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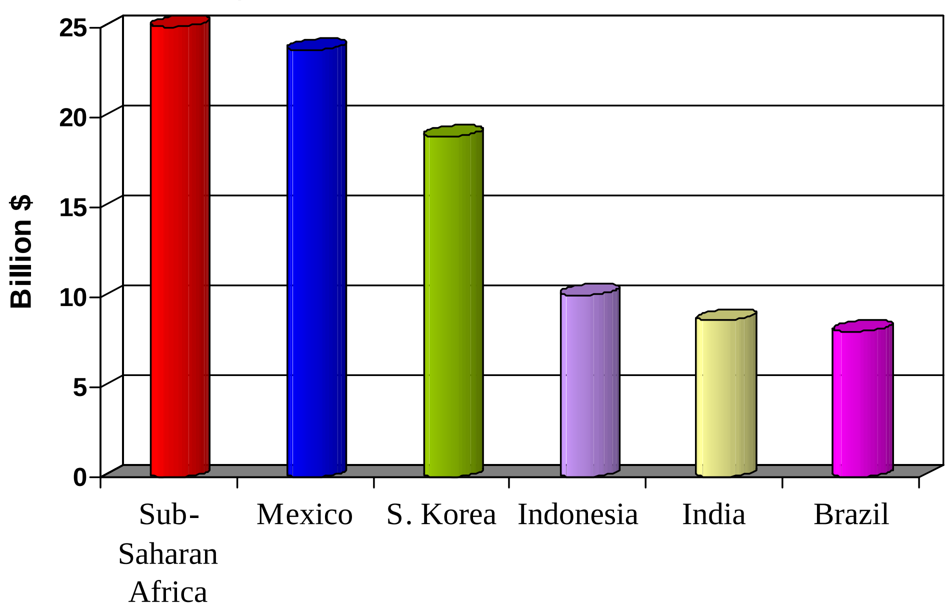
Sub-Saharan Africa:
A Quietly Emerging Market for U.S. Agricultural Exports

Much attention is focused on the well-known growth markets for U.S. agricultural exports such as China, Canada, and Mexico. However, Sub-Saharan Africa is quickly emerging as an unsung hero among emerging markets. With a growing population, emerging middle class, and strong GDP growth, the region (consisting of 48 nations) is poised to continue the impressive growth in food demand and imports seen over the past decade.

The total market in 2009 for agricultural imports in Sub-Saharan Africa is estimated at $22 billion, having grown steadily in previous years to reach $25 billion in 2008 before retreating some last year. In 2008, imports by the region exceeded those of Mexico, South Korea, India, and Indonesia (see chart 1).

Chart 1: Total Agricultural Imports

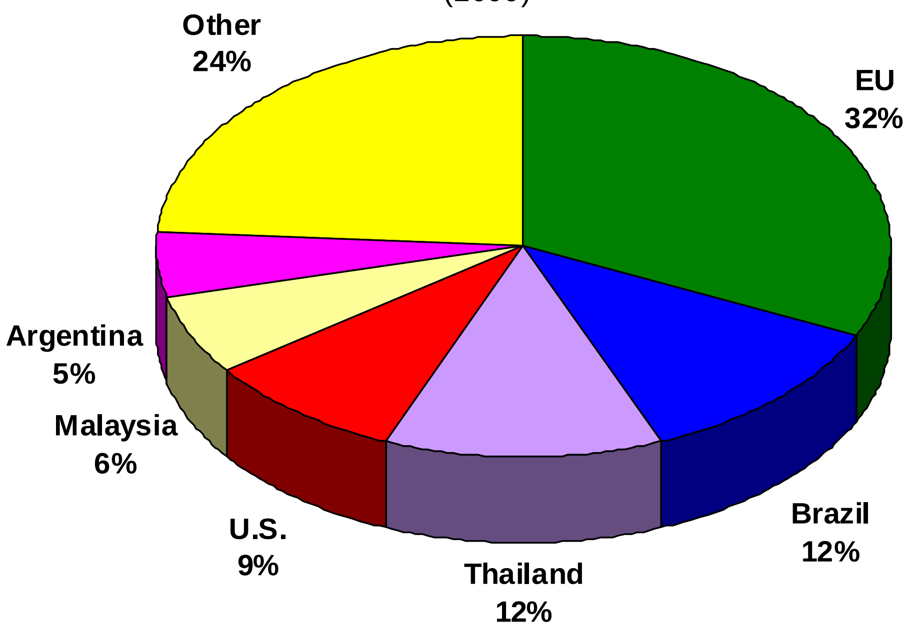
(2008 Imports - Excludes Internal S.S. Africa Trade)



*Source: GTA

With its obvious freight advantage, the EU is the dominate supplier to the region accounting for roughly one-third of total exports followed by Brazil and Thailand. The United States is the fourth leading supplier with a 9% market share, which is down slightly from the 2007 and 2008 market shares.

