

**ALFRED NOBEL UNIVERSITY**  
**DEPARTMENT OF THE GLOBAL ECONOMICS**

**Master's Thesis**

**INTERNATIONAL ECONOMIC RELATIONS**

The Effects of Tobacco farming and production to the economy of Zimbabwe

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Group: MEB 19 m

Specialty: 292 International economic relations

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**Dnipro, 2021**

**ALFRED NOBEL UNIVERSITY**  
**DEPARTMENT OF THE GLOBAL ECONOMICS**

First (bachelor) level  
Specialty 292 International economic relations

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“ \_\_\_\_ ” \_\_\_\_ 20\_\_ p.

**The Bachelor's Thesis  
Assignment**

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1. Title \_\_\_\_ The effects of tobacco farming to the economy of  
Zimbabwe \_\_\_\_\_

2. Supervisor PhD in Political Science Ruslan Kliuchnyk  
*(last name, initials, scientific degree, academic status)*

Approved with the Order of « \_\_\_\_ ” \_\_\_\_ 20\_\_, No. \_\_\_\_\_

3. Deadline for submission 04 January 2021

4. Aim of the paper To study the effects of tobacco farming to the economy of Zimbabwe

5. Thesis outline (list of issues to be developed):

- 1) background of the research
- 2) theoretical issues of the research
- 3) practical issues and the conclusions.

6. Date of issue of the assignment 01/09/2020

7. Thesis schedule

no	Stages	The deadline for submission	
		Schedule date	Actual date
1	Chapter 1	01 November 2020	24 November 2020
2	Chapter 2	25 November 2020	21 December 2020
3	Chapter 3	20 December 2020	5 January 2021
4	The whole paper	04 January 2021	18 January 2021

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## ABSTRACT

Christian Mahando: The effects of tobacco farming and production to the economy of Zimbabwe.

There were theoretical and practical parts on the tobacco farming and production taken in Zimbabwe during the work and we had materials and data from sources that was looked into that enabled us to have a realistic project result in order to see the effects of tobacco farming and production and its effects in the economy of Zimbabwe both negative and positives and to also see the factors that can boost the industry for the economy to keep going also looked at other factors that are also helped by the production of this cash crop we looked at some graphs that had statistics that would show us which nations that also trade with Zimbabwe and the amount that is processed yearly and also did some calculations and looked at formulas that would make us see if the nation is really making profit from this practice or not and we looked at the processes that are done for the farming and production of this crop and to finish off we also looked at how much a farmer would need in order to start the farming process and some of the materials that they would need how they also would calculate their income and gain in order to see if there are making profit or not.

Keywords: Tobacco farming, trade, economy, auctions, profit, industry, growth, development, products, research, management

## АНОТАЦІЯ

Крістіан Махандо: Вплив вирощування та виробництва тютюну на економіку Зімбабве.

Під час роботи в Зімбабве були взяті теоретичні та практичні частини щодо вирощування та виробництва тютюну, і ми мали матеріали та дані з джерел, які вивчали, що дозволило нам отримати реалістичний результат проекту, щоб побачити наслідки вирощування та виробництва тютюну. та його наслідки для економіки Зімбабве як негативні, так і позитивні, а також, щоб побачити фактори, які можуть стимулювати галузь для економіки продовжувати розвиватися, також розглянули інші фактори, яким також сприяє виробництво цієї готівкової культури, ми подивились деякі графіки у нас була статистика, яка могла б показати нам, які країни також торгують із Зімбабве, і суму, яка обробляється щороку, а також зробила деякі розрахунки і розглянула формуляри, які дадуть нам змогу зрозуміти, чи справді нація отримує прибуток від цієї практики чи ні, і ми подивились на процесах, які проводяться для вирощування та виробництва цієї культури, і для завершення ми також розглянули, скільки потрібно фермеру, щоб розпочати процес землеробства та деякі матеріали, які їм знадобляться, як вони також обчислюють свої доходи та прибуток, щоб перевірити, чи приносить прибуток чи ні.

Ключові слова: Тютюнове господарство, торгівля, економіка, аукціони, прибуток, промисловість, зростання, розвиток, продукція, дослідження, управління

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## Acronyms

TIMB -	Tobacco Industry Marketing Board.
MTC -	Mashonaland Tobacco Company
CEO -	Chief Executive Officer
HR -	Human Resources
GDP-	Gross Domestic Product
IFAD-	International Fund for African Development
ZTIMB-	Zimbabwe Tobacco Industry Marketing Board
TRB -	Tobacco Research Board
BTAF-	Boka Tobacco Auction Floors
RBZ -	Reserve Bank of Zimbabwe
ITGA-	International Growers Association
MIS -	Market Information Systems
IC -	Inventory Credit
ACE -	Agriculture Commodity Exchange
CF -	Contract Farming
FCZ-	Forestry Commission of Zimbabwe

## INTRODUCTION

Zimbabwe is blessed with very good land and water resources for farming which is an important aspect for the development of the economy, reducing poverty and food security. After the land reform structure that took place into the country that changed the agriculture production structure into a 98% small scale farmer dominated and brought quite a number of Zimbabweans into the idea of agriculture-led economy.

Going through liquidity challenges and lack of access to finance where as some of the hindrance to the productivity rate in the agricultural sector where as here we are going to look at the Importance or the influence of tobacco farming or agriculture to the economy of Zimbabwe.

Tobacco farming in Zimbabwe is one of the key sources of income to the country Zimbabwe and also its citizens mostly those involved in farming the country is the continents biggest producer of Tobacco which is very impressive and occupies the number 6 on the global stage which is very high and most of it has to do with the good natural resources for agricultural production and the crop is also known or referred to as the cash crop which says a lot on what we are going to look at regarding the production of it and its influence to the nation's economy.

This crop was grown in Zimbabwe mainly for subsistence purposes in the country even before the colonial era the crop was grown because it suited the country's sandy soil and also they adopted the methods of production and grew a type of tobacco known as the Virginia tobacco and it already found an export market and by then in the 19590s the country was already exporting tobacco worthy over 100 million pounds per year.

Tobacco farming is Zimbabwe's the second biggest earner of foreign currency only following Gold the crop has generated most of the income for a very long and it alone allocates a huge share or a fair amount of the percentage of the country's GDP known as the Golden leaf also because of its colour and also because of its contribution to the nation's economy the crops chain value is estimated to support more than 2 million people in a country of less than 18 million people even the beginning of the tobacco season which

is in March is even presided by the nations president to show the esteem it is held with when we are talking about the important fundamentals of a country.

Going further with the topic we are going to look at some of the aims of the research which we have to look at the tobacco industry value chain and some of the other methods we could use to see the level that Zimbabwe is with other countries in the production of tobacco and we are also going to look at the marketing models which are more beneficial to the farmers and the economy and we are going to also look at the top companies that are in Zimbabwe involved in the tobacco production and how they help farmers to develop and how this can be improved and where they also rank hand in hand with other major companies as for us we are going to look at MTC (Mashonaland Tobacco Company) which is one of the top companies in Zimbabwe that deal with tobacco production from the stage of assisting farmers going to the processing stage.

We are also going to look at the research strategy and methodology that we look at such as quantitative which is also positivist and also using the approach to inquiry and also on the data collection and the analytical framework and some of the methods of research we are going to look at are going to be the observation and the interviews and focus groups so that we can get from all the levels from the big company we look at and some of the small scale farmers because it will be done from all angles.

Looking at the novelty part or something new we are going to learn is we going to make a lot of experiments also to see what are the reasons for a good agricultural way and which are the best regions for a better yield and we are also looking forward to see which percentage of the nation's GDP is being held by farming and see which share is held by tobacco productions and we want also to see which years have been the best for the agricultural year and the reasons and we are going to look at it on a broader way and comparing and seeing the reasons for it also.

Going forward on the practical appliance we can talk about seeing some ways we can have to increase the production so that the sales can skyrocket but how so is the issue we can tackle and by doing so we can take methods such as increasing the capital used taking a huge risk waiting for high returns as they say high risk high rewards so they can use a methods of getting companies like MTC or Diamond Zimbabwe to have farmers on



a contractual bases where they get loans etc. so that they can have all they need to produce results and pay back when they come from the floors because if they do have a good agricultural year things can really change and high sales will come and improve the GDP and on the economical side of things.

Still going on the practical appliance we can also carry on some studies to see that which farmers bring in the best types of crops that can sale with better profits is by timing something that can happen and giving it a 5 year period and comparing the sales that do come from these because financing is a huge factor is getting big returns but not in all the cases because it's not all the times the farmers with big land that they produce on have the best yields some might be small scale farmers but a lot can be done a and a lot of profits can be made using what is known as resource maximization and maximizing the small land you might have.

