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## PREFACE

The core business of this directorate is to do analysis on national level in order to produce agricultural economic information and advice for sound decision-making on the South African (SA) agricultural sector. To support this important task the Division: Economic Research concentrates on economic analysis of performance- and external impact on the agricultural sector and its industries. This publication developed from a need within the Department of Agriculture (DoA) to be regularly informed on trends in the economies of African countries and their agricultural sectors. South Africa's economy is slowly integrating more with the rest of Africa and its future is part of African development.

This is the second report of its kind for the Department and the Directorate. The African Annual Review has now been established as a regular annual feature in the Directorate's work plan. The report is also published for outside consumption to add value to a number of existing regular economic publications on the agricultural sector. It is our vision to maintain it as indispensable reading for every serious students of the SA agricultural sector. At this stage most of the content is based on international statistics from the UN, IMF and CIA. Any comments on the content of this annual review series are most welcome. In time we hope to incorporate these comments to create a better product tuned to the market's needs.

Mr B J van Wyk

Senior Manager: Production and Resource Economics

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Pretoria

Compiled by Economic Research Unit  
In consultation with Senior Manager

Directorate Production and Resource Economics  
2<sup>nd</sup> Floor – Maize Board  
503 Belvedere Street, Arcadia, South Africa

All correspondence can be addressed to:  
The Senior Manager: Production and Resource Economics  
Private Bag X416, Pretoria 0001, South Africa

Tel: +27 (12) 319 8457

Fax: +27 (12) 319 8093

e-mail: [secsmea@nda.agric.za](mailto:secsmea@nda.agric.za)

This publication is also available on the Internet at:

## 1. INTRODUCTION

**Agriculture** is probably the first type of economic sector that came into existence since civilization started on earth. Hunting and gathering both have the collection (production) of food in mind –thus falling in the category of agriculture. Irrigation along the Nile and Euphrates rivers were the first formalised activities and constituted the first economies. The importance of agriculture in the modern economy remains vital, although it constitutes a smaller part of the total, the more advanced an economy becomes. This importance is reflected in higher tariff rate protection of the agricultural sectors around the world, especially in Africa. **Reviewing** an economic situation can be a very subjective process, especially when a great number of different countries are compared. The most widely accepted indicator for the level of economic development is the Gross Domestic Product per Capita. This indicator itself poses some subjectiveness especially for emerging countries such as those in Africa. The IMF publishes a GDP in real terms as well as in Purchasing

Power Parity-terms (PPP). For emerging countries the real GDP is on average only half that of PPP-GDP. The reason for the difference is the argument that the exchange rates with the US dollar is not reflecting the true value produced within a country. When estimating agricultural output, this same problem remains –should agricultural output be expressed in terms of real value or PPP? The answer is not simple and therefore it is good to rather rely on a **battery** of economic and agricultural indicators (see Annexure). African countries have thus also been compared in terms of the Calorie consumption per person, an indication used for the level of nutrition in a country. Nutrition levels also impact on the average life expectancy, which can then be used as another indicator of a country's wellbeing. In the process of looking at Africa, not only development indicators are of use, but the standard **financial** sector indicators also have an impact. In this case the interest rate and inflation rate, which are correlated to each other, reflects on the level of stability of a country. It cast some light on the present and future expectations. A country such as Zimbabwe with

**Table 1: Africa's Ten Largest Economies (ATLE) – 2005**

Country	GDP(PPP) \$ (Billions)	Population (Millions)	Real GDP Growth Rate (%)	Country Weight in Total African GDP (%)
South Africa	534,60	46,9	4,9	23,0
Egypt	339,20	78,9	4,7	14,6
Algeria	233,90	32,9	5,3	10,1
Morocco	140,90	33,2	1,8	6,1
Nigeria	132,91	131,9	6,9	5,7
Sudan	84,93	41,2	8,0	3,7
Tunisia	76,99	10,2	4,2	3,3
Ethiopia	60,34	74,8	8,7	2,6
Ghana	51,90	22,4	5,8	2,2
Libya	48,29	5,9	8,5	2,1
Total ATLE	1 703,96	478,3		73,4

Source: CIA World Fact Book, 2006; IMF World Economic Outlook, April 2006

a very high inflation rate does not have bright future in the short to medium term. Most of Southern Africa are relative stable and have positive expectations derived from the low level of inflation and interest rates.

## 2. GROSS DOMESTIC PRODUCT

Africa can be divided into different **economic region** or zones. Some are related to geography, others to currency:

- |  |   |
|--|---|
| <p><b>SADC</b><br/>                 Angola<br/>                 Botswana<br/>                 Lesotho<br/>                 Malawi<br/>                 Mauritius<br/>                 Mozambique<br/>                 Namibia<br/>                 South Africa<br/>                 Swaziland<br/>                 Tanzania<br/>                 Zambia<br/>                 Zimbabwe</p> <p><b>East Africa</b><br/>                 Burundi<br/>                 Comoros<br/>                 Djibouti<br/>                 Eritrea<br/>                 Ethiopia<br/>                 Kenya<br/>                 Madagascar<br/>                 Mayotte<br/>                 Reunion<br/>                 Rwanda<br/>                 Seychelles<br/>                 Somalia<br/>                 Sudan<br/>                 Uganda</p> | <p><b>The Franc Zone</b><br/>                 Benin<br/>                 Burkina Faso<br/>                 Cameroon<br/>                 Central African Republic<br/>                 Chad<br/>                 Congo (Brazzaville)<br/>                 Ivory Coast<br/>                 Equatorial Guinea<br/>                 Gabon<br/>                 Guinea-Bissau<br/>                 Mali<br/>                 Niger<br/>                 Senegal<br/>                 Togo</p> <p><b>Central and West Africa</b><br/>                 Cape Verde<br/>                 Democratic Rep of Congo<br/>                 The Gambia<br/>                 Ghana<br/>                 Guinea<br/>                 Liberia<br/>                 Mauritania<br/>                 Nigeria<br/>                 São Tomé and Príncipe<br/>                 Sierra Leone</p> <p><b>North Africa</b><br/>                 Algeria<br/>                 Egypt<br/>                 Libya<br/>                 Morocco<br/>                 Tunisia<br/>                 Western Sahara</p> |
|--|---|

