

CONTENTS

1.	INTRODUCTION	4
2.	GROSS DOMESTIC PRODUCT	5
3.	PER CAPITA GDP.....	6
4.	INFLATION and INTEREST RATES.....	7
5.	EXCHANGE RATES	10
6.	DEMOGRAPHICS	11
7.	AGRICULTURAL PRODUCTION.....	12
8.	AGRICULTURAL TRADE	14
9.	MAIN EXTERNAL PROBLEMS AFFECTING AGRICULTURE.....	15
10.	CONCLUSION.....	16
11.	BIBLIOGRAPHY	17

LIST OF TABLES

Table 1: Africa’s Ten Largest Economies (ATLE) – 2007	4
Table 2: Africa GDP (in Purchasing Power Parity in \$ billion).....	6
Table 3: Africa regional per capita GDP.....	7
Table 4: Africa Regional Population	11
Table 5: Elections in Africa, 2007.....	16

LIST OF FIGURES

Figure 1: Africa and World GDP growth.....	5
Figure 2: Best Performing Net Oil Exporters, 2007.....	5
Figure 3: Africa GDP vs Net Oil Exporters.....	5
Figure 4: Progress towards MDGs.....	6
Figure 5: Africa Inflation & Interest rates, 2007	7
Figure 6: SADC Inflation & Interest rates, 2007.....	8
Figure 7: Franc Zone Inflation & Interest rates, 2007.....	9
Figure 8: East Africa Inflation & Interest rates, 2007.....	9
Figure 9: Central and West Africa Inflation & Interest rates, 2007	9
Figure 10: North Africa Inflation & Interest Rates, 2007.....	10
Figure 11: Exchange rate % change to US\$, 2007.....	10
Figure 12: GDP per Capita (PPP) and Life Expectancy in North and Southern Africa.....	12
Figure 13: Share of Agriculture Output for Selected African Countries	13
Figure 14: Total Production of Selected Agriculture Commodities in Africa.....	13
Figure 15: Agricultural Proportion of GDP for Selected African Countries, 2007	13
Figure 16: Africa’s Major Trading Partners, 2007.....	14

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 D. du Toit

Acting Director: Production and Resource Economics

February 2008

Pretoria

Compiled by Economic Research Unit
In consultation with the acting Director

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

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

Tel: +27 (12) 319 8457

Fax: +27 (12) 319 8093

e-mail: pa.dpre@nda.agric.za

This publication is also available on the Internet at: /www.nda.agric.za/publications

1. INTRODUCTION

Africa's GDP growth rate averaged 5% in the past five years – its highest five-year average on record (IMF, October 2007). GDP growth for the continent is expected to increase slightly to 5,7% in 2007, picking up significantly to 6,5% in 2008 supported by strong external demand for oil and non-oil minerals; increased investment in these sectors as well as good weather conditions for agriculture in most African countries. However, for the African continent to be able to achieve the Millenium Development Goal (MDG) of halving the proportion of people living in extreme poverty by 2015, economic growth needs to be accelerated and sustained to the level of 7% and 8%. The modest increase expected for 2007 is mainly due to a global slowdown which has an impact on African countries through declining demand for African commodity exports as well as through tighter financial constraints. Most African countries remain highly dependant on rain-fed agriculture and commodity exports, which make economic

management difficult as agriculture is subject to periodic drought while the prices of commodity exports can fluctuate substantially over short periods of time (Economist Intelligence Unit, December 2007). However, the continuation of sound macroeconomic policies in most of the countries has increased business confidence leading to a pickup in private investments generally. African countries need to put in place policies that will help increase the continent's share of World GDP. Africa's GDP (PPP) as a percentage of world GDP has been relatively flat in the past four years – at 3,3% in 2004 and 2005, increasing slightly to 3,4% in 2006 and 2007. Some of the key challenges which most African countries continue to face are poor infrastructure, political instability and poverty, however, various debt write-offs have resulted in significant changes in the continent's economic profile. Another challenge which is becoming a serious threat to the livelihoods of most Africans – who rely heavily on agriculture for survival – is climate change. Signs of changing climate in Africa – which include spreading diseases, warming temperatures in

Table 1: Africa's Ten Largest Economies (ATLE) – 2007

Country	GDP(PPP) \$ (Billions)	Population (Millions)	Real GDP Growth Rate (%)	Country Weight in Total African GDP (%)
South Africa	467,60	47,8	5,0	18,1
Egypt	431,90	80,3	7,2	16,7
Nigeria	294,80	135,0	6,1	11,4
Algeria	268,90	33,3	4,6	10,4
Morocco	127,00	33,7	2,1	4,9
Sudan	107,80	39,4	12,8	4,2
Angola	80,95	12,3	16,3	3,1
Libya	78,79	6,0	5,4	3,0
Tunisia	77,16	10,3	6,3	3,0
Kenya	57,65	36,9	6,3	2,2
Total ATLE	1992,6	478,6		77

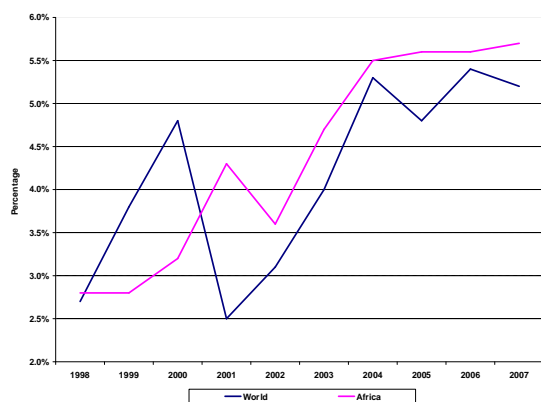
Source: CIA World Fact Book, 2007; IMF World Economic Outlook, October 2007

drought-prone areas, severe floods and rising sea-levels – are already being reported. This publication looks at various macroeconomic indicators for the African continent in order to outline economic progress within the continent during 2007.