We are going to find out about different models of marketing that can be used to advertise and let people know about the product and how they can be done and the advantages of using those methods and their competitive advantage they have over the others and ways that the Zimbabwean economy has been transformed by the crop and we are also going to compare the economy of the nation with the others of the surrounding countries and we can also take a look at which stage is it at and what can be done to improve as well so we are going to look at a lot of things in a deeper way so that we can get a clearer and better understanding.

## CHAPTER 1. THEORETHICAL BACKGROUND OF THE STUDY

### 1.1 Research Aims and Background.

The overall aim of the study is to have an evaluation of the contribution of tobacco farming to the development of the Zimbabwean economy and assess the scope and feasibility for extending or transferring the aspects that make tobacco farming successful in the country and its marketing chain to the other enterprises.

The other objective of the study is to assess the tobacco industry value chain and also production and modes of global market penetration or entry and competitiveness which is also key on how the steps and structures are like because for anything to take place there is need of a strategy and that has to be followed and there is a lot of completion that will be passed from many countries that will be involved also because Zimbabwe is not the only one and there are companies involved also in doing this that will help and will look one that is the best in doing so in Zimbabwe by the name MTC (Mashonaland Tobacco Company) we will also look more into detail about it as we go on.

There is also the need to evaluate the economic benefits happening to farmers and the state's economy falling under the alternative tobacco farming and models of marketing which is more helpful to the farmers and the economy this is very important too because for farmers to keep up with the good working going from strength to strength they need to be seeing the fruits of their labors and the market has to be favorable because no keeps doing something that doesn't not keep benefiting them or them seeing a light at the end of the tunnel in the project.

To determine the relationship that is there between the alternative tobacco farming and marketing models and different farm level characteristics which will include the sector the gender irrigation status and the experience that the farmer will have and their involvement to determinants of the money that will come such as the quality of the grade that will be obtained because the better the quality the more that will be had.

Then also to get lessons from tobacco farming marketing which can be used to get the level of agriculture intensification through the following of successful or tried features of the production and marketing model thus a case study will be taken where by different methods and ways will be put together then certain steps and stages will be taken into account thus it will leave us with a better understanding of the whole process.

Still on our research aims we are going also to look at the ways that we can find to increase or improve the nation's economy and boost it using the Golden leaf and ways that the country has implemented to make sure that the keep holds of the giant status in the tobacco industry and how some methods were used also how Zimbabwe has a competitive advantage more than the other economies and what make tobacco the main crop or resource that stands out head and shoulders above others.

For you to totally understand something you need to have a bit of background information so on our aims we are going to look again at the history and background of tobacco production and farming in Zimbabwe for economical gain because the reason why the production and farming is done is to better the economical aspect of life.

Going forward with the background of the research we can also see some of the seasons that had an influence to the way the agricultural year was like and its effect to the economy we can see that during the 2014/2015 agricultural season the country experienced a cereal shortfall of 700 000 MT because of the reduction in maize production by 49 % and some of the small grain plants such as sorghum by 69 %,the Zimbabwe Vulnerability Assessment Coordination Committee(ZIMVACC) had an estimation of 16% of the population would now require or now will be living of donations or food handouts from some organizations or well wishers during the period of January to march 2016 because the import of agricultural products had peaked.

There is an agreement amongst some development practitioners that improving and bettering the agricultural productivity and gaining more market access and improving the competitiveness is central or key to economic growth, reducing poverty and improving food and nutrition security in the whole continent of Africa and Zimbabwe as nation, the European Commission in the year 2012 and the world bank 2010 did the very best they

could to boost the and sustain the productivity and market access and broaden economic growth is at the sight of the Zimbabwean government .

The countries quest for a long lasting green revolution (GOZ) and since the early 2000s the nation has been trying to put in place agricultural intensification programs that could been seen to come and make an impact and they are those of the (4ps) which are policies , plans ,projects and programs which are aimed at increasing the utilization of land and the output per the unit of land, the market access and competitiveness so that they could have an economic growth and have a reduction at the rate of poverty and improve food security.

Such interventions took some way of the state's direct intervention of going through the process of land redistribution or the process known as the land reform program where land was reshaped and some was taken from the white settlers who had taken it during the colonial era, then there was some form of crop and livestock input supporting systems put in place and mechanical services of putting the irrigation systems and negotiating the lines of credit to support farmers to be able to buy some of the material they might need in the result o getting better yields .

Setting of the prices of the floor producer grain and maintenance of the strategic grain Reserve so however many strategies need to be put in place for all of this to be a success and also gain competitive advantage and increase pressure on the fiscus while the level of production market access while better results remain on the margin.

## 1.2 Analysis of the Agriculture is Zimbabwe on a global scale

Zimbabwe's agricultural is sector is one of the best worldwide and they Zimbabwe are actually known as the breadbasket of Africa because of their high rate of production which is unmatched and the crop mainly in focus on our research which is tobacco is the country's leading agricultural export meaning to say on their agricultural products it's the one that brings the most foreign currency to the nation's economy and overlay it's one of the main sources of foreign exchange.

The main tobacco export market that Zimbabwe deals with is China which imports close to 55% of Zimbabwe's exported tobacco which is relative quite high and that

number alone stands up very high and it is a constant customer that Zimbabwe knows that they would sell to. Tobacco farming in Zimbabwe was also quite there in the world in the year 2014 when 217 million kgs was produced which was the 6th most produced compared to the whole world which really shows why the nation's economy also banks on this golden leaf because it really puts them up there with the very best and that's the status they have really held for quite some time.

Zimbabwe has managed to generate a staggering \$US 358 million from the exportation of over 92.4 million kilograms of flue cured tobacco in the year 2018 which is quite high again and that was the most that was produced by any country in the Africa and was in the top 6 produced in the world and the agricultural sector and the tobacco production occupies 11 % of the country's GDP which is quite high and shows that the country relies on it very much and we also see that it is one of the countries cash crop looking at the statics according to the Tobacco Industry and Marketing Board (TIMB) which shows that a lot of tobacco has been exported to countries in Africa, America, Europe, European Union, Far East ,Middle East and Oceania with the bulk of it sold to the far east.

Looking the agriculture of Zimbabwe on a global scale we can still come up with many positive because when we are analyzing it on that level we can also touch base to see the rate at which others operate at and where they fail and where they are a success we can look at the one of Tunisia which have one of the best food security score which is at 68.20 which shows that they do produce at quite higher rate and that is quite impressive and the one of Zimbabwe is closer to theirs than it is closer to the rate of the ones that are not doing quite so well for example the likes of Somalia and Sudan and as we look at the economical state of those country s we happen to see that they will not be performing quite well which shows the importance of agriculture to a nation's economy.

We also want to take a look at some of the other agricultural products produced in other countries that also do have quite an impact on their nation's economy like the way tobacco does have on the economy of Zimbabwe we have such crops such as India which rely on their production of calorie related products such as rice and the do produce a lot of and export as well and it is key to their economy then we have countries such as Brazil

that do so also produce quite number of tons of coffee and bananas which are crops that do have a huge effect on a nation's GDP just like tobacco to Zimbabwe.

When we are analyzing the Zimbabwe agriculture industry to the ones of others we can also see that according to the resources that you might have to your disposal the rate at which they operate at is quite efficient because every year they do top charts of the most produced products and their exportation rate is up there and Zimbabwe agriculture is also dominated with other products such as maize, soya beans, maize etc. and they also bring in foreign currency in Africa many countries that actually have more arable land to their disposal to not produce as much.

