



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 5/23/2003

GAIN Report #RH3002

## Zimbabwe

## Tobacco and Products

## Annual

## 2003

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### Report Highlights:

**Zimbabwe's 2003 tobacco production is estimated at about 88,000 tons, compared to the record 245,000 tons in 2000 before the advent of the commercial farm seizures.**

**Flue-cured production is estimated at 85,000 tons, the smallest crop in 22 years.**

**Annual sales started in April but income will be cut as a result of the smaller quantity on offer. Total exports are expected to reach about 90,000 tons, down from 196,000 tons in 2001.**

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Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Pretoria [SF1] RH

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## Executive Summary

Zimbabwean tobacco is world-renowned for its quality, mature flavored styles and presentation. It is traditionally the country's major single foreign currency earner, contributing about 30% to foreign exchange earnings. Export income reached USD 594 million in 2001. It has put Zimbabwe on the world map as the second largest exporter of flue-cured tobacco after Brazil and one of the top three producers of high-quality tobacco along with the U.S. and Brazil. Until recently it employed a third of all agricultural workers, the largest employment sector, making the tobacco industry the single largest employer in the country. This output was achieved on about 3% of the available arable land.

All this has changed dramatically, farmers are currently selling their smallest flue-cured crop in 22 years, about 85,000 tons, after it averaged about 200,000 tons during the nineties. As a result of commercial farm seizures sanctioned by the Government of Zimbabwe (GOZ) fewer than 500 large scale producers are still on their land, a third of the number in 2001, with the loss of countless farm jobs. Workers have mainly been replaced by subsistence farmers producing practically no marketable surpluses, while the small scale tobacco farmers were hard hit by input shortages brought about by the virtual collapse of the economy. Analysts believe the chances of recovery for the tobacco sector are small, since many of the new farmers do not have the training or the experience to produce the quality needed and suffer from capital shortages to finance inputs, which are in many cases not available. The proportion of irrigated tobacco is expected to continue to decline due to the loss of equipment and expertise in the agrarian reform process.

Total farm sales weight unmanufactured tobacco production in 2003 is forecast at 88,021 Mt., down from 170,115 Mt. in 2002 and 207,253 Mt. in 2001. The record crop of 245,148 Mt. was produced in 2000 shortly before the land seizures started. Flue-cured tobacco, Zimbabwe's main crop, is estimated at a maximum of 85,000 tons, down from 165,835 tons in 2002 and 202,535 tons in 2001. Burley production is estimated at 3,000 mt. in 2003, down from 4,000 tons in 2002 and 4,600 tons in 2001.

Average prices paid to producers in 2002 were ZWDollar359.25 (USD2.26) per kg. up from ZWD174.64 (USD1.75) in 2001. The exchange rate for exporters at the start of the current selling season in April was

USD1=ZWD800. Growers are optimistic that, due to inflation exceeding 230% per year and increasing, the exchange rate will be reviewed during the season.

The marketing year used is the year in which the crop is sold. For example 2003 refers to the crop planted during the summer of 2002/2003 and sold during the winter of 2003.

The Government of Zimbabwe (GOZ) is controlling the exchange rate in order to keep the cost of imported fuel and electricity under control. Due to the extreme shortage of foreign currency, a "parallel" market has developed and importers are obliged to buy their requirements on this market. As a result, the cost of imported goods is escalating rapidly, fueling the inflation rate increase.

