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Tobacco

Tobacco Annual Report, Zimbabwe 1999

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Report Highlights:

Zimbabwean tobacco farmers cut back on the area planted for the 1999 crop to bring supply in line with demand while climatic conditions were also less than ideal. As a result, production declined by about 14.3% to 165,000 tons compared to the 192,000 tons produced in 1998. During 1998 only 169,000 tons were exported leading to a 99,000 ton carry over. Producers' intentions are to export more than 175,000 tons during 1998 in order to cut back the level of carry over stocks.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1], RH

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Executive Summary

The rains for the summer of 1998/99 were generally well above national average in most cropping areas. As a result, most farm dams are full and the proportion of irrigated tobacco in MY 2000 is expected to be slightly greater than that of MY 1999. Total unmanufactured tobacco production in MY 1999 is forecast at 192,025 MT, down from 223,977 MT in MY 1998 and 192,144 in MY 1997. Production in MY 1998 was in excess of initial forecasts due to the improved weather conditions. Yields in MY 1999 are expected to be well below those of MY 1998 due to prolonged overcast weather during the growing period.

Flue cured production for MY 1999 is forecast at 185,000 MT, down from 215,914 MT in MY 1998 and 187,261 in MY 1997. Even though the summer of 1998/99 was one of prolonged wet overcast conditions, the quality of the crop is best described as a wide a range of grades and styles as were available in MY 1998. Average prices (per kg) paid to producers in MY 1998 was Z\$37.74 (US\$1.72), up from Z\$26.57 (US\$2.33) in MY 1997 and Z\$29.82 (US\$2.94) in MY 1996. The auction floors opened on 21 April 1999 and growers are optimistic that prices will initially be up on MY 1998. Overall, growers are expecting an improved Zim dollar price compared to MY 1998.

Burley production in MY 1999 is forecast at 7,000 MT, down from 8,035 MT in 1998 but up from 4,860 MY in MY 1997. The prolonged wet spell from early December through to the end of February has adversely affected yields but enabled producers to grow a well cured crop with a wide variety of styles and qualities. The average prices (per kg) paid for burley was Z\$24.80 (US\$1.32) in MY 1998, up from Z\$20.31 (US\$1.81) in MY 1997 and Z\$18.82 (US\$1.92) in MY 1996. The auction floors are due to open in Mutare on 21 April 1999, and in Harare on 26 April 1999. Growers are optimistic that prices will be improved from last year.

Cigarette production in MY 1998 showed a small decrease over production in MY 1997. Both domestic consumption and exports were below expectations. Production in MY 1999 is forecast to increase slightly over MY 1998 but not to get back to MY 1997 levels. The reduction in production is due to the harsh economic conditions prevailing within Zimbabwe.

The marketing year used throughout this report is the year in which the crop is sold. For example, MY 1998 refers to the crop planted during the summer of 1997/98 and sold during the winter of 1998.

As at 14 April, 1998, US\$1.00 = Z\$16.1400

As at 07 April, 1999, US\$1.00 = Z\$38.2000

PS&D Unmanufactured Tobacco

PSD Table						
Country:	Zimbabwe					
Commodity:	Tobacco, Unmfg.					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Area Planted	99293	97750	103110	99566	99310	91910
Beginning Stocks	76262	76262	78393	78425	92959	98823
Farm Sales Weight Prod	192107	192144	223977	223977	209030	192025
Dry Weight Production	165239	165271	192384	192384	179376	164926
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	45	45	45	60	0	45
TOTAL Imports	45	45	45	60	0	45
TOTAL SUPPLY	241546	241578	270822	270869	272335	263794
Exports	159941	159941	174637	168804	175364	175200
Dom. Leaf Consumption	3167	3167	3181	3182	3171	3166
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	45	45	45	60	0	45
TOTAL Dom. Consumption	3212	3212	3226	3242	3171	3211
TOTAL Disappearance	163153	163153	177863	172046	178535	178411
Ending Stocks	78393	78425	92959	98823	93800	85383
TOTAL DISTRIBUTION	241546	241578	270822	270869	272335	263794