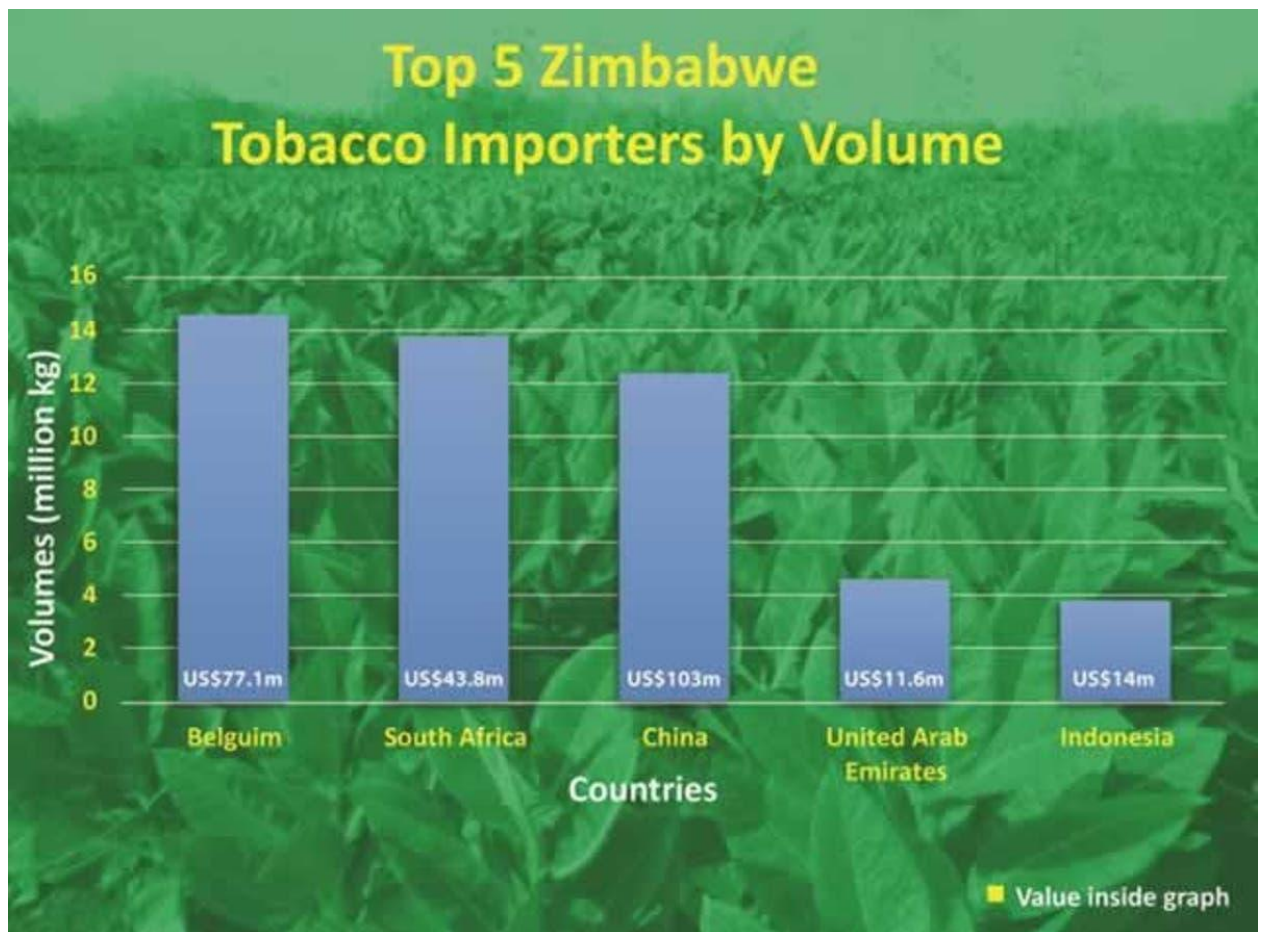


Fig 1.2.

The above picture on the fig 12, shows the importers volume and the countries that Zimbabwe gets most of its foreign currency from whereby we have Belgium standing in as the importers where they buy 14.2 million g of tobacco at 77.1 million \$ which is quite high and then we have south Africa who are the neighbours of Zimbabwe who also import

quite high with 13.9 million kg of tobacco and import tobacco worth close to \$us 43. 8 million then next on graph we have China who are the biggest importers who import close to \$us 103 million worth of Tobacco and they have been the highest importers for quite some time now they are known to be importers of more than 55% of the tobacco outside of Zimbabwe and they do really stand out as compared to the other importers and when it comes to the Zimbabwe agricultural sector the Chinese as nation are held of high esteem.

Moving forward on the analysis part we can also see on the list there is the UAE known as the United Arab Emirates that do also import a lot of Tobacco from Zimbabwe they import over 3.5 million kgs from the country and that will be worthy more than \$us 11.6 million which is a lot of money also and also seeing the volume of kgs they take and the volume in return is quite a lot and there in their country they can go and process it and make it into cigarette and sell them at higher return level and the countries we have mentioned before do not really produce or farm tobacco in their countries but are hugely involved in the industry.

The last on the list of the huge or the main importers of tobacco from Zimbabwe is the country by the name Indonesia who import what might look as not so much because of the way the other nations because they import quite a lot of it but as we can compare with the other importers in the rest of the world the amount that is import is very up there Indonesia they import just less than 4 million kgs of tobacco which is not a relatively small number and the cost of them being us\$ 14 million which shows that they do spend a lot on it and that the Zimbabwean economy really rely on this crop because those are quite huge sales because if we look at the Zimbabwean agriculture not many crops are bringing in a top dollar as this one.

Still on our analysis of the Zimbabwean agriculture on the global scale we may take a look at some of the bigger nations on agriculture such as the USA the United State of America where they have close to 10.014 farms that do specialize in the farming of the golden leaf and using 342,932 acres in the farming which shows that they do have quite a big land they use for this and do also provide in abundance and they also have a relative

advantage of having more resources than the country we are comparing with here which will be one of their major reasons for having more output.

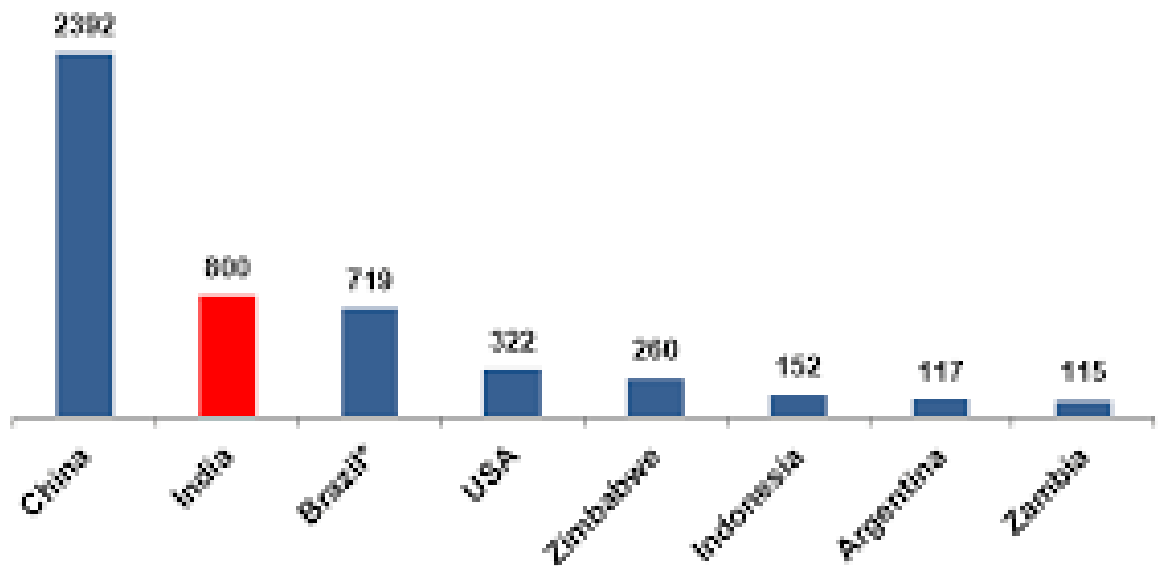
During the census that was taken in account in the year found few tobacco farms and acres also than the one of 2007 but still more than of many countries and the role that tobacco in the State is also very important they are one of the traditional nations when comes to this crop even the history of Zimbabwe tobacco farming is also linked with US because they went to Africa settled in these country and carried on with the culture of tobacco farming ,when analyzing agriculture in Zimbabwe they rank 55th on the ranks of the square km of arable land but the result that they end up producing they speak volumes of the good work they do put because the nation is not as big as compared to the others.

Moving on the global scale analysis they do rank on number 60 out of 168 and which is quiet on the middle as we can compare to the other countries because they are many with more land but will end up exporting from Zimbabwe we can also see that when it comes to what is available to you they do not stand up there but the level of professionalism that is then applied makes them to stand out also going forward we can also see that on the index standing on the farm workers as to compared to the other nations in the world by the year 2000 Zimbabwe was ranked number 40 in the world as having 3.11 million workers which quite high which shows that the country is also really into agriculture which is dominated by the Golden leaf.

As we look at their production index which is also quite ranked as we compare with the rest of the word it is at 86% which is not a small number and here we will also want to take a notice of some of the products that do also come from the country which are corn which is farmed quite well which is then processed to maize meal which is used to make the countries staple food we then also have cotton which is also quite big in Africa and Zimbabwe does quite well in this area as compared to the other ones then we have coffee, sugar cane which is also quite big and Zimbabwe competes with likes of Brazil as the main exporters of the crop so we can actually see that Zimbabwe does quite well.



**Tobacco Production (Million Kgs) - 2017**



**Fig 1.2**

The above diagram show the world's biggest producers of tobacco or the countries that do farm it and as we can see the country Zimbabwe is there also and those statistics were drawn from the year 2017 showing quite big number of 260 million kgs coming from the country and also leading the pack was China who had 2393 million kgs then moving forward we had India which had 800 million kgs the USA also scored quite big numbers of 322 million kgs which is huge figure also then behind Zimbabwe there was Indonesia which had 152 million kgs followed by Argentina who had 117 million kgs coming from them and last on the list Zambia who had 115 which is also quite huge and all the nations stated above tobacco is huge for their economy .