Chart 2: Exporter Market Shares in Sub-Saharan Africa
(2009)



Data Source: GTA

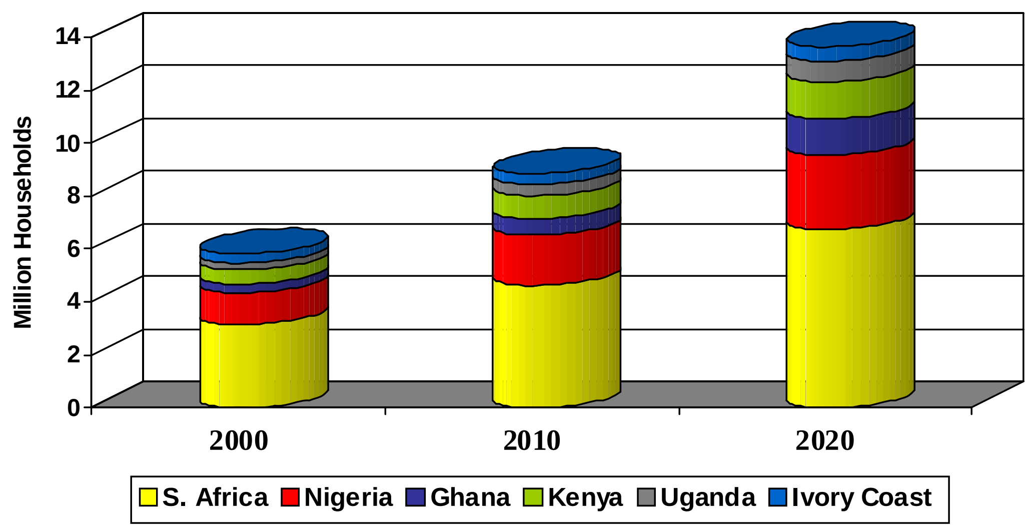
Over the past 10 years, U.S. agricultural exports to Sub-Saharan Africa have grown at a faster pace than exports to the top five U.S. export markets combined. Exports to the region increased by 312% over the past decade compared to 109% for Canada and 122% for Mexico. It is important to highlight that the percentage increase in exports for the region is not due to increased food aid shipments. In fact, accounting for only commercial shipments, exports to the Sub-Saharan Africa grew by an even larger percentage at 326% (albeit from a small base). Among the top five markets, only China exceeded Sub-Saharan Africa in growth on a percentage basis. In fiscal year 2009, Sub-Saharan Africa surpassed the Former Soviet Union (12 countries) as a market for U.S. products. Furthermore, commercial shipments alone to Sub-Saharan Africa last year exceeded those to South Asia, a region with more than double the population of Sub-Saharan Africa.

The booming population of Sub-Saharan Africa exceeds the combined population of the top U.S. agricultural markets of Japan, Canada, Mexico, and the European Union and has one of the highest population growth rates in the world. Perhaps somewhat more surprising, economic growth in the region has been impressive. From 2004 to 2008, GDP growth averaged 6%, exceeding that of the top two U.S. markets, Canada and Mexico, and significantly surpassing Japan and the EU. Even amidst depressed 2009 global GDP growth, the region grew 1.3% and is expected to grow at nearly 4% in 2010[1]. As a result, the number of middle class households, which naturally demand higher value foods, is increasing at an impressive pace. Though compared to China and India, the region has relatively few middle class households, the number is growing rapidly. The combined number of middle class households among six leading economies (see chart 3) in the region is

[1] Global Insight

forecast to increase from 8.5 million in 2010 to 14 million in 2020[2], which is equal to the forecast middle class in Canada. This notable growth in the middle class is accompanied by increasing retail food sales. Over the past five years, retail sales among seven leading countries[3] in the region have grown $26 billion and are forecast to increase by another $24 billion (to $132 billion) over the next five years.