Africa’s **real GDP** slowed down to 5,2% in 2005 from the revised 5,5% in 2004 according to the IMF. However, despite the deceleration in GDP growth, the 5,2% increase reflects a robust expansion in the economic activity within the African continent, especially as the growth rate is higher than the world’s real GDP growth of 4,8% in 2005. About 93% of the African countries recorded increases in real GDP growth rates with the highest growth of 15,7% recorded by Angola, whilst Zimbabwe recorded the highest decline of 6,5%. The current positive economic picture in the African continent is mainly due to continued progress with economic reform by most governments and high international commodity prices. The continent’s largest economy, South Africa, which accounted for 23% of the continent’s GDP in 2005, recorded the strongest real GDP growth in 25 years (4,9% in 2005), mainly driven by strong domestic demand and supported by commodity exports. Africa’s **Ten Largest Economies (ATLEs)**, which are the main drivers of economic activity within the continent, accounted for 73,4% of the continent’s GDP during 2005. Table 1 depicts economic data for Africa’s Ten Largest Economies. In terms of regions, **SADC and North Africa** are the main economic contributors on the continent with a total GDP amounting to \$737,50 billion and \$839,30 billion respectively, during 2005. During

**Table 2: Africa GDP (Purchasing Power Parity in \$ billion)**

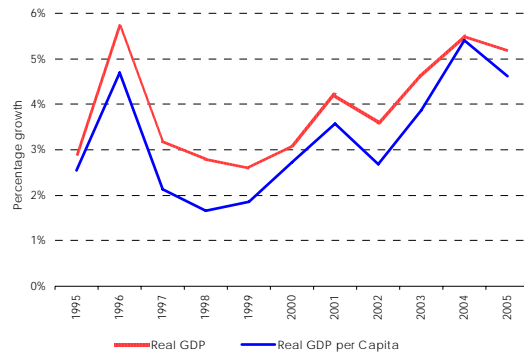
REGION	2002	2003	2004	2005	2006(est)
World	\$49 749	\$52 797	\$57 010	\$61 078	\$65 174
Sub Sahara Africa	\$1 276	\$1 353	\$1 460	\$1 568	\$1 691
Africa	\$1 644	\$1 752	\$1 890	\$2 025	\$2 184
Africa Growth*	3,6%	4,6%	5,5%	5,2%	5,7%

Sources: IMF.org, 2006      \*Constant prices, not PPP

the same period, South Africa's output accounted for 72,5% of the SADC region's output, 36,1% of the Sub-Saharan output and 23,0% of the continent's GDP. For the seventh consecutive year, Zimbabwe's GDP continued with a declining trend in 2005, mainly due to political and economic instability within the country. Lesotho recorded its first GDP drop in six years (by 0,7%) after an increase of 2,2% in 2004. **Table 2** indicates economic output for Sub Sahara Africa (SSA), Africa and the world, over the past 5 years. (The Annexure gives data on all countries.) The SSA real GDP increased by 5,5% during 2005. Contrary to 2004 where growth in oil producing countries expanded robustly in Chad (29,5%) and Equatorial Guinea (32,4%), growth in Nigeria (6,0%) slowed down. After 2004 it picked up in Nigeria for 2005 (6,9%) whereas growth in Chad and Equatorial Guinea decelerated significantly to 5,6% and 6,0%, respectively. Positive growth rates in excess of 7% in Ethiopia, Mozambique and Sierra Leone reflects the continuing positive effects of earlier reforms. The economic outlook for the African continent - which contributed 3,3% to world output in 2005 - generally remains positive with the IMF projecting an economic growth of 5,7% for 2006, which is expected to be supported by high commodity prices, improved macroeconomic policies and structural reforms in some countries. The acceleration in growth will mainly be strengthened by oil-producing countries as capacity increases in Angola and the Republic of Congo, with new production in Mauritania also expected a substantial pickup in activity.

### 3. PER CAPITA GDP

**Figure 1: Africa GDP and GDP-per-Capita growth rates (real PPP)**



Source: IMF World Economic Outlook, April 2006

Figure 1 depicts changes in Africa's **real GDP** and real GDP per Capita growth rates over the past 10 years. In general trends in the GDP growth is reflected in similar changes in the GDP-per-capita growth between 1995 and 2005. After a sharp increase from the 3% to the 5% level between 1995 and 1996, both showed a decline back to the 2% to 3% levels up to 1999. It then steadily reflected increasing growth levels to above 4% despite drops in the growth levels in 2002 and 2005.

**Table 3: Africa regional per capita GDP**

Region	Per capita GDP 2005 (PPP)	Gini Coefficient 1994-2002
World	\$9 300,0	38,3
Total Africa	\$2 543,2	47,4
Sub-Saharan Africa	\$1 972,7	52,2
SADC	\$4 589,3	56,6
The Franc Zone	\$1 625,9	46,3
East Africa	\$1 211,2	39,3
Central and West Africa	\$1 127,7	49,5
North Africa	\$5 200,0	39,6

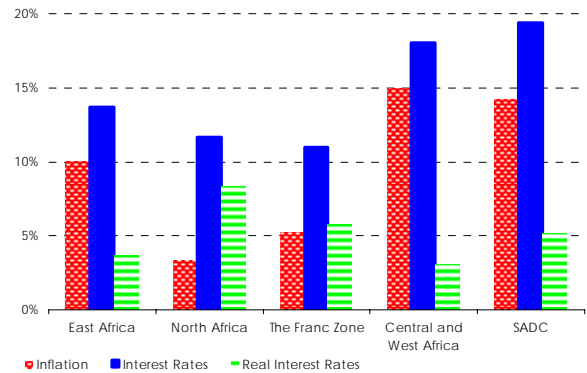
Source: CIA World Fact Book – 2006, UN - 2004

The highest GDP per capita remains in the **North Africa** region at \$5 200 in 2005, followed

by the **SADC** region with \$4 589 making them the only two regions within the African continent with GDP per capita above \$4 000. The **Central and West Africa** region recorded the lowest per capita GDP (2 regions below \$1200). Per capita GDP for the African continent amounted to \$2543 (see table 3). The achievement of higher output per capita is a necessary condition for lowering poverty levels and for making progress towards the UN's Millennium Development Goals (MDGs). Per capita GDP of a particular country reflects the participation of the inhabitants of that country in the economy, thus a higher per capita GDP points to improved participation. Income skewness is another problem of Africa, as illustrated **by the Gini Coefficient**. Though SADC have a higher income level than most of Sub-Saharan Africa, it also has a very skew distribution of income –indicating that a smaller portion of its population enjoys higher income levels while the larger portion has an income similar to the rest of Africa. **Skills** shortages in most African countries is one of the factors that may hinder growth in this area and one of the Millennium Development Goals is to achieve universal primary education which can play a significant role in addressing the problem. Eight out of ten children not in school during 2001 lived in Sub-Saharan Africa or Southern Asia, according to the United Nation's MDG-report for 2005. This situation has shown some improvement in Sub-Saharan Africa, with 62% of school age children enrolled in schools during 2001/02 compared to 54% in 1990/91.

