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Zimbabwe FCV Final Market Report - Day 102

1.0 Season Highlights

The 2017/18 Marketing season commenced on 21 March. Based on anticipated good yields and a 19% increase in growers registrations the initial estimated crop estimate was pegged at 215 Million Kilograms. However, a final increase of 47% of registered growers was realised.

Early in the 2018 season, Researchers at Tobacco Research Board (TRB) identified a virulent strain of Potato Virus Y (PVY) which affected late planted crops. The actual losses are somewhat unknown and did not significantly affect or reduce the national crop size.

The increase in the export incentive for the tobacco growers from 5 % to 12,5% encouraged growers to increase planted hectares and to register their own grower numbers. These efforts were bolstered by a healthy daily cash withdrawal limit of \$300 for tobacco growers for the 2018 tobacco marketing season.



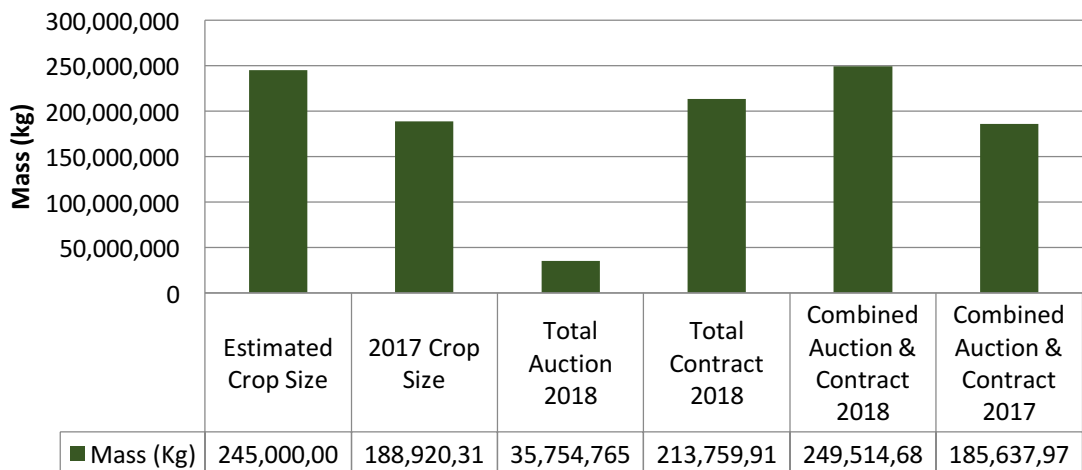
2.0 Day 102 Crop Volume

- Total crop production for the 2016 / 17 season was 188,920,318 kgs; estimated crop size for 2018 season revised to 245 million kgs.
- Total crop sold as at final day (102) at the Auction floors was 35,754,765 kg; 213,759,916 kgs were sold on the Contract floors over the same period.
- Floor deliveries constituted 14.3 % Auction and 85.7 % contract.

Total volume sold as at day 102 was 249,514,681 kgs, clean up sales on 2 x contract floors will be concluded this week.

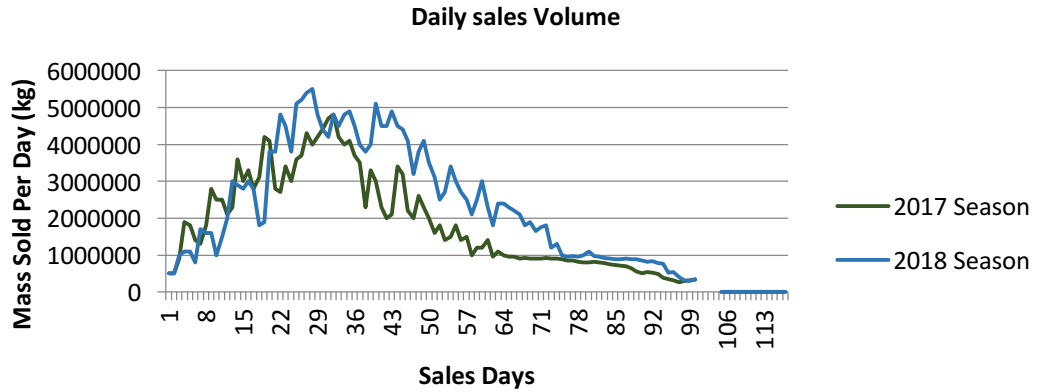
34% increase in deliveries as at day 102 compared to the same period in the previous season in which 185,637,975 kgs were sold.

