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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.

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1. INTRODUCTION

The **African continent** is rich in human and natural resources and of some 900 million people, over 75% live in rural areas including small towns and villages (*UNDP, 2006*). These rural populations depend heavily, although not exclusively, on the production and use of natural resources for their livelihoods; and this high level of reliance on natural resources is expected to remain at least through the next generation. **Agriculture** is not only key to both rural and urban food security and to household livelihoods, but is also a major contributor to the export economy and thus to foreign exchange earnings. It is the most important source of employment in most countries within the continent. The African Union, through NEPAD, has expressed its recognition of the crucial role of agriculture for food security and economic growth. Many African states have been plagued by wars in the past few years, however, most countries are now moving towards vibrant **democracies** and the resolution of their conflicts, although peace is still fragile in some of these countries. Following a dec-

ade of only limited economic growth in the 1990s, a greater commitment to **economic reform** and high global commodity prices have helped to boost real growth in Africa since 2000, to average just above 5%, which in turn has generated a very slight improvement in living standards (*Economist Intelligence Unit, 2007*). The African continent also benefited from substantial inflows in external financing in the form of official development assistance (ODA), including **debt relief**, and foreign direct investment (FDI), which is expected to boost economic growth in the coming years. The Multilateral Debt Relief Initiative (MDRI) announced at the G8 Summit in 2005 provided much needed relief for 13 Sub-Saharan Africa (SSA) countries. These various debt write-offs are estimated to have reduced the total external debt stock for Sub-Saharan Africa from US\$204,4 billion at the end of 2005 to US\$150,4 billion at the end of 2006 (*Economist Intelligence Unit, 2007*). The objective of this report is to provide an overview of the recent performance of African economies at the continental and sub-regional levels.

Table 1: Africa's Ten Largest Economies (ATLE) – 2006

Country	GDP(PPP) \$ (Billions)	Population (Millions)	Real GDP Growth Rate (%)	Country Weight in Total African GDP (%)
South Africa	576,40	47,4	5,0	22,6
Egypt	328,10	78,9	5,7	12,9
Algeria	253,40	32,9	5,6	9,9
Nigeria	188,50	131,9	5,3	7,4
Morocco	147,00	33,2	6,7	5,8
Sudan	96,01	41,2	9,6	3,8
Tunisia	87,88	10,2	4,0	3,4
Libya	74,97	5,9	8,1	2,9
Ethiopia	71,63	74,5	9,6	2,8
Ghana	59,15	22,5	5,7	2,3
Total ATLE	1 883,04	478,6		73,9

Source: CIA World Fact Book, 2007; IMF World Economic Outlook, April 2007

2. GROSS DOMESTIC PRODUCT

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

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

According to the IMF, Africa's **real GDP** accelerated to 5,5% in 2006 from 5,2% in 2005 and is expected to accelerate further to 6,2% in 2007. This positive short-term economic outlook for the continent is supported by strong global growth, continued progress in cementing

macroeconomic stability, the beneficial impact of debt relief, increased capital inflows, rising oil production in a number of African countries and strong demand for non-fuel commodities. All African countries recorded positive economic growth rates in 2006, with the exception of Zimbabwe and Seychelles which recorded negative economic growth of 4,4% and 1,0% respectively. Mauritania recorded the highest rate in economic growth amounting to 19,4%, a dramatic increase from just 6% in 2005. This was mainly due to substantial oil production and exports which began at the beginning of 2006, averaging 75 000 barrels per day. Mauritania has an estimated 1 billion barrels of proved oil reserves. South Africa remains the continent's largest economy, accounting for 22,6% of the continent's GDP in 2006, with Egypt – the second largest economy – accounting for 12,9%. Africa's **Ten Largest Economies (ATLEs)** continues to be the main drivers of economic activity within the continent, accounting for 73,9% of the continent's GDP in 2006, a slight increase from 73,4% in 2005. Table 1 depicts economic data for Africa's Ten Largest Economies. Looking at regional performance, **SADC and North Africa** remain the main economic drivers of the continent with a GDP (PPP) amounting to \$793,11 billion and \$892,25 billion respectively, during 2006. SADC's economic growth amounted to

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

REGION	2003	2004	2005	2006	2007(est)
World	\$52 797	\$57 010	\$61 259	\$66 229	\$70 807
Sub Sahara Africa	\$1 353	\$1 460	\$1 585	\$1 715	\$1 856
Africa	\$1 752	\$1 890	\$2 049	\$2 220	\$2 395
Africa Growth*	4,6%	5,5%	5,6%	5,5%	6,2%

