contracted for 2013;
 - Growth opportunities across the market were validated;
 - For the following years, it became evident that a more thorough and in-depth planning, analysis and study needed to be carried out;

Results in 2013 - 2017 and forecast to 2018-2020 for Fazenda MAXI Program

In 2013, the Fazenda MAXI Program was already partnering with 26 farms in various provinces. (Fig 10)

Today the Program currently involves more than 30 farmers in 9 provinces. New strategic partnerships are sealed, and the farmers are challenged and supported to try new cultures, to invest in quality, to manage the business. For the farmer, Fazenda MAXI is a guarantee of product sales at contractual quantities and prices. It is a haven of technical advice for them throughout their production processes and a partner to seek for specialized training.



Fig. 10 - Program Fazenda MAXI, by province

"We have already reduced significantly the level of disruptions in terms of fresh products and increased the volume of sales! ", Hugo Santos says "In the last 2 years, there were more than 4000 tons of national products"

In the 10 Luanda supermarkets, more than 50% of horticultural products are already Angolan. Imports have already cut by more than half ... and prices are gradually adjusting!

An investment of US \$ 4.5M is expected for the next 3 years and it is expected to increase the cultivated hectares **2 times more** and the production **3 times more** compared to the previous 3 years. (Fig. 11)

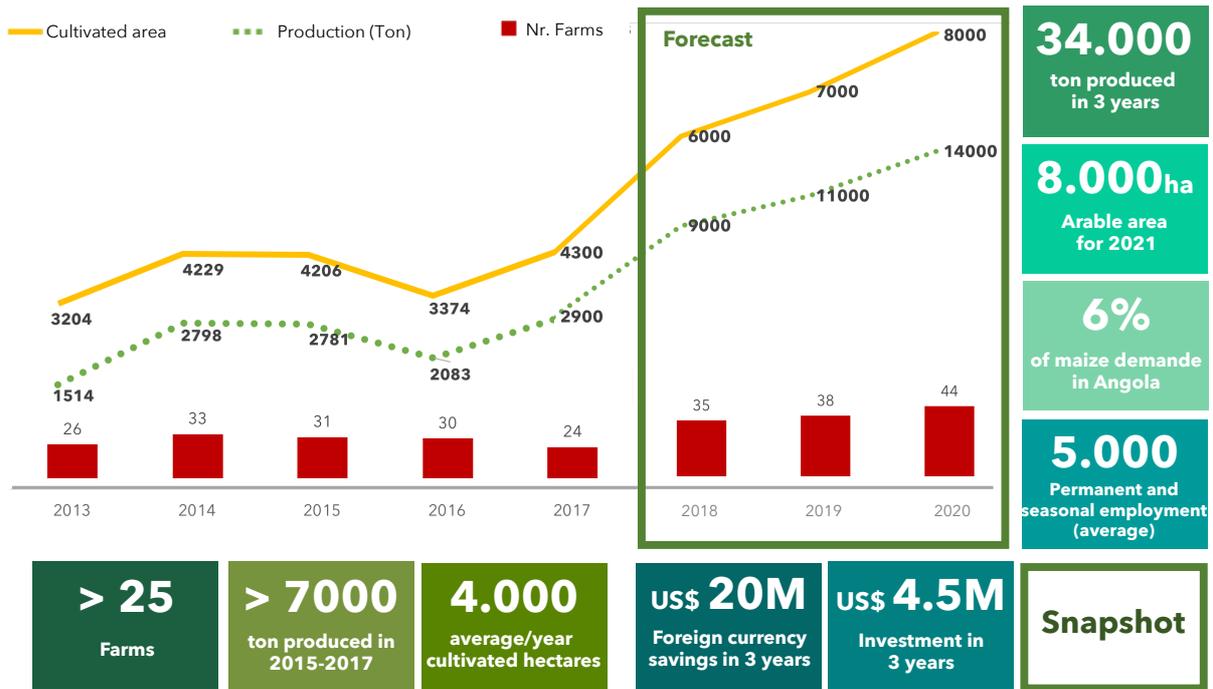


Fig. 11 - Results of the 2013-2017 Program and 2018-2020 results forecasts

TOP 10 National Products 2013-2018

The TOP 10 most seeked national products (2013-2018) of Fazenda MAXI include: bananas, tomatoes, potatoes, watermelons, lettuce, cabbage, fresh cabbage and pineapple, according to the breakdown figures shown in Fig. 12. **(ANNEX 9)**

