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Tobacco and Products

Annual

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Report Highlights:

Zimbabwe's 2001 tobacco crop is currently estimated at about 200,000 tons, down 18.4% from 2000. The decline is due to a cutback in the area planted as a result of economic and political instability in the country. The marketing of the crop has started but sales are slow as growers continue to hold out for a devaluation of the Z Dollar which would increase Z\$ prices. Exports could reach 185,000 tons this year after 182,000 tons were shipped in 2000. Prospects for the 2002 crop are uncertain and will depend to a large extent on political and economic stability in the country .

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 2000/2001 were generally at or above average. As a result, nearly all farm dams are full and the proportion of irrigated tobacco is expected to continue expanding slowly in MY 2002. Total unmanufactured tobacco production in MY 2001 is forecast at 200 096 MT, a major decrease from 245 214 MT produced in MY 2000 but up from 198 967 MT in MY 1999. Output fell as a result of reduced planted area, reflecting uncertainty over economic stability and land ownership. Yields achieved in MY 2000 were the highest ever achieved.

Flue cured production for MY 2001 is forecast at 195 000 MT, down from 236 946 MT in MY 2000 but up from 192 145 MT in MY 1999. The dry spell in January 2001 was followed by prolonged rain in February and March resulting in a wider spread of grades and styles than in MY 2000. Average prices (per kg) paid to producers in MY 2000 was Z\$81.31 (US\$1.69), up from Z\$66.28 (US\$ 1.74) in MY 1999 and Z\$37.74 (US\$1.72) in MY 1998. The auction floors opened on 24 April 2001 and growers are optimistic that prices (in US\$ terms) will be better than in MY 2000.

Burley production is forecast at 5 000 MT in MY 2001, down from 8 163 MT in MY 2000 and 6 751 MT in MY 1999. The prolonged rain in the second half of the season has enabled growers to produce a better quality crop compared to MY 2000 with a wider range of styles and qualities. The average price (per kg) paid for Burley was Z\$40.25 (US\$0.92) in MY 2000, down from Z\$50.71 (US\$1.33) in MY 1999 but up from Z\$24.80 (US\$1.32) in MY 1998. The auction floors opened on 25 April 2000 in Harare and 2 May 2000 in Mutare. Growers are optimistic that prices will be better in MY 2001 than those achieved in MY 2000, although the exchange rate is a major concern in the absence of devaluation (see below).

Cigarette production in MY 2000 showed a small decline when compared to MY 1999 due to the declining buying power of the consumer. This trend is expected to continue in MY 2001 due to the continuing high inflation. No homogenised sheet is produced in Zimbabwe.

The marketing year used throughout this report is the year in which the crop is sold. For example, MY 2001 refers to the crop planted during the summer of 2000/01 and sold during the winter of 2001.

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

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

As at 17 April, 2000, US\$1.00 = Z\$45.1000

As at 25 April, 2001, US\$1.00 = Z\$55.1000 (Official GOZ rate)

As at 25 April, 2001, US\$1.00 = Z\$118.000 (Parallel Market rate)

Currently, the Government of Zimbabwe (GOZ) is controlling the exchange rate in order to contain the costs of imported fossil fuels and electricity for the consumer. 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 and this shortage is contributing to an inflation rate which is currently hovering between 55% and 60%, and which is forecast to reach 100% by year end.

Tobacco, Unmanufactured, Total

PSD Table						
Country:	Zimbabwe					
Commodity:	Tobacco, Unmfg.					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	88306	91916	85850	92710	81335	77558
Beginning Stocks	98823	98823	50834	50834	60870	76432
Farm Sales Weight Prod	198967	198967	243279	245214	175595	200096
Dry Weight Production	170941	170941	209018	210690	150910	172111
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	45	60	45	30	45	25
TOTAL Imports	45	60	45	30	45	25
TOTAL SUPPLY	269809	269824	259882	261538	211825	248567
Exports	215744	215744	195977	182072	151595	185000
Dom. Leaf Consumption	3201	3201	2990	3004	3005	2904
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	45	60	45	30	45	25
TOTAL Dom. Consumption	3231	3246	3035	3034	3050	2929
TOTAL Disappearance	218975	218990	199012	185106	154645	187929
Ending Stocks	50834	50834	60870	76432	57180	60638
TOTAL DISTRIBUTION	269809	269824	259882	261538	211825	248567