Overview of Tobacco Deliveries as at Day 102





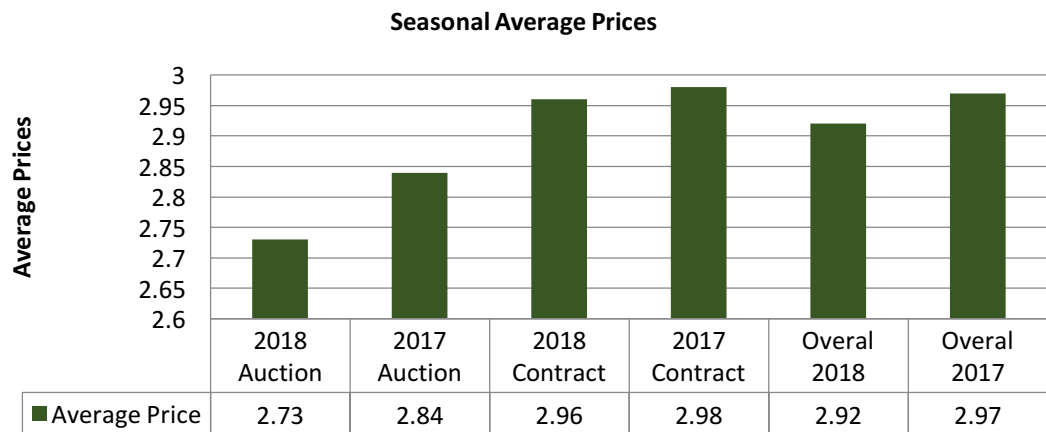
3.0 Daily Crop Sales Review



Volumes in the 2018 marketing season have ended 7 % higher than in the 2017 season as shown in the chart above. Deliveries in the 2018 marketing peaked earlier than expected resulting in a shorter than expected marketing season.

Although contract sales are yet to close, the current volume of 249,514,681 kgs has surpassed the previous record volume of the 2000 season which was 236,946,295 kgs.

4.0 Seasonal Crop Average Prices Review.



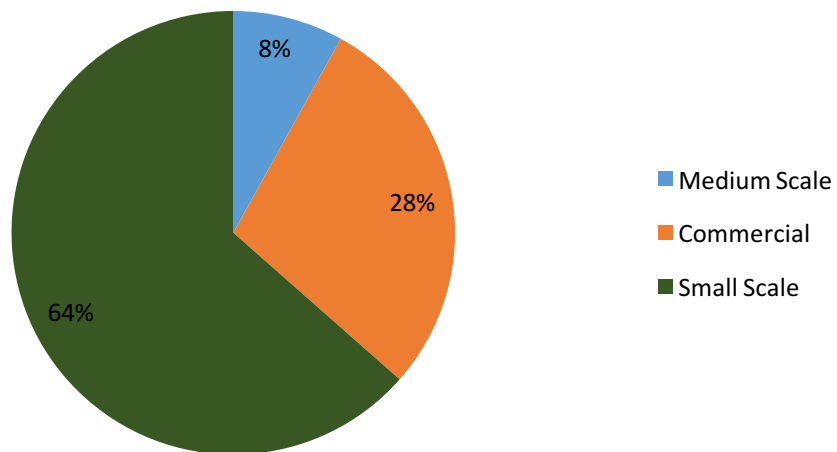


Seasonal average market prices for the 2018 marketing season have ended marginally lower than the 2017 marketing season.

Despite deliveries exceeding expectations in the 2018 marketing season, crop prices remained firm and competitive throughout all floors.

5.0 Growers Performance by Mass

Small Scale Vs Commercial Growers



Small scale growers considered to be the mainstay of the industry sold 64% of the total crop. Commercial growers despite producing better quality crops, delivered the remaining 36% of the national crop.