Production

The area planted in MY 1999 was down from MY 1998 and, as a result, production in MY 1999 was forecast below that of MY 1998. However, this forecast reduction was compounded by prolonged overcast weather experienced throughout the summer of 1998/99. Rains were generally exceptionally high throughout the tobacco producing areas and the leaching effect of the excessive rain has compounded the production reductions. The reduction in plantings is part of the industries move to reduce production in line with international demands. Average prices achieved for flue cured tobacco in MY 1998 was Z\$37.74/kg (US\$1.72/kg), up from Z\$26.57/kg (US\$2.33/kg) in MY 1997 and Z\$29.82/kg (US\$2.94/kg) in MY 1996. Similarly, Burley prices increased to Z\$24.80/kg (US\$1.32/kg), up from Z\$20.31/kg (US\$1.81/kg) in MY 1997 and Z\$18.82/kg (US\$1.92/kg) in MY 1996. Growers are optimistic that prices to be received in MY 1999 will be up from those received in MY 1998 (in Z\$ terms) as the Zimbabwe Dollar has continued to devalue since the close of the tobacco floors. Production of both types of tobacco from the Small Scale Commercial (SSC) sector are expected to continue increasing due to the better returns received in MY 1998.

Production Table						
	Area Planted			Production		
	Hectare			Metric Tons		
	1997	1998	1999	1997	1998	1999
Burley	5863	7251	6500	4860	8035	7000
Dark Air Sun	0	0	0	0	0	0
Dark Air Cured	0	0	0	0	0	0
Dark Fire Cured	0	0	0	0	0	0
Flue Cured	91494	91905	85000	187261	215914	185000
Light Air Cured	0	0	0	0	0	0
Oriental	393	410	410	23	28	25
	97750	99566	91910	192144	223977	192025

Consumption

In Zimbabwe, with more than 97% of total tobacco production being exported, domestic consumption has little or no influence on production policies. Zimbabwe's ability to sell its tobacco on world markets is the major factor determining production policies.

Trade

The importation of tobacco into Zimbabwe is permitted. However, as one of the world's major exporters of tobacco, the only tobaccos imported into the country are small quantities of specialized types not produced here. Small quantities of fire cured tobacco are imported annually from Malawi for use in the manufacture of pipe tobaccos. Barter deals involving tobacco in exchange for merchandise are no longer encouraged by GOZ.

Trade matrix, Unmanufactured tobacco

Export Trade Matrix			
Country:		Units:	Mt.
Commodity:			
Time period:	Jan-Dec		
Exports for	1997		1998
U.S.	0	U.S.	Nil
Others		Others	
	0	Far East	33230
	0	United Kingdom	20921
	0	Europe less EU	20721
	0	Germany	17934
	0	Africa	15851
	0	Belgium	14095
	0	America's	12510
	0	Netherlands	5039
	0	France	5029
	0	Middle East	4955
Total for Others	0		150285
Others not listed	0		18519
Grand Total	0		168804

Stocks

Stocks in March 1999 were 81,000 MT, up from 75,668 MT in March 1998 and 53,536 MT in March 1997. Increased stock levels are indicative of merchants longer storage times and making use of Zimbabwe's lower storage costs when compared to foreign storage costs. Current stock levels will not detract from prices to be paid for current crop.

Policy

GOZ's agricultural policy is to encourage the production on export crops by the Large Scale Commercial (LSC) sector and the production of basic foodstuffs and the less sophisticated export crops by the (SSC) and Communal (peasant) sectors. GOZ does not control any aspect of tobacco production in Zimbabwe. GOZ imposed a 5% levy on both producers and merchants on all tobacco sold in Zimbabwe during the MY 1996. The new law came into effect in July 1996. The levy was imposed in order to raise money desperately needed by GOZ. However, both merchants and producers complained that it was an unfair taxation on exports. GOZ does not even allow it to form part of normal company or individual taxes paid. Producers in all sectors have complained to GOZ that the levy has added 5% to their cost and has, in addition, reduced their prices as the merchants have borne this in mind when purchasing. Efforts continue to persuade government to remove this levy, particularly in view of current viability problems being experienced by all growers.