Production

Plantings for MY 2000 ended up higher than those of MY 1999 and, as a result production in MY 2000 was higher. Plantings for MY 2001 are lower than in MY 2000 and production is forecast to be less than that of MY 2000. The reduction is a reflection of the difficult economic circumstances prevailing as well as the uncertainty over land ownership. The rainfall pattern of the season assisted in improving yields over those of MY 2000. Average prices (per kg) achieved for flue cured tobacco in MY 2000 was Z\$81.31 (US\$1.69), up from Z\$66.28 (US\$1.74) in MY 1999 and Z\$37.74 (US\$1.72) in MY 1998. Similarly, Burley prices (per kg) in MY 2000 were Z\$40.25 (US\$0.91), down from Z\$50.77 (US\$1.44) in MY 1999 but up from Z\$24.80 (US\$1.32) in MY

1998. Growers are optimistic that prices to be received in MY 2001 will be better than those in MY 2000 (in

Z\$ terms), even though the value of the Zimbabwe Dollar has been managed by GOZ at around Z\$55.00 to US\$1.00 since August 2000. The general view of banks is that the Zimbabwe dollar should be devalued to Z\$75 to Z\$80 to US\$1. Production of both types of tobacco from the small farmers is expected to continue increasing due to improved returns received in MY 2000.

Consumption

In Zimbabwe, more than 97% of total tobacco production is exported and 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 specialised types not produced locally. 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.

Export Trade Matrix			
Country:		Units:	Metric tons
Commodity:			
Time period:	Jan-Dec		
Exports for	1999		2000
U.S.		U.S.	0
Others		Others	
		Far East	38822
		United Kingdom	26661
		Germany	25726
		Rest of Europe	22776
		Africa	17471
		Middle East	9635
		Netherlands	8185
		Americas	5179
		Belgium	4325
		Denmark	4052
Total for Others	0		162832
Others not listed			19240
Grand Total	0		182072

Stocks

Stocks in March 2001 were 89 602 MT, up from 52 157 MT in March 2000, and 74 648 MT in March 1999. Increased stock levels were a result of some of the difficulties being experienced in transporting the product to the ports. Current stock levels will not detract from prices to be paid for current crop.

Policy

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. 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 were successful in persuading GOZ to reduce the levy to 2½% for both producers and merchants

during MY 200 and it has been further reduced to 2% in MY 2001.

Marketing

Tobacco is unique in Zimbabwe in that marketing has never been controlled by GOZ. The GOZ parastatal, the Tobacco Industries Marketing Board, merely acts as an arbiter to resolve disputes between growers and merchants and to oversee the orderly marketing of all the tobacco crops.

Flue cured Tobacco

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Production Table						
Country:						
Commodity:	Flue Cured					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	81152	84762	78000	84857	74000	73600
Beginning Stocks	96147	96147	47761	47761	57766	71268
Farm Sales Weight Prod	192145	192145	235000	236946	17000	195000
Dry Weight Production	165821	165821	202805	204484	146710	168285
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	261968	261968	250566	252245	204476	239553
Exports	211207	211207	190000	178177	147000	180000
Dom. Leaf Consumption	3000	3000	2800	2800	2800	2700
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	3000	3000	2800	2800	2800	2700
TOTAL Disappearance	214207	214207	192800	180977	149800	182700
Ending Stocks	47761	47761	57766	71268	54676	56853
TOTAL DISTRIBUTION	261968	261968	250566	252245	204476	239553

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 favoured 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 increasingly spread throughout the tobacco growing areas and have greatly assisted in improving yields.

~~The area planted for MY 2001 was less than that planted for MY 2000 due mainly to the difficulty producers had in sourcing finance. The uncertainties over land ownership were detracting from the banks willingness to~~

advance producers money, which compelled a number of producers to reduce production to levels they could finance themselves.

Rains of the summer of 1999/2000 were generally well above 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 2000/2001 were generally again above average and the 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 dryland 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. Fertilizer and crop chemical supplies were adequate but occasionally growers had to substitute alternatives as some chemicals were not available towards the end of the season.