## 4. INFLATION AND INTEREST RATES

Figure 2: Africa Inflation & Interest, 2005

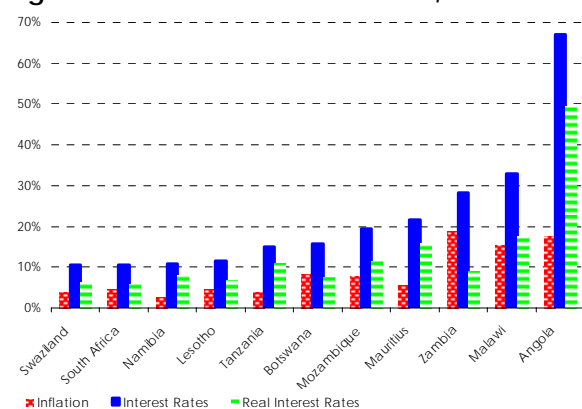


Source: CIA World Fact Book, 2006

The weighted average **inflation** rate for the African continent rose from 8,3% in 2004 to 9,6% in 2005. The inflation rate in Zimbabwe continued its upward spiral throughout the year and was estimated at 585% at the end of 2005. Food prices continue to be the main determinant of inflation in most African countries and given the level of poverty in the African continent, a high inflation rate such as in Zimbabwe highlights the inability of the majority of people to afford basic food requirements. However, inflation rates in most African countries have been declining in recent years with only 15 countries recording double-digit rates in 2005. Compared to developed countries, where average inflation is below 4%, Africa is still experiencing relative high inflation. Compared to other emerging countries Africa is on par. The lowest **regional** weighted inflation rate of 3,3% was recorded in North Africa, whilst the Central and West Africa region recorded the highest average inflation rate of 15% in 2005. Inflation rates in the East Africa and the Franc Zone regions were 10% and

5,2% respectively, with SADC only marginally lower at 14,3%. In normal circumstances there is a positive correlation between the inflation rate and the **interest rate** – thus when the inflation rate is high, the interest rate is also likely to be high. Low interest rates pave a way for development within a country as it encourages firms to borrow money fairly cheaper for investment purposes. Most African countries still have relative high interest rates with only a few countries recording single-digit rates in 2005. The weighted average interest rate for the African continent was 15,5% in 2005. The SADC region had the highest weighted average interest rate of 19,4%. (16,9% without Zimbabwe, which has a negative impact, but due to its much smaller economy this impact is reduced.) whilst the Franc Zone had the lowest regional interest rate of 11,5%. Interest rates in other regions were Central & West Africa (18,1%), East Africa (13,7%) and North Africa (11,7%). **Real interest rates** (the difference between inflation and interest rate) in Africa recorder a weighted average of 6,1% for 2005, with the highest average rate in North Africa (8,4%) and the lowest in Central and West Africa (3,1%)

**Figure 3: SADC Inflation & Interest, 2005**

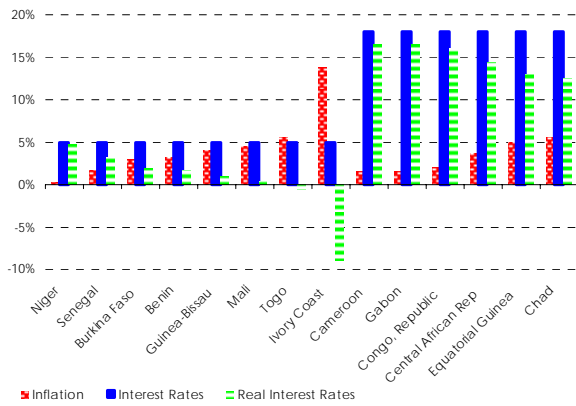


Source: *CIA World Fact Book, 2006*

The weighted average **inflation** for **SADC** countries was to 14,3% in 2005, whilst the region's weighted inflation rate excluding Zimbabwe amounted to 6,3%. Zimbabwe - which has been characterised by political and economic instability, poor governance and food shortages in recent years - has seen inflation and interest rates spiral out of control in recent months. Zimbabwe's inflation rate increased by 339,8% from 133% in 2004 to 585% in 2005 (*CIA World Fact Book, 2006*). This has adversely affected the regional inflation rate. Angola (the country with the 3<sup>rd</sup> highest inflation rate within SADC) has been experiencing a declining trend in the inflation rate following a major change in macro economic policy implementation in September 2003, known as the "hard kwanza" policy. The inflation rate in Angola declined further by 59,6% from 43,8% in 2004 to 17,7% in 2005. Mozambique also recorded a significant decline in its inflation rate, from 12,8% in 2004 to 7,8% in 2005. This has been supported by ongoing donor-driven reform programmes against a background of high aid inflows to the country. Food shortages have been cited as the main factor driving up the inflation rate in a number of African countries. Namibia had the lowest inflation rate (2,7%) within SADC in 2005 followed by Swaziland (4%), Tanzania (4%) and South Africa (4,6%). Zimbabwe had the highest **interest rate** of 202,5% in 2005 followed by Angola at 67,1%. Both South Africa and Swaziland recorded the lowest interest rate of 10,5% each. Zimbabwe has a very negative **real interest rate**, a typical symptom of a declining economy. All other SADC countries had positive real interest rates.