Marketing

Tobacco is unique in Zimbabwe in that marketing has never been controlled by GOZ. The GOZ parastatal, Tobacco Industries Marketing Board (TIMB), merely acts as an arbiter to resolve disputes between growers and merchants and to oversee the orderly marketing of all the tobacco crops. Previously, the TIMB was composed of equal representation of trade and growers, with GOZ providing an independent Chairman. During the early part of 1994, GOZ changed the composition of the TIMB to have one only representative from the growers, two from the trade, two from the Indigenous Businessman's Organization, three from the Indigenous Growers Association and one from Government.

PS&D Flue cured tobacco

PS&D Table						
Country:						
Commodity:	Flue Cured					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	93000	91494	97000	91905	93000	85000
Beginning Stocks	73982	73982	76957	76989	89691	96147
Farm Sales Weight Prod	187224	187261	215914	215914	200000	185000
Dry Weight Production	161574	161606	186334	186334	172600	159655
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	235556	235588	263291	263323	262291	255802
Exports	155609	155609	170600	164176	169500	170000
Dom. Leaf Consumption	2990	2990	3000	3000	3000	3000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	2990	2990	3000	3000	3000	3000
TOTAL Disappearance	158599	158599	173600	167176	172500	173000
Ending Stocks	76957	76989	89691	96147	89791	82802
TOTAL DISTRIBUTION	235556	235588	263291	263323	262291	255802

Production

Flue-cured tobacco is generally produced in the better rainfall areas North and East of Harare where sandier soils predominate. The northern parts of the tobacco areas generally produce a fast ripening, high nicotine style of tobacco favored by the Virginia cigarette manufacturer. These areas are generally below 4 000 ft altitude and are more dependent on the Inter Tropical Convergent Zone (ITCZ) for their rainfall. 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. Irrigation facilities are spread throughout the tobacco growing areas but are more concentrated in the slower ripening areas. Where irrigation is available, the planting of the crop may be brought forward from the general mid to late October to the first week of September. This means that the crop is growing during the warm to hot pre-rain months of September and October and producers are then able to grow a more desirable high nicotine style of tobacco from the high altitude slow growing areas. This enables these areas to compete more favorably with the northern areas and has a far greater impact on their viability.

The area planted in MY 1999 showed a decline for the first time in three years. The reduction of flue cured tobacco production was called for by the flue cured grower's organization, Zimbabwe Tobacco Association (ZTA) in order to assist in maintaining prices following the price reduction (in US\$ terms) which occurred in MY 1998 when compared to MY 1997. This is perceived as a direct result of markets being over supplied with

tobacco. The following table indicates the changes taking place within the different plantings of each season. Percentage distribution of plantings within seasons.

Crop	Percentage	My 1999	My 1998	My 1997	My 1996	My 1995
Early	43	33	28	17	22	
Main	56	60	62	68	67	
Late	1	7	10	15	11	

Rains of the summer of 1997/98 were generally at or slightly below average and as a result, most farm dams were again full. This has enabled growers to irrigate to their full potential once more. The rains for the summer of 1998/99 were generally well above average and trend to expanding irrigation production is likely to continue. The early crop is planted and grown under full irrigation. In previous years, this was planted in the first week of September. However, following advice from merchants, the crop is now generally planted towards the middle of September or early October. The intention is for the main growth period of the crop to be during the expected 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 to mid-November, depending on the onset of the rains. Water is used in planting this crop. The late crop is planted from late November through to mid-December and it is generally planted with the rains. The latter crop is grown in the more northerly areas of the tobacco growing belt where the warmer climate will enable it to grow better in March and April than in the more southerly, highveld growing areas.

All the curing systems throughout the industry are either coal or wood fired. Where wood is used, it is grown on the farm in plantations or is obtained from clearing the natural bush to make way for cropping. Some minor problems were experienced in obtaining adequate coal supplies for growers during the 1998/1999 curing season. The main problem experienced has been the moving of coal from the coal fields in the North West of the country to the growers in the North and East of the country, due to the deteriorating services offered by the National Railways of Zimbabwe (NRZ). Fertilizer and crop chemical were adequate but on occasions growers had to substitute with alternatives as some chemicals were not available towards the end of the season.