2. GROSS DOMESTIC PRODUCT

Africa enjoyed another relatively strong year in 2007 with real GDP growth estimated at 5,7% - though the increase was modest due to the global economic slowdown. The continent has been performing well in recent years with high commodity prices boosting export earnings as well as promoting foreign direct investment into the region. The good performance in the region is mainly due to the rapid rise in oil production in several oil-producing countries such as Angola, Equatorial Guinea and Nigeria while global oil prices escalate sharply. Policy reforms in most African States, generous debt write-offs and rising foreign direct investments in the region have also played a significant role.

Figure 1: Africa and World GDP growth

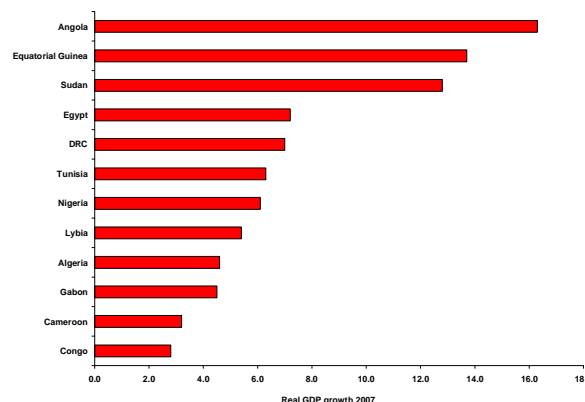


Source: IMF WEO database, October 2007

As seen in figure 1, Africa's GDP growth has

been increasing steadily since 2002 and the growth rate has remained above the world growth rate for the past seven years. Economic expansion looks set to continue within the continent although the slowing global economy could threaten the outlook in some countries.

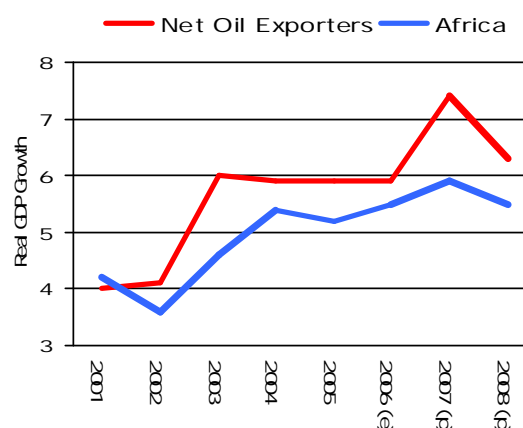
Figure 2: Best performing net oil exporters 2007



Source: African Economic Outlook, 2007

Angola is currently reaping the benefits of high oil prices, recording the highest GDP growth of 16,3% followed by Equatorial Guinea (13,7%) and Sudan (12,8%). Net-oil exporters across the board enjoyed high growth rates averaging 6,8% while net-oil importers recorded an average growth rate of 5,2% (African Economic Outlook, 2007).

Figure 3: Africa GDP vs Net Oil Exporters



Source: African Economic Outlook, 2007

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

REGION	2003	2004	2005	2006	2007
World	\$52 797	\$57 073	\$61 711	\$67 062	\$72 338
Sub Sahara Africa	\$1 353	\$1 459	\$1 595	\$1 737	\$1 888
Africa	\$1 752	\$1 910	\$2 079	\$2 263	\$2 451
Africa Growth*	4,6%	5,5%	5,6%	5,6%	5,7%

Sources: IMF.org, 2007

*Constant prices, not PPP

Almost all African countries recorded positive economic growth in 2007, with the exception of the three countries that recorded negative economic growth, namely; Zimbabwe (-5,7%), Chad (-1,3%) and Comoros (-1,05). South Africa remains the continent's largest economy, contributing 18,1% to the continent's GDP in 2007, albeit less than 22,6% contributed in 2006. Egypt – the second largest economy – contributed 16,7% to Africa's GDP, an increase from 12,9% in 2006. Angola and Kenya replaced Ghana and Ethiopia in Africa's Ten Largest Economies (ATLEs) in 2007. Angola's increased oil production supported its economic growth averaging more than 15% per year from 2004 to 2007. A post-war reconstruction boom and resettlement of displaced persons has also led to high growth rates in construction and agriculture within the country. Kenya's economy is also benefiting from lending by international financial institutions and donors, though corruption in the country is still a major concern. The total contribution of ATLEs to the continent's GDP increased to 77% in 2007 from 73,9% in 2006 and the economic activities in the continent are mainly driven by these countries. Of the five regions in Africa, North Africa remains the strongest region with real GDP (PPP) amounting to \$983,75 in 2007. Egypt and Tunisia contributed 7,2% and 6,3% respectively to the region's GDP. Morocco recorded economic growth of 2,1%, the lowest

in the region. SADC is the second strongest region in terms of economic output and is expected to record a growth rate of 6,7% in 2007. The region's GDP (PPP) is estimated at \$700,7 billion, a slight drop from \$793,1 billion in 2006. Zimbabwe continues to weigh down the region's average economic growth, recording a negative economic growth of -5,7% in 2007. The Central and West Africa region is the third largest with GDP of \$372,4 billion followed by East Africa (\$303 billion). Growth in the Franco Zone remains the lowest in the continent and is expected to be 3,7% in 2007 increasing to 4,9% in 2008 before dropping to 4,4% in 2009. The region's GDP (PPP) amounted to \$231,10 in 2007. The poor economic performance of the region is due to economic problems and political instability in countries such as Cote d'Ivoire, Burundi, and Chad. However, countries like Equatorial Guinea showed significant improvement in this region, recording a GDP growth of 13,7% in 2007.

3. PER CAPITA GDP

Real GDP per capita is widely regarded as an indicator of participation by inhabitants of a country in the economic activities of that country. Countries with higher per capita GDP are associated with lower poverty levels as it

indicates higher income levels per person. As seen in Table 3, the African continent’s per capita GDP is still way behind the world average, indicating high poverty levels in most countries within the continent.

