

## Agricultural Development and Prospects for Economic Diversification in Algeria: An Analytical Study for the Period 2015 to 2020

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| Abstract :                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | المخلص :                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| <p>This study attempts to shed light on the importance of the agricultural sector in achieving comprehensive economic development in Algeria and the food security it achieves for the community . Indeed, Agriculture is considered as one of the most effective engines along with the industrial and service sectors in raising the levels of economic growth. It is also one of the strategies of economic diversification aimed at transforming the national economy from its rentier state to its productive nature, through diversification of public revenue sources. In this paper we used the descriptive analytical approach, through which its features tries to show and identify the overall agricultural sector in Algeria and the various natural, physical, and technological potentials it possesses. As a matter of fact, our purpose is to know the impact of the determinants of the agricultural sector on both the levels of agricultural output in Algeria and the country's GDP.</p> <p>The present paper analyzes the role of the agricultural sector in being an economic substitute for providing alternative source of oil revenues in the Algerian economy; Also This study concluded that the contribution of the agricultural sector to achieving economic development remains very weak,</p> | <p>تحاول هذه الدراسة تسليط الضوء على أهمية القطاع الزراعي في تحقيق التنمية الاقتصادية الشاملة في الجزائر و ما تحققه من أمن غذائي للمجتمع . حيث تعتبر الزراعة من أكثر المحركات الفعالة إلى جانب قطاعي الصناعة والخدمات في رفع مستويات النمو الاقتصادي. كما أنها إحدى استراتيجيات التنوع الاقتصادي الهادفة إلى تحويل الاقتصاد الوطني من طبيعته الريعية إلى طبيعته الإنتاجية ، من خلال تنوع مصادر الإيرادات العامة. حيث إستخدمنا في هذه الورقة البحثية المنهج الوصفي التحليلي ، الذي تظهر سماته في تحديد طبيعة القطاع الزراعي العام في الجزائر ومختلف الإمكانيات الطبيعية والمادية والتكنولوجية التي يمتلكها. لكن في الواقع الأمر هدفنا من خلال هذه الورقة البحثية ، هو معرفة تأثير محددات القطاع الزراعي على كل من مستويات الإنتاج الزراعي في الجزائر والناتج المحلي الإجمالي للبلاد. كما تحاول هذه الورقة تحليل دور القطاع الزراعي في كونه بديل اقتصادي لتوفير مصدر بديل لعائدات النفط في الاقتصاد الجزائري. كما خلصت هذه الدراسة إلى أن مساهمة القطاع الزراعي في تحقيق التنمية الاقتصادية لا تزال ضعيفة للغاية ، حيث بلغت 12.29% من الناتج المحلي الإجمالي في عام 2016. والسبب الرئيسي لهذا القصور هو عدم وجود تخطيط استراتيجي للسياسات الزراعية ، وهو ما لم يرق إلى المستوى المطلوب. مستوى الإصلاحات المعتمدة من قبل السلطات العامة.</p> <p><b>الكلمات المفتاحية:</b> تنمية زراعية؛ أمن غذائي؛ التنوع الاقتصادي؛ الجزائر.</p> |

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| with 12.29% of GDP in 2016. The main reason for this inadequacy is the lack of strategic planning for agricultural policies, which did not live up to the level of approved reforms by the public authorities.<br><b>Keywords:</b> Agricultural development; food security; economic diversification; Algeria.<br><b>Jel Classification Codes :</b> O <sub>13</sub> ,C <sub>52</sub> ,C <sub>32</sub> ,C <sub>22</sub> | <b>Jel Classification Codes :</b> O <sub>13</sub> ,C <sub>52</sub> ,C <sub>32</sub> ,C <sub>22</sub> |
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### **Introduction:**

In addition to industry and services' sectors, agriculture is, too, another main sector that contributes in achieving the objectives of economic and social development. These; in fact, can be considered as effective locomotives for the success of an economic diversification strategy, which aims to find the various financial sources of the public treasury in order to conduct its various activities; and work on promoting the national economy by stimulating all kinds of investment in order to raise the levels of GDP and control macroeconomic indicators.