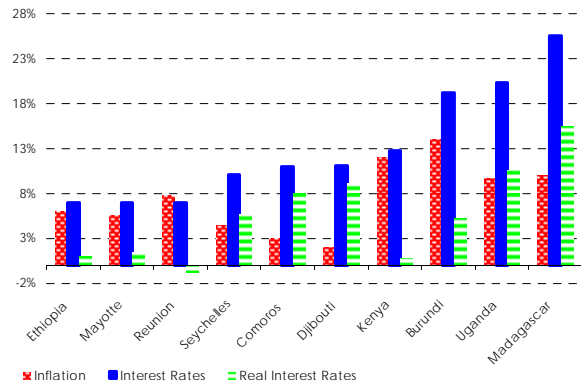
Figure 4: Franc Zone Inflation, 2005



Source: CIA World Fact Book, 2006

The **Franc Zone** region is one of the regions with relatively low **inflation** rates within the African continent. The average weighted inflation rate for the region was 5,2% in 2005, an increase from 2,2% in 2004. The inflation rate in previous years was relatively low due to good food-crop harvests in previous seasons which drove prices down; however, 2005 had a normal food-crop harvest which resulted in the pick-up in inflation. With the exception of Ivory Coast, which recorded the highest inflation rate of 13,8% and a neagive **real interest rate**, all countries within the Franc Zone recorded single-digit inflation rates during 2005. Niger had the lowest inflation rate of 0,25%. Countries within the Franc zone are either members of the West African Monetary Union (WAMU) or the Economic Community of West African States (ECOWAS) and countries belonging to each of these associations have a similar interest rate. The **interest rates** for countries belonging to WAMU and ECOWAS remained at 18% and 4,9% respectively, during 2005.

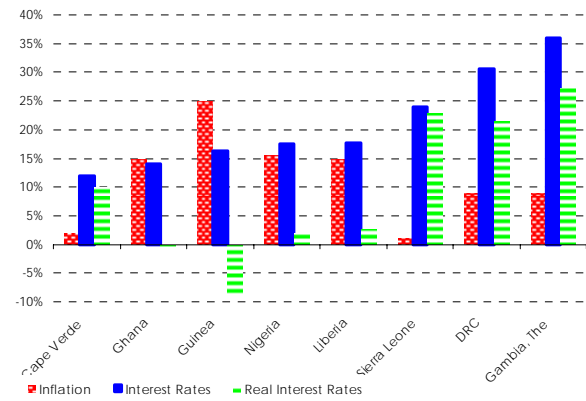
Figure 5: East Africa Inflation & Interest, 2005



Source: CIA World Fact Book, 2006

The weighted average inflation rate in the **East African** region was 10% in 2005, an increase from 6,3% in 2004. Whereas only one country (Eritrea) in this region had a double-digit (10%) inflation rate in 2004, six countries recorded double-digit rates in 2005, the highest being Eritrea at 15%. This was mainly due to a drought which resulted in poor agricultural harvests in the region. Inflation picked up very sharply in Ethiopia (from 2,4% in 2004 to 6,0% in 2005) and Uganda (from 0,1% in 2004 to 9,7% in 2005). However, inflation is expected to fall in 2006 in line with expected normal harvests and ongoing improvements in the policy environment. Madagascar recorded the highest **interest rate** of 25,5% whereas the lowest interest rate of 7,0% was recorded by Ethiopia, Mayotte and Reunion. Some of these countries have negative **real interest rates**.

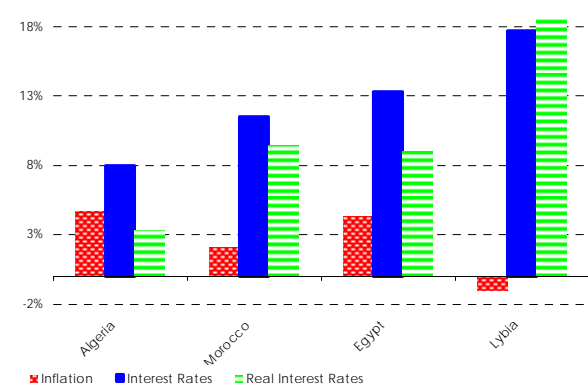
**Figure 6: Central and West Africa Inflation & Interest, 2005**



Source: CIA World Fact Book, 2006

The **Central and West Africa** region has the highest regional **inflation** within the continent. However, the weighted average inflation rate for this region remained fairly stable, coming to 15% in 2005 from 14,9% in 2004. This slight increase was largely due to inflation rate increases in the three largest economies in the region, Nigeria (15,6%), Ghana (15%) and the DRC (9%). Rising utility prices and a loose monetary policy in Ghana also contributed to a rise in the country's inflation rate. Sierra Leone had the lowest inflation rate (1%) within the region whereas Guinea recorded the highest inflation rate (25%). Cape Verde had the lowest **interest rate** (11,9%) and Gambia the highest at 36%. Two countries, Ghana and Guinea had a negative **real interest rate**, an indication of economic imbalances.

**Figure 7: North Africa Inflation & Interest, 2005**

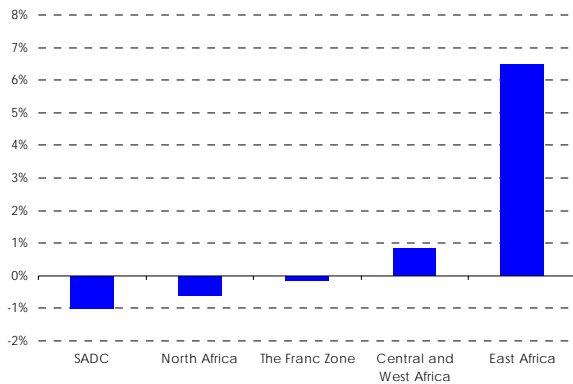


Source: CIA World Fact Book, 2006

**North Africa** recorded the lowest regional weighted **inflation** rate of 3,3% in 2005, a decrease from 5,5% in 2004. All countries within the North Africa region recorded single-digit inflation rates and it is the only region in which one of the countries (Libya) experienced a deflation of -1%. Following the floating of the Egyptian pound in 2003 which led to a high inflation rate for the region's largest economy, Egypt's inflation rate dropped significantly to 4,3% in 2005 from 9,5% in 2004. The highest inflation rate within the region was 4,7% in Algeria. Libya had the highest **interest rate** (17,7%), while Algeria had the lowest interest rate of (8%).