Sources: IMF.org, 2007

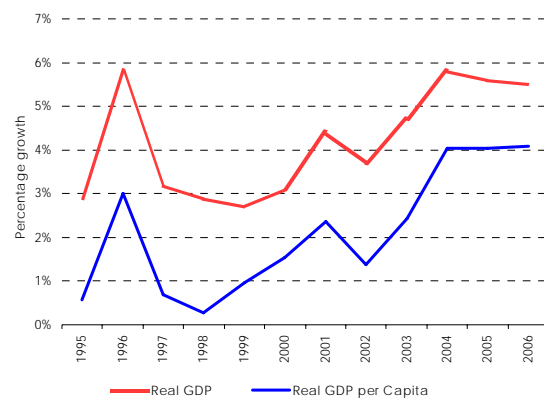
*Constant prices, not PPP

5,5% in 2006, a slight drop from 5,7% in 2005 which was mainly the result of Zimbabwe's negative economic growth (4,4%) due to ongoing political and economic problems which have seen Zimbabwe experiencing eight years of falling real GDP (1999-2006). The two largest economies in the subregion, South Africa and Angola, recorded economic growth of 5,0% and 14,0% respectively, in 2006. Angola's high growth rate is driven by its oil sector, with record oil prices and rising petroleum production. Oil production and its supporting activities contribute about half of GDP and 90% of exports. Increased oil production in Angola supported 12% growth in 2004, 19% growth in 2005, and nearly 14% growth in 2006. Lesotho's economy grew by 1,7% in 2006, a noticeable improvement following its 0,7% GDP drop (its first in six years) in 2005. Real GDP for Sub-Saharan Africa (SSA) grew by 5,4% in 2006, a slight drop from 6,0% in 2005, and the IMF optimistically forecast it to reach 6,7% in 2007 (more toward the 7 percent rate earlier established as a target for SSA to achieve the income poverty Millennium Development Goal). **Table 2** indicates economic output for Sub Saharan Africa, Africa and the world, over the past 5 years. Economic growth was equally strong in oil-producing countries (OPCs) and non-oil-producing countries, with more than half on non-oil-producing countries growing at 5% or more in 2006. Average growth in OPCs slowed to 5,6% in 2006 from 7,9% in 2005, moderated because of temporary difficulties in expanding oil production. However, the projected acceleration in growth of 6,2% in 2007, is expected to be driven by OPCs as they increase their oil pro-

duction. Africa's economic growth is expected to ease to 5,8% in 2008, driven largely by developments in South Africa, where tighter monetary policy is expected to slow domestic demand.

3. PER CAPITA GDP

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



Source: IMF World Economic Outlook, April 2007

Figure 1 depicts Africa's **real GDP** and real GDP per Capita growth rates, which have always shown similar trends over the past ten years. Having reached a record growth rate of 4,0% in 2004, the GDP per capita rate has stabilised at around 4% since 2004 while Africa's GDP growth has been levelling off between 5% and 6% since 2004. This is a worrying factor for the continent as real GDP is expected to reach an average growth rate of 7% if it is to achieve the Millennium Development Goal of halving poverty by 2015. A rising trend in Africa's GDP per capita is a necessary condition for lowering poverty levels as it reflects higher participation of the inhabitants in the economy.

Table 3: Africa regional per capita GDP

Region	Per capita GDP 2006 (PPP)
World	\$10 000
Total Africa	\$2 789
Sub-Saharan Africa	\$2 202
SADC	\$4 911
The Franc Zone	\$2 148
East Africa	\$1 353
Central and West Africa	\$1 225
North Africa	\$5 528

Source: CIA World Fact Book – 2007

As seen in Table 3, Africa’s per Capita GDP is still far behind the world’s average which stood at \$10 000 in 2006. Only **North Africa** recorded the per Capita GDP above \$5 000, followed by **SADC** with \$4 911 whilst **Central and West Africa** region recorded the lowest per capita GDP of \$1 225. Per capita GDP for the African continent amounted to \$2 789. One of the major problems which has characterised most African countries is the inequality in income distribution and this has resulted in most countries having a few very wealthy citizens whilst the majority of the inhabitants lived below the poverty line. Table 4 indicates the Gini Index of five largest economies in Africa.

Table 4: Gini Index of 5 Largest Economies

Region	Gini Index (1998-2003)
South Africa	57,8
Egypt	34,4
Algeria	35,3
Nigeria	43,7
Morocco	39,5

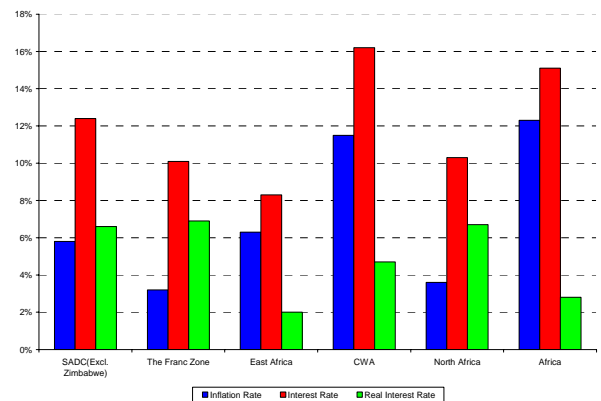
Source: UN, Human Development Report – 2006

Of the five countries, South Africa has the most skewed distribution of income which is mainly due to its apartheid history which resulted in isolation of the majority of citizens from economic participation. Egypt has the least

skewed income distribution whereas the African continent as a whole is still highly skewed, estimated at over 65 (UN: Human Development Report, 2006). Income distribution is a vital factor if poverty levels are to be reduced as it affects the rate at which economic growth converts to poverty reduction.

4. INFLATION AND INTEREST RATES

Figure 2: Africa Inflation & Interest, 2006

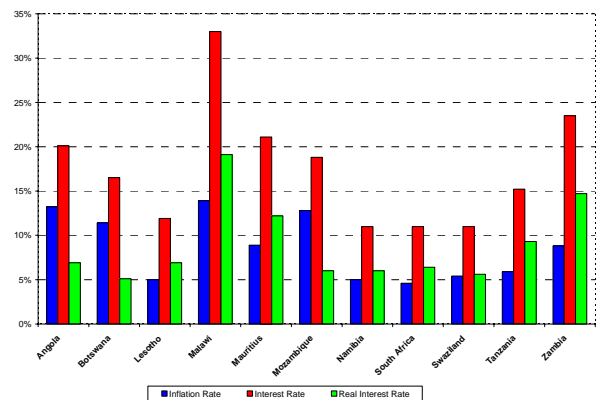


Source: The DTI, CIA World Fact Book, 2007

A soaring **inflation** rate in Zimbabwe continues to dampen the inflation outlook for the SADC region as well as the African continent as a whole. The weighted average inflation rate for the African continent was 12,3% in 2006, whereas excluding Zimbabwe, it was 6,1%. The SADC region recorded the highest weighted average inflation rate in the continent, coming to 36,6%, however, if Zimbabwe is excluded, the region’s weighted average inflation rate comes to just 5,8%. Rising food prices is the main factor that is pushing inflation rates up in most countries, which is a major concern for the African continent which has one of the highest poverty rates in the world. If food prices continue to rise at the current rate, it will