Looking at the above fig 1.2 we can also see that the tobacco industry in Zimbabwe is very good and they have all the power to compete with the rest of the world and it's a status they have maintained for quite some time and continually they have shown being able to do so that's is also why Zimbabwe is regarded as the breadbasket of Africa it is a responsibility that they were given because they are one the biggest agricultural producers not only on tobacco but many agricultural products.

Zimbabwe also makes a lot of money from the crop though it produces less sometimes as compared to the other powerhouses that might produce more and gain little because it's not always about the amount you produce but also the grade and quality because it is graded into different qualities and they are graded based on the position that they grow on the stalk and they color that they might have the three positions that are there we have the lugs (X), cutters C and also there is the leaf B that also comes from the lower and middle part of the stalk so in Zimbabwe they are blessed with great climatic conditions and good fertile soil that is why the qualities that come from there is one of the best.

Africa is blessed with some great agricultural lands especially southern Africa where Zimbabwe is so they are bound to have great agricultural yields than some people in the other parts of the world that could be some of the reasons why we also see that the neighbouring country to ZIM which is Zambia is also posting big numbers in terms of the amount of kgs they make or produce per year especially 2017 which is evidential from the graph above which showed the performance of some countries which did quite well but they were by a mile behind Zimbabwe but also these two nations have great joy in the production of the crop.

The Zimbabwean economy whenever the country records higher rate of tobacco produced that year on the day the national budget is produced or revealed to the nation there is always a positive amount that will be recorded which shows that the economy of the nation is very dependent on it as much as the Chinese government is to the manufacturing industry because they are key aspects and whenever there is drought or negative rainfalls that time the rate of which the tobacco is produced is quite low and those days the amount that is produced will be low and the country does also invest a lot to the agriculture side of thing so that it can be competitive as compared to the other countries.

### 1.3 Well known Company that does handle Tobacco in Zimbabwe

Since Tobacco farming and production is the one the key components that have an influence to the two economy of the nation so here we are going to look more into details on one of the company that do have a look at how of it will be going like is a company by the name Mashonaland Tobacco Company (MTC) which is located in Harare the nation's capital it has company that does have branches also in other countries they have quite a significant they handle some farmers that are involved in the farming of tobacco the company also owns quite a number of farms all over the country especially in the regions that are quite good that normally receive good rains and have perfect weather conditions and fertile soils.

MTC has one of the largest and modern leaf processing facilities or resources in the rest of Africa and they can process close to 600 thousand tons per day from the tobacco they do get from their farmers and some small scale freelancer farmers this company is the countries go to guys when it comes to Tobacco and they do also want to become one of the leading global service providers in the tobacco industry supply chain and which is something that is very encouraging to the nations because it means that the more one of their companies becoming a global powerhouse the more they will be getting more influence in the tobacco industry.

The company MTC handles, stores and does the packing of wide ranged of the tobacco products that are produced in the country namely the threshed lamina, tobacco stem and hand strip which are also exported for the exchange of foreign currency this company uses what is known as the high labor intensive where they employee close to 1800 seasonal workers who are needed at the peak of the production and have 148 working on permanent bases that is where are the CEOS involved who are the Chief Executive Officer the HR which is the Human Resources manager involved in the hiring and retention of employee and the rest if the managing group and the employees.

The factory is made up of close to 2 ten tons per hour threshing lines per hour the company processed 75 million of kgs of tobacco in the year 2015 making it the largest GLT in the country in terms of market share the company is responsible for the processing of over 43 percent of the countries annual tobacco crop and they are in

the same business with the likes of Chidziva , Savanna,inter-Continental Leaf tobacco and these companies then tend to export their products to cigarettes manufactures around the globe.

The company exports to the likes of Indonesia, China, Japan, some African countries and the middle east and Europe the companies CEO said that the company is committed to provide quality excellence in all its services to the shareholders that why they have looked to pursue some technological advances that help that will enable continual enhancements of the product and they sell make huge amounts of profit and bring in a lot of forex into the nation doing so also creating employment which is also in another way it helps the nation's economy because when country has people who are employed and going to work it helps the nation's economy going forward so this company alone is doing wonders.

The company MTC is also influential at the growth of the countries agriculture by they have their farmers that will be under contract the get their resources from everything that they would need in need to produce the best that they can because you would need a lot resources to produce the best product that they need from good seedling , irrigation system pesticides fertilizers so that they produce the best because this is a well-paying crop if done in the right way but also need quite a number of investment which is quite necessary.

We have done a research do see that small scale farmers who produce their own tobacco not contracted to the company and the one that are handled by the Company MTC we see that the one they do their own things by themselves they happen to face a bit of troubles on getting everything done making sure that they do get a good grade because of the inputs that are needed because without being financed some of products produced might not be of greater quality and by the time the farmers go to the floors to sell their products will enjoy a lot because they might not get a lot of profit and also the farmer might be in a lot of debt having to pay the workers that they would hired.

Those farmers that are under contract from MTC before the season starts they plan with the company on how many hectares that they are looking at producing and what they do have and what they do not have the plan and do a forecast on the

challenges that may lie ahead and they are given the money that they need and agree on how much they would have to pay back so by so doing you be working with a vision and a target and by doing our quantitative research by the products brought to the floor half of the freelancer farmers they meet the top grade but more than the three quarters of the crop they bring is of good quality because of they would have had all the resources they need.

MTC also provides a platform for farmers to bring their products to in return they buy them off the farmers thus they will now sell them to their buyers worldwide thus exporting them bringing more foreign currency to the nation thus also during the exporting process also employment is created that will be some of things that will be accounted on the nation's GDP rate that will be calculated that will show the country's performance when put up with other nations also highlighting on our main focus area to see the importance of the nation producing this crop and how it helps the nation's economy and we see that it touches all the spheres we might need to cover.

There are some challenges that the farmers might face some might lack knowledge and not be too familiar with the challenges that the tobacco industry may possess MTC will also offer these farmers with lessons and provide them with all the necessary info they may need in order to get results that they may need because for you to get the best results you need to know what you are up to they also offer classes to see how they may get the best out of them also.

Looking at the work that also MTC does is help also with the logistics coordination that has to be done from the process of transporting the inputs going to the farms for the farmers to use from the seedlings, fertilizers, the pesticides etc. and also helping with the day to day movement of the workers from their houses to the farms and from the farms to their houses so that they go and do their day jobs and without that there is no way the work will go on.

They also help with the transporting of the products that would have been made for example the bales for them to be taken to the market here is also a key factor because that's where the production of the crop is quite expensive because of the distance between the farms and the company that do control the tobacco floors

because they are based mainly in the countries capital which might be 300 to 400 km so they MTC do help in that aspect and make the job easier for the farmers and cheaper.

The other way that the company helps also is by providing safety of the farmers produce because when they are being transported from the farm to the tobacco floors a lot can happen in transit for example if you are using freelancer guys or the people of private transportation company they might steal the bales and give the farmer an excuse on what might have transpired during transit also the mode of transportation MTC would use will have the standard that is required to carry these bales because they do not need to be put where it's raining so this company guarantees the very best standard that is need to make sure that world class standards are met.

Then when the products are brought to the floors the company facilitates the safe keeping of them because also it's also a journey so they provide with the warehouses where the farmers can keep their produce while waiting for them to be graded and be sold and the other advantage it brings because when you take your products to the floors so that they could be graded it doesn't end there sometimes it might take a week before you sell but when you are with MTC they safe guide your tobacco and you don't have to pay anything but for those farmers who do not have contracts with them they end up paying money to the warehouses that they will be keeping their tobacco.

Still going on the well-known company that is in Zimbabwe that handles tobacco which is MTC that we have mentioned quite a lot about them they also handle the exportation part of the tobacco that they would have acquired to the other countries that will regionally or across the globe and they would get the go ahead from the state and they will also get help with government to facilitates everything so that it will go according to the plan.

The company in question here or we are looking at that handles tobacco in Zimbabwe they also do pay tax for their day to day work that they do and do benefit the nation's economy because by them benign in existence the nations GDP keeps growing and they keep things moving also they do put the nation on the global map

that other countries will take notice of Zimbabwe that they will find some other things or business ventures that they might be interested in they do attract foreign investors that will also help the nation's economy and even expand and will also grow other areas of the economy and also create employment for other people.

The company that handles the tobacco here which is MTC here they also help the economy of the country here by also building some more infrastructure around the whole country where they might have their buildings because these are one of the things that are looked at when judging the nations rate of development that how many companies are there and to see that does the nation have good building that are nice looking infrastructure and without these countries that bring development it will be on the low they also motivate other business that will in competition with them so that they can see how also it is done how you can obtain great results.

#### 1.4 Agriculture and Development

The world bank by the year 2010 shows that more than two thirds of countries that are developing in rural areas and they depend on agriculture in their lives. This shows that agriculture is a very effective tool for them strive for development and the fighting of poverty in the developing areas of the world or such countries where the likes of Zimbabwe and Zambia are found in.