National yields in MY 2000 were 2 792 kg/ha, beating the record yield of 2 666 kg/ha achieved in MY 1995. The yield in MY 1999 was 2 365 kg/ha, marginally up from 2 349 kg/ha in MY 1998. The yields in MY 2001 are expected to be above 2 600 Kg/ha. 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.

Crop Quality

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

Style	MY 2000	MY 1999	MY 1998	MY 1997	MY 1996
	%	%	%	%	%
Ripe, spotted	13	13	16	31	44
Standard	55	56	44	61	32
Droughted	13	9	23	14	5
Green and non descript	19	22	17	24	19
Total	100	100	100	100	100

The quality of the crop sold in MY 2000 is clearly shown in the table.

While the production of ripe, spotted, styles were similar in MY 2000 compared to MY 1999, there was a marginal reduction in standard styles. The increase in "droughted" styles indicates that there were more prolonged dry spells during the early part of the growing season.

The crop to be marketed in MY 2001 has been described as a good Zimbabwe crop with a wider variety of styles when compared to MY 2000. 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 started on 24 April 2001.

Consumption

Zimbabwe is unique among the world tobacco producers, in that more than 97% of production is exported and, therefore, domestic consumption has little or 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

The port of Beira, in neighbouring Mozambique, retains its importance for tobacco exports but only 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 and at the port itself. It is estimated that 70% of exports went by road and only 30% by rail. Further, with the economic downturn, there was a shortage of containers which resulted in some of the exports being containerised in South Africa before being shipped.

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.~~ 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 2001 were higher than in MY 2000 but are not expected to have any influence on prices paid for the current crop. Merchants' policy is to keep stocks down to such a level as not to impair storage available for the new crop.

Policy

Flue cured tobacco has traditionally been produced by the Large Scale Commercial (LSC) sector. Since independence in 1980, the GOZ has encouraged the production of flue cured tobacco by small farmers. According to these objectives, ZTA established a training centre in MY 1988 with a limited intake of 20 students, to teach peasant growers the finer points of flue-cured tobacco culture. The centre 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 centre. The total number of active small scale growers has increased from 135 in MY 1989 to 6 771 in MY 2000. Production from this sector was 6 647 MT in MY 2000, up from 4 089 MT in MY 1999 and 6 001 MT in MY 1998. This sector is influenced to a greater degree by the seasonal rainfall pattern than the LSC.

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.

Marketing

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 presentation 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 2000 was 12.63%, down from 13.77% in MY 1999 and 14.11% in MY 1998. In general, this indicates that growers were more satisfied with prices offered, particularly after devaluation, when compared to MY 1999.

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 minimise 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 is likely to be retained for the foreseeable future.

Burley

Production Table						
Country:						

Commodity:	Burley					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	6724	6724	7400	7400	6900	3525
Beginning Stocks	2675	2675	3057	3057	3100	5159
Farm Sales Weight Prod	6751	6751	8200	8163	5300	5000
Dry Weight Production	5063	5063	6150	6122	4125	3750
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	7738	7738	9207	9179	7225	8909
Exports	4537	4537	5977	3895	4595	5000
Dom. Leaf Consumption	144	144	130	125	130	125
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	144	144	130	125	130	125
TOTAL Disappearance	4681	4681	6107	4020	4725	5125
Ending Stocks	3057	3057	3100	5159	2500	3784
TOTAL DISTRIBUTION	7738	7738	9207	9179	7225	8909

Production

Burley is mainly grown in the north east of Zimbabwe and in the eastern highlands .These areas have the better rainfall and longer periods of higher relative humidity needed to cure the crop.

Burley tobacco is grown by all sectors with the LSC sector now producing less than half the crop. The crop is sold over 2 auction floors (situated in Harare and Mutare) on alternate weeks.

The area planted in MY 2000 showed a increase over MY 1999 as a result of the improved returns experienced. However, due to the decline in returns experienced in MY 2000 compared to MY 1999, areas planted in MY 2001 are expected to decline.

The supply of most input items needed to produce the crop was adequate during the summer of 2000/01. Some difficulty was experienced with a few of the crop chemicals, but adequate substitutes were available.