As for the Algerian economy, it is commonly known that it is best characterized of being a rentier state, as economic activity is based on exports of oil and its derivatives, which contributes to more than 98% of the total exports. However, because of its prices' fluctuation in international markets, especially in the second half of 2014, this; in fact, obliged Algeria to implement a policy of deficit- cutting in all investment projects. This has also contributed to decreasing job opportunities in the employment process in some vital sectors, as well as the deterioration of the purchasing power of citizens because of the high inflation rates, which resulted from the unconventional financing policy approved by the government. This, also, contributed to the decline of the GDP to more than half. It is worth to mention that production level in 2014 reached 3.7% ; however, it dropped to 1.6% in 2017, according to the World Bank statistics.

Therefore, in order to disengage the national economy from oil prices, lot of economic experts have taken the initiative to find effective solutions that would contribute to the effective transformation of the national economy from its rentier nature to the productive nature, through total consideration of the agricultural sector, which is the basis of effective economic recovery. This, given the fact that Algeria possesses large natural resources and considerable potential for agriculture in the form of water bodies, arable lands, as well as various requirements of agricultural production that can contribute to economic development. On the one hand, these can also contribute in raising the levels of GDP which will reflect in improving the economic, social, and political conditions of the country. The present paper analyzes the role of the agricultural sector in being an economic substitute for providing alternative source of oil revenues in the Algerian economy. Also, it seekd to find effective policies that enable the process of transforming the national economy from its rentier status to the new productive status, based on raising the levels of productivity in

order to diversify the sources of public revenues of the state.

#### **a) Research Problem**

The present paper addresses to the following research questions:

What is the impact of agricultural GDP on economic growth in Algeria and How can the agricultural policy implemented by the state be improved?

In order to answer the main questions in the paper, we considered analyzing the main research question by addressing the following items:

- The agricultural policy in Algeria and ways to improve it;
- Prospects for agricultural development in Algeria;
- Obstacles and challenges faced in the agricultural sector in Algeria;
- The impact of agricultural production on GDP in Algeria.

#### **b) Study Hypotheses**

The present paper addresses to two basic hypotheses:

- Revenues from the agricultural sector contribute to raising the levels of GDP in Algeria;
- The agricultural sector contributes to encouraging the investment process, especially in the industrial and service sectors.

#### **c) The Significance of the Research**

In the present research, we seek to clarify the importance of the agricultural sector in achieving total economic development by directing the general policies of the countries towards stimulating investment activity in the agricultural field. This; in fact, should be achieved by urging young people to establish their own business enterprises related to the agricultural field, provided that they should be accompanied by public authorities with the aim of making them successful.

In addition, our research aims to find ways to diversify public revenues outside the oil revenues. In this context, the agricultural sector is one of the main pillars on which the government's national policy relies in order to achieve food security and reduce extreme poverty.

#### **d) The Literature Review**

Within the context of subject of study, the literature review cites many academic researches which dealt with the agricultural sector and its importance in raising income levels as well as ensuring food security policy in order to reduce poverty and hunger rates in different regions of the world.

- The World Bank Report on World Development; namely, Agriculture for Development of 2008, illustrates two major regional challenges in the world. In sub-Saharan Africa, agriculture is a strategic choice to stimulate growth, reduce poverty, and strengthen food security. However, the rest of the world countries suffer from two major problems which impede agricultural development: agricultural lands which are being decreased, and the scarcity of irrigation waters. The future of agriculture in these areas is

linked to the protection of available natural resources. In addition, the World Bank report stated the possibility of the agricultural sector to coordinate between different sectors to increase growth rates, reduce poverty, and achieve environmental sustainability.

In their study entitled Economic Study of some investment projects in the agricultural sector - a case study of Dakahlia Governorate in Egypt (2000- 2014), Hassan Ramzi Al-Qala and Emad El-Din Abdel-Rahman El-Sherbini concluded that the relative importance of investment in the agricultural field had been decreased. Also, the study showed that the investment of one Egyptian pound in the agricultural sector leads to realizing an estimated GDP of 16.84 pounds.

- A study by the Food and Agriculture Organization of the United Nations (FAO), which was published in Rome (2018), entitled The future of food and agriculture, Alternative pathways 2050, examined the potential of world governments to sustainably feed humanity until 2050 and beyond. The report also stressed the fears facing the future of food and agriculture because of population growth and shrinking arable lands allocated for agriculture, which makes it difficult to achieve food security and reduce poverty and hunger in some regions of the world.