seriously affect food security within the continent as the majority of people will no longer be able to afford basic food requirements. Inflation rates in most African countries have been stabilising over the past few years, with two regions, East Africa and CWA (Central and West Africa) recording declines in weighted average inflation rates from 10% and 15% in 2005 to 6,3% and 11,5% respectively, in 2006. The Franc zone recorded the lowest **regional** weighted inflation rate of 3,2% in 2006 followed by North Africa with 4,0%. Because of the positive correlation between the inflation rate and the **interest rate**, countries with high inflation rates are most likely to have high interest rates, and vice versa. Given high inflation rates in most African countries, interest rates are also relatively high, which dampens local investment prospects as borrowing money becomes more expensive. The weighted average interest rate for the African continent dropped from 15,5% in 2005 to 15,1% in 2006. The SADC region had the highest weighted average interest rate of 30,7% (12,4% excluding Zimbabwe) whilst East Africa recorded the lowest rate (8,3%). East Africa showed the highest drop in weighted average interest rate (by 5,2%) from 13,5% in 2005. The weighted average interest rate for the CWA, North Africa and the Franc Zone amounted to 16,2%; 10,3% and 10,1% respectively, in 2006, a decline by all regions from 17,8%; 10,5% and 11,0% respectively, in 2005. **Real interest rates**, which take the inflation rate into account, amounted to 5,3% for the African continent (excluding Zimbabwe) in 2006, whilst it came down to 2,8% including Zimbabwe.

Figure 3: SADC Inflation & Interest, 2006

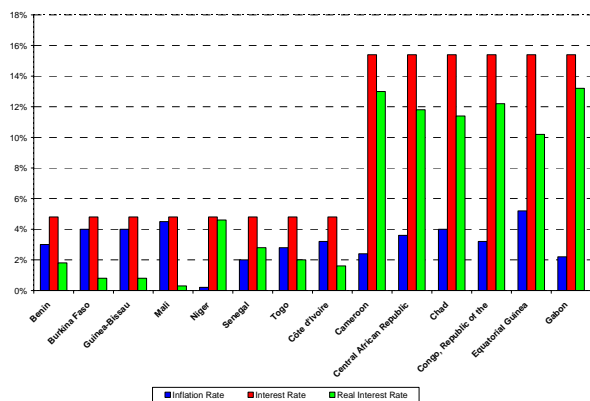


Source: The DTI, CIA World Fact Book, 2007

Many countries within the SADC region recorded single digit inflation rates in 2006 except for Angola (13,2%), Botswana (11,4%), Malawi (13,9%), Mozambique (12,8%) and Zimbabwe (976,4%). The ongoing economic and political crisis in Zimbabwe continues to detrimentally affect the SADC economic outlook. The official annual inflation rate in Zimbabwe rose from 32% in 1998, to 133% in 2004, 585% in 2005 and approached 1000% in 2006, although private sector estimates put the figure much higher (*CIA World Fact Book, 2007*). The introduction of a tighter monetary policy in Zambia seems to be paying off as the inflation rate declined from 19% in 2004 to just 8,8% in 2006. After reaching the single digit category in 2005, the inflation rate in Mozambique rose to 12,8% in 2006, mainly due to rising food costs in the country. Inflation in Botswana also increased from 8,3% in 2005 to 11,4% in 2006. Angola continues to reap the benefits of its macroeconomic policy in which the central bank, in 2003, implemented an exchange rate stabilization program using foreign exchange reserves to buy kwanzas out of circulation. Consequently, consumer inflation declined from 325% in 2000 to 43% in 2004, to 17,7% in

2005 and further to 13,2% in 2006. Food shortages and subsequent high food prices continue to be the main factor driving up the inflation rate in a number of African countries. Lesotho (5%) and Namibia (5%) recorded the lowest inflation rate in the region, followed by South Africa (4,6%), Swaziland (5,4%) and Tanzania (5,9%). Namibia (11%), South Africa (11%) and Swaziland (11%) recorded the lowest **interest rates** in 2006 whilst Zimbabwe had the highest rate of 577,1%. All SADC countries showed positive **real interest rates**, except for Zimbabwe, given its very high inflation rate, which recorded a very negative real interest rate, an indication of an economy in recession.

Figure 4: Franc Zone Inflation & Interest, 2006

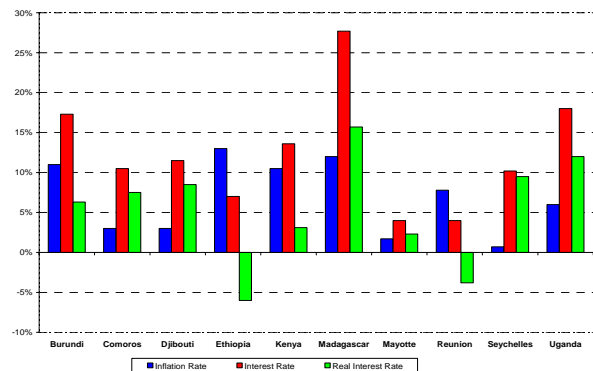


Source: The DTI, CIA World Fact Book, 2007

The **Franc Zone** region recorded the African continent's lowest weighted average **inflation** rate of 3,2% in 2006, a drop from 5,2% in 2005. All countries within this region had single-digit inflation rates in 2006. Niger – one of the poorest countries in the world, ranking last on the United Nations Development Fund index of human development – recorded the lowest inflation rate (0,2%) in the Franc Zone region.