Table 3: Africa regional per capita GDP

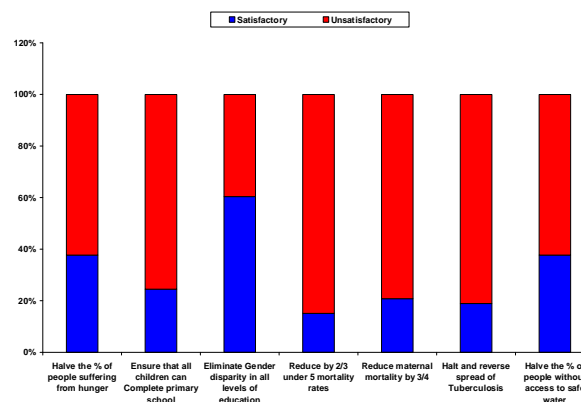
Region	Per capita GDP 2007 (PPP)
World	\$10 000
Total Africa	\$2 789
Sub-Saharan Africa	\$2 202
SADC	\$4 911
The Franc Zone	\$1 877
East Africa	\$1 282
Central and West Africa	\$1 498
North Africa	\$6 008

Source: CIA World Fact Book – 2007

North Africa remains the best performing region in terms of economic participation by citizens in economic activities, which also imply relatively lower poverty levels in that region. The SADC region is the second best, with all other regions still a long way behind the world average. To achieve the Millennium Development Goals (MDGs) by 2015, African countries need to improve economic participation of each citizen. Reports are already indicating that many countries will most likely not reach the poverty reduction goals, particularly those in Sub Saharan Africa where average poverty rates remain above 40%. Figure 4 illustrates the percentage of African countries whose progress towards achieving the MDGs is either satisfactory or unsatisfactory. As indicated, the millennium development goal which the largest percentage (60,4%) of African countries have shown satisfactory progress towards its achievement is the elimination of gender disparity in all levels

of education. Halving the percentage of people suffering from hunger and halving the percentage of people without access to safe water are both at second place with 37,7%. The goal with the least countries (15,1%) showing satisfactory progress is the reduction of under 5 mortality rates by 2/3.

Figure 4: Progress towards MDGs

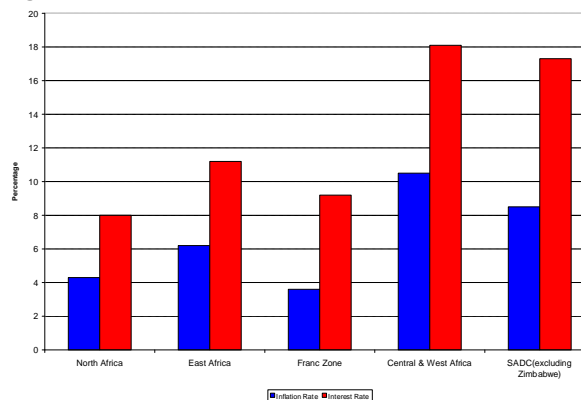


Source: African Economic Outlook, 2007

Economic growth is vital for development as countries which grow ultimately reduce poverty, and there are already positive reports of a decline in the number of people living on less than \$1 a day in Sub Saharan Africa.

4. INFLATION AND INTEREST RATES

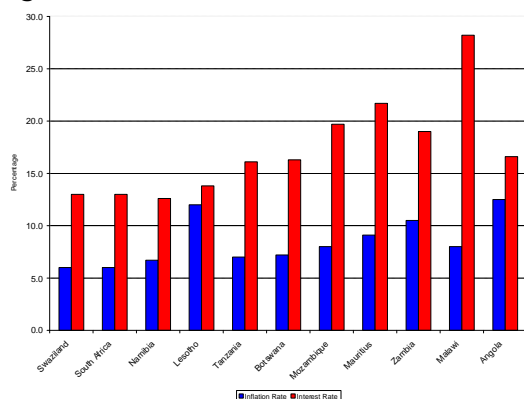
Figure 5: Africa Inflation & Interest, 2007



Source: The DTI, CIA World Fact Book, 2007

Regardless of good performance in Real GDP growth Inflation in Africa is expected to continue to rise in 2008 and will remain at high levels in most African countries in 2009. This is due to the impact of high oil prices in many countries around the world.

Figure 6: SADC Inflation & Interest, 2007



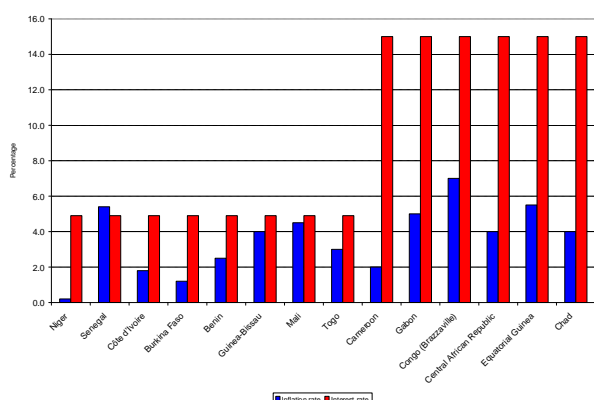
Source: The DTI, CIA World Fact Book, 2007

Of the five regions in Africa, SADC recorded the highest weighted average inflation rate of 513,8% in the continent (including Zimbabwe), however, with the exclusion of Zimbabwe the region's weighted average inflation rate was 8,5%. This clearly shows that the economic problems in Zimbabwe have a negative impact on the region as well as the whole continent. The government of Zimbabwe faces a wide variety of difficult economic challenges as it struggles with an unsustainable fiscal deficit, an overvalued official exchange rate, hyperinflation and shortage of goods and services. The inflation rate for the region is expected to drop slightly to 7,4% in 2008. South Africa and Swaziland are the only two countries with lowest inflation rate of 6,5% respectively in 2007, although South Africa's Inflation has remained above the Reserve Bank's target for nine months. With the exception of four

countries in the SADC region namely Angola, Lesotho, Zambia and Zimbabwe all other countries have recorded single digit inflation rates in 2007. Both Mozambique and Malawi managed to record a single digit inflation rate of 8,0% in 2007, from double digit inflation rates of 12,8% and 13,9% respectively in 2006. Malawi's economy is predominately agricultural, with about 85% of the population living in rural areas. Agriculture accounts for more than one-third of GDP and 90% of export revenues. The performance of the tobacco sector is vital to the short-term growth of that country as tobacco accounts for more than half of exports. Malawi's economy depends on substantial inflows of economic assistance from the IMF, the World Bank, and individual donor nations. In December 2007 the US granted Malawi eligibility status to receive financial support within the Millennium Challenge Corporation (MCC) initiative. Botswana also recorded an inflation rate of 7,2% in 2007 as compared to 11,4% in 2006. High inflation rate in most African countries result in high Interest rate because of a positive relationship between the two variables. Given high inflation rates in most African countries, interest rates are also relatively high and that has a negative effect in both domestic investment and lending rates. Once again the SADC region had the highest weighted average interest rate of 51,8% whereas with the exclusion of Zimbabwe it amounted to 17,3% in 2007. The weighted average interest rate for the Central and West Africa increased from 16,2% in 2006 to 18,1% in 2007. North Africa recorded the lowest rate of 8,0%, with the Franc Zone recording a decrease of 9,2%, from 10,1% in 2006. In the SADC region, the

Real interest rates, which take the inflation rate into consideration, amounted to 8,8% with Zimbabwe excluded.