Chart 3: Growth in Middle Class of Leading S.S. Africa Economies



*Source: Global Insight ($20,000 and greater U.S. PPP)

More than two-thirds of the region's agricultural imports from the United States consist of grains and feeds. However, poultry products have also seen impressive growth, increasing three fold in just the past five years. Dairy and horticultural exports have soared and though horticultural exports fell in 2009, 2008 shipments reached $246 million. Nevertheless, grains and feeds continue to top U.S. exports led by wheat at nearly $1 billion. No market has seen more growth in grain imports than Nigeria, which accounted for 40% of the $2.2 billion in total U.S. exports to the region in 2009.

One reason that exports to Sub-Saharan Africa do not receive as much attention as one might expect for a region with such strong growth, is that comparatively speaking, the actual level of U.S. exports is small. In FY 2009, total exports were $2.2 billion and commercial exports were $1.4 billion. Furthermore, as illustrated in chart 4, a large percentage of U.S. exports are focused in one country – Nigeria, which accounts for nearly 60% of U.S. agricultural exports to the region.

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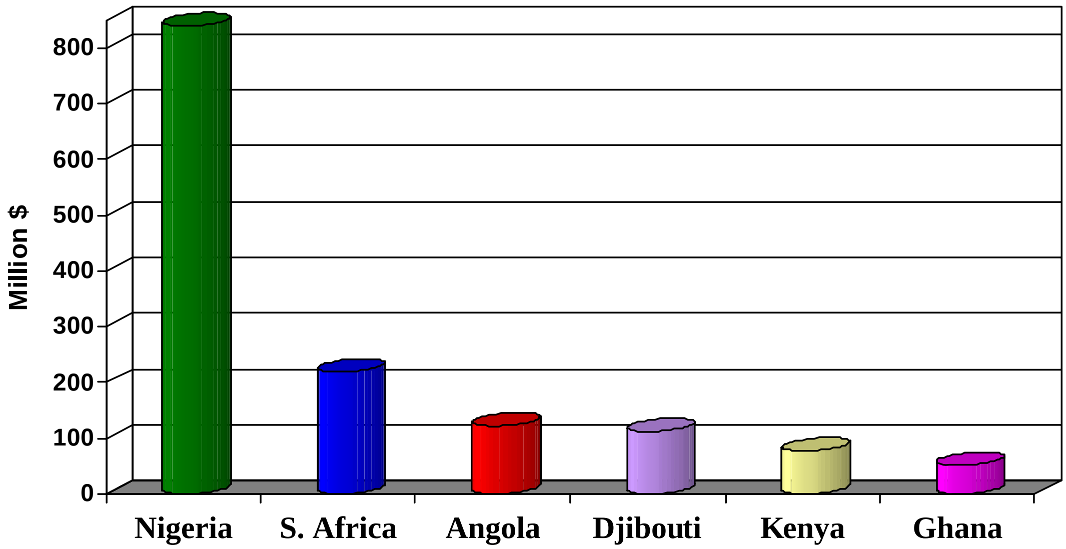
[2] Global Insight - Households with/including $20K - above. Constant 2005 US PPP$

[3] Global Insight data which includes Nigeria, South Africa, Ghana, Kenya, Tanzania, Uganda, and Cote d'Ivoire

Chart 4: Top Sub-Saharan Africa Markets
(FY 2009 Estimated U.S. Commercial Agricultural Exports)