Nearly half of Niger's government's budget is derived from foreign donor resources and in December 2005, Niger received 100% multilateral debt relief from the IMF, which translates into the forgiveness of approximately US \$86 million in debts to the IMF (*CIA World Fact Book, 2007*). The highest inflation rate of 5,2% was recorded by Equatorial Guinea, an increase from 5,0% in 2005. Subsistence farming dominates in most countries within this region, which is one of the factors contributing towards low inflation rates as they are cushioned from high food prices in the absence of food shortages. Countries within the Franc zone are either members of the West African Monetary Union (WAMU) or the Economic Community of West African States (ECOWAS). Countries belonging to each of these associations have a similar interest rate. The **interest rates** for countries belonging to WAMU declined from 18% in 2005 to 15,4% in 2006, whilst for ECOWAS states, the interest rate dropped from 4,9% in 2005 to 4,8% in 2006. All countries within the region recorded a positive **real interest rate**.

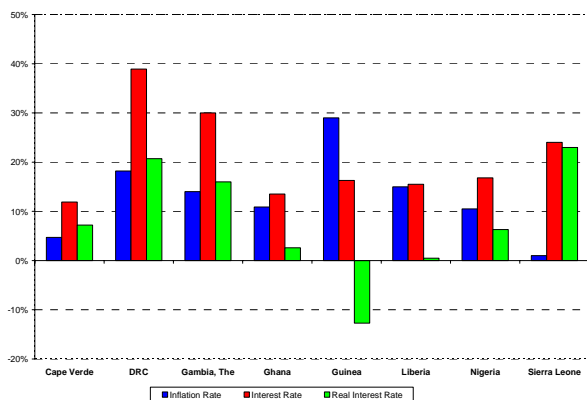
Figure 5: East Africa Inflation & Interest, 2006



Source: The DTI, CIA World Fact Book, 2007

The weighted average **inflation rate** in the **East Africa** region decreased from 10% in 2005 to 6,3% in 2006. Inflation in most countries within this region fell in 2006, supported by better harvests following sharp increases in 2005 due to poor harvests as a result of drought which pushed food prices up. However, some countries such as Ethiopia (13% in 2006 from 6% in 2005), recorded sharp increases in inflation rate. Ethiopia's poverty-stricken economy is based on agriculture, accounting for almost half of GDP, 60% of exports, and 80% of total employment (*CIA World Fact Book, 2007*). Ethiopia had the highest inflation rate in 2006 whilst the Seychelles had the lowest rate of 0,7% from 4,4% in 2005. Madagascar continues to have the highest **interest rate** in the region, recorded at 27,7% in 2006, up from 35,5% in 2005. Mayotte (4%) and Reunion (4%) had the lowest interest rates in 2006, a drop from 7% for both countries in 2005. Ethiopia and Reunion showed negative **real interest rates**, whilst all other countries within the region had positive real interest rates.

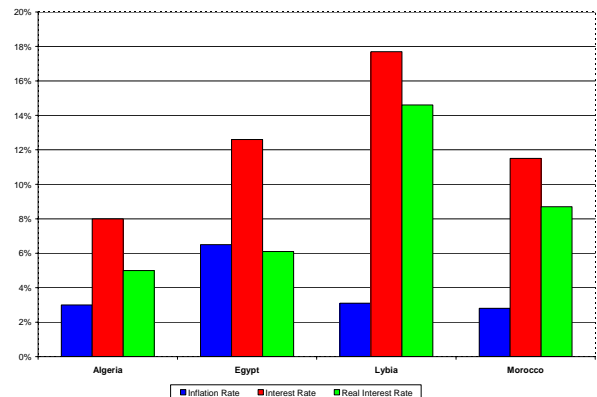
Figure 6: Central and West Africa Inflation & Interest, 2006



Source: *The DTI, CIA World Fact Book, 2007*

The weighted average inflation rate for **Central and West Africa** dropped from 15% in 2005 to 11,5% in 2006 although countries within this region have some of the highest inflation rates in the African continent. The significant drop in the region's weighted average inflation rate was mainly due to decreases in some of the largest economies within the region, Ghana (10,9% in 2006 from 15% in 2005) and Nigeria (10,5% from 15,6%). The DRC recorded the highest increase in the inflation rate, from 9% in 2005 to 18,2% in 2006. The inflation rate in Guinea (highest in the region and second highest in the continent) rose from 25% in 2005 to 29% in 2006. Sierra Leone (1%) still has the lowest inflation rate within this region. The DRC had the highest **interest rate** of 38,9% in 2006, up from 30,6% in 2005. The lowest interest rate of 11,9% was recorded by Cape Verde. All countries within the region, except Guinea, recorded positive **real interest rates**.

Figure 7: North Africa Inflation & Interest, 2006



Source: *The DTI, CIA World Fact Book, 2007*

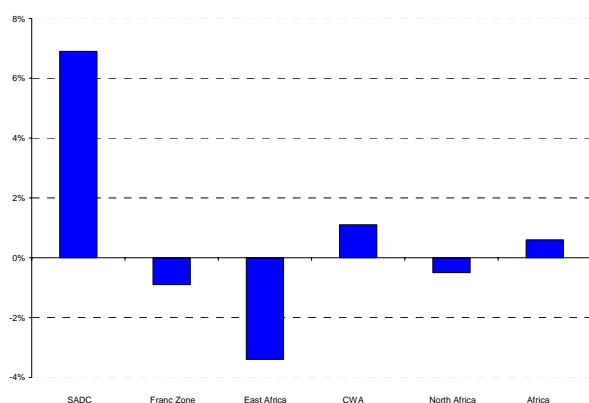
All countries within the **North Africa** region had single-digit inflation rates in 2006. Libya, after experiencing a deflation of -1% in 2005, recorded an inflation rate of 3,1% in 2006. Cli-

matic conditions and poor soils severely limit agricultural output, and Libya imports about 75% of its food, with the oil sector predominating in the economy. The region's highest inflation rate of 6,5% was recorded by Egypt, an increase from 4,3% in 2005. Libya recorded the highest **interest rate** of 17,7% whereas Algeria (8%) had the lowest interest rate. All countries showed positive **real interest rates**.