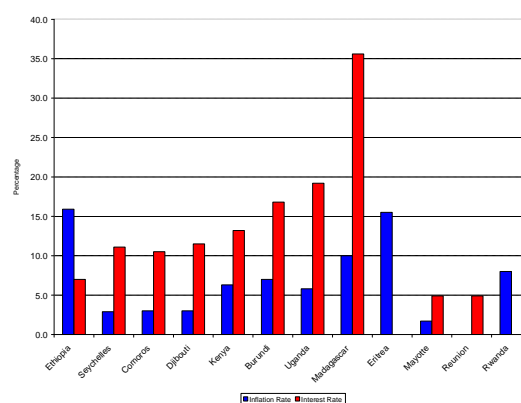
Figure 7: Franc Zone Inflation & Interest, 2007



Source: The DTI, CIA World Fact Book, 2007

The Franc Zone region continued to record the lowest weighted average inflation rate in the continent, coming to 3,6% in 2007, though higher than 3,2% recorded in 2006. All countries in this region recorded a single digit inflation rate with Congo recording the highest inflation rate of 7,0%. Niger – whose economy depends on subsistence farming, livestock and the world’s largest uranium deposit – recorded the lowest inflation rate of 0,2%. Niger’s economy has been undercut by drought cycles, desertification and a 2,9% population growth rate. (CIA World Fact Book, 2007). The interest rates remained high – at 15% in 2007 – for countries belonging to WAMU (namely, Cameroon, Central African Republic, Chad, Equatorial Guinea, Congo Republic and Gabon). The rest of the countries within the region, which are members of ECOWAS, recorded a lower interest rate of 4,9%.

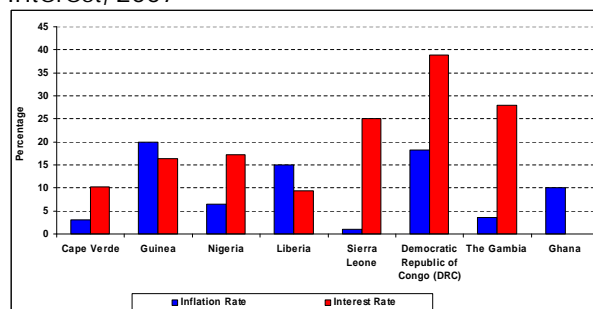
Figure 8: East Africa Inflation & Interest, 2007



Source: The DTI, CIA World Fact Book, 2007

The weighted average inflation rate in the East Africa region fell slightly to 6,2% in 2007 from 6,3% in 2006. Inflation in Ethiopia increased further from 13% in 2006 to 15,9% in 2007, the highest in the region. (CIA World Fact Book, 2007). All countries in this region recorded a single digit inflation rate except Eritrea, Ethiopia and Madagascar with inflation rates of 15,5%, 15,9% and 10,0% respectively in 2007. Madagascar continues to have the highest interest rate in the region, recorded at 35,6% in 2007, higher than the 27,7% rate in 2006.

Figure 9: Central and West Africa Inflation & Interest, 2007

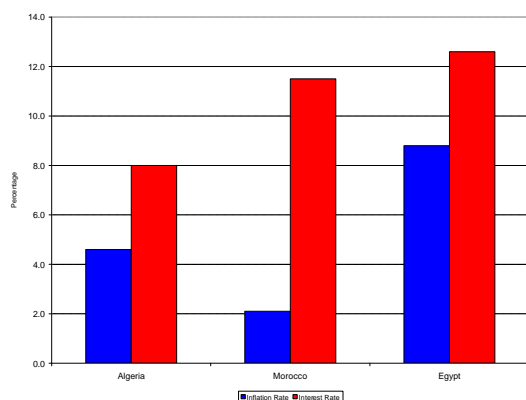


Source: The DTI, CIA World Fact Book, 2007

The weighted average inflation rate for Central and West Africa dropped further to 10,5% in 2007 from 11,5% in 2006. Half of the countries in this region have recorded double digit infla-

tion rates, with Guinea’s inflation rate at 20,0%, followed by DRC at 18,2% in 2007. Sierra leone maintained its lowest inflation rate of 1,0% in 2007. Sierra Leone’s economy depends on the maintenance of domestic peace and continued substantial aid from abroad, which is essential to offset the severe trade imbalances and to supplement government revenue. IMF has completed the poverty reduction and growth facility program which helped to stabilize its economic growth and to reduce inflation. The DRC maintained the highest interest rate of 38,9% in 2007, same as 2006. However, Sierra leone with lowest inflation of 1,0% in this region recorded a high interest rate of 25,0%.

Figure 10: North Africa Inflation & Interest, 2006



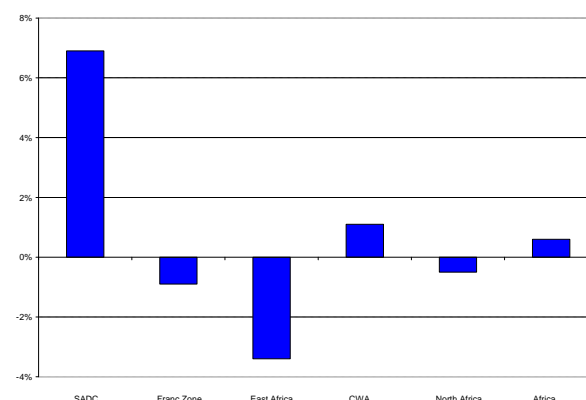
Source: The DTI, CIA World Fact Book, 2007

Countries within the North Africa region recorded an average inflation rate of 4,3% in 2007. All the countries in the region had single-digit inflation rates in 2007, with Egypt recording the highest inflation rate of 8,8%. Morocco recoded the lowest inflation rate of 2,1%. Egypt also recorded the highest interest rate of 12,6%.