*Source: GTA & FAS compiled programmed food aid for FY 2009

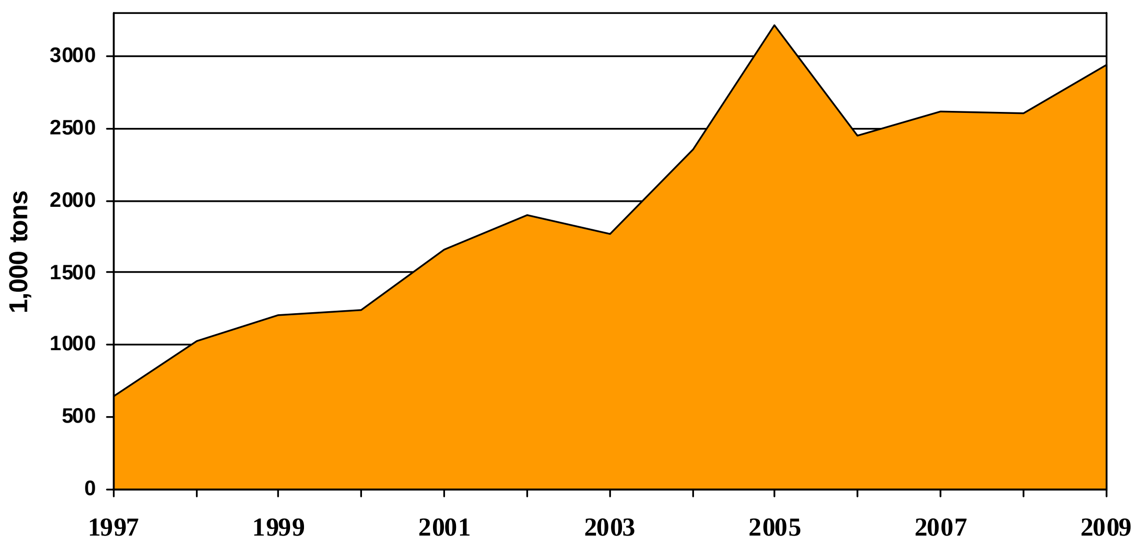
Note: Not all food aid programmed for FY 2009 arrives in country that fiscal year. Therefore, the above chart contains estimated imports (commercial less estimated food aid).

Nigeria, with a population of 151 million and a booming economy, is the largest market for U.S. exports in the region with 2009 exports at $825 million after exceeding $1 billion in 2008. Nigeria is second largest market for U.S. wheat and, based on export sales, may become the top U.S. wheat market in 2010. The country has been the leading market for hard red winter wheat. In fact, about 10 percent of the U.S. hard red winter crop is exported to Nigeria and the United States enjoys a very high wheat market share at 85 percent. Indications are that this vital market will only continue to grow in the future as per capita use of wheat increases from a very low base with bread and noodle consumption soaring. Prospects for further growth will naturally be influenced by economic growth.

Though the country faces many serious challenges, GDP growth has been impressive. Growth in 2008 reached 6% and remained positive at 3% in 2009 while most developed countries saw a contraction in GDP. Prospects for U.S. processed products are also bright. Food consumption away from home is on the rise with fast food chains opening around the country, including the first two recently opened U.S. fast food restaurants (KFC).

Given the obvious importance of the Nigerian market, it is easy to focus on Nigeria and forget about the rest of Sub-Saharan Africa. However, looking closer at the smaller markets in the region reveals some promising trends.

Chart 5: Nigerian Imports of U.S. Wheat



*Source: GTA

Ghana is a country of 23 million with 2010 GDP growth forecast at 4.2%, following a strong 2008 performance of 7.3% GDP growth and 3.0% in 2009. Ghana has a stable government, a promising economic future with the discovery in 2007 of commercial quantities of oil, and a declining inflation rate. The country is a promising market for U.S. agricultural products (with 2009 exports at $52 million) as the market is relatively open with low tariff rates. With domestic consumption exceeding production and an underdeveloped food-processing sector, the demand for imports should be strong in the near and medium term.