5. EXCHANGE RATES

The **exchange rate** in most countries remains one of the most volatile variables in the economy as its value can be influenced by numerous economic or political factors. Basically, any internal or external factor that impacts on the confidence in the national currency can affect the exchange rate either positively or negatively. Most African countries faced appreciation risks in 2006, in particular the surge in oil revenues and the high inflows of aid which put pressure on national currencies causing them to appreciate.

Figure 8: Exchange rates, % change to US\$ 2006



Source: CIA World Fact Book, 2007

However, many currencies managed to remain stable partly attributable to appropriate market interventions by monetary authorities. The weighted average currency for the African continent depreciated by 0,6% in 2006. Currencies for most countries within the **SADC** region depreciated except for Zambia and Angola whose currencies appreciated by 19% and 9%, respectively, as compared to 2005. The significant appreciation of the Zambian kwacha was due to high copper exports and growing investor confidence, especially following the country's qualification for debt relief. The South African rand – which plays a major role in determining the region's weighted average currency – weakened by about 12,5% against the dollar 2006, mainly due to emerging market jitters in May 2006 in which the rand was particularly hit. Zimbabwe's currency also continued its downward spiral due to ongoing economic and political instability in the country. The **Central and West Africa (CWA)** is the only other region in the African continent which recorded depreciation (1%) in the weighted average currency in 2006. This was mainly due to the sharp depreciation (by 47%) of the Guinea franc as the prices for basic necessities such as food and fuel rose beyond the reach of most Guineans. Dissatisfaction with economic conditions in Guinea prompted nationwide strikes in February and June 2006. Most of the other currencies within CWA remained fairly stable in 2006. Supported by continued relatively low inflation and interest rates in the **Franc Zone** region, the African franc (common currency used by all countries in the region) appreciated by 0,9% in 2006. Currencies of all countries in **North Africa**

remained fairly stable with the weighted average currency for the region appreciating by 0,5% against the US dollar in 2006. **East Africa** recorded the strongest performance against the US dollar, with the weighted average currency for the region appreciating by 3,4% in 2006. Notably, the Sudanese dinars appreciated the most (by 10,8%) mainly supported by increased oil production and expanded export processing zones, coupled with anticipation of the new currency (the Sudan pound) to be introduced early 2007 at an exchange rate of \$1 equal to 2 Sudanese pounds.

6. DEMOGRAPHICS

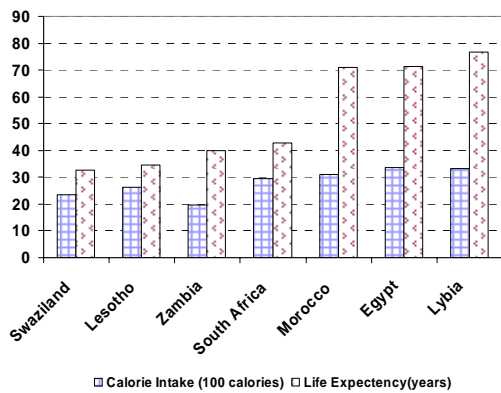
Africa covers about one fifth of the total world surface, but it is a home to only 12% of the world population. In 2006 the **African population** was estimated at 935,2 million (*Central Intelligence Agency, 2007*). The continent has an average population growth rate of 2,08% per year. Nigeria has the highest number of inhabitants with 135 million trailed by Egypt having 80,3 million, and Ethiopia with 76,5 million while the Democratic Republic of Congo (DRC) and South Africa are inhabited by 65,7 and 43,9 million people respectively. **Region-**

ally Central and West Africa is the most populous with 248,5 million citizens, followed by the East Africa region with 237 million inhabitants. North Africa, the South African Development Community (SADC) and the Franc Zone are populated by 164, 162 and 123 million citizens respectively. The African population is predominantly rural, only one fifth of the population is found in urban areas. The Sub Saharan region, which is the biggest in Africa, has the world's largest concentration of refugees due to civil war induced displacements. The above situation present challenges with respect to food security as Africans strongly rely on land for their nutritional and economic survival. Persistent drought and famine only serve to exacerbate unstable food supply. High fertility rates in the continent tend to be neutralized by high infant mortality rates. A study by the World Health Organisation (WHO) in 2006, reported that Sub Saharan Africa is the most dangerous place for a child to be born as 1,16 million babies die every year within a month of being born. Half of the deaths are concentrated in the following five countries; Nigeria, DRC, Ethiopia, Tanzania and Uganda, with Liberia reported to have the worst mortality rate in the world of 66 deaths per 1000 births.

