Odebrecht-Run Biocom Seeks Angola Sugar Self-Sufficiency

by and Colin McClelland,

July 25 (Bloomberg) -- Angola, Africa's second-largest crude oil producer, is targeting sugar self-sufficiency as Brazil's Odebrecht SA starts harvesting from a plantation the size of Manhattan, Brooklyn and The Bronx combined next year.

The 42,000-hectare (101,514 acre) farm, the country's biggest, is to begin production by June and ramp up to 260,000 metric tons a year by 2018, Managing Director Carlos Henrique Mathias said in a July 23 interview at the site 320 kilometers (200 miles) by road east of Luanda, the capital. Output is to be doubled at some point to start exports, depending on prices, Mathias said.

Angola wants to diversify its economy. It pumped 1.67 million barrels a day of crude oil in June, behind Nigeria on the continent, according to data compiled by Bloomberg. The southwest African country imports about 225,000 tons of sugar a year, according to the U.S. Department of Agriculture, and is struggling to rebuild a coffee industry that was the world's third largest before a 27-year civil war began in 1975 when former colonial power Portugal pulled out of the country.

"Sugar is more important than coffee for domestic consumption or even exports at this point," Mathias said. "Sure, there are costs, but this project is totally economically feasible."

Sugar Prices

Farm operator Cia. de Bioenergia de Angola Lda. is 40 percent owned by Odebrecht, 40 percent by Angolan company Damer Industria SA and 20 percent by state-run petroleum company Sonangol Holding EP. Biocom, as the $500 million venture is known, is guided by Odebrecht technicians and is targeting a 10 percent return on investment, Mathias said.

Sugar prices, which have fallen 16 percent to about 16.36 cents a pound this year, will have an impact on future production levels and potential exports, Mathias said.

Construction began in 2011 on the site, now a flat expanse of green cane broken by the Black Rocks of Pungo Andongo, a spine of tall sedimentary stone south of the Kwanza River in Malange province.

Output is forecast at 40,000 tons of sugar next year. according to Mathias. It will be trucked 75 kilometers to the railway at the city of Malange. Biocom will use 15 percent of its sugar to produce ethanol and sell it to Sonangol, Mathias said. It's the country's largest renewable-energy project.

Biocom has been criticized by human rights groups, such as Maka Angola, for not holding a transparent

tendering process to decide who would be the local partner, the place held by Damer. Damer is jointly owned by Vice President Manuel Vicente, General Manuel Helder Vieira Dias Junior, known as Kopelipa, a top state security official, and General Leopoldino Fragoso do Nascimento, known as Dino, a government adviser.

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