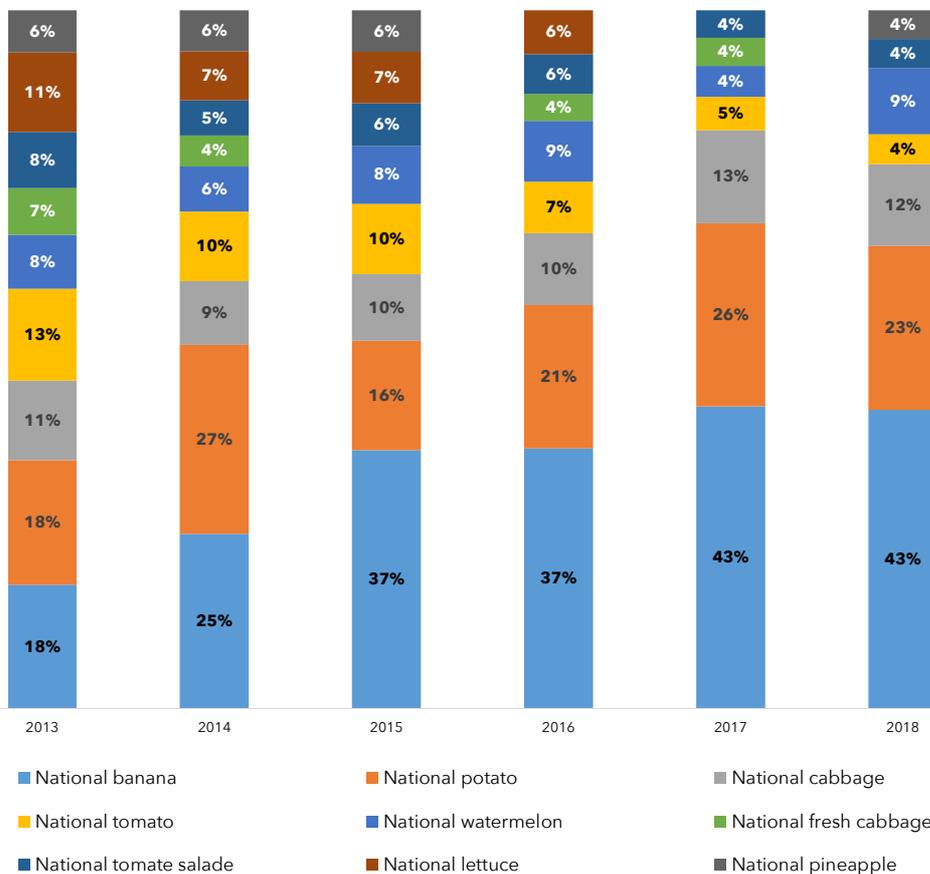


Fig. 12 - Percentage of national products purchased annually between 2013 - 2018

Producers Farm Size Distribution

In general terms, Fazenda MAXI has constantly been deepening its association with the production and logistical facilities of the agribusiness in Angola, and across all types of farms, from the small to the large producer, establishing strong partnerships committed to food safety, food quality and sustainable business. (Fig.13) **(ANEXO 8)**

