

## Agricultural growth trends in Southern Africa

By Pius Chilonda and Isaac Minde<sup>1</sup>

There is evidence to show that broad-based agricultural development is an effective means of reducing poverty and accelerating economic growth (FAO/World Bank, 2001). Dealing with poverty and hunger in much of the developing world means optimising the potential opportunities that agriculture holds for the majority of the poor.

Agriculture remains a key driving force for economic development in the Southern Africa Development Community (SADC) – a region in which most inhabitants rely on agriculture directly or indirectly as their main source of livelihood. It remains the primary source of subsistence, employment and income for 61%, or 142 million of the region's total population of 232 million. Agriculture accounts for close to 8% of the region's gross domestic product (GDP). Despite the importance of the sector in SADC's economy, agricultural growth rates have been both low and highly variable across the region, averaging only 2.6% per annum in the last decade (Figure 1). Average growth rates in the sector have been almost similar to demographic growth rates of 2.4% over the same period (World Bank, 2006).

Of the numerous explanations for the sector's poor performance the most significant are insufficient investment in agriculture, poor access to agricultural inputs (especially fertilisers and improved seed) and to markets, and low levels of

technology development and dissemination. These factors have resulted in limited growth in the average yields of key crops and in low labour productivity. Other factors include adverse climatic conditions and HIV/AIDS, both of which threaten the livelihood of farming households.

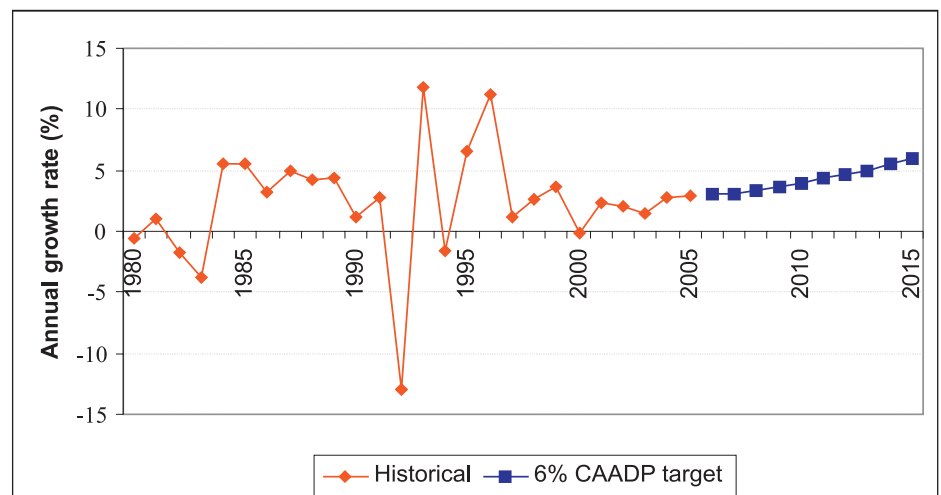
This situation calls for strengthening and transforming agriculture in the region so that it stimulates much needed economic growth and contributes measurably to poverty reduction. Increasing food production will help ensure that food prices remain low creating a conducive environment for the development of a broader commercial economy. In addition, there are bright prospects for expanded commercial production of a wide range of high value agricultural products. Moves towards regional integration present

further opportunities for SADC countries. They can take advantage of regional growth dynamics to improve agricultural performance, thereby generating mutual benefits across countries.

### In relation to the agricultural sector, the region faces three strategic challenges.

- The need to achieve an average annual agricultural growth rate of at least 6%, targeted by CAADP as necessary for attaining overall economic growth, poverty reduction and food security (AU/NEPAD, 2003).
- The need to enhance agriculture's contribution to the achievement of the first millennium development goal of halving poverty and hunger by 2015.