Table 5: Africa Regional Population 2006

Region	Population (million) 2005	Population (million) 2006	Land Area Sq km (million)	Population Density 2005 (Persons/km ²)
World	6 525,2	6 602 224	148,9	43,8
Total Africa	904,8	935,2	30,1	31,1
Sub-Saharan Africa	743,4	771,2	24,1	32,8
SADC	164,0	162,3	6,9	23,5
The Franc Zone	117,9	123,1	6,4	19,2
East Africa	226,1	237,1	5,8	40,8
Central and West Africa	241,1	248,5	4,9	50,7
North Africa	161,4	164,1	6,0	27,35

Source: CIA World Fact book 2006: Africa Development Bank 2006

Figure 9: Calorie Intake and Life Expectancy in North and Southern Africa

Source: CIA World Fact Book, 2007

The above countries are responsible for 50% of the population growth in the continent. The study observed that the rate of death among infants could be sharply reduced if basic cheap health facilities could be introduced in those countries. Of major concern to the population dynamic in Africa is the effect of **HIV and Aids** in human development. Although the continent forms the lowest proportion of the world population, it has the highest number of people infected with HIV/AIDS, at the same time the rate of access to antiretroviral therapy is the lowest. The above scenario is likely to present obstacles to achieving millennium development goals as they pertain to health and development. Skewed demographics as a result of Aids deaths constrain the effects of redistributive policies pursued by African governments. A disproportionate higher ratio of children to adults eliminates intergenerational transfers of wealth and breaks down the production chain which is necessary for economic development. Low calorie intake also magnifies the effects of the pandemic while reducing the effectiveness of Aids medication. Average calorie intake in Africa

increased generally from 2200 calories in 1975 to just above 2400 in 1995. A closer examination of the figures shows that growth has been unevenly distributed among regions. North Africa's calorie intake has grown from 2500 calories in the 70's to 3200 currently, while the Southern African region's intake has been decreasing during the same period. Inconsistent weather patterns, civil wars and political instability have been major reasons for the trend.

7. AGRICULTURAL PRODUCTION

Agricultural output for Africa and the Sub Saharan region in 2006 was \$454 billion and \$351 billion respectively. The central and West African sub region had the highest agricultural output of \$108 billion, followed by North Africa producing commodities valued at \$102 billion. East Africa, Franco Zone and the SADC production stood at \$114, \$64 and \$65 billion respectively. When using productivity per capita to rank performance, East Africa is more productive than the SADC with a per capita agricultural production of \$4 800 compared to \$4 000 for the SADC. Maize is regarded as a staple food, which is mainly used for human consumption across the Sub Saharan Africa. Between 2004 and 2005 maize production increased by 11% from 29,6 million to 33 million tons. South Africa and Egypt accounts for 58% of commercial maize produced on the continent (*United States Department of Agriculture, 2006*). Sugar cane production in the continent improved by 4% in 2005 to reach 48,8 million tons from 46,8 million tons. Sugar cane produc-

tion is heavily dominated by South Africa and Egypt as they collectively produce 78% of total sugar cane output.

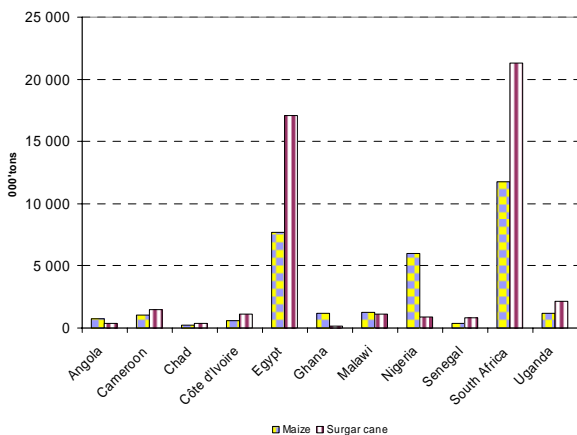
Figure 10: Output of Main Agricultural Produce in Africa 2004-2005



Source: USDA, 2006

Factoring in Uganda and Malawi, the four countries yield 85% of the total continental output.

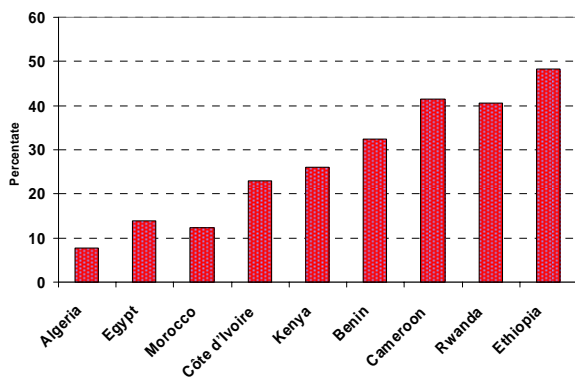
Figure 11: Maize and Sugar Cane Production for Selected African Countries, 2005



Source: USDA, 2006

Cocoa bean production fell by 7% between 2004 and 2005 from 2,7 million to 2,5 million tons, the decline is explained by unrest in the Ivory Coast, as the country produces more than half of the African cocoa output. During the period cocoa bean output in the Ivory

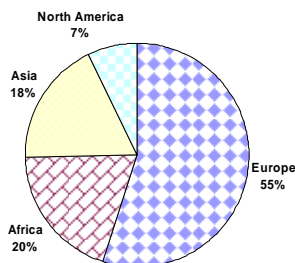
Coast fell by 8%. Ghana and the Ivory Coast produces about 74% of cocoa bean output therefore production disturbance in one of the countries is likely to have a major impact on the regional output. Good harvests from **Southern** and **Western African** countries improved food security in 2006, however in **East Africa** floods and disease outbreaks left the sub region with sharply reduced food supplies. Furthermore Chad and the Central African Republic (CAR) were negatively affected by conflict and refugee movements. Food production on the continent is also constrained by land degradation. Rainfall variability and long term droughts have been identified as the main drivers of land degradation resulting in reduced agricultural productivity and the deteriorating food security situation. The effect on the **Southern African** region is more acute as political instability in Zimbabwe and inconsistent weather patterns continue to threaten regional self sufficiency. **Agricultural share** of GDP for about half of African countries exceeds 20%, with countries like CAR and Guinea-Bissau having about 60% of their GDP explained by agriculture. The above phenomenon is worrying as it implies a low level of economic development in the respective countries (as the GDP share of agriculture is negatively related to economic development).