6.0 Trend of Active Growers.

Group	Primings (P)	Lugs (X)	Cutters (C)	High Maturity Leaf (H)	Leaf (L)	Tips (T)	Others
2018 (%)	7.84	23.87	4.21	0.06	52.11	2.17	9.74
2017 (%)	8.44	27.03	4.19	0.09	48	2.04	10.21

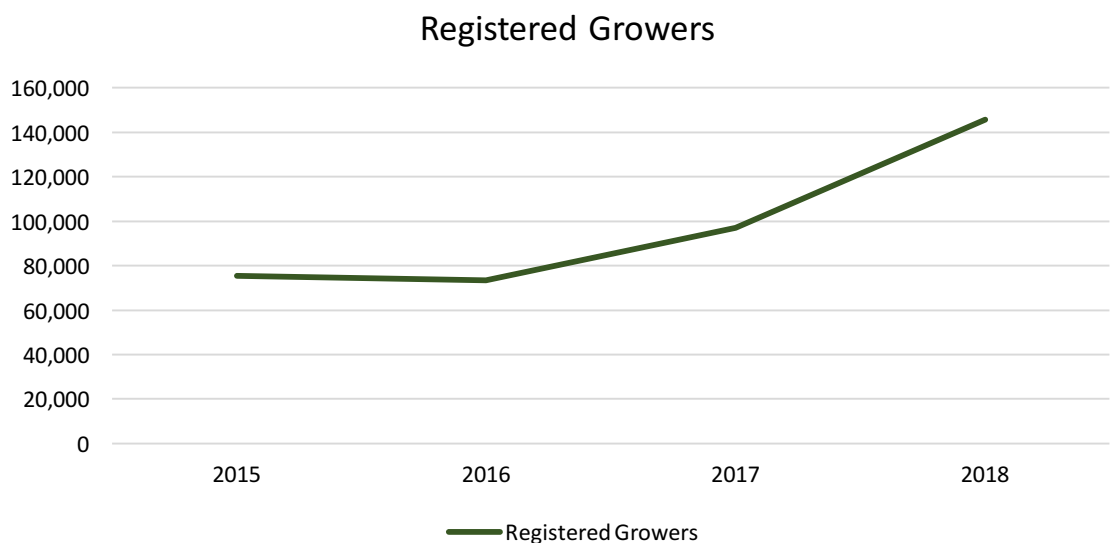
Source: TIMB

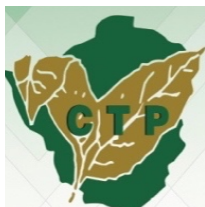
As shown in the table most of the crop on offer in the 2018 marketing season and the season prior was dominated by upper stalk leaf and lugs.

Most the crop on offer was also dominated by good to medium quality full orange to mahogany styles of tobacco.

Lemon and pale lemon styles were more prominent in the lower stalk primings and lugs.

A few runs of Deep mahogany (R and S) were also on offer particularly in the upper stalk leaf and tips, however these styles were limited throughout the season.





The number of active growers, predominately in the small-scale sector has increased considerably due to, A. An interest in growing and, B. Growers realigning their registrations due to the increased export incentive for tobacco growers.

Mashonaland central constituted the bulk of tobacco growers, it had 40% of the total growers in the 2017 / 18 season.

6.1 Tobacco Seed Sales

		As @ 11/8/17	Hectares	As @ 10/8/18	Hectares
ZTSA	Flue Cured	314,875	52,479	262,920	43,820
TRB	Flue Cured	472,180	78,697	550,008	91,668
Total FC (g)		787,055	131,176	812,928	135,488

Tobacco seed sales for the 2018/19 season surpassed the 2017/18 season sales by 3% in the same period. In the current season, farmers have preferred seed from Tobacco Research Board (TRB) compared to Zimbabwe Tobacco Seed Association (ZTSA) seed.