National yield in MY 1998 were 2 349 kg/ha, up from 2 047 kg/ha in MY 1997 but down from 2 480 kg/ha in MY 1996. The yields in MY 1998 have returned to more acceptable levels due to improved weather experienced during the summer of MY 1997/98. The forecast yield in MY 1999 is expected to be 2 100 kg/ha, mainly due to the prolonged overcast spells experienced from mid-November through to mid-March. Yields of the early irrigated crop planted in September are generally of the order of 3 000 - 3 600 kg/ha but yields in excess of 4 000 kg/ha are not uncommon. Yields of the main dry land crop vary between districts with the slow ripening areas reporting yields of up to 3 000 kg/ha while in the Northern faster ripening areas, yields are generally of the order of 2 700 kg/ha. Yields of the late crop are generally fairly poor, with the slow ripening areas achieving yields of the order of 2 000 - 2 200 kg/ha while in the Northern faster ripening areas yields are often as low as 1 500 - 1 800 kg/ha. One of the major reasons for the increase of national yields has been the impact of the new slow ripening high yielding varieties which have increased expected yields in Northern areas from 2 200 kg/ha to as high as 2 800 kg/ha.

The crop quality over the previous 5 years is shown in the following table:

Crop styles over the previous five seasons: Percentage (%)

Style	My 1998	My 1997	My 1996	My 1995	My 1994
Ripe, spotted	16	31	44	15	40
Standard	44	31	32	55	33
Droughted	23	14	5	9	11
Green & Non-descript	17	24	19	21	16
Total	100	100	100	100	100

The quality of the crop sold in MY 1998 is clearly shown in Table 2. There was a further reduction in the ripe, spotted styles, in MY 1998, when compared to MY 1997, as well as a reduction in the green and non-descript. The increase in "droughted" is an indication of the increased volumes of tobacco with the stressed style which occurred during the unexpected dry spells throughout the growing season which some areas experienced. The significant increase in standard styles indicates that the drier nature of the growing season when compared to that of MY 1997. The crop to be marketed in MY 1999 has been described as a good Zimbabwe crop with a wide variety of styles to be expected. There will be a full spread of grades and styles available and growers are optimistic that they will receive better prices (in Z\$ terms) than those of MY 1998. Flue cured sales start on 21 April 1999.

Consumption

Zimbabwe is unique among the world tobacco producers, in that more than 97% of production is exported and, therefore, domestic consumption has no influence on overall production trends. The future of the tobacco growing industry depends entirely on its ability to remain competitive in world markets. The industry receives no assistance or subsidy from GOZ.

Trade

As one of the world's major exporters of flue cured tobacco, imports are not encouraged by GOZ. The port of Beira, in neighboring Mozambique, retains its importance for tobacco exports and 40% of tobacco exports were routed through this port. It is capable of handling up to 60% of national production but difficulties are being experienced both with the railways transporting the tobacco to the port. As a result, merchants are now actively investigating using motor transport to get the tobacco to the port. The alternative export routes are through South African ports, mainly Durban. Due to deteriorating operations of the national railways of the NRZ, nearly 50% of all exports are now by road.

As the import of tobacco is actively discouraged, the only trade with US is the export of small quantities of quality tobacco from Zimbabwe into the USA. Local authorities insist on including details of exports to the USA with other exports to all the "Americas" and, therefore, the information on exports to the USA is not readily available. The amount of tobacco exported to the "Americas" has increased in MY 1998, when compared to MY 1997. It is strongly suspected that a significant portion of this has gone to the USA. In

addition, authorities will not release the value of exports to different destinations. When these do become available they are two to three years old. Therefore, this information is not included in this report.

Stocks

Stock levels immediately prior to the sales of MY 1998 were higher than has been the case for a number of years. The stock levels at the beginning of the sales of MY 1999 are even higher. This local increase in stocks indicates that manufacturers are increasing the life of their stocks towards 18 months and also, a reflection of the low storage costs in Zimbabwe when compared to overseas. Merchants policy is to keep stocks down to such a level as to not impinge storage available for the new crop.

Policy

Flue-cured tobacco has traditionally been produced by the LSC sector. Since Independence in 1980, GOZ has encouraged the production of flue-cured tobacco by SSC and resettlement farmers.