## 5. EXCHANGE RATES

**Figure 8: Exchange rates, % change to US\$ 2005**



Source: CIA World Fact Book, 2006

The **exchange rate** is highly volatile and can be influenced by various factors such as inflation rates, interest rates and government controls, with confidence in the national currency being the greatest determinant of the exchange rate. A stable economy attracts investments which increases the demand for the local currency thus strengthening the value of the currency. Political instability in most African countries is one of the major factors that has contributed to the depreciation in the value of their currencies. Except for extreme cases, such as in Zimbabwe, currencies in most African countries remained fairly stable in 2005 with the weighted average of all African currencies depreciating by 0,1% against the US dollar. For the **SADC** region, the weighted average currency appreciated by 1% in 2005. The African franc (common currency used by all countries in the **Franc Zone**) appreciated by 0,2%, against the background of low inflation and interest rates in the region during 2005. The currencies of most countries within

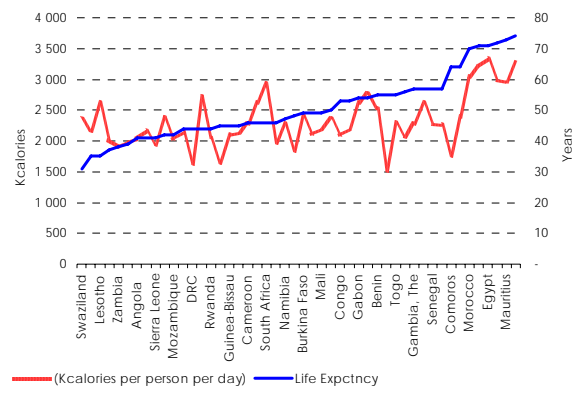
**East Africa** depreciated against the US dollar and this region recorded the worst performance against the US dollar in 2005. The weighted average of all currencies within the region depreciated by 6,5% in 2005. The weighted average currency for the **Central and West Africa** region also weakened against the US dollar, depreciating by 0,8% in 2005. The values of all currencies within this region, except Mauritania (0,9%) and Nigeria (0,2%), depreciated against the US dollar. The weighted average value of currencies in **North Africa** appreciated by 0,6% against the US dollar. Whilst the Egyptian pound was the only currency in the region to depreciate in 2004, it appreciated the most (6,8%) in 2005, mainly due to the build-up activities towards the African cup of nations soccer tournament hosted by Egypt at the beginning of 2006. The Tunisian dinar (in Tunisia) depreciated the most, by 8,3% in 2005.

## 6. DEMOGRAPHICS

**Africa's population** was estimated at 904,8 million people in 2005, a 1,98% increase from an estimated 887,2 million in 2004. Nigeria tops the list with its 131,8 million people, followed by Egypt (78,9 million), Ethiopia with (74,8 million), Democratic Republic of Congo (62,7 million) and South Africa (44,2 million). Seychelles ranks last on the list with about 81 000 inhabitants. (See Annexure.) Six countries contributed half of the population increase between 2004 and 2005. These included Nigeria (14,9%), Ethiopia (9,5%), DRC (8,0%), Egypt (7,2%), Uganda (4,8%) and Tanzania (3,8%). It is esti-

mated that 4 125 babies are born every hour. Of great concern is that around 235 infants are dying every hour across the African continent. **Regionally**, the Sub Saharan Africa (SSA) has the largest population of 743,4 million people, a 12,6 million increase from the 2004 estimate of 730,8 million. Second on the list is the Central and West African region with 241,1 million inhabitants and the region had the largest absolute population increase of seven million during the period under review. East Africa has the second largest population of 226,1 million people, followed by North Africa with 161,4 million; SADC with 164,0 million and the Franc Zone with 117,9 million. Despite changes in technology and improvements in food security world wide, Africa has not benefited much in terms of agricultural productivity changes and life expectancy improvements. This is largely attributable to political instability, persistent drought and the impact of diseases such as **HIV/AIDS** within the farming communities. However, despite the impact of AIDS and famine in Africa the population growth rate remains high due to relatively higher fertility rates. Challenges facing policy makers with regard to the general wellbeing of the African population manifest themselves in falling life expectancy and low calorie intake levels.

**Figure 9: Calorie Intake & Life Expectancy.**



Source: Africa Dev. Bank 2006; CIA World Fact Book 2006

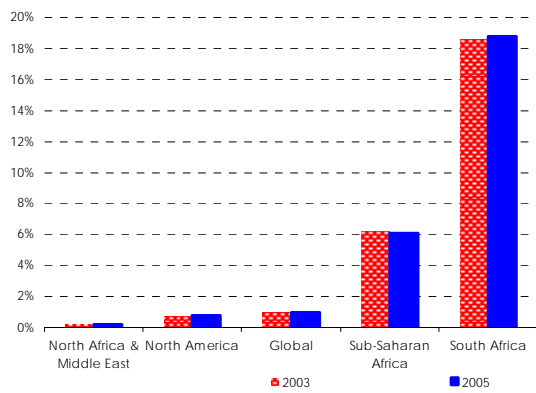
As shown in the diagram above, low **calorie intake** (see Annexure) levels are associated with low life expectancy. What the picture depicts is that lack of adequate food supply, as represented by low calorie intake, affects life expectancy negatively. However, it should be noted that food supply is also influenced by other factors such as recurrent drought, wars, disease outbreaks such as **HIV/AIDS** and institutional deficiencies. A significant proportion of the population resides in the rural areas. As such agriculture remains the most important sector within the African continent since 70% of the population depends on land. Given the scourge of AIDS in the Sub Saharan sub continent and its impact on agricultural production, food security remains the biggest challenge.