7.0 Auction Figures as at Day 102

7.1 Auction Floors

Seasonal	TSF	BOKA	PREMIER	Total Auction 2018
Mass (kg)	23,586,220	6,024,389	6,144,156	35,754,765
Avg. Price (US\$/kg)	2.79	2.65	2.61	2.73



Tobacco sales Floor (TSF) led the Auction floor sales in terms of volume sold throughout the 2018 marketing season, TSF secured 66% of total auction sales. Prices of all offerings have generally been consistent on the auction platform throughout the season.

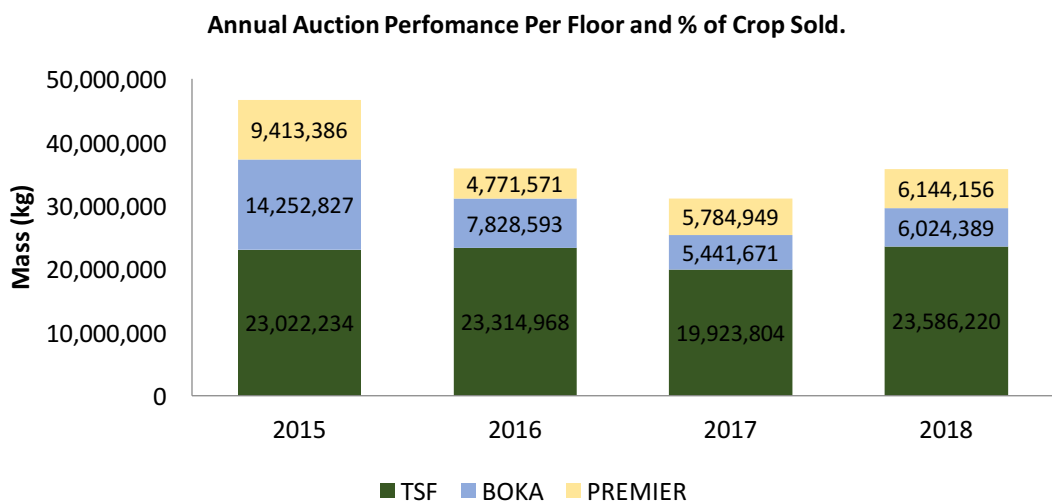
7.2 Annual Auction Performance

Twenty-three (23) “A” class buyers were licensed to buy tobacco on the auction floors in the 2018 marketing season.

The seasonal auction average price was \$2.74/kg compared to \$2.84/kg in the 2017 marketing season.

The highest price paid on auction floors has remained unchanged for past 6 years (\$4.99/kg).

The graph below shows a declining auction marketing trend due to inadequate access to capital for self-financing farmers as a result most farmers have been contracted to merchants.