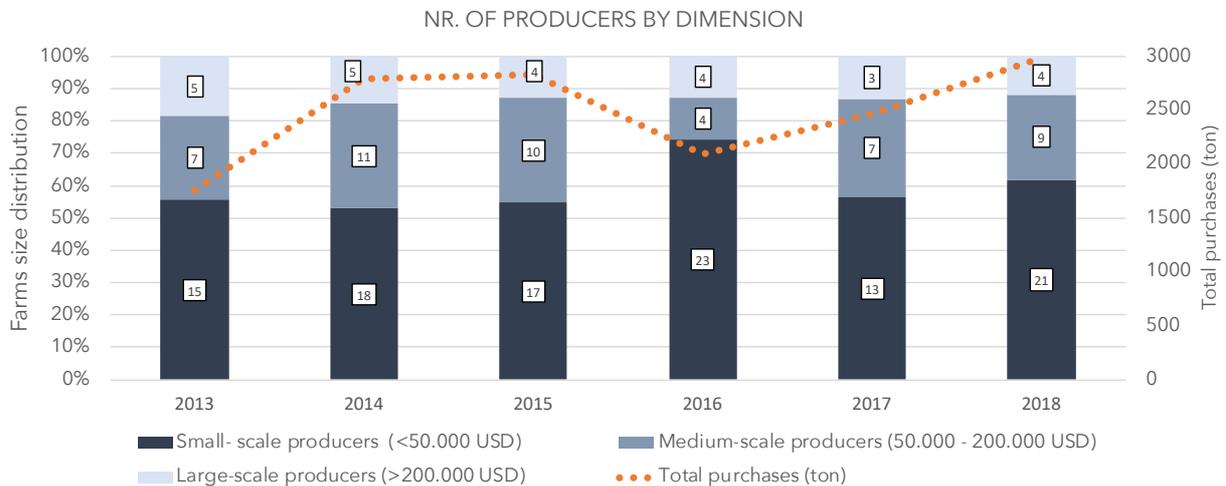


Fig. 13 - Relationship of Fazenda MAXI with the different productive dimensions

The Contractual Purchases Volume (with national producers) has had a positive evolution from 2013 to 2018: (Fig. 14)

