



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 11/8/2004

GAIN Report Number: ZA4002

Zambia

Tobacco and Products

Zambian Tobacco Report

2004

Approved by:

Kevin N Smith
U.S Embassy

Prepared by:

Mary Onsongo

Report Highlights:

Zambian Tobacco recorded increased production and export growth in 2003 and 2004. The increase is attributed to new investments in the industry and favorable weather conditions. Production in 2003 and 2004 is recorded at about 20 and 30 million kilograms respectively.

Potential for the sector remains promising with earnings forecast to increase to US\$ 40 million during MY 2005.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Nairobi [KE1]
[ZA]

TABLE OF CONTENTS

Executive Summary3

Introduction.....3
 Production..... 3

Area and Yield3
 Tobacco Types and Structures 4

Trade4

Tobacco Production and Price per kg4

Zambia Tobacco Exports and Value5

Policy.....5
 Zambia Leaf Tobacco Company Reforestation Initiative 5

Executive Summary

Tobacco recorded increased production and export growth in 2003 and 2004. This is mainly due to new investments in the industry and favorable weather conditions. Over US\$ 36 million was earned from tobacco exports in 2003 - about US\$ 47 million is expected for 2004. Production in 2003 and 2004 is recorded at about 20 million and 30 million kilograms respectively.

Though potential for the sector remains promising the industry has been constrained by low incentives, lack of adequate investment capital, and lack of mechanization, especially for the small-scale farmers.

Introduction

Zambia is a member of two regional groupings, Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC) with a combined population of 400 million people. Lusaka, the capital city, is the headquarter for COMESA. Zambia is a distribution hub of the region surrounded by eight countries.

The sub sectors that are attaining growth in Zambia are processed foods (mainly sugar and stock feeds), floriculture products and horticultural products. The EU is the largest market for Zambia's non-traditional exports followed by COMESA and Asia.

Production

The country has experienced a significant improvement in the production of non-food crops such as tobacco and cotton. Tobacco production has risen from a low of 1 million kgs in 1984 to 30 million kgs in 2004. Production is expected to increase further in 2005 (35 million). After independence in 1964 production declined because of farm abandonment by traditional growers (Ethnic European). Later, companies like Universal Leaf Company, Dimon and Stancom invested in tobacco production in Zambia. These three companies have a presence in Malawi, Zimbabwe and Mozambique.

The upsurge in production is attributed to favorable weather and the influx of ethnic Europeans resettling from Zimbabwe as a result of land acquisition programs by the government of Zimbabwe. It is reported that over 300 expatriate farmers from Zimbabwe moved to Zambia with over 100 being involved in tobacco production, settling as self employed investors. The farmers formed a company called Zambia Leaf Tobacco Company (ZLTC). Most of their farms are irrigated and the land sizes range between 50 – 300 hectares. They rotate tobacco with corn and wheat; the two commodities have recorded increases in production. For instance a bumper corn harvest was recorded this year making the country a major supplier of corn.

Area and Yield

There is no clear data available on area.

Commercial farm yields range between 2,500 – 3,000 kgs whereas the smallholder farms range between 1,500 – 2,500 kgs per hectare.

Tobacco Types and Structures

Virginia is the predominant tobacco grown in Zambia and is mainly grown west of Lwangwe. The other type is Burley tobacco, which is grown in eastern Zambia (East of Lwangwe), with Dimon being the major producer. Dark fired tobacco is also grown but in very small quantities mainly by Stancom. Zambian tobacco is similar to that grown in Zimbabwe. The planting material is sourced locally with some imports from Zimbabwe.

The Tobacco Board of Zambia is the regulatory body of tobacco. All growers are members of the Tobacco Association of Zambia (TAZ). TAZ is mainly funded by the EU and has a contract with Universal Leaf to buy their tobacco.

The small-scale farmers have two associations, namely Southern Tombwe Growers Association and Central Tobacco Growers Association. Stancom purchases tobacco from the farmers on behalf of the two associations. There is only one processing factory located in Lusaka called Tombwe Processing Limited. At the moment only TAZ tobaccos accesses the processing factory on behalf of the Universal Leaf. Tombwe has a partnership arrangement with Contraf Nicotex Tobacco (CNT) a Germany company.

Universal Leaf purchases 80 % and Tombwe 20 %. Out of the 80 % some goes to the factory and the other is exported raw to neighboring countries mainly Malawi and Zimbabwe for processing and consequent grading. Stancom grown tobacco goes to Zimbabwe and Malawi for grading and classification to meet the client requirements mainly in the U.S., Australia, Germany, United Kingdom and Russia.

Trade

TAZ manages the sale of tobacco. The auction system existed in the early 80s but was cancelled. Tobacco is classified and sold on bale-by-bale method. By September 2004 burley tobacco was going at USD 95 cents per kg and Virginia USD 1.94 per kg.

Tobacco Production and Price per kg

	2002	2003	2004
Production raw weight (kg)	13,981,515	20,034,501	30,000,000
Average per kg (USD)	1.13	1.27	1.57

Zambia Tobacco Exports and Value

	2002	2003
Markets	Amount in USD	Amount USD
Malawi	5,959,940.47	20,313,015.94
Zimbabwe	1,423,641.46	5,968,351.68
Germany	3,929,785.76	1,871,405.86
South Africa	6,136,039.79	1,871,405.86
Egypt	495,196.39	1,714,249.53
Belgium	2,159,721.18	1,477,738.55
Iran		1,305,315.81
France	629,425.11	744,142.65
Ukraine		397,977.40
Croatia Republic		157,689.16
Spain		157,689.16
Congo DR	45,118.22	121,119.34
Austria		37,545.04
Switzerland	2,227,098.10	
Russia	2,170,955.24	
New Zealand	689,078.20	
Angola	256,578.80	
Denmark	97,876.49	
Poland	76,804.95	
Tanzania	14,442.45	
Australia	723,081.51	
Grand total	25,034,784.14	36,134,112.00

Source: Export Board of Zambia

Zimbabwe's production decline has created opportunities for Zambian tobacco. Zimbabwe was a major producer in central and southern Africa. With the availability of the ready market and increased prices Zambian farmers are motivated to grow tobacco. Though labor-intensive, tobacco is considered a high value crop that earns foreign exchange.

Policy

While potential for the sector remains promising, processing issues need urgent attention as production surpasses the processing capacity of Tombwe Factory. Tombwe however claims that it has enough capacity to process and is opposed to export of tobacco to subsidiary plants run by some of the sponsors in Zimbabwe.

Under a ten-year project pioneered by Barclays Bank Zambia, a subsidiary of Barclays UK, and Africa Leaf Tobacco (Zambia), a subsidiary of Universal Tobacco Leaf, farmers receive loans to expand their operations and training. Despite these efforts, there is still general lack of adequate investment capital to cover the requests by the large-scale farmers.

Zambia Leaf Tobacco Company Reforestation Initiative

Most small-scale farms depend on natural woodlands for construction materials, for their barns and fuel wood for curing tobacco. It is estimated that a farmer growing 1 ha of flue

cured Virginia (FCV) tobacco producing 1,500 kg cured leaf and using unimproved furnaces will utilize wood harvest from 4,800 trees per annum.

Based on these fuelwood requirements, Zambia Leaf Company (ZLTC) a member of Universal Leaf Africa (ULA) is launching an initiative to reduce deforestation in tobacco growing areas, assist in raising and planting sufficient trees to fully meet tobacco curing requirements within 6 years. During 2004/05 the program targets 4 million trees raised and planted by FCV growers.