The Kassie in the year 2011 and the world bank in the year 2012 they agreed that sustainable agriculture intensity and diversification relying on agricultural productivity and increment of efficiency, good way of market access and competitiveness of agricultural value chains that can be made will be the best way of gaining success to the rural economies in the thought of increasing incomes that people would earn and work towards poverty reduction to the rates of the people that will be living under very harsh conditions and also improve food and nutrition security which is very key also for the development of the human lives.

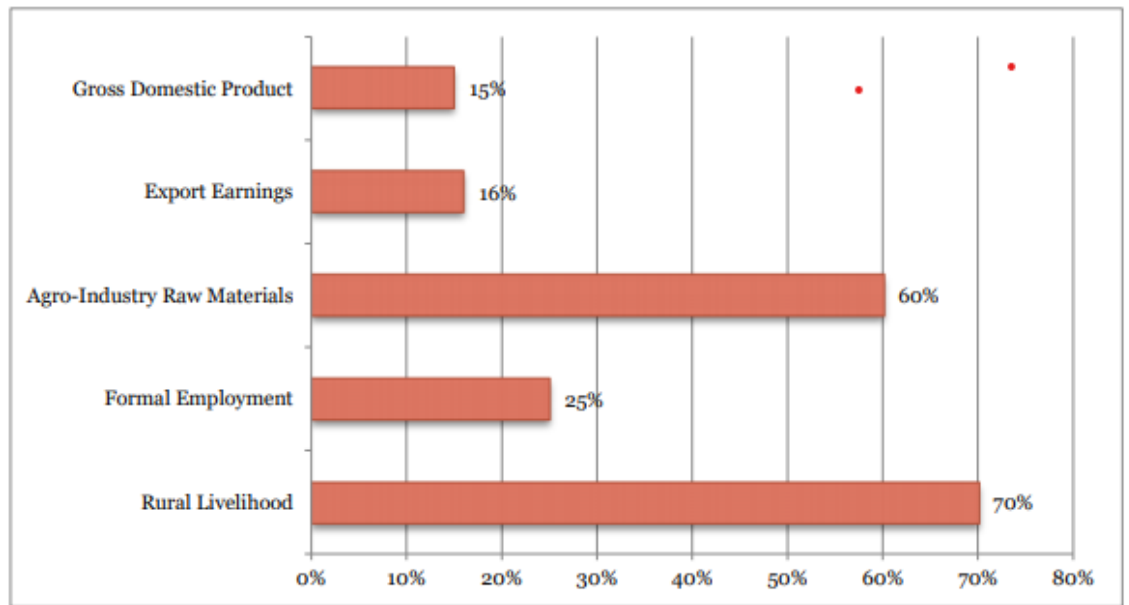
Looking at the world bank report of the year 2008 it supports this position indicating the improvement or growth in the GDP that is the Gross Domestic Product coming from agriculture is four times more effective in raising incomes of those that

are extremely poor than the GDP growth that is originating from outside the sector that's just goes and shows how effective the agricultural sector is pivotal to the lives of these people.

The year 2012 census report shows that in the country Zimbabwe agriculture is the major sources of income or livelihoods of many of the citizens for which 67 % and from that number given 52 % are women of the population that resides in the rural areas and the GOZ has a belief that agriculture remains the main pinnacle of the nation and contributing close to 12 - 18% of the nation's GDP which is the Gross Domestic Product and also 16 % of the national export earnings and more than 60 % of raw material to the agro based industries then the GOZ in 2015 further went on to show that agriculture supports a third of the formal labor force coming from its backward and forward linkage with the other sector of the economy.

Sustainable agricultural intensification still remains the best pusher for the Zimbabwean economy and the key weapon in trying to reduce the poverty that will be there and food and security economic development so this is a sector that we rely on and its bettering is a meaning or sign of a good life for the citizens.





Source: Ministry of Agriculture Mechanisation and Irrigation Development, 2014

Fig 1.4

The above figure shows the importance of agriculture to the economy of Zimbabwe where we can also see the rate of each and every sector and the value it holds we can see that the GDP is at the rate of 15 % then followed by the rate of export earning going at the rate of 16 % coming after that we have the formal employment at 25 % that is quite low and shows that the economy is agro dominated because 70 % of the people are on rural livelihood so it is a very key aspect of the way that is everything is set up in the nation so in other words we can say Zimbabwe is agronomical based country.

The Regional Strategic Analysis and Knowledge Support System (RESAKSS) define agriculture intensification as a good increase in agricultural productivity measured as the ratio of the weight or market value of agricultural outputs and results to the rate of agricultural inputs such as the capital or the money used to start up to but the resources that can make this possible such as the land and labour or the man power this is quite significant in terms of what you are going to get in return for you to get the best possible results that you can be happy with then this areas needs to be heavily invested in.

Some people can argue that the rate of productivity is driven by policies and institution the rate of investment that the money inputted and innovation that is the involvement of technological advancement all targeted at sources and the drivers of productivity, market access or entry and competitiveness and this is also supported by the group known as the FAO who always tell that the instruments of productivity include the mechanization and high yield varieties also irrigation ,increased chemical use and specialization so they also state that incase of you getting the most that you can from what you would want something has to give in and a good investment would have to be done.

The International Fund for African Development( IFAD) i.e. in the year 2004 stated the importance of contract farming for the farmers warehousing receipts ,agriculture commodity exchange which involve the exchanging of some resources that are imputed with someone who might have what you need and needing what you have then also they mentioned insurance and subsidies as the major sources of or valuable tools that can used to gain market access or entry in the developing countries such as Zimbabwe ,Zambia, Malawi etc.

The World Bank in the year 2012 also noted that the only way to increase or improve the level of competitiveness of an industry or a product that will be looked at on a global market is to produce or make more efficiently and by this they meant that for the best possible results to come and get the wish of a producer of getting recognition on the biggest stage which is the global level the way that has to be done is produce goods of the best quality and in a way that is also sustainable and wasting the input that you might have or the resources and if this is done and taken into consideration then results can be achieved.

The organization shows that an increase in agricultural productivity in the area of tobacco which is our main source of crop we are looking at or other farm products in general leads to an increase in agricultural growth and help to reduce the rate of poverty in the poor or developing countries for example the ones we did mention above, whereas the agricultural industry is the one that helps to create employment of the people it takes the greatest proportion of the population.

As the sector becomes more functional or more productive or the productivity rate increases its comparative advantage in the agricultural products increases or it improves which means that it can produce these products at a relative low rate of opportunity cost than any other regions the sector that they are involved in becomes even more competitive on the world market or the global market and the rate opportunity cost is the next best alternative taken when making a decision on something for example you have only \$2 and you want to buy a book and lunch which all cost \$2 and you make a decision of buying a book that will be the opportunity cost.

So as we conclude on the first chapter we have also gathered the necessary info on the to see some of the importance of growing the crop tobacco and its production to the Zimbabwe economy which is a country that does rely on agricultural products and we saw some companies involved in the development of the crop and products and the roles that are taken and we had a view of some of the statistical figures that are there that could also show us where everything was coming from and we are going that to look at.

## CHAPTER 2 TOBACCO INDUSTRY IN ZIMBABWE

### 2.1 The role played by Tobacco farming to the economy of Zimbabwe

Zimbabwe is the continent's biggest producer of tobacco despite the expressing opposition in the past the country recently acceded to the WHO World Health Organization framework Convention on Tobacco Control this is the country's major income crop above all the other farmed in it although there is relatively low rates of use in it because the rates of people who smoke in the country is quite less than in Europe or Asia and America that's is the reason why we see those being the main exporters of Tobacco from Zimbabwe.

The Zimbabwean government refers to tobacco as the lifeblood of the country's economy looking into the year 2012 the country was the top tobacco - producing nation in the continent and the following year gained number 6 in the world in terms of the production of the crop which is a quite impressive number to attain then according to the Zimbabwe's Tobacco Industry and Marketing Board close to 98 % of the Tobacco in the country is exported, making it the country's largest foreign currency generator which shows that the crop brings forex into the nation's economy which is one of the most important areas when we are judging the performance of a nation's economy performance of its wellbeing or how the nation's economy is run on a day to day basis and this is key to our research we are carrying on.

Looking the rate of foreign currency that is brought into the Zimbabwean economy by Tobacco we see that 10-43 % of the nation's gross domestic product GDP that also show that the country's economy receives a higher percentage of revenue from the golden leaf than any country in the world apart from Malawi who receive more and this is also an indicator that shows the role played by the leaf in regards to the nation's economy and it is the pillar of how the country does acquire forex from other countries and how also business is done and the reason why Malawi gets more it is do with levy system which

taxes both growers and buyers so the rates of the taxation system in Zimbabwe is higher than Malawi.