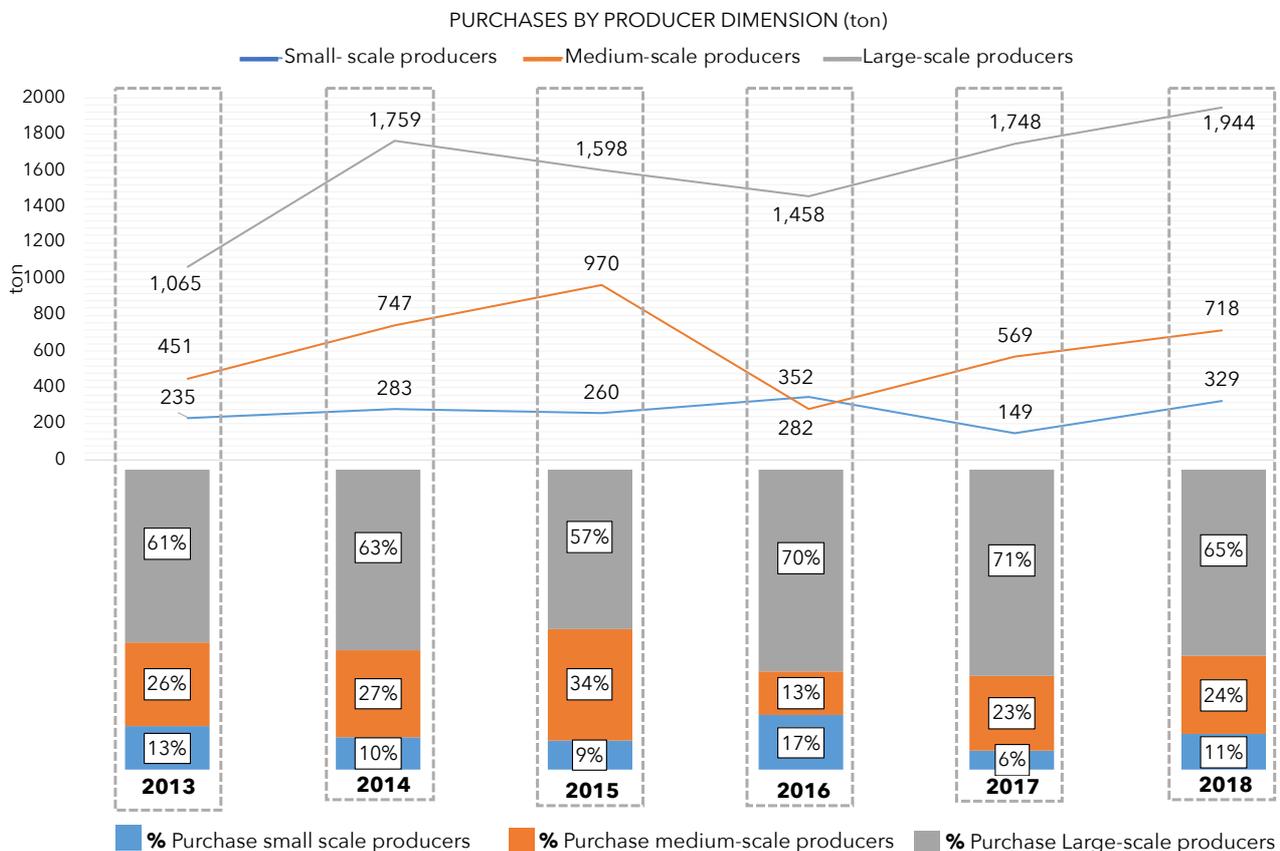


Fig. 14 - Contractual Purchase Volume of Fazenda MAXI and its relationship with the productive dimension

Producers' perspective on the Fazenda MAXI Program

Mr. Rui Peres, from Cuanza Sul Province, locality of Waku Kungo, denotes:

"The integration in the Fazenda MAXI Project, in 2014, had a direct impact at several levels: on production techniques and also on the selection of products to be sold. The support of Fazenda MAXI has allowed the choice of production to meet market demand throughout the year, making the choice of production more assertive." And adds "Regarding production, having a market driven production plan in advance, has been a key piece of information making it possible to increase the productive area in a structured way over time.

The main achievements for farmers are the certainty that what they produce, provided that with the required quality, have guaranteed flow, and this means tranquility for the producer. It means he can focus on what his role is: which is to produce more and better.

Another great achievement is the increase in the farmers profitability because he/she now have quality products to match a known demand, which in turn as resulted from the learning and proximity acquired over the years in the business relationship with Fazenda MAXI.

"The relationship with Fazenda MAXI will intensify", Rui Peres reinforces "as the needs and demands of the market tend to increase". (Fig.15)

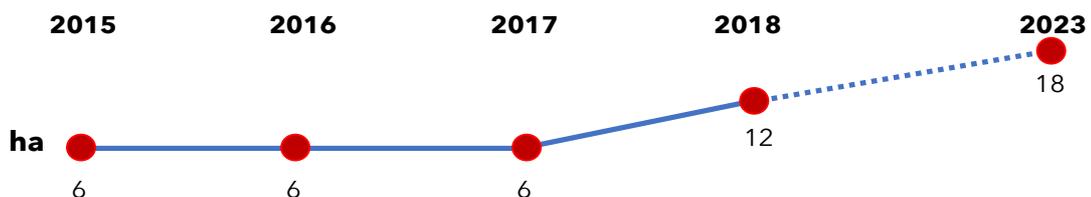


Fig. 15 - Rui Peres production area, ha

André Muchombo, from Benguela Province (Monte Belo), says that *"almost every week I deliver pineapples to MAXI Lobito's store, which then travel to Luanda"*. Fazenda MAXI has visited his farm and has already increased the productive area for Mr. André. He says *"it is very good to know that all the Pineapple production is sold... When the product arrives at the store, it is weighed and calibrated, allowing me to know exactly how much I will receive"*. So, Mr. André keeps producing more and more, by increasing the productive area. (Fig 16)