Figure 12: Agricultural Proportion of GDP for Selected African Countries 2006

Source: EIU, 2007

Agriculture accounts for about 17% of the **Sub Saharan** GDP, and 40% of exports. In such a context agricultural activity can serve as a catalyst to rural development and assist in poverty reduction, thus leading to sustainable economic development.

8. AGRICULTURAL TRADE

Figure 13: Exports from African Countries, 2005

Source: WTO, *International Trade Statistic*, 2007

Africa's **agricultural exports** are concentrated on the four main commodities i.e. **coffee, tea, raw sugar cane** and **cocoa**. In 2005 Africa exported agricultural commodities to a value of \$32 billion, the share of agricultural products to the total value of exports from the continent

was 10,9%. About 47% of African agricultural exports were sold to Europe while Asia, Africa (*intercontinental trade*) and North America imported 18,2%, 18,7% and 5% respectively. Between 2000 and 2005 agricultural exports between Europe and Africa and exports within Africa rose by 9%, while exports to North America surged by 16%. Between 2004 and 2005 agricultural exports to North America maintained a double digit advance of 11%, while export growth among African countries during the same period was zero. This pattern reveals producer's preference for foreign markets as more revenues can be expected from higher overseas prices, with favorable exchange rate movements further promoting export trade at the expense of domestic markets. Africa exported agricultural commodities to the EU valued at \$9,9 billion, which constituted 9,4% of total exports. Between 2004 and 2005, exports to the EU expanded by only 2%, while food exports constituted about 90% of total agricultural exports. On the other hand agricultural imports from the EU were worth \$17,1 billion constituting 13,3% of total EU imports by the continent and food constituted 75% of total agricultural imports from the EU. Over 90% of Africa's agricultural exports are non processed farm goods, which is direct contrast to the trend in developed countries where processed agricultural produce is exported. A low level of intra continental trade is another evident pattern in African trade. A high level of protectionism between countries and a lack of logistic infrastructure is responsible for the practice. It must be noted that land locked countries tend to trade a significant proportion of their

agricultural produce amongst themselves, as opposed to coastal countries.

9. MAIN EXTERNAL PROBLEMS AFFECTING AGRICULTURE

Africa is the world's poorest and least developed continent, it is already facing cycles of floods, drought and crop failures. The threat of **global warming** can hamper efforts aimed at addressing underdevelopment and poverty. The effects of global warming are already evident in some parts of the continent. Competition for scarce resources by tribally and religiously divided communities as evidenced in Sudan and Nigeria are underlined by the desire to access and control natural resources especially land. The effects of climate change may give impetus to the above trend, as more land becomes unproductive. Rising sea levels also have a potential to threaten coastal cities which serve as economic hubs for their respective countries. The move away from fossils to **bio fuels** carries opportunities and threats for the continent, while the cultivation of biomass crops can assist in combating soil erosion and create income for the rural poor, such benefits must be weighed against cost of the technology. The industrial use of crops should not increase the opportunity cost of basic foods, as high prices for necessities will not contribute to poverty reduction and economic development. Cultivation of bio mass crops has a huge land requirement, in a continent with a shortage of arable land, allocation of land for such a purpose should be done in an economically and socially sustainable manner. **Trade liberalisation** in the developed countries

should be coupled with similar changes in some of the influential developing countries. Most of the future demand growth for agricultural produce will come from countries like China and India which are growing at a rapid rate. The continent should also deal with the issue of exporting raw products, this practice limit gains that can be derived from world trade. Exporting value added agricultural goods which enjoy growing demand in foreign markets, has a positive and a diversifying effect on revenue. African countries have a tendency of depending on a single commodity for exports. Lack of diversification in the range of goods traded results in a disproportionate effect on the country's economy, in the event of adverse weather conditions or price movements. The above concerns raise the possibility that the continent might not be able to take full advantage of market liberalization by the North, when it eventually materializes. In the first half of 2006, Cape Verde, Uganda and Benin held both presidential and parliamentary **elections**. The second half of the year saw Sao Tome, Zambia and the DRC going to the polls. The DRC poll was accompanied by unrest and logistical problems, nevertheless the polls were judged to be credible. The holding of regular elections in the continent is becoming a norm in most countries, which augurs well for the deepening of democracy.

Table 6: Elections in Africa, 2006

Country	Date	Won By:
Benin	March	Tomas Yayiboni
Cape Verde	January	Pedro Pires
DRC	October	Lauren Kabila
Zambia	September	Levy Mwanawasa

Source: *CIA World Fact Book, 2007*

The declining trend in wars and conflicts has been evident in the Sub Saharan since the beginning of the 21st century, this bodes well for investments as stability act as a magnet for foreign capital. Chinese investment in the region is growing at an exponential rate, as the future economic power house attempt to service its rapidly expanding economy. This trend will reduce the region's exposure to the performance of a single economic block, as diversified trade ensure stable revenues streams in the long run. Frequently rising inflation and falling living standards in Zimbabwe continues to be a source of instability in the country. Further deterioration in the unrest situation is likely to have negative social and economic implications for all SADC member countries.