To give affect to these objectives, ZTA established a training center in MY 1988 with a limited intake of 20 students, to teach peasant growers the finer points of flue-cured tobacco culture. The center has since been expanded to 50 students, and the initial batch of students have been settled on a farm where they are now putting into practice what they have learnt at the training center. The total number of active small scale growers has increased from 135 in MY 1989 to 1 265 in MY 1996, 3 348 in MY 1997 and 6 470 in MY 1998. Production from this sector has increased from 2 220 MT in MY 1996 to 5 810 MT in MY 1997 and 6 000 MT in 1998. Forecast production in MY 1999 is expected to be slightly below that of MY 1998 due to the poor weather conditions. The GOZ's overall agricultural policy is to encourage the LSC sector to produce export orientated products, while the peasant or communal sector is being encouraged to increase production of basic food crops and less sophisticated export crops.

In July, 1986, the TIMB, on the advice of the ZTA, suspended all production controls. The need for production controls is reviewed annually in July and it seems unlikely that they will be reimposed in the foreseeable future.

Marketing

GOZ does not actively encourage the importation of flue-cured tobacco. There are no market opportunities for US tobacco.

Traditionally the auction floors in Zimbabwe have used natural light exclusively. Daily wastage is a term used for the amount of tobacco that is offered more than once as either:

- a) the grower is dissatisfied with the price offered, or
- b) his handling is substandard and buyers require it to be re-handled before sale.

Daily wastage is used as a measure of the dissatisfaction of growers with prices and in MY 1987 it reached an all time high of 31,75%. Daily wastage in MY 1998 was 14.11%, slightly lower than 14.58% in MY 1997 but up from 10.10% in MY 1997. The slight decrease in daily wastage is a reflection of the growers unhappiness with the prices received in MY 1998 when compared with MY 1997. A third auction floor came into operation in MY 1997 and operated throughout MY 1998. The floor, due to viability problems, has closed for MY 1999. Due to the reduced volume of the crop and the reduction of the number of floors, there will be only six daily sales throughout the selling season.

Flue-cured tobacco is sold on a free auction system, with no price support from GOZ or any other body. The grower has the right to accept or reject the highest offer for his tobacco. During MY 1987, there was widespread grower dissatisfaction with the auction system because of the wide variation in the prices offered for the same bale of tobacco on consecutive days. An investigation was undertaken of alternative selling systems. However, findings were that there was no real effective long term alternative to free auctions, which was as easy to administer and less liable to manipulation. Some minor changes to the regulations governing the operation of the sales were recommended, and implemented, to improve the system. Prices offered for tobacco are still determined by each individual merchant and are based on the price they can obtain from overseas markets. During MY 1992, growers requested the ZTA to investigate the possibility of introducing the "Dutch clock" system of auctioning the crop. Due to both buyer and grower resistance, the "Dutch clock" system of auctioning was not tried in MY 1993, as originally intended and is unlikely to be reinstated.

In February 1992, GOZ decided that tobacco to be sold in MY 1992 would be sold in US dollars, but growers would continue to be paid in Zimbabwe dollars using the daily rate of exchange to convert between the two currencies. The objective was to minimize the influence of currency speculation on the market place and to make the daily sales easily understood by overseas merchants. These objectives have so far been achieved. The changes have been welcomed by growers as the larger unit of currency has speeded up the process of selling. This system of selling has been retained for the foreseeable future.

PS&D Burley

Country:						
Commodity:	Burley					
		1997		1998		1999

	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	5900	5863	5700	7251	5900	6500
Beginning Stocks	2250	2250	1421	1421	2903	2675
Farm Sales Weight Prod	4860	4860	8035	8035	9000	7000
Dry Weight Production	3645	3645	6026	6026	6750	5250
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	5895	5895	7447	7447	9653	7925
Exports	4332	4332	4400	4628	5500	5200
Dom. Leaf Consumption	142	142	144	144	144	144
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	142	142	144	144	144	144
TOTAL Disappearance	4474	4474	4544	4772	5644	5344
Ending Stocks	1421	1421	2903	2675	4009	2581
TOTAL DISTRIBUTION	5895	5895	7447	7447	9653	7925

Production

Burley is grown mainly in the north-east of Zimbabwe (Centenary, Chiweshe, Mount Darwin and Madziwa) and in the Eastern Highlands (Nyamaropa, Burma Valley and Chipinge). These areas have the better rainfall and longer periods of higher relative humidity needed to cure the crop.