Figure 1: Variability in agricultural growth rates in the SADC region



Source: World Bank (2006)

<sup>1</sup> Pius Chilonda is the Sub-regional Coordinator for the ReSAKSS-SA, Pretoria, South Africa; Isaac Minde, is Senior Scientist (Economics), ICRISAT, Bulawayo, Zimbabwe

- The need to identify optimal policy and investment alternatives that will yield the highest payoffs, given that countries in the region have committed themselves to increase national budgetary allocation to the agricultural sector to 10%.

SADC Heads of State have recognised the importance of agriculture by endorsing the Comprehensive Africa Agriculture Development Programme (CAADP) (AU/NEPAD, 2003). Furthermore, the SADC Regional Indicative Strategic Development Plan (RISDP) speaks to the need for accelerated agricultural growth in order for the sector to contribute to broader economic growth and poverty reduction in the region.

**Sources of economic growth**

The economy of the region has been growing rather steadily; but agricultural productivity has remained relatively flat, indicating the sector’s dismal contribution to regional economic growth relative to other sectors (Figure 2).

At only 7.3%, the agricultural sector is the smallest contributor to regional GDP behind services at 51%; the industrial sector at 28.6% and manufacturing at 13.5% in 2005 (Table 1). The greater GDP shares of the services and industrial sectors indicate the growing importance of these sectors as sources of growth, while the low contribution of agriculture to GDP, the sector which supports the majority of the population, indicates that the potential of this sector to contribute to economic growth and poverty reduction has not yet been realised.

**Table 1: Percentage contribution to GDP by sector**

Sector	1990	2000	2005
Agriculture	7.9	7.8	7.3
Industry	30.4	28.0	28.6
Manufacturing	14.8	14.1	13.5
Services	47.0	51.0	51.0

Source: World Bank (2006)

It is noteworthy, however, that although agriculture’s contribution to GDP in the region is very low, especially when compared to other developing countries, it rises to 23% if the middle income countries (Botswana, Namibia and South Africa) are excluded.

Agriculture is less important for the region’s middle-income countries as a group – contributing only 3% of total GDP in those countries. In the low-income countries it accounts for 33% of total GDP. This proportion is above the average share for all low-income countries in sub-Saharan Africa outside the southern African region. The low-income countries in which agriculture has the highest share of GDP are the Democratic Republic of Congo (46%), Malawi (35%) and Tanzania (45%).

**Agricultural productivity**

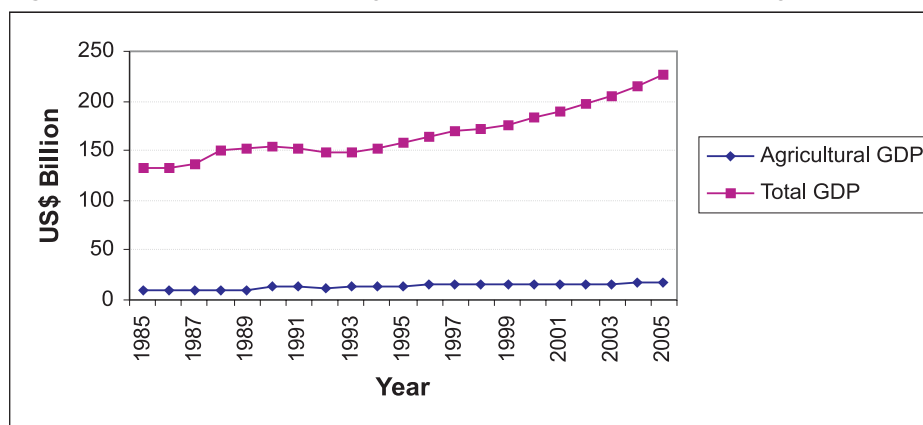
Net agricultural production more than doubled during 1960-2005, increasing from about US\$10,000 million to more than US\$20,000 million (Figure 3). However, net per capita agricultural production decreased by about 40% during this period. This suggests that agricultural production has not kept pace with population growth in the region. The decline in per capita agricultural production is attributable to among other factors the rapidly growing population in the face of low agricultural productivity.