Exchange rate:

April 25, 2001: USD1=ZWD 55.1 (official rate)

USD1=ZWD 118 (parallel market rate)

April 25, 2002: USD1=ZWD 55.14 (official rate)

USD1=ZWD 334 (parallel market rate)

May 10, 2003 USD1=ZWD 55.10 (official rate)

USD1=ZWD 800 (exporters rate)

USD1=ZWD 1,420 (parallel market rate)

Source:

[www.zta.co.zw](http://www.zta.co.zw)

## Unmanufactured Tobacco

PSD Table						
Country	Zimbabwe					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	77558	80412	77558	78491		59894
Beginning Stocks	76433	76433	60640	132163	29736	142530
Farm Sales Weight Prod	200096	207253	148000	170115	0	88021
Dry Weight Production	172111	178282	120000	146124	0	75623
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	25	16980	25	10000	0	5000
TOTAL Imports	25	16980	25	10000	0	5000
TOTAL SUPPLY	248569	271695	180665	288287	29736	223153
Exports	185000	135017	148000	141570	0	90000
Dom. Leaf Consumption	2904	4455	2904	4147	0	4030
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	25	60	25	40	0	35
TOTAL Dom. Consumption	2929	4515	2929	4187	0	4065
TOTAL Disappearance	187929	139532	150929	145757	0	94065
Ending Stocks	60640	132163	29736	142530	0	129088
TOTAL DISTRIBUTION	248569	271695	180665	288287	0	223153

## Production

The reduction in area planted since 2001 is the direct result of the government sanctioned land seizures. The trend is likely to continue and is unlikely to be reversed in the short term.

Zimbabwe enjoyed an average rainfall season during the summer of 2002/2003. Good rains were experienced in the first half of the season up to the end of December 2002 but January and February 2003 were very hot and dry. This had a negative effect on yield and quality of particularly the early tobacco crop. Heavy late rains fell in March and April which assisted the recovery of the late crop. The proportion of irrigated tobacco is expected to continue to decline

due to the loss of equipment and expertise in the agrarian reform process. Total farm sales weight unmanufactured production in 2003 is forecast at 88,021 metric ton, down from 170,115 mt. in 2002 and 207,253 mt. in 2001. The record crop of 245,148 mt. was produced in 2000 shortly before the current political turmoil started. The prolonged dry spell in the second half of the season is expected to produce styles similar to 2002.

The following production table summarizes the situation:

	Area	Hectares		Production	Metric tons	
	2001	2002*	2003**	2001	2002*	2003**
Flue-cured	76,017	74,295	56,314	202,535	165,835	85,000
Burley	3,919	3,525	3,200	4,599	3,988	3,000
Oriental	410	400	380	53	21	21
Air Cured	60	250	0	60	250	0
Fire cured	6	21	0	6	21	0
Total	80,412	78,491	59,894	207,253	170,115	88,021

\* Preliminary

\*\* Estimate

### Consumption

More than 97% of Zimbabwe's tobacco production is exported and domestic consumption plays a very minor role in the total picture. Tobacco trade in Zimbabwe remains largely in unmanufactured tobacco with small amounts processed to "cut rag" (semi manufactured) and cigarettes (manufactured). Following the merger of British American Tobacco (BAT) and Rothmans there is now just one major manufacturer, BAT.

### Trade

Until recently Zimbabwe was one of the world's major exporters of flue cured tobacco. Apparently, exports in 2002 amounted to 141,570 tons, of which 68,185 tons, or 48%, went to the European Union. The next biggest market, taking nearly 29%, (40,856 tons) was the Far East. Africa took 8.8% (12,475 tons) and the non EU Europe took 5.3% or 3,921 tons. The Americas together only took 1,864 tons, including sales to the U.S. which are not available separately.

The trade matrix also shows exports of 198,271 tons in 2001 but these figures are not reflected in the PS&D. There are two main reasons for the omission;

The PS&D does not have a facility to incorporate gains and losses which are common in the tobacco industry.

Secondly, the stock situation had to be addressed as stocks are now shown for December 31 each year while previous stock figures were for March 31. The one time adjustment was made in the 2001 export figure which is shown as 135,017 Mt. instead of the 198,271 Mt. shown in the following trade table.