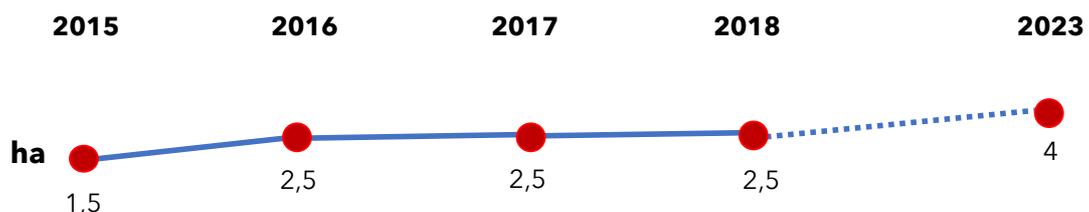


Fig. 16 - André Muchombo ' production area

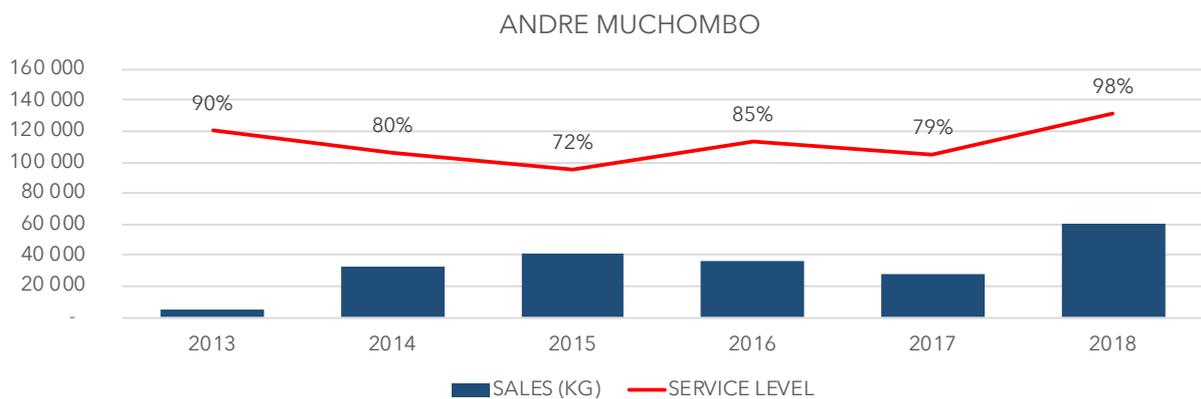


Fig. 17 - Sales and Service Level of Mr. André Muchombo| 2013-2018

Currently, André Muchombo already has 4 workers to weed and clean the 2 fields, and to pick the pineapple, because they already know how to do it.

Producers' view on the constraints of the agricultural and agro-industrial sector in Angola and the main challenges for the next 5 years

For Rui Peres *"agriculture in Angola is still very underdeveloped as a result of the little technical knowledge that farmers have"*. The agriculture practiced, in general, is still done in a very rudimentary way and with the use of very ancient techniques. *"Access roads to farms and small fields are also hampering the agricultural situation in Angola"*, he claims.

In his opinion, the main constraints and/or inefficiencies to be solved to secure a better future development of agriculture are:

- **L**ack of knowledge about the best agricultural practices;
- **R**oad accesses;
- **Q**uality of inputs;
- **T**ransport and logistics centers;
- **A**ccess to financing.

André Muchombo, points out as main constraints for agricultural production:

- **D**egradation of the road network;
- **M**echanized park high cost - cars, trucks and agricultural machinery;
- **I**rrigation tape high cost.

Globally, most of the constraints that the agricultural and agro-industrial sectors face are structural and also fundamental to overcome the challenge of scarcity and growth. These constraints translate into the absence or inefficiency of support services for producers to boost the optimization of natural resources available to the country.

As an immediate consequence, there is inefficient access to land and water, low agricultural productivity, poor access to markets and high food insecurity and consequent malnutrition.

What are the future challenges for Fazenda MAXI?

In Angola, the Government defined agriculture production increase as one of the priorities to boost the diversification of the national economy, reducing imports and increasing exports.

Given the challenges associated with population growth, the growth of the sector and the vulnerability of the import process, it will be time to think about the future ...

"How are we going to raise the level of food production to reach future levels of consumption in a sustainable way?" João Nunes challenges Hugo Santos. And " How can we continue to grow and what new products and services can be developed locally, in order to meet the demands of the market? How to boost growth and competitiveness that compete and promote the sector's sustainability?