Burley tobacco is grown by the LSC, SSC and peasant sectors with the LSC sector producing more than half the crop. The peasant and SSC sector have been gradually increasing its production over the last few years and LSC production has declined to half of the national production. In a move to encourage production in the Eastern Highlands, a new tobacco sales floor, constructed during 1989, was opened on 7 May, 1990. The new sales floor has worked very well and has been a boost to production in the eastern part of the country. With the success of the new sales floor in Mutare, a decision was made in MY 1990 to build a new floor in Harare. Construction was finally completed early in 1994, just in time for the MY 1994 sales.

The area planted by the different sectors for the past five years is shown in the following table:

Hectares

Sector	My 1998	My 1997	My 1996	My 1995	My 1994
LSC	1491	1281	1639	3217	2772
SSC	263	289	247	303	332

Communal	3016	2204	1516	1659	1500
Resettlement	2457	2076	1579	1679	1279
Co-ops etc.	24	13	33	89	12
National total	7251	5863	5014	6947	5894

The area planted in MY 1998 showed an increase for the first time in three years. This follows an improvement in prices received by growers and reflects a return to steady increased production for this crop. The continuing increase in area planted by the communal and resettlement sectors is a reflection of the viability of burley when compared to food crops grown in these areas. The increase in production in the LSC sector is expected to continue as long as realistic prices are received for the heavier bodied styles produced by this sector.

The supply of most input items needed to produce the crop was adequate during the summer of 1998/99. Some difficulty was experienced with a few of the crop chemicals, but adequate substitutes were available. Yields for the various sectors of the industry for the last five years are shown in the following table.

Burley yields for the different sectors: Kilogram per Hectare

Sector	My 1998	My 1997	My 1996	My 1995	My 1994
LSC	2148	1666	2075	2266	2372
SSC	626	366	518	533	374
Communal	982	609	713	861	726
Resettlement	686	534	961	780	574
Co-ops etc.	884	1353	1455	791	2766
National Yield	1108	803	1232	1477	1451

A significant portion of the crop grown by the LSC is under irrigation, hence the consistency of the yields. The table clearly shows that, because of the less sophisticated land preparation and grower techniques of the other sectors, their yields are more susceptible to the influence of the season than the LSC sector. It is reported that some growers in the LSC sector who have grown irrigated Burley have achieved yields in excess of 3 000 kg/ha. Efforts are continuing to improve yields in the SSC and peasant sectors.

GOZ is increasing the extension effort into suitable Burley growing areas in order to improve yields in these sectors. The sharp reduction in yields of all sectors in MY 1997 is a direct reflection of the prolonged wet spell which occurred from mid December 1996 through to early February 1997. This unusual weather not only significantly reduced production in the fields, it also greatly increased curing losses in the sheds. Yields in MY 1999 are expected to be below those of MY 1998 due mainly to the continuous rainy spells experienced in January and February in most of the burley growing areas. The influence will be more severe in the small scale and communal sector than LSC sector.

The following table gives a measure of the quality of the crops for the previous five years:

Burley quality over the past 5 years.

Year	Fine %	Good %	Fair %	Low %	Poor %	No grade%	Sundry %
My 1998	2.21	34.81	42.46	11.19	0.93	0.7	7.7
My 1997	2.17	21.44	50.76	13.11	6.15	0.77	5.6
My 1996	1.21	19.96	59.69	19.43	1.05	0.76	0.9
My 1995	0.48	23.64	43.22	24.39	3.69	2.32	2.26
My 1994	2.11	32.31	36.79	18.44	3.83	3.62	2.9

The quality of the crops sold in MY 1998 showed a further improvement with significant increases in fine and good quality leaf. In addition, while there is a reduction in low quality, there is also a reduction in poor quality leaf. The crop to be sold in MY 1999 is expected to be similar or better than that of MY 1998.