5. EXCHANGE RATES

The performance of exchange rates among African countries continues to differ. A significant development challenge facing the African continent is achieving an exchange rate that balances a country’s competitiveness against its micro stability. Exchange rates are affected by influences that are entirely unrelated to the relative values of goods and services. These influences include currency traders, viewers of government’s stability in various countries, relative interest rates among countries and other incentives for holding financial assets in one currency rather than other currencies.

Figure 11: Exchange rates, % change to US\$ 2007



Source: CIA World Fact Book, 2007

Exchange rates fluctuations and crime are the two biggest challenges for businesses in the SADC region. The South African Reserve Bank maintains a flexible exchange rate system, while building up international reserves. Like other emerging market currencies, the rand was under pressure towards the end of the year due to global financial turbulence.

Zimbabwe's currency continues to lose its value due to ongoing economic and political instability. According to IMF, depreciation and wide fluctuations in the values of African currencies can induce an important risk factor in the African stock market. High currency exchange volatility is endemic to African economies, creating a barrier to foreign investment. Almost all the countries in the Franc Zone region experienced currency depreciation in 2007.

6. DEMOGRAPHICS

Currently, 80 million people are being added every year in less developed countries, as compared with only 1 million in more developed countries. Population change is linked to economic development, education, epidemics and access to family planning information and services (World Population Highlights, 2007). Although the population growth rates are slowing in other parts of the world, Africa has a worrying high birth rate. Nine out of ten countries with highest birth rates in the world

are African, with DRC, Guinea Bissau, and Liberia leading with 50 births per thousand populations. These countries are mostly concentrated in the middle of Africa. The African population was estimated at about 938,3 million in 2007, a 0,3% increase as compared to 2006. According to the World Population data Sheet, 2007, Nigeria is one of the ten largest countries in the world with the highest population, taking the seventh place. The Central and West Africa has the largest inhabitants estimated at 248,6 million in 2007, followed by East Africa and SADC with 236,3 and 166,2 million respectively. The Franc Zone has the least number of inhabitants in Africa, with a population of 123,1 million. Africa has the highest fertility rate, with Sub Saharan Africa having the highest average of 5,5%. Angola, Central Republic and Chad have the worst mortality rate in Africa (World Population Datasheet, 2007). Regionally, Sub Saharan Africa has the highest infant mortality rate, averaging to 92% while North Africa has an average of 42% of infant mortality. HIV/Aids prevalence in the SADC region is the highest with a number of people living with HIV/ Aids averaging 19,3% followed by East Africa with 6,2% of the population in-

Table 4: Africa Regional Population 2007

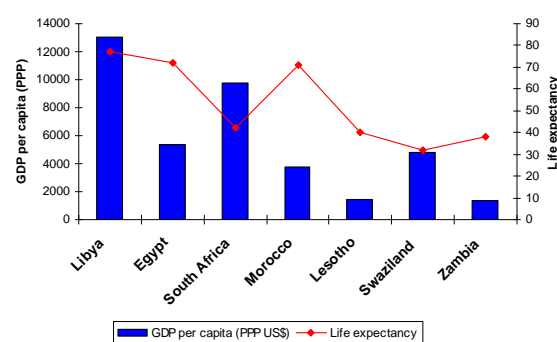
Region	Population (million) 2007	Population (million) 2007	Land Area Sq km (million)	Population Density 2006 (Persons/km ²)
World	6 602, 2	6602, 2	148,9	44.33
Total Africa	935,2	938.3	30,1	31.17
Sub-Saharan Africa	771,2	774.2	24,1	32.15
SADC	162.3	166,2	6,9	24.08
The Franc Zone	123.1	123,1	6,4	19.23
East Africa	237,1	236,3	5,8	40.74
Central and West Africa	248,5	248,58	4,9	50.73
North Africa	164,1	164.1	6,0	27.35

Source: CIA World Fact book 2007; Africa Development Bank 2008

ected by the disease. Out of 22,5 million people living with HIV/ Aids in Africa, only a fraction of them were able to access life-prolonging antiretroviral drugs. Even where access to treatment has improved, hunger and widespread poverty continue to make HIV/ Aids the biggest challenge in the African continent to date. Africa has the lowest life expectancy as compared to other parts of the world. According to the UN Human Development Index, life expectancy in Africa has declined considerably in the past 30 years due to the scourge of HIV/ Aids, malaria and tuberculosis. Research has indicated that there is a relationship between human development and high per capita GDP. However, in most parts of Africa high per capita GDP does not correlate with development. There is quite a variation in relationship between per capita GDP and life expectancy mainly because Africa is prone to diseases that shorten life expectancy at birth. Reports indicate that Libya has the highest per capita GDP as well as a higher life expectancy rate as compared to other African countries. This can be mainly because the prevalence of HIV/Aids in the country is less than one percent. South Africa has a relatively high per capita GDP, estimated at \$9 772 in 2007. This is approximately one and eighth times the size of Egypt's per capita GDP at \$5 376, and two and half times the size of Morocco's at \$3 762. However both countries' life expectancy is far above that of South Africa at approximately 72. This implies that South Africa is still lagging behind in terms of human development, also reflecting the high HIV/Aids prevalence in the country. About 18% of South African population was

infected by HIV/Aids disease at the end of 2007. Zambia has the smallest GDP per capita and life expectancy which can also be explained by high prevalence of HIV/ Aids and low levels of infrastructure. For development to take place there must be growth to sustain it and in order to reach even higher levels of growth, development becomes a necessity.