- A study by Pierre Berthelier and Anna Lipchitz, published in Third World Magazine (2005) focused on the role played by agriculture in growth and development. The research identified the principal conditions of successful economic transition which involves the constant flow of resources from the agricultural sector to the industrial one. These principals are linked to the structural factors that affect demand, as well as the productivity of the factors of production, in addition to the technical advances that play a leading role in the success of this transition.

### **I. Agricultural policy in Algeria and its success**

The concept of agricultural policy identifies the various development strategies and plans approved by the government in its program of work in order to promote the agricultural sector by encouraging investment activities in the agricultural field. So, the purpose is to:

- a). Raise the levels of agricultural output which has direct positive impacts on the country's GDP.
- b). Achieve food security.
- c). Control hunger rates. Therefore, agriculture in sub-Saharan Africa's agriculture- based economies is the foundation for economic growth which is essential for reducing poverty and achieving food security. (World Bank, 2008)

### **II. Agriculture and its contribution to economic development in Algeria**

Algeria possesses great potentials in the field of agriculture which helps to achieve an effective re-launch in the field. The country has the best fertile agricultural land related to several products; such as, grain, olives, vineyards, and other various agricultural activities. Also, the prevailing climate in Algeria and its differentiation and variation, from the

Mediterranean to semi- desert and desert climate, makes Algeria a continent for producing diverse agricultural products. In addition, the fact that the desert regions nowadays produce wheat, potatoes, ect demonstrates the contribution of different regions of the country to agricultural development. In the context of achieving food security, food and agricultural systems face a number of challenges related to food security and the elimination of hunger. Climate change may have significant impacts on agricultural output levels, which contributes to inflating the food import bill (FAO, 2018). Moreover, climate is one of the main inputs to agricultural production, which has a direct impact on agricultural productivity and hence on the level of local income, as well as the overall food prices. As for agriculture, it contributes to climate change directly through emissions of Methane gas, Nitrous Oxide, and Carbon dioxide, and indirectly through the impact on net carbon emissions through their effects on soil, forests, and other land uses. Thus, affecting the agricultural GDP level. (FAO, 2018)

The table below highlights the difference of the value added of agriculture between Algeria, Tunisia, and Morocco according to World Bank statistics for 2019.

**Table 1: The Added Value in the agricultural sector**

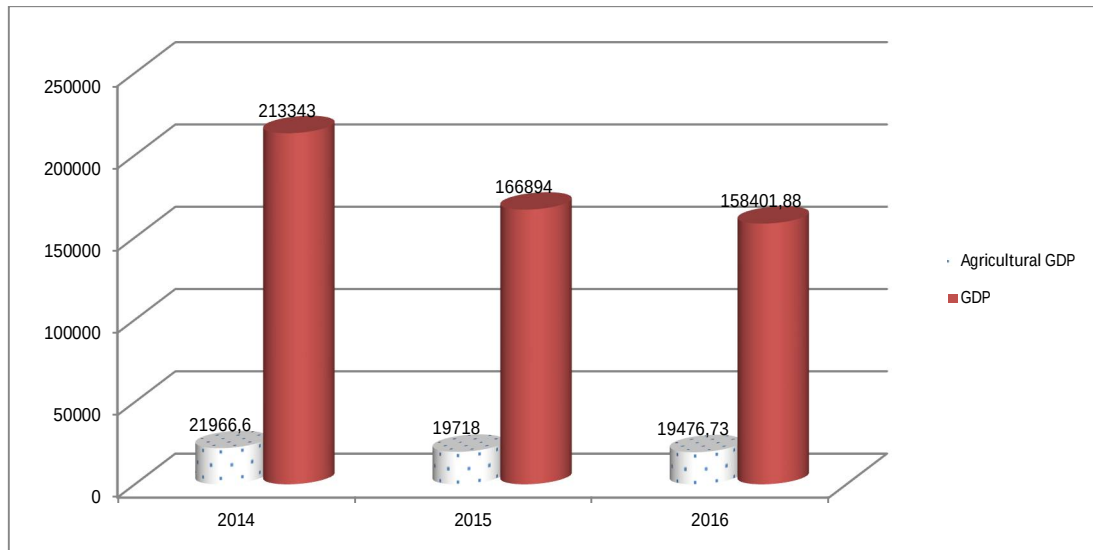
unit: % of GDP

|                | 2013  | 2014  | 2015  | 2018  | 2019  |
|----------------|-------|-------|-------|-------|-------|
| <b>Algeria</b> | 9.85  | 10.28 | 11.57 | 12.21 | 12.27 |
| <b>Tunisia</b> | 8.89  | 9.15  | 10.28 | 9.45  | 9.54  |
| <b>Morocco</b> | 13.38 | 11.66 | 12.62 | 11.99 | 12.37 |