The agricultural sector in SADC is dominated by crop production, which account for 65% of total agricultural revenue. However, crop production’s share of value in the sector has been declining over the years as livestock production has increased its share. The largest contributors to agricultural revenue are maize, fruits, beef, roots, tubers and milk. The increasing importance of livestock as a source of agricultural revenue implies that agricultural growth in the region will largely depend on the synergy between the crop and livestock sub-sectors combined with enhancing their respective productivity.

**Agriculture value added per worker**

The value added per worker in agriculture, is a proxy for labour productivity, and is estimated at US\$851 per annum for the SADC region. This is 30 times lower than the value added per worker in developed countries estimated at US\$25,372 per annum (Figure 4a). While the agricultural output per worker has been increasing in the developed countries, in the southern African region it has only increased marginally off a low base. The need to increase agricultural productivity is greatest in the low income countries in the region. Their agricultural value added per agricultural worker is only US\$230, compared

**Figure 2: Trends in the share of agriculture in total GDP in the SADC region**



Source: World Bank (2006)

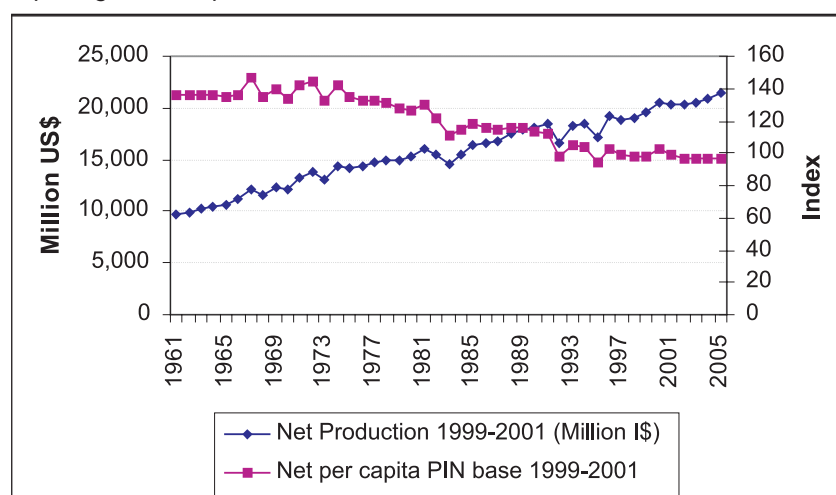
to US\$1,681 among the middle income countries in the region (Figure 4b).

**The need for increased investment in agriculture**

The challenges in stimulating agricultural growth lie in stabilising the highly variable agriculture growth rates and subsequently reaching and sustaining the 6% growth rates targeted under the CAADP. The current average agricultural growth rate in the SADC region is only 2.6% and the region needs to more than double this rate if the sector is to contribute significantly to economic growth and poverty reduction.

Among other factors, this calls for increased public and private investments into the agriculture sector. Such investments need to be directed into priority areas such as market related infrastructure and research and technology developments if agricultural growth is to be accelerated. This is particularly important given that countries in the region have committed themselves to increase budgetary allocation to at least 10% of their national budgets by 2008 under the Maputo Declaration. It is worth noting that, even with a modest increase in investments in smallholder led and diversified agricultural development, per capita incomes will rise markedly. This will contribute to alleviating poverty and to achieving major advances towards food security. Increased investments in agriculture can also provide an engine for broad based and equitable growth with positive spill over effects on the poorest and most vulnerable (Von Braun, Hazell, Hoddinott, and Babu, 2003). However, it is essential to direct these investments into priority areas, especially into growth enhancing investments, if agricultural growth is to be accelerated as countries increase their budget allocations to the agriculture sector.