**Table 4: Africa Regional Population 2005**

Region	Population (million), 2004	Population (million), 2005	Land Area Sq km (million)	Population Density 2005, (Persons/km <sup>2</sup> )
<b>World</b>	<b>6 446,1</b>	<b>6 525,2</b>	<b>148,9</b>	<b>43,8</b>
Total Africa	889,7	904,8	30,1	30,1
Sub-Saharan Africa	730,8	743,4	24,1	30,8
SADC	158,4	164,0	6,9	23,8
The Franc Zone	115,8	117,9	6,4	18,4
East Africa	222,5	226,1	5,8	41,9
Central and West Africa	234,1	241,1	4,9	49,2
North Africa	158,9	161,4	6,0	26,9

Source: CIA World Fact Book 2006; Africa Development Bank 2006

**Figure 10: HIV Infection Rate 2003 and 2005**



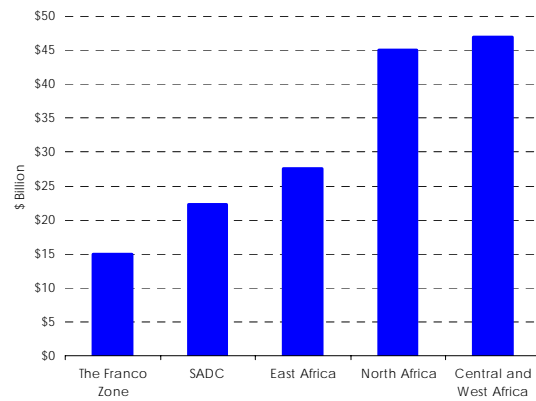
Source: UNAIDS/WHO 2006

The scourge of AIDS remains a major threat to food security in Africa, especially the Sub-Saharan region where the rate of HIV infection is over 6%. Since most people in Africa are dependent on agricultural production, high levels of infection within the productive cohort have negative implications on food security and the general wellbeing of the population.

## 7. AGRICULTURAL PRODUCTION

In 2005 Africa’s **agricultural production** was estimated at \$376,4 billion, a significant increase from 2004’s estimated \$339 billion. The largest share comes from North and East African countries, whose combined share amounted to about \$200 billion in 2005. North Africa produced an estimated \$100 billion in 2005, followed by East Africa (\$99,2 billion), Central and West Africa (\$81,4 billion), The Franco Zone (\$45 billion) and lastly the SADC region (\$50 billion).

**Figure 11: Regional Agricultural Production**

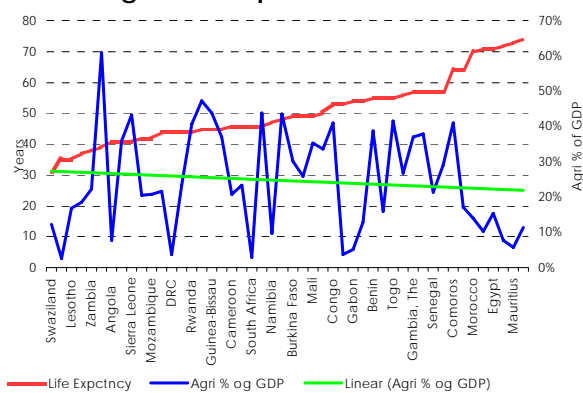


Source: Africa Development Bank, 2005

**North Africa:** Leading the North African region with agricultural production is Egypt, which accounted for over 50% of output in the region last year. Next is Morocco with \$19,6 billion, Algeria (\$18,2 billion), Tunisia (\$8,9 billion) and Libya (\$1,7 billion). **East Africa:** The largest contributor to the region’s agricultural output was Ethiopia which produced an estimated \$26,3 of output in 2005. This was followed by Sudan (\$24,7 billion), Kenya (\$18,0 billion), and Uganda (\$15,4 billion). Each of the remainder of the countries in the sub region produced less than \$5 billion worth of agricultural output. **Central and West Africa:** The region produced about \$81 billion worth of output in 2005, an improvement from last year’s \$75,6 billion output. Leading the group is Nigeria, with an estimated \$30,8 billion, up from \$35 billion in 2004. The second largest producer is the Democratic Republic of Congo (DRC), then Ghana with \$21,6 billion and \$19,6 billion respectively. **SADC:** About \$50 billion worth of agricultural output was accounted for by the SADC region, up from about \$45,79 billion in 2004. Leading the sub region’s output is South Africa, which produced an estimated \$15 billion. The second largest contributor is Tanzania

(\$11,7 billion), Mozambique (\$5,4 billion) and Zimbabwe (\$4,6 billion). The sub region’s output was negatively influenced by Zimbabwe’s low yields as a result of political unrest in that country. **The Franc Zone:** The sub region ranks last with 2005’s agricultural output of about \$45,2 billion. Agricultural output was relatively evenly spread among the member states, with output ranging from the highest \$6,6 billion by Cameroon to Congo (Brazzaville) which produced just above \$100 000’s worth of output.

**Figure 12: Life expectancy and percentage share of agricultural production to GDP**



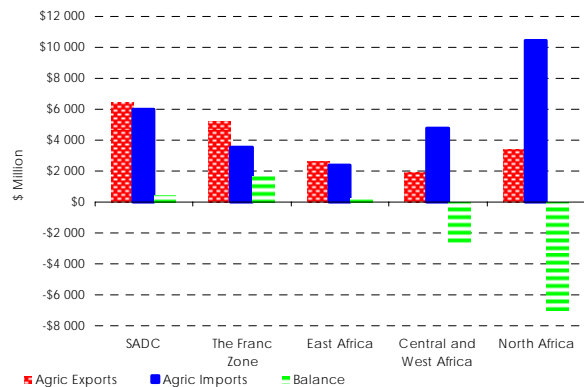
Source: Africa Development Bank

As expected, there is a negative correlation between **life expectancy** and the percentage share of agriculture to GDP. The share of agricultural output to GDP is used as a proxy for the level of economic development. This emanates from the observed phenomenon that as an economy develops structural changes such that the primary sectors (agriculture and mining) contribute to a declining proportion, the processing and service sectors will be enjoying a rising contribution to GDP. It is therefore expected that less developed nations will have low life expectancy levels, among other issues that characterise under-development. However, the correlation is not

very strong and many exceptions exist such as Botswana. Its **agricultural contribution** to GDP is low at 2,5% in 2005 and its life expectancy is also low (35 years). This is explained by its dry climate which minimises agricultural production and because of the extent a high AIDS infection rate with life expectancy reduced significantly. However, a healthier scenario is the one depicted by the north African region; Tunisia, Libya, Mauritius, Algeria, Morocco and Egypt. These countries have relatively low contribution of the agricultural sector to GDP and very high life expectancy levels. One should bear in mind that the region is predominantly arid, thereby reducing agricultural activity. The phenomenon is mitigated by the relatively high average calorie intake, per person per day, for these countries.