**Source:** Prepared by the researcher on the basis of the statistics of the World Bank Statistics, World Development Indicators updated on 21/03/2019, in: [www.worldbank.org](http://www.worldbank.org), in: [www.worldbank.org](http://www.worldbank.org)

The data of the table 1 show a slight change in the value added in the agriculture sector in the period (2013- 2017), with a slight increase of 24.56% in Algeria, while in Tunisia the increase was estimated at 7.31%. In contrast, the value added of agriculture in Morocco decreased to 7.54%. The comparison shows the importance of the agricultural sector in raising the levels of GDP in Algeria (World Bank, 2019), which requires the direction of investment plans with the need to guide agricultural extension in order to upgrade the agricultural sector. According to the Arab Organization for Agricultural Development, the total agricultural output reached 19,476 million \$ in 2016 (Arab Organization for Development, 2017)

**Fig 01:** GDP and agricultural production in Algeria from 2014 to 2016 , Unit: US \$ million



**Source:** Prepared by the researchers on the basis of the statistics of the World Bank Statistics

The Figure 01 shows the weak contribution of the agricultural sector to the national economy with a percentage of 10.29% of the GDP in 2014; thus, contributing with 11.81% and 12.29% of GDP in 2015 and 2016. So, from the above data, the contribution of the agricultural sector to the GDP continues to decrease successively every year. However, the apparent increase in the percentages is due to the decline in the value of GDP from 2014 to 2016, not due to the increase in the contribution of agricultural output to the GDP.

There are many reasons for the low contribution of the agricultural sector to economic - development as a whole, of which the most important ones are cited as follows:

- Lack of strategic planning for the implementation of agricultural investment projects;
- Drought, which threatens the various agricultural areas because of the decrease in the amount of rainfall in the agricultural seasons;
- Lack of irrigated agricultural lands and its reliance on traditional techniques in irrigation ;
- The reluctance of young people to work in the agricultural field because of poor wages and seasonal advantage that characterize the jobs ;
- The effects of climate change on agricultural crops caused by floods, or high temperature rates that cause significant damage to agricultural products.

-Lack of supervision and agricultural guidance for the benefit of agricultural investment projects and the lack of accompaniment of investment projects.

### **III. Employment in the agricultural sector**

Despite the technological advances and recent developments in the field of machinery used to revitalize the agricultural sector, the latter contributes effectively in providing job opportunities for the unemployed in rural areas. The agricultural sector requires intensive labor, which contributes to the participation of women in agricultural work because of the youth's reluctance to work in the agricultural field. Therefore, the stock of agricultural labor is considered as the effective engine of economic growth in any country. (P.Berthier, 2005) The following table highlights the disparity in agricultural employment in Algeria, compared to Tunisia and Morocco in the period (2014- 2016).

**Table2: Total workforce and agricultural workforce for some Maghreb countries  
during the period from 2014 to 2020.**

Unit: thousand people

|                | Total workforce |         |         | Agricultural workforce |         |         |
|----------------|-----------------|---------|---------|------------------------|---------|---------|
|                | 2014            | 2019    | 2020    | 2014                   | 2019    | 2020    |
| <b>Tunisia</b> | 3403.1          | 3393.48 | 3423.73 | 1463.5                 | 1593.6  | 1481.8  |
| <b>Algeria</b> | 11454           | 11931   | 12117   | 2550.6                 | 4959.8  | 2545    |
| <b>Morocco</b> | 1066            | 10697   | 10613   | 4119                   | 4000.68 | 4032.94 |

**Source:** Prepared by the researchers on the basis of the statistics of the Arab Organization for Agricultural Development (AOAD), The Arab Agricultural Statistics Yearbook. Vol 37, 2020

The above data in the table 2 show the importance of total employment in Algeria, compared to Tunisia and Morocco. It recorded more than 12 thousands of people in 2016, compared to more than 11 thousands in 2014. However, in regard to the size of employment in the agricultural sector, we notice that Morocco has an absolute advantage in the field where more than 4,000 jobs were registered in 2016, while Algeria registered less than 3,000 jobs in the same year. This decline in the workforce is due to several reasons, including ((AOAD, 2017):

- The reluctance of young people to work in the agricultural sector because of low wages;
- Seasonal nature of jobs in agriculture;
- Weak agricultural investment because of the ineffectiveness of the subsidy policy directed by the government;
- Lack of strategies to motivate young people to create their small and medium enterprises in the field of agriculture;
- The integration of technical work in the production process, which contributes to the abolition of jobs in this sector.