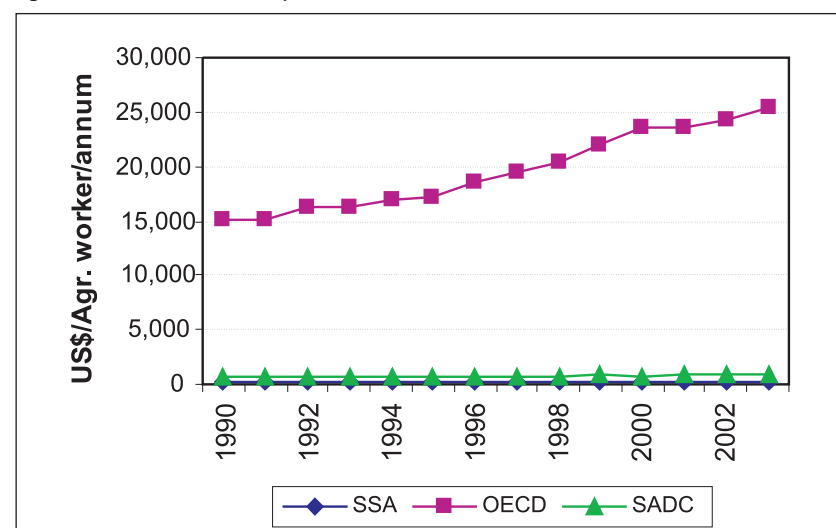
**Figure 3: Production indices (PIN) – trends in net agricultural production and net per capita agricultural production**



Source: FAO (2006)

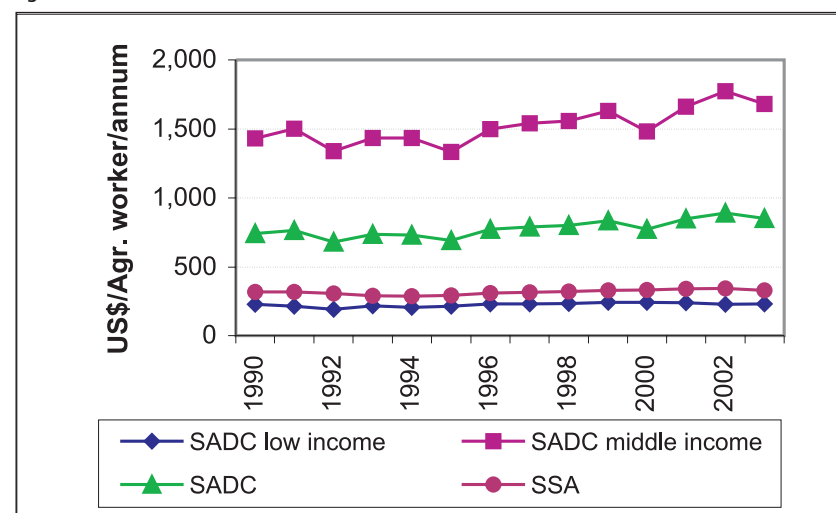
**Figure 4: Trends in agricultural value added per worker**

**Figure 4a: SADC versus developed countries**



Source: World Bank (2006)

**Figure 4b: Low income versus middle income countries**



Source: World Bank (2006)

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The ReSAKSS-SA aims to identify and assess strategic options for agricultural growth particularly poverty alleviation in southern Africa. ReSAKSS-SA supports review and learning processes in the region to contribute to the successful implementation of agriculture and rural development strategies with particular emphasis on Comprehensive Africa Agriculture Development Programme (CAADP) and Southern Africa Development Community Regional Indicative Strategic Development Plan (SADC RISDP). ReSAKSS-SA is jointly implemented by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) and the International Water Management Institute (IWMI), in collaboration with the International Food Policy Research Institute (IFPRI), regional and national partners.

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ReSAKSS<sup>SA</sup>

### International Water Management Institute

Private Bag X813, Silverton 0127, Pretoria, South Africa

Telephone: +27 (0)12 845 9100

Facsimile: +27 (0)12 845 9110

E-mail: [resakss-sa@cgiar.org](mailto:resakss-sa@cgiar.org)

Web: [www.resakss-sa.org](http://www.resakss-sa.org)