## 8. AGRICULTURAL TRADE

**Figure 13: Africa’s Agricultural Trade, 2004**



Source: EIU, 2006

Africa’s net agricultural imports amounted to \$8,6 billion in 2004. The continent’s imports amounted to 59% of total agricultural trade, with the trade deficit amounting to 18%. North Africa remains the largest contributor to the

continent's agricultural trade deficit, with a trade shortage of \$8,1 billion in 2004. **SADC:** In 2004 the sub region recorded a trade surplus of approximately \$460 million. Contributing towards the trade surplus was South Africa, Zimbabwe and Malawi whose trade balances amounted to \$771 million, \$381 million and \$334 million respectively. Botswana and Mozambique had huge agriculture trade deficits of \$980 million and \$219 million respectively.

**The Franc Zone:** The sub region had the largest agricultural trade surplus of about \$1,7 billion in 2004. Ivory Coast's contribution towards the sub region's trade surplus was \$2,4 billion. Cameroon and Burkina Faso altogether accounted for over \$400 million of net export value. On the other hand Senegal recorded a trade deficit of \$664 million, Congo (Brazzaville) (-\$220,4 million), Equatorial Guinea (-\$209,2 and Benin (-\$152,2 million. **East Africa:** The sub region recorded a trade surplus of \$258.8 million in 2004. The bulk of the surplus was accounted for by Kenya, which recorded a surplus of \$812,9 million during the same year. Uganda and Madagascar each contributed \$78,2 million and \$28,5 million respectively. Otherwise the rest of the countries in the region recorded a trade deficit in 2004. Sudan was the main culprit with a trade deficit of \$242,4 million during the same period. **Central and West Africa:** All countries experienced a total trade deficit of \$ 2,8 billion in 2004. Nigeria had the largest deficit of \$1,8 billion, followed by Mauritania (-\$326,7 million) and the Democratic Republic of Congo (-\$278,3 million). The rest recorded deficits of less than \$200 million. **North Africa:** Of the \$8,1 billion agricultural trade deficit that was reported by

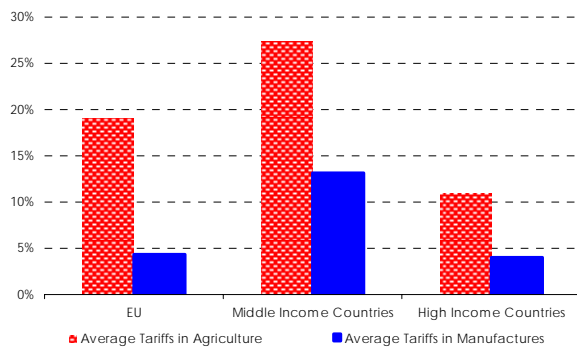
the North African countries about half (\$3,99=billion) was accounted for by Algeria. Egypt had the second largest trade deficit of \$1,7 billion, followed by Libya (-\$1,1 billion) and Tunisia (-\$207,2 million). The agricultural trade deficit within this sub region can mainly be explained by the climatic conditions that prevail across North Africa.

## 9. MAIN EXTERNAL PROBLEMS AFFECTING AGRICULTURE

Recurrent drought, falling commodity prices, political instability and the general health of the population have remained part of the major challenges facing the agricultural sector in Africa. On the health front HIV/AIDS continues to erode the productive capacity of the rural population. To mitigate against these factors the continent needs to adopt rather comprehensive programs and policies, ranging from the employment of appropriate technologies in agriculture, addressing land tenure issues and the formulation of conducive health policies that will impact positively on rural populations. **Subsidies:** The developed world, especially the USA and the EU, is interfering with the functioning of the agricultural markets at the expense of the developing world, Africa in particular. The World Bank estimates that cotton subsidies in the USA have reduce the international price of cotton to 75% of what it would have been without the subsidies. Agricultural subsidies are estimated to be costing Africa about US\$300 million annually, that's depriving the continent of the much needed growth opportunities. **Tariffs:** Tariff constraints on agriculture are higher (on average) than

tariffs on manufacturing. For instance, South Africa’s major export market (USA, EU, Canada and Japan) tariffs on agricultural products average 11% against 4,3% for processes commodities, with coverage of 90,7% of tariff lines (UNCTD, 2003).

**Figure 14: Average Tariff Rate**



Source: UNCTD, 2003

**Elections** were held in 6 African countries during 2005, two of them muslim countries in North Africa. In Africa, muslim countries tend to have more peace and stability compared to the Middle East, though those with a mixed religious population have conflict problems, such as Sudan and Nigeria.

**Table 5: Elections in Africa, 2005**

Country	Date	Won By:
Djibouti	8 April	RPP (62,2%)
Egypt	7 Sep	Hosni Mubarak
Liberia	8 Nov	UP (59,6%)
Tanzania	14 Dec	Jakaya Kikwete (80,3%)
Togo	24 April	Faure Gnassingbe (RPT, 72 seats)
Gabon	27 March	El Hadj Omar Bongo Ondimba (79,2%)

Source: CIA World Fact Book, 2005

Zimbabwe remains a major threat to **political stability** and food security in Southern Africa. With what has been branded by some as vengeful land redistribution policies and the

subsequent economic meltdown, the once “food basket” economy of the SADC region has lost its favourable reputation totally. Namibia’s political path remains uncertain as some members of South West Africa People’s Organization (SWAPO) have envied land reform strategies that were adopted by Zimbabwe. The political climate in the Darfour region of **Sudan** remains volatile, with clashes between government forces and rebels reported recently. Agricultural production has been affected by the killings, raids on villages, livestock theft and the displacement of people from their permanent habitats to refugee camps. The Great Lakes may be moving in the right direction with the participation of Hutu rebels in the Rwandan peace process. Among other factors, demining of productive agricultural land in Angola and Mozambique remain major challenges, even though steady progress has been reported in this regard.