#### **V.Prospect for Agricultural Development in Algeria**

##### **Resources Mobilized for a Successful agricultural Take Off**

According to the National Bureau of Statistics, the area of agricultural land is estimated to more than 400,000 Km<sup>2</sup>, which encourages the development of most of the agricultural products in different seasons. Also, Algeria has important water bodies and dams to help in irrigating agricultural crops. The table below highlights some indicators and potentials of the agricultural sector in Algeria.

**Table 3: Indicators and potential of the agricultural sector in Algeria during the period from 2012 to 2020**

|                                                                  | <b>2012</b>   | <b>2013</b> | <b>2014</b> | <b>2018</b> | <b>2020</b> |
|------------------------------------------------------------------|---------------|-------------|-------------|-------------|-------------|
| <b>Irrigated agricultural lands(% of total agricultural land</b> | 2.52          | 2.63        | 2.77        | N.A         | N.A         |
| <b>Agricultural land Km2</b>                                     | 41398<br>1.91 | 414316.4    | 414310      | 414563.98   | 413601.9    |
| <b>Feed index</b>                                                | 149.67        | 164.91      | 142.51      | 151         | 151.62      |
| <b>Grain production, Metric tonnes</b>                           | 51374<br>55   | 4912551     | 3435535     | 3761223     | 3445000     |
| <b>Livestock production index</b>                                | 149.67        | 164.91      | 144.51      | 149.14      | 147.06      |

**Source:** Prepared by the researchers on the basis of the statistics of the World Bank Statistics, World Development Indicators updated on 21/03/2020, in: [www.worldbank.org](http://www.worldbank.org)

As seen in the above table, the contribution of the agricultural sector in Algeria remains weak, compared to the potentials of the country. This ; in fact, is related to the distinctive characteristic of agriculture, which is highly dependent on rainfall. In this context, Algeria suffers from rainfall fluctuations and the weak irrigated agricultural area. The table recorded less than 3% of the total irrigated agricultural area, and this is very weak compared to the total arable land, which recorded more than 400,000 Km<sup>2</sup>, and this affects the production of various agricultural crops. As a result, grain production has decreased significantly where it reached less than 4 million quintals in 2016, compared to more than 5 million quintals in 2012. The amount of products varies according to the available possibilities for each agricultural crop. The table below highlights the most important crops produced according to statistics of the Ministry of Agriculture and Rural Development and Fisheries.

**Table 4: Agricultural production developments from 2018 to 2020.**

|                         | <b>2018- 2019</b> | <b>2019- 2020</b> | <b>Rate of change %</b> |
|-------------------------|-------------------|-------------------|-------------------------|
| <b>Winter crops</b>     | 34.322.742        | 34.322.742        | 1                       |
| <b>Summer crops</b>     | 126.442           | 76.060            | -40                     |
| <b>Industrial crops</b> | 12.801.799        | 12.554.567        | -2                      |
| <b>Dried vegetables</b> | 773.106           | 1.072.138         | 39                      |

**Source:** Prepared by the researchers on the basis of the data found on the website of the Ministry of Agriculture, Rural Development and Fisheries (2020), <http://madrp.gov.dz/ar/>

The table 4 shows the contribution of each crop to agricultural development. Accordingly, winter crops recorded a steady output between 2016 and 2017, including hard wheat which recorded an increase of 3%, while soft wheat and oats recorded low rates of 11% per crop. Summer crops, including maize and sorghum, recorded a low rate of 40%, while industrial crops, including canned tomatoes, tobacco, etc also recorded a decrease of 2%.