Export Trade Matrix			
Country	Zimbabwe		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan -Dec	Units:	Metric tons
Exports for:	2001		2002
U.S.		U.S.	Na
Others		Others	
European Union	89559	Far East	40856
Far East	44585	United Kingdom	28481
Africa	26503	Germany	15554
Non Eu Europe	19754	Africa	12475
Americas	7946	Non EU Europe	7551
Middle East	7508	Belgium	6512
Oceania	2416	Oceania	5922
		Middle East	3921
		Netherlands	2677
		Americas	1864
Total for Others	198271		125813
Others not Listed	0		15757
Grand Total	198271		141570

Some tobacco is imported for blending with the local product whilst some South African tobacco is sent to Zimbabwe for cleaning, refurbishing and processing. Imports are shown in the PS&D and consist mainly of flue-cured tobacco.

## Flue-cured Tobacco

PSD Table						
Country	Zimbabwe					
Commodity	Tobacco,Un mfg.,Flue Cured				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	73600	76017	0	74295	0	56314
Beginning Stocks	71268	71268	56853	127162	0	136913
Farm Sales Weight Prod	195000	202535	0	165835	0	85000
Dry Weight Production	168285	176205	0	143116	0	73355
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	16980	0	10000	0	5000
TOTAL Imports	0	16980	0	10000	0	5000
TOTAL SUPPLY	239553	264453	56853	280278	0	215268
Exports	180000	132991	56853	139365	0	86243
Dom. Leaf Consumption	2700	4300	0	4000	0	3900
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	2700	4300	0	4000	0	3900
TOTAL Disappearance	182700	137291	56853	143365	0	90143
Ending Stocks	56853	127162	0	136913	0	125125
TOTAL DISTRIBUTION	239553	264453	56853	280278	0	215268

## Production

Flue-cured tobacco is generally produced in the better rainfall areas north and east of Harare where sandier soils dominate. The northern parts of the area generally produce a fast ripening, high nicotine style of tobacco favored by the

Virginia cigarette manufacturers. These areas are generally below 4,000 ft. altitude. Nearer to, and east of Harare, a thicker, slower growing style of tobacco with a slightly lower nicotine content is produced. The latter style is more sought after for blended cigarettes. With the forced removal of most commercial farmers, irrigation facilities available for the crop are showing a market decline. As a result, the proportion of the crop which is planted early and needs irrigation has shown a significant reduction, and as a direct result of the need for less sophisticated production techniques, the late planted crop has shown a significant increase. This will have an adverse affect on the long term quality and yield.

The hot dry spell experienced in January and February 2003 has reduced the quality of the main crop and adversely affected the development of the late crop. The heavy rains in March and April caused some improvement to the yield and quality of the late crop while filling farm dams.

The early crop is planted and grown under full irrigation. Traditionally it was planted in the first week of September, but is now mainly planted towards the middle of September or early October. The intention is for the main growth period of the crop to be during the rainy season to encourage a more "natural" style of tobacco. The main crop is generally grown under dry land conditions and is planted from mid-October through mid-November, depending on the onset of the rains. Water is added when planting this crop. The late crop is planted from late November through mid-December and is generally planted with the rains. The later crop is grown in the more northerly areas where the warmer climate will allow it to grow better in late summer.

National average yield in 2002 was 2,213 kg./ha., down from 2,264 in 2001 and 2,792 in 2000. Yields in 2003 are expected to be similar to 2002. Coal and wood for curing was in short supply while the availability of electricity, fertilizer and crop chemicals was intermittent mainly due to foreign currency shortages. The ripe, spotted, top quality style dropped from 20% in the 2001 cop to 11% while the standard style increased from 50 to 55%.

## **Policy**

Flue-cured tobacco was traditionally produced by the large scale commercial sector but government has been encouraging production by small scale growers. In 1998 the Zimbabwe Tobacco Association (ZTA) established a training center to assist in the process. The center has since expanded and the number of small scale growers has increased to 12,787, producing 11,500 tons in 2003.