## 10. CONCLUSION

From an **economic** growth point of view, the situation in Africa looks positive as economies tend to outgrow populations. The future can also be expected to improve as inflation and interest rates tend to be stable and low. There are some exceptions. As the world demand for commodities remain high, Africa can expect to experience growth. Agricultural production increased along its economic output, indicating that levels of nutrition should improve. In the long run this may raise the **life expectancy** of the general population, though HIV/Aids remains a certain threat, es-



pecially in Southern Africa. Though it must be mentioned that the disease seems to have reached a peak. Rural and agricultural communities suffer the most from HIV, which indirectly poses a risk to agri-production. **Political stability** is remaining a problem in the central parts of Africa, unlike the southern and northern parts of the continent. Sudan is currently a great concern to the African Union as well as the international community as a solution to the conflict seems out of sight.

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ANNEXURE

Country, 2005 values	Population (2005 est.)	Land Size (Sq km)	GDP billion (PPP)	Economic Growth	Inflation Rate	Interest rate	Calorie consumption /person /day
Algeria	32 930 091	2 381 740	\$102,03	6,0%	4,7%	8,0%	2990
Angola	12 127 071	1 246 700	\$28,86	19,1%	17,7%	67,1%	2040
Benin	7 862 944	110 620	\$4,43	3,5%	3,2%	4,9%	2520
Botswana	1 639 833	583 370	\$9,23	4,5%	8,3%	15,8%	2160
Burkina Faso	13 902 972	273 800	\$5,75	4,5%	3,0%	4,9%	2410
Burundi	8 090 068	25 650	\$0,80	1,1%	14,0%	19,2%	1640
Cameroon	17 340 702	469 440	\$16,99	2,8%	1,5%	18,0%	2270
Cape Verde	420 979	4 033	\$0,99	5,5%	1,8%	11,9%	3210
Central African Rep	4 303 356	622 984	\$1,38	2,2%	3,6%	18,0%	1980
Chad	9 944 201	1 259 200	\$5,43	6,0%	5,5%	18,0%	2150
Comoros	690 948	2 170	\$0,37	3,0%	3,0%	11,0%	1750
Congo, DR	62 660 551	341 500	\$7,17	6,5%	9,0%	30,6%	1630
Congo, Rep of the	3 702 314	318 000	\$5,87	8,0%	2,0%	18,0%	2090
Côte d'Ivoire	17 654 843	2 267 600	\$22,34	4,0%	13,8%	4,9%	2620
Djibouti	486 530	22 980	\$0,70	3,5%	2,0%	11,1%	2200
Egypt	78 887 007	995 450	\$93,05	4,9%	4,3%	13,3%	3340
Equatorial Guinea	540 109	28 051	\$6,75	18,6%	5,0%	18,0%	
Eritrea	4 786 994	121 320	\$0,95	2,0%	15,0%		1520
Ethiopia	74 777 981	1 119 683	\$11,17	8,9%	6,0%	7,0%	1 840
Gabon	1 424 906	267 667	\$8,92	2,1%	1,5%	18,0%	2 610
Gambia, The	1 641 564	239 460	\$0,46	5,5%	8,8%	36,0%	2 270
Ghana	22 409 572	245 857	\$10,69	4,3%	15,0%		2 620
Guinea	9 690 222	36 120	\$3,30	2,0%	25,0%	16,3%	2 380
Guinea-Bissau	1 442 029	582 650	\$0,29	2,3%	4,0%	4,9%	2 100
Kenya	34 707 817	30 335	\$19,18	5,2%	12,0%	12,8%	2 110
Lesotho	2 022 331	111 370	\$1,27	0,8%	4,7%	11,5%	2 620
Liberia	3 042 004	1 759 540	\$1,38	8,0%	15,0%	17,7%	1 990
Libya	5 900 754	587 040	\$38,74	8,5%	-1,0%	17,7%	3 320
Madagascar	18 595 469	118 480	\$4,71	5,1%	10,0%	25,5%	2 060
Malawi	13 013 926	1 240 000	\$2,07	-3,0%	15,4%	33,0%	2 160
Mali	11 716 829	1 030 700	\$5,26	6,0%	4,5%	4,9%	2 200
Mauritania	3 177 388	2 040	\$1,94	5,5%	7,0%		2 770
Mauritius	1 240 827	374	\$6,23	3,0%	5,6%	21,5%	2 960
Mayotte	201 234	446 550	\$0,23	3,0%	5,6%		
Morocco	33 241 259	801 590	\$51,99	1,8%	2,1%	11,5%	3 040
Mozambique	19 686 505	825 418	\$6,73	7,0%	7,8%	19,4%	2 030
Namibia	2 044 147	1 267 000	\$6,12	3,5%	2,7%	10,8%	2 270
Niger	12 525 094	923 768	\$3,49	4,5%	0,2%	4,9%	2 130
Nigeria	131 859 731	2 507	\$99,15	6,2%	15,6%	17,6%	2 710
Reunion	787 584	24 948	\$2,40	2,5%	0,1		
Rwanda	8 648 248	1 001	\$2,13	5,2%	8,0%		2 050
São Tomé & Príncipe	193 413	192 000	\$0,07	6,0%	15,1%		2 390
Senegal	11 987 121	455	\$8,33	6,1%	1,7%	4,9%	2 280
Seychelles	81 541	71 620	\$0,69	-3,0%	4,4%	10,1%	2 450
Sierra Leone	6 005 250	627 337	\$1,19	6,3%	1,0%	24,0%	1 930
Somalia	8 863 338	1 219 912	\$2,40	2,4%	10,0%		
South Africa	44 187 637	2 505 810	\$239,14	4,9%	4,6%	10,5%	2 920
Sudan	41 236 378	17 203	\$27,70	7,0%	11,0%		2 260
Swaziland	1 136 334	886 037	\$2,53	1,8%	4,0%	10,5%	2 360
Tanzania	37 445 392	10 000	\$12,17	0,0%	4,0%	15,1%	1 960
Togo	5 548 702	54 385	\$2,11	1,0%	5,5%	4,9%	2 300
Tunisia	10 175 014	155 360	\$30,19	4,3%	3,2%		3 270
Uganda	28 195 754	199 710	\$8,71	4,0%	9,7%	20,3%	2 360
Western Sahara	273 008	266 000	\$0,90	6,2%	2,2%		
Zambia	11 502 010	740 724	\$7,07	5,1%	19,0%	28,2%	1 900
Zimbabwe	12 236 805	386 670	\$4,49	-7,0%	585,0%	202,5%	2 020