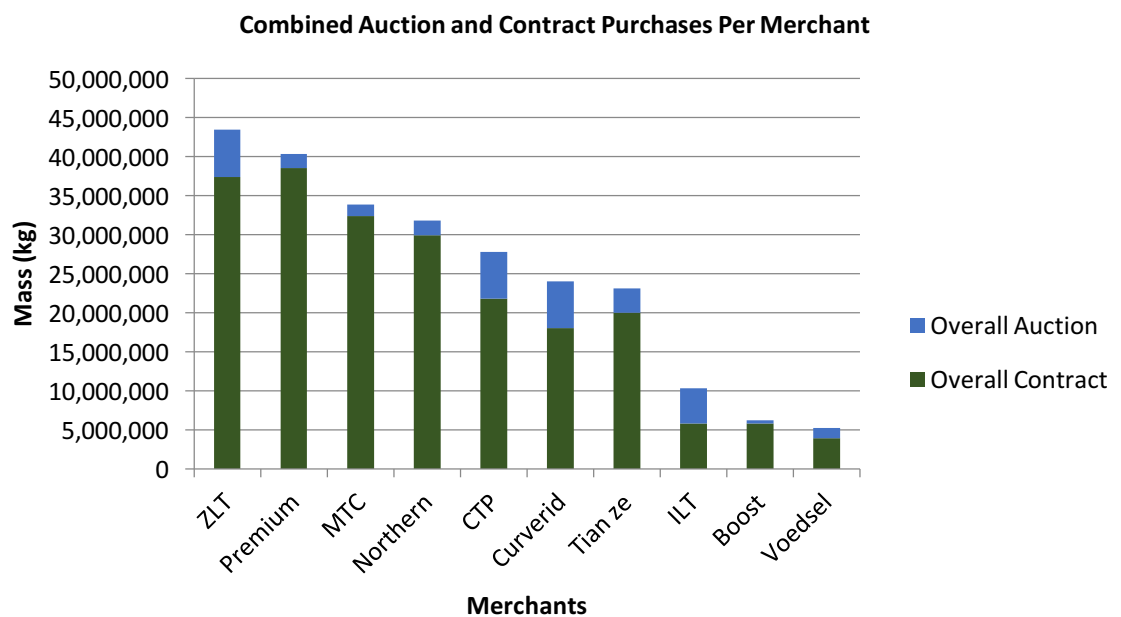


8.0 CTP Contract Overview

CTP is one of the twenty merchants who were licensed to contract growers. Collectively all licensed contract merchants purchased 213,759,916 kg. Contract purchases constituted 85.7% of the total national production in the 2018 season constituting a 32% increase from the previous season.

Prices of all styles offerings at CTP remained firm and competitive in line with the rest of the industry. CTP in terms of volume and quality performed in line with agronomic expectations for the season. The 2018 seasonal average contract price was \$2.96/kg, 2 cents lower than 2017 average price. The highest price achieved at contract sales was \$6.20/kg.

9.0 Combined Auction and Contract Purchases per Merchant





10.0 Summary

Growers

The number of registered growers rose by 47 % from 98,927 in 2017 to 145,695 in 2018.

Auction sales

Tobacco Sales Floor (TSF), Boka Tobacco Floors (BTF), and Premier Tobacco Floor (PTF) were licensed to operate in 2018. Selling was completed in 102 working days representing a 28 day decline in the number of selling days compared to the previous year.

All auction sales were centralized in Harare, achieving 35 million kg in tobacco volume sold. . Auction sales volume rose by 13% in 2018 compared to 2017. Average auction price was at \$2.74/kg, a figure 3.4% lower than the seasonal average price attained in the 2017 season. Auction tobacco sales accounted for 14.3 % of the 2018 total tobacco sales.

Contract sales

Contracted tobacco production increased to 213 million kg at an average price of \$2.96/kg. The previous season recorded 157 million kg at an average of \$2.98/kg. Contract tobacco sales accounted for 85.7% of the 2018 total tobacco sales. Twenty merchants were licensed by TIMB for the 2018 season and 109,212 contracted growers successfully delivered their crop.



Agronomic

Researchers at Tobacco Research Board (TRB) identified a virulent strain of Potato Virus Y (PVY). The virus affected the late planted crops especially those that were topped after the onset of the mid-February rains. The virus' impact on national crop size was not as fatal as expected due to rapid responses by TIMB and farmers to contain the spread of the virus.

Financial

The RBZ set the cash withdrawal limit for tobacco farmers at \$300 for the 2017/2018 tobacco marketing season, the limit incentivized farmers to deliver.

The Reserve Bank of Zimbabwe (RBZ) through TIMB, will provide \$70 million to small-scale tobacco farmers in the 2018/19 planting season, up from \$28 million in the 2017/18 season. In the 2017/18 season, more than 5 360 tobacco small holder farmers accessed the \$28 million RBZ finance facility.

The export incentive for the tobacco growers was increased to 12,5% in the 2018 marketing season up from 5% in the 2017 selling season, the incentive motivated farmers to plant a larger crop.

End Report: 29/8/17

DISCLAIMER: The information provided in this document is merely intended for the use of an indicative opinion on the market trends and statistics relating to the 2018 Zimbabwean tobacco selling season. All descriptions and advice relating to the market are subjective and should not be used other than for an insight into the market from a Consolidated Tobacco Processors (CTP) perspective. Consolidated Tobacco Processors (CTP) and its employees accept no legal liability relating to the opinions and representations expressed in this document.