As for animal production, there are five main types of livestock: cows, sheep, goats, camels, and horses. The total number of all species during the period (2000-2009) amounted to approximately 24.5 millions, and this number increased to 33.6 millions during the period (2010- 17), an increase of 37%. Sheep accounted for 78% of the total livestock with 26.4 million, goats are in the second position (14%), representing 4.8 millions,

followed by cows, which amount to 1.9 millions (including dairy cows with 52%) equivalent to 6% of total livestock. Camel and horses' figures represent 1% and 0.5%, respectively, of the total livestock (Ministry of Agriculture ,Rural Development and Fisheries, 2018)

#### **IV.Agricultural Investment Projects (2017- 2021)**

Algeria strives to achieve the objectives of economic development by promoting the agricultural sector. According to a report issued by the Arab Organization for Agricultural Development and related to both the implementation of the emergency program for Arab food security for the period (2017- 2021) and improving levels of productivity in the agricultural field, it has been stated that "on the completion of 15 projects in the context of improving the level of productivity, the cost of five projects amounted to about \$ 844.09 million. These projects aimed specifically at modernizing the feed sector, supporting grain production, expanding olive cultivation, etc. In regard to the component of investing in more lands with focus on water rationalization, three irrigation projects have been carried out in the areas of supplementary irrigation for grain and the development of economized irrigation techniques, with water use in the treatment of various irrigation processes" (Arab Organisation for Agricultural Development , 2018, p11)

As for the third component related to the integrated investment projects, two projects have been created at a total cost of \$ 4.2 million. The first was in the field of establishing an integrated food pole to coordinate among the milk division employees in the region of Setif, while the second project is related to control establishments, which aimed at organizing and coordinating between the employees and the local producer of milk and its derivatives, as well as improving storage in the grain division (Arab Organization for Agricultural Development, 2018, p. 12).

#### **Obstacles and challenges of the Agricultural Sector in Algeria**

Despite the efforts exerted by the public authorities to achieve an overall success of the agricultural policy through various reforms that touched the sector, yet, it remains insufficient, because of its weak contribution to the country's GDP which did not exceed 12.29% in 2016, which is equivalent to the value of \$ 19,476.73 million. This contributes to inflating the food import bill because of the inability of the agricultural sector to achieve self-sufficiency of essential commodities with wide consumption. Perhaps the most

important reasons that prevented Algeria from achieving food security in the Arab region, in general, and Algeria, in particular, are as follows (M.A, Alkafri, 2019):

- Constraints on the use of resources in food production;
- Obstacles in the field of marketing and developmental policies;
- Obstacles in the use of inputs and production inputs;
- Absence of integration and coordination between the agricultural and industrial sectors in the field of food industry development;
- Weakness and lack of seriousness of direct economic reform programs in the agriculture sector;
- Weak agricultural extension mechanisms and non-follow-up of farmers in the implementation of their investment programs in the sector.

Moreover, agricultural activity in Algeria suffers from the problem of the difficulty of discharging agricultural products abroad in the framework of the promotion of exports away from the hydrocarbon sector; for open markets for trade between countries contribute to the reduction of food prices in almost all regions. Inevitably, this would lead to an increase in GDP, in addition to providing job opportunities and raising wages' levels. So, the fact of lowering food prices lead to an overall improvement in purchasing power, thereby increasing access to food and controlling extreme hunger. (Food and Agriculture Organization of the United Nations, 2018, p. 66).

## **Conclusion**

Agricultural development is one of the driving forces of economic growth, but the agricultural reforms policies adopted in Algeria did not achieve their objectives, which are related to achieving food security and contributing to raising the levels of GDP. This; in fact, made it difficult to transform the national economy from its rentier status, which relies heavily on the export of energy materials, to the productive status which relies on finding revenue sources outside hydrocarbons sector. There are many factors that contribute to the low contribution of income from the agricultural sector. These can be cited below as follows:

- Weak investment activity in the field because of physical and bureaucratic obstacles;

- The reluctance of young people to create their own enterprises specialized in food production;
- Lack of strategic planning in the field of agricultural policy guidance and companionship;
- Weak agricultural extension and lack of specialized responsible in the agricultural field;
- Violation of the agricultural real estate and the allocation of areas for the completion of housing plans at the expense of agriculture;
- Weak allocation of financial supports, and not directed to the original peasants;
- Weakness of institutes and universities' activities in regard to the promotion of agricultural activity.

Despite these obstacles; however, the public authorities are exerting tremendous efforts in the context of upgrading the agricultural sector because of its significant role in supporting the economic and social development of the country. This will be possible through the direction of agricultural developmental plans in order to achieve their objectives stated under the policy of good governance in the management of agricultural investment programs, and reliance on the element of human efficient capital in order to address the shortcomings and drawbacks of the previous programs, while using them in the creation of new developmental programs to achieve the development of promising agriculture.

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