Going forward with our research on the role played by tobacco farming in the economy of Zimbabwe it is the major source of employment in the country that is also facing high rates of unemployment the country has unemployment rate of over 85% speaking as of up to date many people are falling to find any forms of jobs and a lot of people are turning into vending and other sources of ways that they can do to obtain an income but tobacco farming has yet alone over 90 000 small scale farmers in the country supported by a robust tobacco growing infrastructure.

The importance of this sector to the economy of the nation can also be seen by the way the national banks put forward the interest of the tobacco farmers yearly we see that they dedicate significant revenue to give loans to the farmers though the smaller scale ones do not have a wider variety of loan options then the land that was take from the white settlers from the early 2000s is given to the black farmers by the state, tobacco companies offer loans for seed fertilizers and other input materials that the farmer may need to their job and when the farmer receives cash payment upon the delivering their crop as a result.

Looking at the current situation in Zimbabwe where there are several hunger issues in the nation that keep on going up year after year for different reasons many farmers in the county prefer to grow tobacco more than grain because the crop is very profitable the nations Ministry of Agriculture and the Ministry of Industry and Commerce are the overseers of tobacco related organizations such as the Tobacco Research Board (TRB), the Tobacco Industry and Marketing Board and also the Boka Tobacco Auction Floors these are some of the independent groups that do represent the farmers interest and also the other company we did mention above that is MTC Mashonaland Tobacco Company, the (ZTA) Zimbabwe Tobacco Association and its offshoot the farmers development trust were also the receivers of several grants that were \$100,000 from Phillip Morris and the organization (ITGA) International Tobacco Growers Association they are some of the organizations that have influence in the tobacco sector.

The ZTA was formed in the year 1928 before used to be known as the Rhodesian Tobacco Association its main aim was to create support and research and training and

also to enable the tobacco industry to expand and develop this sector in the country they are also one of the key or main employers in the country they are an institution that brings a lot of money to the economy they are very valuable they stretch and go beyond borders they have also some parts of it in Brazil, South Africa and Japan they are one of the figures that also control the movement of tobacco worldwide the support they offer to the farmers make them stand above the rest.

The other importance or role played by the farming or production to the economy of Zimbabwe is the obtaining of Tax revenues that are generated by the selling of this product we can see that for example companies that are in the country such as MTC Mashonaland Tobacco Company or TPZ that handle the sales and the day to day operations of tobacco in the country so these companies do pay taxes to the state that are actually used or put in a national budget and used for the other activities that would need to be carried on also the external organizations and other countries that do buy or import tobacco from Zimbabwe they also pay what is also known as import taxes that are also paid in foreign currency which is quite big when we talk about economy bases every year the countries budget they will be counting on it and the nation since it is number 6 as the biggest producers which shows that nation is up there with very best as the main suppliers and it provides to many.

The taxes that are paid to the state in Zimbabwe these are the funds that are taken to help control inflation in the country since also Zimbabwe is one of the countries that have one of the highest rate of inflation in the world for example the rate of inflation is at 837.53 % as of July 2020 which is moving at a quite alarming rate the country averaged 69.21 % as of 2009 and a record low of -7.50% in December 2009 so when we are taking of inflation Zimbabwe is one of the countries that has been affected by it the most so these taxes that will be paid to the country will go on and try and help to control inflation in case there is the situation of demand - pull inflation on a higher tax on income directly and also the monies that do come from taxes is taken by the state the state and is used to fund the defense, social security and medical health and also used to paying off interest on the debt that the nation might have had.

The other role played by tobacco production to the economy of Zimbabwe is by the growth of interest rates which is one of the factors looked at to see if the economy has improved or the rate it will be going at for example in the year 2018 there were very good yields of the crop produced in the country that year and lot of interest rate was expected when a forecast was made a forecast we refer to a prediction done and on this one there used the past records and compared to what was in front of the people the areas which are known as the powerhouses in terms of mass production such as Chinhoyi and Karoi they had out done what they usually used to do and led to very high interest rates.

Interest rate means the amount of interest that is due per period so the key word here is period and that's why we referred to the year 2018 and as per proportion of the amount that would have been lent, deposited or borrowed. The total interest on an amount that would have been lent or borrowed depends on the principal sum so all these do have to do with the money that would have been imputed from the beginning for everything to have been made possible and when calculating this interest rate we look at different was or factors firstly we use the basic annual interest rate and not the rate of comparison so that we get the actual figures ,the comparison rate takes into account fees and charges as well as interest so if we use it we get an high rate of interest so this was one of the spheres of the economy that did change or which is shaped by the production of tobacco in Zimbabwe.

## How much tobacco is Zimbabwe producing?

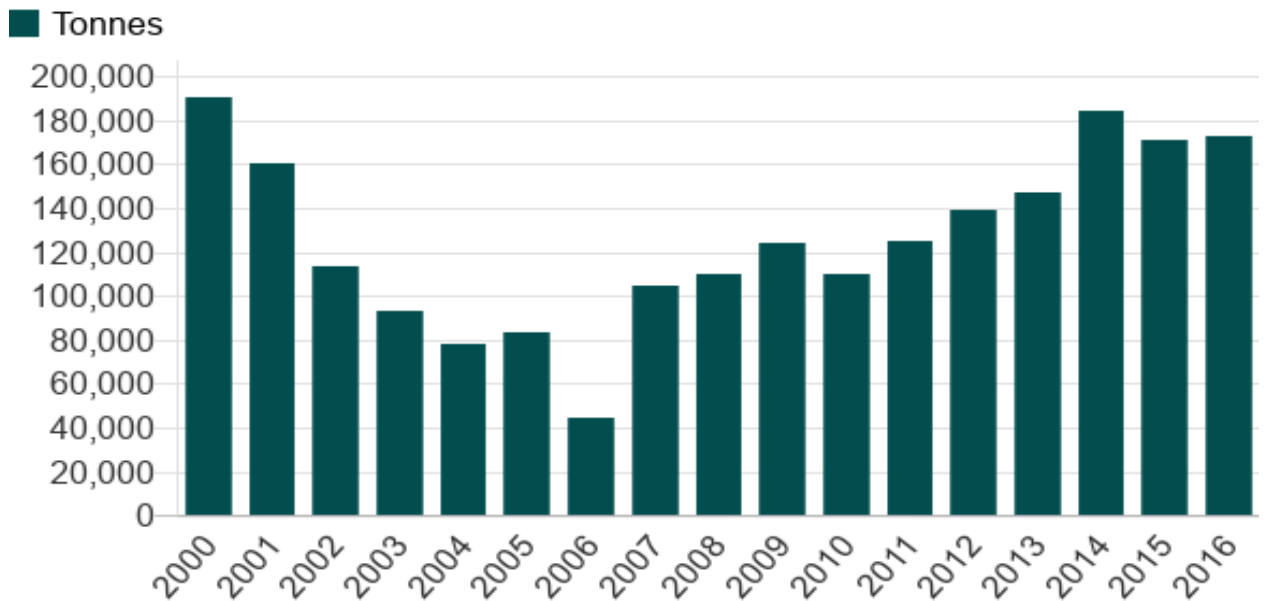


Fig 2.1

The above fig 2,1 shows the rate of which tobacco had been produced for the past 20 years in Zimbabwe going back to the year 2000 and we see in the year 2002 to year 2006 the rates of which it was being produced at had declined because it was the time of the land redistribution era where the black majority took back the land from the white settlers and we can see that the level had dropped drastically from 110000 tons to a very low 45000 tones which was quite very low according to the standard that would have been set and during the period of regression 2006 was the lowest point and evidentiary lowest recorded till the time 2016 as seen above.

From the year 2007 the rate of the tons produced increased from 45000 tons in the year 2006 to 105.000 tons which was almost double which was quite impressive because there was a bit of stability the year 2008 progressed as well as we saw close to 107.000 tonnes and 2009 the increment continued as we saw the rate of tons produced shooting up to 122.000 tons which is also quite high as compared to the other years that followed or that had occurred then in the year 2010 there was a reduction to level of the tons produced which went down to 108.000 tons which was not so bad but there was a decline to the level.



Moving forward we can see that in the year 2011 there was progress again as the numbers of the tons that were being produced increased from the amount that was in 2010 we recorded 110.000 tons which was great and this also kick started the period of growth which was now being noticed because from that year onwards there was just constant increment in the numbers of what was being produced and the year 2012 gave us what was being expected which is growth so we can also see that the number increased from 110.000 to 140.000 which came as a major boost to the economy because there were high records of profit that were recorded and it moved the industry back to the levels that were being expected though the big numbers that was produced in 2000 was hardly met.

The levels of progress continued as we can see with the graph above we can see that the year 2013 recorded an increment again as we can see that there was 144.000 tons produced in that year with a boast of 4000 tones which is not a small number when we are measuring increment so market was now stabilizing and the formulas that were being used were now bearing the results that were expected as go and look at the year 2014 we saw that we recorded the most number of tons since the year 2000 and it was the record till the year 2016 which was the most from what we observed on the graph the year 2014 recorded 182.000 tons which was by far more than to what was recorded in the very recent years and that year a lot of profit was made.