Consumption

As with Flue-cured tobacco, the vast majority of production is exported and, therefore, domestic consumption has little influence on overall production trends. Future increases in production will depend entirely on growers being satisfied that prices offered will reward them for their efforts.

Trade

As with flue-cured tobacco, the importation of Burley leaf is actively discouraged by GOZ. Therefore, there is little possibility of US tobacco being imported into Zimbabwe. With the expansion of production in Zimbabwe, exports are on the increase.

Stocks

With the significant increase in production over the last few years, stocks of Burley have built up. However, exports are increasing and stocks will be limited to the previous years' productions.

Policy

GOZ does not interfere in any way with the Burley industry. See Production Policy Section of flue-cured for more details of overall GOZ agricultural policy. See also flue-cured Production Section. Production in MY 1998 showed an increase due to poor prices paid for burley in MY 1997. This trend continued into MY 1999. There have been no tariff changes.

In order to encourage production on the eastern borders of Zimbabwe, where the summers have longer periods of high relative humidity needed for the curing of Burley tobacco, ACTA decided in MY 1988 to construct a new sales floor in the eastern city of Mutare. Construction started late in MY 1988 and was completed in time for the start of the MY 1990 selling season. So successful has the floor been that ACTA took the decision to build their own floor in Harare. This was finally completed in time for the sales of MY 1994 and has greatly assisted marketing the Burley crop. During MY 1995, the spare capacity on the floor was used to assist in the selling of the Flue Cured crop and this was continued at MY 1996. The construction of the floor was completed in the later half on 1997 and will be continued to be used to assist in the selling of the flue cured crop.

Following a request by growers, and with the agreement of the trade, Burley was being sold by free auction in MY 1994, for the first time in 16 years. Similar rules govern the sale of Burley as do those of flue-cured. After initial organizational problem, the system is now starting to work well and growers generally are satisfied with prices being received. Decentralized sales were first tried unsuccessfully in MY 1986. The main cause of the failure was makeshift facilities, which resulted in growers believing that they were not receiving the same prices for the tobacco as they would have had they sold in Harare. However, this belief has been overcome by constructing a proper new floor in Mutare, with all the modern aids and facilities. After some misgivings about the auction system in MY 1995, the increased prices that were achieved in MY 1996 have restored growers faith in the free-auction system and it is to be continued. Auction floors are to open on 22 April 1999 in Mutare and 26 April 1999 in Harare. Following the good prices received in MY 1998 growers will continue with the free auction system.

PS&D Oriental tobacco

Country:						
Commodity:	Oriental					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin						

Area Planted	393	393	410	410	410	410
Beginning Stocks	30	30	15	15	2	2
Farm Sales Weight Prod	23	23	28	28	30	25
Dry Weight Production	20	20	24	24	26	21
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	50	50	39	39	28	23
Exports	0	0	0	0	0	0
Dom. Leaf Consumption	35	35	37	37	28	23
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	35	35	37	37	28	23
TOTAL Disappearance	35	35	37	37	28	23
Ending Stocks	15	15	2	2	0	0
TOTAL DISTRIBUTION	50	50	39	39	28	23

Cigarettes

PSD Table						
Country:	Zimbabwe					
Commodity:	Tobacco, Mfg., Cigarettes					
		1997		1998		1999
	Old	New	Old	New	Old	New

Market Year Begin		01/1997		01/1998		01/1999
Filter Production	3523	3523	4200	3390	0	3890
Non-Filter Production	0	0	0	0	0	0
TOTAL Production	3523	3523	4200	3390	0	3890
Imports	0	0	0	0	0	0
TOTAL SUPPLY	3523	3523	4200	3390	0	3890
Exports	1340	1340	2010	1300	0	1800
Domestic Consumption	2183	2183	2190	2090	0	2090
TOTAL DISTRIBUTION	3523	3523	4200	3390	0	3890

Production

Production for MY 1998 was below expectations due to the harsh economic conditions prevailing and as a result, disposable income steadily declined throughout the year. In addition, exports were below expectations but at similar levels to MY 1997. Indications are that there will be some recovery in MY 1999.