Figure 12: GDP per capita (PPP) and Life Expectancy in North and Southern Africa

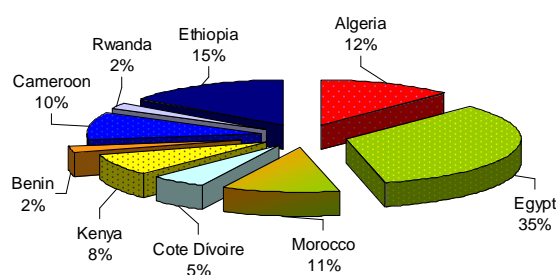


Source: CIA World Fact Book, 2007

7. AGRICULTURAL PRODUCTION

In 2007, total agriculture output in Africa was estimated at \$391,3 billion, a significant decline of 13,8% from 2006's estimated \$454 billion. North Africa had the highest agricultural output of \$110,9 billion followed by East Africa producing output worth \$101, 2 billion. SADC recorded the lowest agricultural output amounting to \$37,3 billion in 2007, which also reflect that the SADC region is becoming more developed as research has proved that agricultural output tends to decline as countries become more developed.

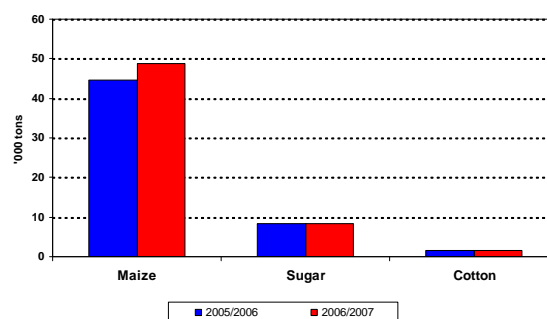
Figure 13: Share of Agriculture output for Selected African Countries 2007



Source: CIA, 2008

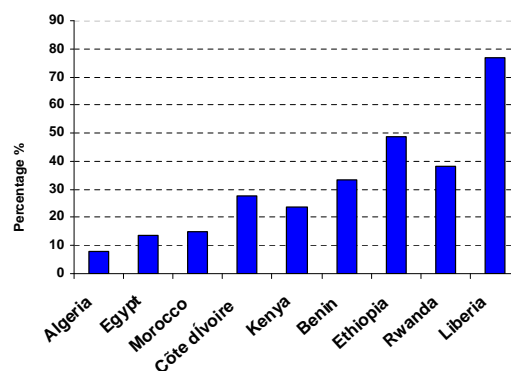
Sub Saharan Africa accounts for approximately 71% of total Africa Agriculture output. Of the agricultural products produced in Africa, coffee, cotton, cocoa beans, fruit, vegetables, cereals and meat are the most significant and are marked by some regional distinctions. Production of fruits, vegetables, cereal and meat is concentrated in North Africa while West Africa produces 92% of Africa’s cocoa beans and 43% of its oilseed. On the other hand, the SADC region is responsible for 25% of the continent’s sugar. Africa LDC countries (East and Central Africa) are the most significant producers of green coffee and cotton. Most significant in terms of its share of world production are cocoa beans (Map, 2005). Maize, as a staple food for Africa, showed an increase of 9,5% in production from 44,5 million tons in 2005/2006 to 48,7 million tons in 2006/2007, of which 86,2% comes from Sub Saharan African while the remaining percentage came from North Africa. Sugar production in the continent was flat, showing an increase of less than 1% while cotton seed production fell by 8%, from 1,6 million tons during the 2005/2006 period to 1,5 million tons during 2006/2007.

Figure 14: Total production of selected agricultural commodities in Africa, 2005/06 - 2006/07



Source: USDA, 2007

Figure 15: Agricultural Proportion of GDP for Selected African Countries 2007



Source: CIA, 2008

Many African countries are dependent on agriculture for generating a large proportion of their national GDP. In some LDC’s, such as Somalia and Liberia, agriculture accounts for over 60% of their GDP. It is observed that some countries with the highest agriculture proportion of GDP have recorded smallest agriculture output. For instance, Liberia’s agriculture contribution to GDP is 76,9%, yet the agricultural output is low at \$1,15 billion as compared to other countries in the region. The high proportion of agriculture to GDP signifies the importance of agriculture for its economy, while the low output indicates a need for the allocation of more resources in agriculture investment - the sector to which it has absolute ad-

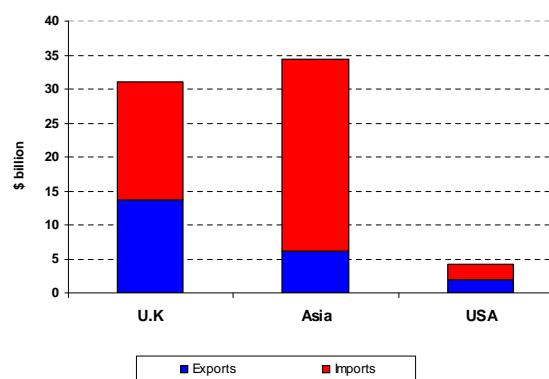
vantage on. Agriculture will remain the most important sector to African growth because large portions of the population in the continent live in rural areas and work in the agricultural sector, and this demands the continent to guard against any deterioration in agricultural output.

8. AGRICULTURAL TRADE

Africa's exports are concentrated on four main commodities: coffee and tea which largely come from Africa-LDC; raw sugar cane, concentrated in South Africa and Central Southern Africa; and cocoa mainly from West Africa. Trade in cotton, fruits and vegetables is also important to Africa's economy. South Africa emerges as the largest supplier of agricultural products from the continent (OECD, 2008). South Africa, Cote D'Ivoire and Ghana account for 56% of total exports from Sub-Saharan Africa. Total agriculture exports in Africa during 2006 were estimated at \$32 billion, contributing 3% to the total world agriculture exports. The continent's share of agriculture exports to the total world trade was 8,8% while imports share to the total value of imported goods was 13,4%. Europe is the largest market for Africa's agriculture commodities, having a market share of 48,9% of total African agriculture exports. Asia accounted for 19,3% of Africa's exports, this came as a result of Asia's emergence as the global economy's growth pole. Exports from Sub-Saharan Africa to China have grown by 30% annually since 2000. Export within Africa accounts for 17,7% of

Africa's exports. In 2006 exports to Europe decreased by 3%, while exports to the Middle East surged to 27%. Africa experienced export growth from Commonwealth of Independent States markets with value of exports rising to 25% in 2006. Focusing on Africa's main export commodities, coffee exports increased by 13% during 2006/2007 period, as compared to the previous year. Annual growth in coffee exports between 2005 and 2006 was 9% while cotton and cocoa exports declined by 10% and 5% respectively. Sugar exports accelerated to 10% between 2005 and 2006. There was a huge shift of trade between EU and Africa in 2006. Even though EU is still the leading importer from Africa, a shift has occurred in imports by Africa. During 2006 most of Africa's imports came from Asia, which is confirmed by a widened agriculture trade balance between the two continents. Africa accounts for 5% of EU imports and only 3,9% of EU agriculture exports. Africa's trade with the USA was insignificant in 2007, depicting almost a narrow trade balance.