Moving to the year 2015 the was a decrease to what had been made in 2014 but the numbers were not very low it recorded 170.000 which meant that there was decrease in the tons produced in the previous year up to 12000 which was quite a lot but the year still had many tons produced that outstood the amounts that were being produced in the early 2000s then going on to the last number on the graph which is 2016 which was 172.000 which was a good result which shown that the rate of production never looked back or reduced and now the market could be forecasted to foresee the future results which was a positive so moving forward he had a brief look at the resulted that was being posted now there was new level of results expected not so bad and this is quite great and from 2016 up 2020 the high standard rate is still being met.

Looking ahead on the role also played by tobacco farming on the economy of Zimbabwe we can see that it will cause what is known as economic growth because

whenever there is production the economy tends to grow and how this is possible we want to look at it in broad we can see that the mass production of tobacco in the nation as we can see from the above figure 2.1 that is above because productivity takes the stages of output or results from one stage to the other and results measured so here that is where we calculate the and find what is known as the GDP which is determinant of the national output like what is produced and in this case it is tobacco because it is the product we are looking at.

In the national income accounting, per capita may be calculated using several factors such as output per unit of labour as an example we go to the Chibhero farm and calculate the amount of tobacco results from the number of workers that would have been present like how it is it as farm that has 10 hectares and this made by 15 members then moving on then we look at the hours that they would have been active for that will make us see the intensity put and usually they start from 8 am in the morning till 4 pm so we can see that they would be intensity and usually the ages range from 18 to 45 so these are also people very active and are prone to produce high standard results expected .

The increase in productivity causes an positive growth on the economy because the county would be the producer and the exporter which is the key position to be when we are talking of economic terms because if you look at all or most of the countries that are economic power houses they are producers of something that they are known for example China they are into clothes and technological gadgets such as phones and if you are an exporter and you have something that other people need from you the you would in a position of influence and the longer that happens it keeps pushing the nation in a position that you make things better and keep the economy progressing and when we look at the GDP of countries that are not doing as well as they would have loved they are mostly importers by doing so they are putting that country they would be importing from in a position of power and influence.

Still on the issue of productivity it is the measure of how the efficiency of the labor force measured by the output per worker per hour as we had measured above by the research of the workers at the Chibhero Farm where they are 15 workers at the farm having to produce at 10 hectares of land so going by this we see that there are advantages

that bring to the economy having a higher efficiency rate because productivity is the main determinant of the living standard of people it also looks at how an economy uses the resources that it might have in its disposal, by relating to the quantity of inputs to outputs as short term it is not really important but in the longer run it is very important on how the shape of the economy goes.

So we need to look at the advantage of higher productivity that WhatsApp will get as we can see it will lead to lower average cost so how this goes is the cost of the goods is passed to the consumers or the buyers of the product in lower prices then it will end up demanding higher demand of more tobacco to be produced and more output of the tobacco and moving forward it would lead to more people being employed again because if you see that the workers are working quite well and producing quite well we also caught up with Mr. Mliswa he saw that when his workers produced more when they were not many and when he put more the output rate increased and sold the products to the market made more profit and they would also increase employment these are all spheres that do benefit the economy.

Going forward on the advantage of this productivity rate increment and how it benefits the economy we also see that it also improves the rate of competitiveness and trade performance as we see that productivity growth and lower prices is key to competitiveness for the most established economies so by the farmers in Zimbabwe following in that they will end up doing or providing more than the other countries because it's all about competition because if you are the main supplier everyone will become accustomed to buying from you and the longer that goes you keep selling more the rate of production increases and the profit increases.

Still looking at the economic growth by productivity rate we also look at the factor of economic growth we also see that it has to do with efficiency and productivity provides a chance to make a lot of profit from sales that would be done and the money will be put into the economy and fix all the other departments that would need to be sorted out then also it increases the growth of the businesses also in the country that are involved with tobacco such as MTC or TPZ because they are involved in the production of this crop

from the point where it is in the field till the extent that is sold and by them making money they will also be growing.

The role played by tobacco farming to the economy of Zimbabwe is also the creation of companies and growth of the existing ones for example the country now is full of these companies that are involved with tobacco such as TPZ or MTC and the Boka companies and a lot that we did not mention and these companies would not be there and the more these grow and expand they will be big and improve and also they will beat out competition from the other companies and this also creates jobs in the commercial sector of the business because yes employment will be created because the good thing about this this is a market that does accommodate the farmers ,storage guys and also the ones in transportation so it makes jobs for many people.

When more companies are involved in the country the GDP also increases because when we look at most developed countries they do have many companies that do operate on a day to day basis and the service and tertiary sector is quite strong because it is not all about the primary industry the manufacturing and service sector should be strong as well we can take the USA for example because the country is dominated by the tertiary sector also of having many companies in there doing the business also and the primary sector being quiet stood as well so this is the sector that also needs to be looked into and with all the knowledge that citizens do have it brings empowerment to the people.

Moving forward the importance of tobacco production to the economy of Zimbabwe it allows the nation to utilize the natural resources that the nation has which is good fertile land which is very good for farming and great climatic conditions which also make it easy for agriculture to be done we have areas such as Mutorashanga and Concession which are known for tobacco farming in the country and in this way when there is production of this plant it will bring profit to the country from the sales which will become a major boost to the economy because for it to function there needs to a generation of income from whatever means possible and they keep it going and keep the nation at its feet and as we can see in the areas like Mutorashanga as we mentioned above they are actually set out for that they are the nations powerhouse for that reason.

As we can also see we had a quantitative research with one of the farmers in Mutorashanga Mr Gowe when we wanted to see how they do that yearly and how they plan he said that most of the farmers before they decided on a crop they would want to take on the first check the type of soil type and see if its suited for that specific crop they need to look at and specifically here we looking at tobacco and they need the type of sand soil that they have in that area and before they implement on starting they would also that year look at the weather forecast to see if the rains that they are expecting and if they are allowing they then take the next step that needs to be done that's preparing for the season so if this all done that is the only reason that will make them go all out and farm the nations cash crop or golden leaf that is dearly loved by the nation so when we see this that is what we will be calling the utilization of the nation's resources.

The other benefit of tobacco to the economy of Zimbabwe it does help in the changing of standard living of the citizens as whole and of the farmers also because on the citizens side when there is tobacco farming or production is because when a nation is into production it ends up exporting the products that would have been produced to the neighboring nations or globally and gaining foreign currency that would be put into the national budget and that money would be used to renovate or build other areas of the economy that would be in need of fixing so that the people could live a good and better life.

Touching on the farmers side benefits by the production of the crop and the economy side is that they will now be having a source of income that they will be dependent on a regular basis that they will now be able to improve their living conditions for example they can now afford to buy food send their children to school for education which will be also an indirect way that the economy will benefit from the production of this crop because most kids at the rural areas or at the farms are sent to school because of this crop because that is the sources of an income for most parents and having educated people to a country is a national treasure and can lead to a boast of the economy in many ways.

Going forward as we can see also the other ways that tobacco farming can help to the economy of Zimbabwe is by reduce the rate of poverty because this area it's one of

the main source of income for many people that reside in the rural areas of the country or the farms so this also benefits the economy of the nation because a lot of people would be able to purchase stuff and take care of their families so if you look at the economies of most functional economies or the economies that are great they actually have few people that are in poverty so the production of this crop helps reduce the rate of poverty and cause an increment on the living conditions for the people.

Tobacco farming also improve the economy of the nation by having more infrastructure development because when there is more money coming through into the country as we know by the selling of the product we looking at here there is going to development of building of roads that are nice for the transportation of the tobacco from the farms to the market where it will be sold also there is going to be more companies built and more building for those that will manage and control the tobacco in the nation also the more warehouses will be built for the storage of the tobacco because you need to safe keep it and also under good conditions to keep the grade that is needed, then also it will lead to the transportation system in the country to improve because you will need to export the products with the best possible ways and means and if you look at it all improves the nation economy.

The role played by tobacco also for the economy of the nation is that it will engage the nation into trade which is international trade whereby we bring back the point that we have already mentioned above that countries like China import from Zimbabwe even Indonesia and Brazil and these Countries they do bring the most forex into the nation and foreign currency do brings the economy into life and also makes it quite strong because most countries that do export have an economy that is strong and when your country is a constant present in the world of trade then you know that you be moving into the right direction and this is one of the most valuable reason why the trade of this product takes place and also during the point of trade also there will more jobs that will be created by the people that will be involved and there is also access to export financing and the is also great so the economy keeps growing from the production of tobacco .

Through the trade that will take place of tobacco the nation's economy will increase by the improvement of the nation's revenue ,revenue is the income that comes from doing

a business activity and here in this case tobacco is the product inline in the business and usually it comes from sales so when we also look at the what is also regarded as the fuel to the process of economic growth that revenue which something that makes people do business and without revenues people or nations wouldn't have as much appetite for business ventures as they would have so this is the best way of going and we also the importance of this crop to the development of the nation.