A significant portion of the crop grown by the Large Scale farmers is under irrigation, hence the consistency of the yields. 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. Yields in MY 2001 are expected to be similar to those of MY 2000. The yield improvement in MY 2000 is a reflection of the very much better rainfall pattern experienced throughout the season.

Crop Quality

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

Year	Fine	Good	Fair	Low	Poor	No grades	Sundry
	%	%	%	%	%	%	%
MY 2000	0.70	17.61	51.40	21.36	1.25	0.31	7.37
MY 1999	0.54	15.94	50.06	15.28	8.88	0.70	8.60
MY 1998	2.21	34.81	42.46	11.19	0.93	0.70	7.70
MY 1997	2.17	21.44	50.76	13.11	6.15	0.77	5.60
MY 1996	1.21	19.96	59.69	19.43	1.05	0.76	0.90

The quality of the crop sold in MY 2000 showed a marked improvement over that of MY 1999 due to a very much better rainfall distribution throughout the season, particularly during the earlier growing part of the season. The crop to be sold in MY 2001 is expected to be similar or better than that of MY 2000.

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

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' production.

Policy

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 working well and growers generally are satisfied with prices being received. Auction floors are to open on 25 April 2001 in Harare and 2 May 2001 in Mutare.

Oriental Tobacco

Production Table						
Country:						
Commodity:	Oriental					

		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	410	410	430	420	410	400
Beginning Stocks	1	1	0	0	3	4
Farm Sales Weight Prod	31	31	39	39	35	30
Dry Weight Production	26	26	33	33	30	26
US 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	27	27	33	33	33	30
Exports	0	0	0	0	0	0
Dom. Leaf Consumption	27	27	30	29	30	29
US Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	27	27	30	29	30	29
TOTAL Disappearance	27	27	30	29	30	29
Ending Stocks	0	0	3	4	3	1
TOTAL DISTRIBUTION	27	27	33	33	33	30

Tobacco, Manufactured

PSD Table						
Country:	Zimbabwe					
Commodity:	Tobacco, Mfg., Cigarettes					

		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Filter Production	4000	4000	4000	3900		3800
Non-Filter Production	0	0	0	0	0	0
TOTAL Production	4000	4000	4000	3900	0	3800
Imports	0	0	0	0	0	0
TOTAL SUPPLY	4000	4000	4000	3900	0	3800
Exports	2000	2000	2000	2000	0	2000
Domestic Consumption	2000	2000	2000	1900	0	1800
TOTAL DISTRIBUTION	4000	4000	4000	3900	0	3800

Production.

Cigarette production for MY 2000 was below expectations due to the harsh economic conditions prevailing which led to disposable incomes steadily declining throughout the year. Indications are that there will be little or no recovery in MY 2001.

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 is only one cigarette manufacturer in Zimbabwe following the merger of the two international parent companies.

The major competitor for manufactured tobacco products on the domestic market, is raw tobacco. Which is stolen from farm grading sheds, tobacco auction floors and 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 in excess of the total sales of excisable products.

Consumption

Excise duty on tobacco products is ad valorem and is 80% of production costs. The sole manufacturer is currently capable of producing 3 600 million pieces annually. Efforts are continuing to develop a lower price band to suit the lower end of the market. However, the competition from raw leaf has significantly detracted from the opportunities in the market.

Prices

The table of prices for packets of 20 including taxes and duties over the last three years is listed below.

	From 12/01/97	10/19/98	03/29/99	03/06/00
Assembly Virginia	-	9.80	10.90	18.30
Berkely Mild	6.20			20.00
Kingsgate	6.05			17.55
Everest Menthol	6.15	9.80	10.90	18.30
Madison Toasted	6.05	9.35	10.35	17.55
Madison Mild	6.50	12.15	13.50	22.20
Newbury	6.25	10.75	12.00	20.00
US\$ Vs. Zim \$	18.16	35.73	38.20	38.50

SOURCE: BAT Zimbabwe Ltd

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. 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

gGOZ 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 the GOZ to manufacturers of cigarettes. The Ministry of Health is actively campaigning against the sale of any tobacco products, even though 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 may be harmful to your health".

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