**Trade**

Export Trade Matrix			
Country	Zimbabwe		
Commodity	Tobacco, Unmfg., Flue Cured		
Time period	Jan -Dec	Units:	Metric tons
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
European Union	89559	EU	67620
Asia	44585	Asia	40157
Africa	26503	Africa	12310
Rest of Europe	19754	Rest of Europe	7433
Americas	7946	Americas	1219
Middle East	7508	Middle East	3897
Oceania	2416	Oceania	5922
Total for Others	198271		138558
Others not Listed			807
Grand Total	198271		139365

**Burley**

PSD Table						
Country	Zimbabwe					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	3525	3919	0	3525	0	3200
Beginning Stocks	5159	5159	3784	5001	0	4927
Farm Sales Weight Prod	5000	4599	0	3988	0	3000
Dry Weight Production	3750	3449	0	2991	0	2250
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	8909	8608	3784	7992	0	7177
Exports	5000	3487	3784	2950	0	2980
Dom. Leaf Consumption	125	120	0	115	0	110
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	125	120	0	115	0	110
TOTAL Disappearance	5125	3607	3784	3065	0	3090
Ending Stocks	3784	5001	0	4927	0	4087
TOTAL DISTRIBUTION	8909	8608	3784	7992	0	7177

## Production

Burley is grown mainly in the north-east of Zimbabwe and in the eastern highlands. These areas have better rainfall and longer periods of higher relative humidity needed to cure the crop. Burley is now predominantly produced by small scale farmers but production is dwindling mainly due to the poor returns received, particularly when compared to prices received for flue-cured tobacco.

## Trade

Export Trade Matrix			
Country	Zimbabwe		
Commodity	Tobacco, Unmfg., Burley		
Time period	Jan-Dec	Units:	Metric tons
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
		European Union	565
		Far East	700
		Americas	635
		Africa	165
		Rest of Europe	115
		Middle East	25
Total for Others	0		2205
Others not Listed			
Grand Total	0		2205

## Cigarettes

PSD Table						
Country	Zimbabwe					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Filter Production	3800	3000	3800	3500	0	3500
Non-Filter Production	0	0	0	0	0	0
TOTAL Production	3800	3000	3800	3500	0	3500
Imports	0	0	0	0	0	0
TOTAL SUPPLY	3800	3000	3800	3500	0	3500
Exports	2000	1500	2000	2000	0	2000
Domestic Consumption	1800	1500	1800	1500	0	1500
TOTAL DISTRIBUTION	3800	3000	3800	3500	0	3500

## General

Cigarette production for 2002 was slightly below 2001 mainly due to a slowdown in domestic consumption. Some of the slowdown was cushioned by the increase in regional exports. At this stage it can only be surmised that a similar situation will develop in 2003. The total annual production capacity is estimated at 3,600 million. No international

brands are produced in Zimbabwe and only filter tipped cigarettes are manufactured. Following the merger of the two international parent companies (Rothmans and BAT) of the local manufacturers, one factory was sold of to a group of local businessmen. The factory re-started manufacturing in 2001 and as part of a local Export Promotion Zone (EPZ) 80% of production has to be exported. This seems to be successful and may lead to further expansion. The legal exports of cigarettes are hampered by the large volumes smuggled to neighboring states. With the virtual removal of foreign currency restrictions, the industry has access to imported inputs and packaging is now up to international standards.

The major competitor to manufactured tobacco products is raw tobacco. It is pilfered from grading sheds, the auction floors and packing houses and sold to the public for "roll your own" cigarettes. Manufacturers estimate that the quantity of raw tobacco sold is more than the total sales of excisable products. Excise duty is 80% ad valorem based on production costs.

The GOZ does not discourage the production of tobacco products and the anti-smoking campaign is low key. Later in 2003, manufacturers will be obliged to place more stringent warnings on cigarette packets as well as in advertising bringing Zimbabwe more in line with international trends.