Figure 16: Africa's major trading partners, 2007



Source: International Trade Statistics, 2007

9. MAIN EXTERNAL PROBLEMS AFFECTING AGRICULTURE

Climate change continues to be a challenge for the continent's development. The African continent experienced severe flooding in 2007 which reports described as the worst in three decades. Floods are estimated to have claimed the lives of approximately 300 people in 20 affected countries within two months. The long term effects of these floods include displacement of people, infrastructure ruin, damage to farms and crops and a loss of cattle and livestock which result in long-term food insecurity (Africa Watch, 2007). Flooding also increases vulnerability of Africa to diseases and increase its prolonged dependency on foreign aid. Another scourge that has adverse implication for development was drought coupled with high international commodity prices in 2007, which has put food security of most African inhabitants in jeopardy. Towards the end of 2007 reports indicated general tightening of food supplies which will see many countries facing food shortages. It was further indicated that while conditions remain stable for surplus producing countries, conditions will deteriorate further in deficit countries. South Africa is the largest producer of staple maize in Africa; however it was hit by severe drought at the end of 2006 which has seen a drop in production from about 11 million tons to about 7 million tons. However towards the end of 2007, the situation became stable, as South Africa experienced good harvest prospects due to favourable weather conditions. Against that, high international prices continue to push up costs, which factored increased

hunger for many families in Southern Africa. Other countries which were hit by dry spells were Lesotho, Namibia, Swaziland and Mozambique. Swaziland was the most hit, with reports indicating that the country is receiving food assistance for about 25% of the inhabitants affected by drought. Reports indicate that El Nino has contradictory effects in Eastern Africa and Southern Africa. A year of El Nino typically means floods in Eastern Africa and a drought in Southern Africa (GAIN, 2007). Trade liberalisation: Trade negotiations were at the centre stage during 2007. The much known Doha Development round of negotiations, which took place during April 2007 failed to advance due to a major deadlock over opening up agricultural and industrial markets in various countries; and the reduction of rich nations' farm subsidies. The Doha Development round, which began in 2001, is negotiations by WTO members with an objective to lower trade distorting barriers around the world, allowing free trade between countries. During the 2004 rounds of negotiations, most developed countries committed themselves to liberalise trade and cut farm subsidies, however, they failed to put this to effect. Lack of implementation of Doha commitments is a serious challenge for the African continent. Agriculture remains a strategic trade area for Africa and the removal of agricultural subsidies in the developed countries would contribute towards industrial development and poverty eradication. African countries are also hampered by lack of technical expertise during negotiations. EPA (Economic Partnership Agreement) negotiations were also on the centre stage in 2007. The EPA which is be-

tween EU and ACP countries is aimed at progressively removing barriers to trade and enhancing cooperation in all areas related to trade. Africa and EU have deadlocked over the signing of a new trade partnership which was supposed to be signed on or before 31 December 2007. Negotiations on EPA were mostly impaired by fears of an influx of EU goods to African countries as well as unfair agricultural tariffs and subsidised EU products. On the other hand, African countries could be faced with massive loss in trade gains if they fail to sign EPAs. So far, no country or region has signed a complete new trade agreement with EU, despite mounting pressures on some African countries. At this stage, African countries should have political will and take a long term view of what these agreements entail for countries rather than signing for their lives. During 2007, six countries held presidential elections namely, Senegal, Mauritania, Mali, Nigeria, Sierra Leone and Kenya. Elections in most parts of Africa are characterised by long-standing ethnic and religious tensions which usually leads to post election violence and killings. However, even though international observers declared 2007 elections as free and fair, opposition parties have the inclination to believe otherwise. Kenya was affected by post election violence which claimed the lives of thousands of people after the announcement of the presidential results in December 2007. The election was strongly marked by tribalism with the newly appointed president getting much support from his ethnic group. There is persistent conflict in Chad, Darfur and Somalia as leaders compete for power, land and regional competition for dominance.

Table 5: Elections in Africa, 2007

Country	Date	Won By:
Senegal	February	Abdoulaye Wade
Mauritania	March	Sidi Abdallahi
Mali	April	Amadou Toure
Nigeria	April	Umaru YarÁdua
Sierra Leone	September	Ernest Bai Koroma
Kenya	December	Mwai Kibaki

Source: CIA World Fact Book, 2008

10. CONCLUSION

The African continent grew at a healthy pace in 2007, enjoying its highest growth rates in decades. So far the impact of global financial turbulence on the continent has been limited with growing oil production, rising domestic investment and productivity boosting economic growth. Strengthened macroeconomic policies and years of structural reforms are beginning to bear fruit. Armed conflicts and political instability have become relatively less frequent. Per capita income is improving though fragile countries continue to lag behind. Despite double-digit food price inflation in several countries during 2007, inflation on average has been reasonable. Although the continent still faces challenges such as climate change, lack of adequate infrastructure, political and economic instability in some countries, economic expansion looks set to continue in the African continent though the slowing global economy could threaten the outlook for 2008 in some countries.