10. CONCLUSION

Although more and more African countries are **stabilizing** politically and economically, there is still evidence of lack of progress and deterioration in some few countries. The continents economy is growing at a healthy rate, with initiatives like debt cancellation and fiscal discipline creating a solid foundation for future growth. More policy effort in dealing with **income distribution** issues is required, as to ensure that prosperity is shared equitably between rural and urban citizens. There is a need

for a proactive programme to deal with diseases, global warming and poverty. Competition over scarce land resources requires strong public institutions to ensure fair access and prevent conflicts. The continent can only participate fully in a globalised economy if it has human and financial capital, the development of the former is more critical, as it can also assist Africans to utilize their agricultural resources efficiently

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ANNEXURE

Country, 2006 values	Population (2006 est.)	Land Size (Sq km)	GDP billion	Economic Growth	Inflation Rate	Interest rate	Calorie consumption /person /day
Algeria	33 494 000	2 381 740	\$114,32	2,7%	2,5%	8,0%	3055
Angola	15 864 000	1 246 700	\$43,76	15,3%	13,3%	20,1%	2089
Benin	7 612 000	110 620	\$4,76	4,1%	3,8%	4,8%	2574
Botswana	1 574 000	583 370	\$10,81	4,2%	11,3%	16,5%	2196
Burkina Faso	13 418 000	273 800	\$6,06	6,4%	2,4%	4,8%	2516
Burundi	7 641 000	25 650	\$0,91	5,1%	2,8%	17,3%	1647
Cameroon	18 341 000	469 440	\$18,37	3,5%	5,3%	15,4%	2286
Cape Verde	485 000	4 033	\$1,15	5,8%	4,9%	11,9%	3216
Central African Rep	4 186 000	622 984	\$1,49	3,5%	5,1%	15,4%	1932
Chad	9 261 000	1 259 200	\$6,55	1,3%	7,9%	15,4%	2147
Comoros	626 000	2 170	\$0,40	1,2%	3,4%	10,5%	1760
Congo, DR	59 275 000	2 267 600	\$8,54	5,1%	13,2%	38,9%	1606
Congo, Rep of the	3 447 000	341 500	\$7,40	6,4%	4,0%	15,4%	2183
Côte d'Ivoire	3 447 000	318 000	\$7,40	6,4%	4,0%	4,8%	2644
Djibouti	747 000	22 980	\$0,77	4,5%	3,6%	11,5%	2239
Egypt	72 131 000	995 450	\$107,38	6,8%	4,2%	12,6%	3356
Equatorial Guinea	1 171 000	28 051	\$9,14	1,0%	4,6%	15,4%	
Eritrea	4 747 000	121 320	\$1,16	2,0%	17,3%		1520
Ethiopia	75 071 000	1 119 683	\$13,32	10,6%	12,3%	7,0%	1858
Gabon	1 398 000	267 667	\$9,12	1,0%	4,0%	15,4%	2671
Gambia, The	1 558 000	10 000	\$0,51	6,5%	1,5%	30,0%	2288
Ghana	21 423 000	239 460	\$12,89	6,2%	10,9%	13,5%	2680
Guinea	9 555 000	245 857	\$3,32	2,8%	33,9%	16,3%	2447
Guinea-Bissau	1 634 000	36 120	\$0,31	2,7%	1,9%	4,8%	2051
Kenya	34 046 000	582 650	\$23,19	6,0%	14,1%	13,6%	2155
Lesotho	2 407 000	30 335	\$1,63	5,6%	6,1%	11,9%	2626
Liberia	3 362 000	111 370	\$0,62	9,7%	7,2%	15,5%	1930
Libya	5 970 000	1 759 540	\$50,33	5,6%	3,4%		3337
Madagascar	18 370 000	587 040	\$5,49	4,7%	10,8%	27,7%	2056
Malawi	13 122 000	118 480	\$2,24	8,5%	9,0%	33,0%	2125
Mali	12 766 000	1 240 000	\$6,19	4,6%	1,9%	4,8%	2237
Mauritania	2 892 000	1 030 700	\$2,66	11,7%	6,2%		2786
Mauritius	1 248 000	2 040	\$6,40	3,7%	5,1%	21,1%	2970
Mayotte	208 783	374	\$0,23	0,0%	1,7%	4,0%	
Morocco	30 436 000	446 550	\$57,41	7,3%	3,3%	11,5%	3098
Mozambique	20 041 000	801 590	\$7,30	8,5%	13,2%	18,8%	2082
Namibia	2 048 000	825 418	\$6,32	4,6%	5,1%	11,0%	2290
Niger	12 949 000	1 267 000	\$3,55	3,4%	0,1%	4,8%	2170
Nigeria	149 877 000	923 768	\$115,35	5,3%	8,3%	16,8%	2714
Reunion	787 584	2 507	\$2,40	0,0%	1,7%	5,5%	
Rwanda	9 200 000	24 948	\$2,40	4,2%	5,5%		2071
São Tomé & Príncipe	167 000	1 001	\$0,08	8,0%	21,4%		2468
Senegal	11 938 000	192 000	\$9,24	3,3%	2,1%	4,8%	2374
Seychelles	83 000	455	\$0,75	4,5%	-0,5%	10,2%	2484
Sierra Leone	5 592 000	71 620	\$1,42	7,4%	9,5%	24,0%	1943
Somalia	9 118 773	627 337	\$2,40	0,0%			
South Africa	47 391 000	1 219 912	\$255,16	5,0%	4,7%	11,0%	2962
Sudan	36 218 000	2 505 810	\$37,56	12,2%	7,2%		2260
Swaziland	1 146 000	17 203	\$2,64	2,1%	5,1%	11,0%	2343
Tanzania	38 200 000	886 037	\$12,79	5,9%	5,8%	15,2%	1959
Togo	6 310 000	54 385	\$2,21	1,8%	2,7%	4,8%	2358
Tunisia	10 268 000	155 360	\$30,62	5,3%	4,5%		3247
Uganda	29 854 000	199 710	\$9,44	5,4%	6,6%	18,0%	2360
Western Sahara	382 617	266 000	\$0,90	0,0%			
Zambia	11 873 000	740 724	\$10,94	6,0%	9,1%	23,5%	1975
Zimbabwe	11 732 000	386 670	\$5,54	-4,8%	1016,7%	577,1%	2004