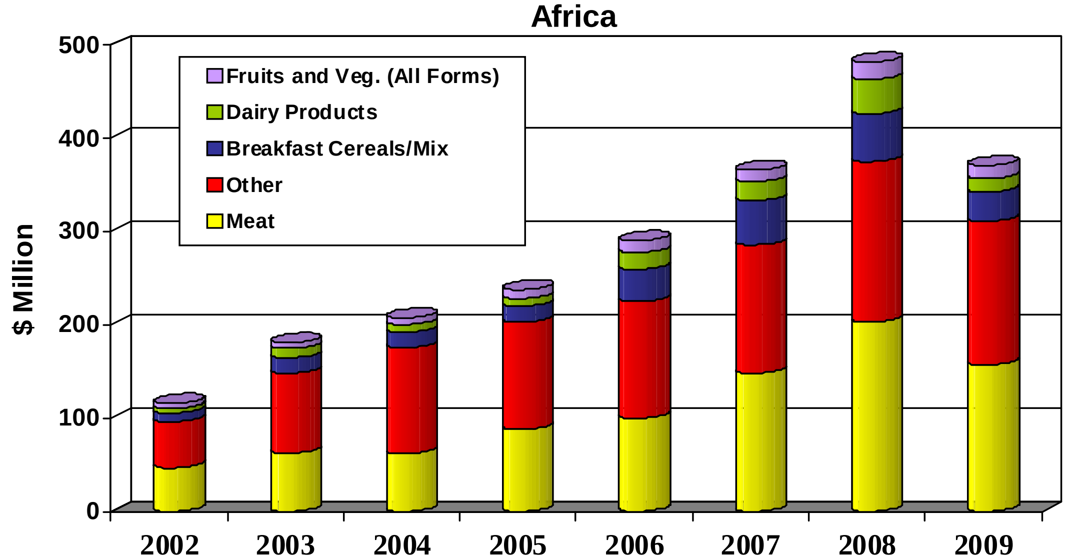
Ghana has been a steady market for U.S. rice with 2009 imports at $21 million and was the largest market in West Africa for U.S. rice before Nigeria emerged as a major importer. Along with rice, the growth in consumer-oriented products has been impressive, growing from just $4 million in 2000 to $41 million in 2008 before falling due to slower economic growth in 2009. With a growing middle class demanding more protein, poultry imports from the United States have grown, increasing over the past ten years from just $1.5 million in 2000 to $20.5 million in 2009. Imports comprise roughly 90 percent of poultry consumption, with consumption on the rise. Therefore, Ghana promises to continue as an increasingly important market in the region for U.S. poultry. Also among the consumer-oriented products, imports of processed fruits and vegetables along with fruit juices have soared.

Angola is another promising country in the region for U.S. agricultural exports. Blessed with rich oil reserves, Angola enjoys a large trade surplus which generates foreign exchange. A growing middle class and greater demand for protein have led to strong U.S. poultry meat exports, which grew from $12.7 million in 2000 to $109 million in 2008. A fall in crude oil prices, the principal export, in 2009 impacted the nation's ability to finance imports with poultry imports from the United States falling in 2009. Nevertheless, there is a clear trend of increasing demand for U.S. poultry. Total imports from the United States tripled from 2000 to 2008 and despite a fall in 2009 to just over $100 million, resumption in import growth is expected in 2010.

South Africa has Sub Saharan Africa's largest GDP and has seen the growth of the country's increasingly market-based economy. Though significantly impacted by the global economic recession, South Africa's GDP growth rate was more than 5% for several years before the global downturn.

South Africa is a net agricultural exporter but a growing market for U.S. products and is the second largest market for U.S. agricultural exports in Sub-Saharan Africa, with 2009 imports at $229 million. Total shipments to South Africa fluctuate greatly from year-to-year principally due to the need for wheat and coarse grains in low production years. However, exports of processed fruits and vegetables, dairy products and poultry meat have seen consistent growth over the past five years. With its modern supermarket chains and strong projected economic growth, demand for consumer oriented products should continue to grow in South Africa. Consumer oriented imports from the United States were just $25 million in 2004 but grew to $90 million in 2008 before retreating in 2009 due to the recession.

Chart 6: U.S. Exports of Consumer Oriented Products to S.S. Africa



*Source: GTA

Despite the impressive growth in the markets mentioned above, challenges in exporting to Sub-Saharan Africa abound. The region consists of 48 nations that, with the exception of South Africa and Nigeria, are small markets. With so many countries with limited purchasing power, infrastructure challenges, and continuously changing import regulations, it is difficult for U.S. exporters to enter a market or group of markets. Porous borders, corruption, and trade financing challenges also complicate exporting to the region. Certainly the region's reputation as a high risk – high reward market is justified. However, the region is attracting more attention from U.S. exporters and commodity organizations.

Another positive force is the reputation of U.S. products, which are widely recognized for their safety and quality. In most countries in the region a near absence of domestic processed products, due in part to a very unreliable power supply, provides an opportunity for U.S. consumer-oriented products (see chart 6). Finally, a leading force driving imports of U.S. products is strong economic growth and a rising middle class. Though the region will likely continue to present a unique set of challenges to exporters, the outlook is promising as U.S. exports to the region continue to grow at a rate exceeding many of the top U.S. markets.

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