11. BIBLIOGRAPHY

African Development Bank. www.afdb.org, 2008

CIA World Fact Book, www.cia.org, 2008

Economist Intelligence Unit, *Country Profiles*, www.eiu.com, 2008

United States Department of Agriculture, GAIN Report, 2007 www.usda.gov.za

World Trade Organisation: *International Trade Statistic 2007s*, www.wto.org

IMF – World Economic Outlook, October 2007, www.imf.org

Statistics South Africa, Pretoria, 2008

Department of Trade and Industry, Pretoria, 2008

United Nations, Human Development Index

Southern Africa Food Security Update report, 2007, www.sarpn.org.za

World Population Data Sheet, 2007, www.scribd.com

Trade Map Database, www.tips.org.za

ANNEXURE A:

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
East Africa	Togo
Burundi	
Comoros	Central and West Africa
Djibouti	Cape Verde
Eritrea	Democratic Rep of Congo
Ethiopia	The Gambia
Kenya	Ghana
Madagascar	Guinea
Mayotte	Liberia
Reunion	Mauritania
Rwanda	Nigeria
Seychelles	São Tomé and Príncipe
Somalia	Sierra Leone
Sudan	
Uganda	North Africa
	Algeria
	Egypt
	Libya
	Morocco
	Tunisia
	Western Sahara

ANNEXURE B:

Country, 2007 values	Population (2007 est.)	Land Size (Sq km)	GDP billion (PPP)	Economic Growth	Inflation Rate	Interest rate
Algeria	33 333 216	2 381 740	\$268,9	24,6%	4,6%	8,0%
Angola	12 263 596	1 246 700	\$80,9	16,3%	12,5%	16,6%
Benin	8 078 314	110 620	\$12,2	4,5%	2,5%	4,9%
Botswana	1 815 508	583 370	\$24,1	4,7%	7,2%	16,3%
Burkina Faso	14 326 203	273 800	\$17,5	5,6%	1,2%	4,9%
Burundi	8 390 505	25 650	\$6,4	5,5%	7,0%	16,8%
Cameroon	18 060 382	469 440	\$40,0	3,2%	2,0%	15,0%
Cape Verde	423 613	4 033	\$3,7	7,0%	3,0%	10,2%
Central African Rep	4 369 038	622 984	\$3,1	4,0%	4,0%	15,0%
Chad	9 885 661	1 259 200	\$15,9	-1,3%	4,0%	15,0%
Comoros	711 417	2 170	\$1,3	-1,0%	3,0%	10,5%
Congo, DR	18 013 409	2 267 600	\$19,1	7,0%	18,2%	38,9%
Congo, Rep of the	65 751 512	341 500	\$13,9	2,8%	7,0%	15,0%
Côte d'Ivoire	3 800 610	318 000	\$32,9	1,4%	1,8%	4,9%
Djibouti	496 374	22 980	\$1,9	3,2%	3,0%	11,5%
Egypt	80 335 036	995 450	\$431,9	7,2%	8,8%	12,6%
Equatorial Guinea	551 201	28 051	\$25,7	13,7%	5,5%	15,0%
Eritrea	4 906 585	121 320	\$4,8	2,0%	15,5%	
Ethiopia	76 511 887	1 119 683	\$55,1	9,8%	15,9%	7,0%
Gabon	1 454 867	267 667	\$20,1	4,5%	5,0%	15,0%
Gambia, The	1 688 359	10 000	\$1,3	7,0%	3,5%	38,0%
Ghana	22 931 299	239 460	\$31,2	5,8%	10,0%	13,5%
Guinea	9 947 814	245 857	\$9,7	1,5%	20,0%	16,3%
Guinea-Bissau	1 472 780	36 120	\$0,9	3,7%	4,0%	4,9%
Kenya	36 913 721	582 650	\$57,7	6,3%	9,3%	13,2%
Lesotho	2 125 262	30 335	\$3,1	4,8%	12,0%	13,8%
Liberia	3 195 931	111 370	\$1,5	8,5%	15,0%	9,3%
Libya	6 036 914	1 759 540	\$78,8	5,4%	3,3%	
Madagascar	19 448 815	587 040	\$19,9	6,3%	10,0%	35,6%
Malawi	13 603 181	118 480	\$10,5	5,7%	8,0%	28,2%
Mali	11 995 402	1 240 000	\$14,2	4,3%	4,5%	4,9%
Mauritania	3 270 065	1 030 700	\$5,8	1,5%	7,0%	
Mauritius	1 250 882	2 040	\$14,9	5,5%	9,1%	21,7%
Mayotte	208 783	374	\$0,9		1,7%	
Morocco	33 757 175	446 550	\$127,0	2,1%	2,1%	11,5%
Mozambique	20 905 585	801 590	\$17,8	7,5%	8,0%	19,7%
Namibia	2 055 080	825 418	\$10,7	4,5%	6,7%	12,6%
Niger	12 894 865	1 267 000	\$9,0	4,5%	0,2%	4,9%
Nigeria	135 031 164	923 768	\$294,8	6,1%	6,5%	17,2%
Reunion		2 507				
Rwanda	9 907 509	24 948	\$8,6	6,0%	8,0%	
São Tomé & Príncipe	199 579	1 001	\$0,3	6,5%	17,0%	
Senegal	12 521 851	192 000	\$20,6	4,6%	5,4%	4,9%
Seychelles	81 895	455	\$1,7	5,8%	2,9%	11,1%
Sierra Leone	6 144 562	71 620	\$4,9	6,8%	1,0%	25,0%
Somalia	9 118 773	627 337	\$5,6	2,6%		
South Africa	47 850 700	1 219 912	\$467,6	5,0%	6,0%	13,1%
Sudan	39 379 358	2 505 810	\$107,8	12,8%	5,3%	
Swaziland	1 133 066	17 203	\$5,4	1,6%	6,0%	13,1%
Tanzania	39 384 223	886 037	\$43,5	6,9%	7,0%	16,1%
Togo	5 701 579	54 385	\$1,3	2,5%	3,0%	4,9%
Tunisia	10 276 158	155 360	\$77,2	6,3%	2,9%	
Uganda	30 262 610	199 710	\$31,5	6,0%	5,8%	19,2%
Western Sahara	382 617	266 000				
Zambia	11 477 447	740 724	\$15,9	5,3%	10,5%	19,1%
Zimbabwe	12 311 143	386 670	\$6,2	-5,7%	6 072,0%	431,9%