With further liberalization of the foreign currency markets, the industry no longer has difficulty in purchasing imported items required in the manufacture of cigarettes. No International brands are manufactured in Zimbabwe and only filter tip cigarettes are produced. There are only two cigarette manufacturers in Zimbabwe and their "market sharing" arrangement, which originated in the early 1970's, ended in May 1998. As a result, there has been free competition in the market place for sales and this has kept the prices at realistic levels.

With the virtual removal of foreign currency restrictions, the industry has access to international supplies of inputs such as filter toe, cigarette paper, board etc. Packaging is now at international standards and has assisted in the recovery of the sales of the industry.

The major competitor for manufactured tobacco products is raw tobacco. This is stolen from farm grading sheds, the tobacco auction floors and the packing houses. This raw tobacco is then sold on the black market to consumers, who roll it in strips of old newspaper to make their own "roll your own" cigarettes. The cost to the consumer is very much less than the manufactured product, with, of course, GOZ getting no excise duty. Efforts to contain the sale of this raw tobacco have met with very little success. Manufacturers currently estimate that the sale of raw tobacco is equal to the total sales of excisable products.

Consumption

Excise duty on tobacco products is ad valorem. In January 1995, GOZ increased the excise duty to 80% of production costs and it has remained at this level ever since. Manufacturers are currently capable of producing 3 600 million pieces annually.

Efforts are continuing to develop a lower price brand to suit the lower end of the market. However, the competition from raw leaf has significantly detracted from the opportunities of the market.

Domestic cigarette prices for a pack of 20 including duty follows:

With effect	09/30/96	35490	35441	10/19/98	03/23/99
ASSEMBLY Virginia	-	-	-	9.8	10.9
BERKELY Extra Mild	5.05	5.4	6.2	N/A	12.9
BERKELY King Size	5.1	5.45	6.25	N/A	14
KINGSGATE King Size	4.9	5.25	6.05	N/A	11
EVEREST Menthol	5	5.35	6.15	9.8	10.9
MADISION Toasted	4.9	5.25	6.05	9.35	10.35
MADISON Milds	5.35	5.7	6.5	12.15	13.5
Newbury	5.1	5.45	6.25	10.75	12
Kingsgate De Luxe	5.6	5.95	6.75	N/A	14.8

Note: US\$1 = Z\$ 10.340 11.170 18.610 35.730 38.200

Madison is the only "American Blend" cigarette manufactured in Zimbabwe, with all other cigarettes being Virginia type. No plain cigarettes are manufactured in Zimbabwe.

Trade

In order to supplement domestic sales, manufacturers are actively exploring export opportunities. They continue to make efforts to penetrate this very volatile market, particularly in neighboring countries.

Stocks

Now that production can keep pace with domestic sales, small stocks have been built up. These stocks however are only kept at a level to ensure even distribution throughout the country.

Policy

GOZ does not discourage the production of tobacco products and the anti-smoking campaign is very low key. Manufacturers are allowed to determine what products to produce. No assistance is given by GOZ to

manufacturers of cigarettes. The Ministry of Health is actively campaigning against the sale of any tobacco products, even though the poorer consumers are smoking raw tobacco wrapped in strips of newspaper.

An agreement has been reached between manufacturers and the Ministry of Health on warnings to be placed on all cigarette packets. In addition, any advertising in the print and electronic media must carry warnings to indicate that "Smoking maybe harmful to your health".

Marketing

With the importation of tobacco products now permitted by GOZ, there is a possible opportunity for U.S. tobacco products. However, it is extremely unlikely that they will be able to compete because of their high price. The two cigarette manufacturing companies entered into a market sharing arrangement in the late 1970's when international brands were withdrawn from the domestic market because of the restrictions on importing quality packaging. Originally, in the "market sharing arrangement" both companies made and sold all domestic brands. Subsequently, because of different blends used by different manufacturers, it has been agreed that each manufacturer will make and distribute only certain brands. This will greatly improve the uniformity of the blends for specific brands. This arrangement has been condoned by GOZ as the only alternative to closing one factory.

The "market sharing" arrangement came to an end in May 1998 and as a result, the two manufacturers are now actively competing for the limited domestic market. As a result, it seems likely that one factory may be forced to close. Further, as the international parent companies of the two manufacturers are currently discussing a merger, it is unclear as to what future there will be for the two factories here in Zimbabwe.