Still on the case of tobacco production or farming to the economy of Zimbabwe it gives the chance to specialize and when there is specialization involved it give an opportunity for the nation to become masters of your own craft and by this we talking about moving strength to strength and when you specialize you become more better at what you doing and being exposed to the realities of the outside world it upgrade and efficiencies the product that we are looking at and sparks more levels of innovation and when there is more innovation in the market it leads to bettering of what is produced and the sells increase and that happens more profit is made and the money will go and improve the nation's economy and finance is a fuel to the expansion of a nation's economy.

When also looking at the effects of tobacco farming to the economy of Zimbabwe is that it encourages the nation to build more schools for the children of the farmers to get educated and as we look at some of the companies that help farmers and are involved in the day to day work to see all the things that will taking place during the production of the crop such as MTC Mashonaland Tobacco Company and this will have the state having quite a number of schools and learning institutions that people can go and sharpen their learning skills this is very important because those schools will employ teachers and a form of employment can be created also and the kids when they are educated they will be able to do and use the skills they learn for the betterment of the nation so this also key for the development of the nation's economy.

## 2.2 The Tobacco Agricultural Markets and Trade

### TRADE.

The European Commission shows that trade is a key engine for expansion, both as a foreign exchange earner and through several effects as a generator in income and employment. The commission has seen that trade in agricultural commodities is important to the economies that are still in the process of development and are hugely dependent on the tobacco as the main sources of export earnings, the commission states that agricultural and other labor intensive products represent almost half of low income countries exports and close to 70% of the less developed countries revenues.

In the close look up to who has benefited from trade liberalization, the European Commission has also agreed with the developing world that the biggest beneficiary of trade liberalization have been the industrialized countries. Developing countries such as Zimbabwe product that they produce continue to face significant difficulties to the accessing of the rich country markets. Agriculture products which developing countries are most active in carry the most protection in the most developing countries over the past 20 years though in the recent years some of the market values had reduced to some extent in the year 2000 prices of for 18 major exports products were 25% or even lower in real terms.

The Commission states two factors as being responsible for the decline in prices the first is the slow growth in demand of the primary products and the income grows such as the money that is gained from the production of this product so when there is a processing of the product is made then more demand is there as its value would have increased as well.

Still on the trade of Tobacco in Zimbabwe looking at the recent years in the year 2018 they closed at \$892 million from the 184.1 million kilograms that got exported to the different parts of the world and according from the data from the Tobacco Industry and Marketing Board (TIMB), last year's crop was exporting at an average price of \$ 4.85 a kg in 2017 the country earned \$904 million from 182.4 million kg across the whole world at an average price of \$4.96 a kg and this is also considering the good grades



because the better grade that is produced the more it provides when getting an income from it and we can see that a more income was being made from these years because the rate of production was top notch.

Latest data from the TIMB further went on to show us that China which is the major receiver or consumer of the flue cured tobacco from Zimbabwe spent \$449.7 million in importing 59.1 million kg of the cash crop at an average of \$7.61 a kg in 2017, the Asian nation imported 60.8 million kg of tobacco spending \$479.3 million at an average price of \$7.88 a kg which as a quite huge rate also looking at the monies that were being spent.

In the past year South Africa, Belgium, United Arab Emirates UAE and Indonesia were among the top 5 consumers of flue cured tobacco from the Country Zimbabwe in so doing South Africa spent \$100.8 million importing 32.2 million kg of tobacco at an average price of \$ 3.13 a kg while in the year 2017 the Zimbabwean neighbors spent \$78.1 on 24.2 million kgs and that was quite a lot as well because we can see that Belgium in the previous year imported 17.6 million of tobacco worth \$58.1 not an average price of \$3.30 a kg which was not as much as South Africa.

Looking at the other countries involved in trade with Zimbabwe there is another Asian country UAE which also last year spent \$32.9 million on 14.3 million kg with an average price of \$2.29 a kg while also the other Asian country Indonesia which imported 12.9 million kg worth of \$54 million with the crop averaging 3.99 a kg and a total of more than 65 including the likes of Turkey , Morocco ,Yemen ,Malawi, Botswana, Kenya, New Zealand Croatia and Ukraine the like of UK were also the biggest receivers of the tobacco from Zimbabwe and these guys also import from them and they are major guys that do get from Zimbabwe and they also make the tobacco industry in Zimbabwe relevant these consumers when the nation produce it will be aware of such consumers because there is no where you produce something without being aware of the market that you are going to produce to or sell to.

The cash crop or the golden leaf as it is known as in the country it is the country's major sources of foreign currency apart from Gold and the government has also taken notice of it and the amount of contribution this sector has to the nation's economy as evidence from the incentives the Reserve Bank of Zimbabwe has availed or put aside to

boost the crops output or production because they see this sector doing quite well it more or less an investment where by you that a certain project you be taking part in is giving you profit you put more money into it because you be aware that if all goes well you get more for example that is why the farmers can get loans etc. and there are projects that are there help also farmers to get the best possible results that they may attain its all through this..

The Central Bank increased the tobacco input finance facility from\$ 28 million in the year 2017 to \$70 million in the year 2018 which was a huge increment to the amounts that would have been put aside for the reason because this is an industry that is hugely depended on capital and if it well invested in the results because it is an industry that has a lot of profit in it because but most of it involves on the money that would have been imputed in it because the tobacco farming needs a lot of preparation from the seeding time to the planting buying all the raw material also on the part of paying the labor force because obvious the workers cannot work for free so it is very important and as we can see here that from the time there was more money being put by the side by the government the results that would have been outputted also goes hand in hand with the money invested.

Looking at the time by December 27 2018 the number of the farmers who into tobacco farming that were registered were 167.538 as compared to the numbers that were there in 112.999 farmers who were registered in the previous year so this also again shows a big difference to the numbers of the farmers that were also involved into the farming and the production of the cash crop because it is an industry that is benefitting the nation's economy as a whole and also improving the standards of living of many people so the rapid growth of or increment of the people involved on it speaks volumes because if the industry was not benefiting a lot of people there would not be many coming into it.

## MARKET.

When talking about sell of a product in business the most important sphere apart from the buyers is the market so here we are also going to look at the market on a broader way as looking what the European Commission who control the market where Zimbabwe

also sell some of their tobacco also refer to the market as the place where producers buy their inputs and sell their products and where consumers spend their income from the sale of crops the Commission and the IFAD also are in agreement that the market or the market is very important in the livelihood strategy of most rural houses hold which are plenty in Zimbabwe and where most of the Tobacco come from and where most of the improving smallholder farmers access to the agriculture markets is also important to the reduction of poverty and change the living standards of the people.

IFAD also argues that the rural income will not be substantially increased by the exclusive emphasis on the tobacco production rather than more market based or oriented production system are needed this also requires the intensification of production system increased commercialization and the specialization of the higher value crop and they should be built upon efficient and well-functioning market and trade system the one that keep transaction cost at a reasonable price and limit the risk and make sure that the information reaches out to all the players and also do not exclude or work contrary to do the interest of the less privileged and those living in the area of marginal productivity and weak infrastructure.

The developments in the market are detailed by the IFAD 20 years ago the major markets such as the tobacco market in many developing countries such as Zimbabwe were all controlled by the state, monopolistic parastatal marketing agencies were or are still responsible for both delivery of agricultural inputs and the marketing of the agricultural inputs which are used to produce and the marketing of agricultural produce through a networking system of distribution outlets and marketing depots.

With this system being put in place the amount of input were delivered to the farmers too late to be used effectively the inputs quite limited to the extent needed by the small scale farmers the prices offered to them will be quite low representing that a small crop will not benefit to that extent further looking at it the system of pan territorial because the price of other commodities in the market system sometimes would lead to what is known as inappropriate production systems limited in the scope and ill-suited to the agro-ecological and the socio-economic conditions faced by many rural households the

parastatal agencies lost quite a huge significant chunks of money and drained the resources from the nation's budget or account.

Looking at the early 1980s a series of new agricultural reforms were introduced in the most part and countries in the developing world for example Zimbabwe, Zambia etc. with the aim or objective of reducing the level or rate of public expenditure that was incurred by the state agencies and of a more productive, commercially oriented and diverse agricultural sector. The major objective was to limit or reduce the parastatal institutions in agriculture to become facilitator and provide the space and room for the interference and involvement of private sectors.

In practice and in retrospect not surprisingly the development of private sector markets intermediaries ranking from the small scale informal traders to the large ones often the foreign owned agro processors to cover the vacuum left by the withdrawal of the state has generally been less smooth and less rapid than expected.

Studies carried on by the IFAD first is this process is common in the advanced nations that were the first ones to introduce the market reforms in some countries the situation is hugely dynamic changing yearly and increasing the numbers of the participants and the market became very sufficient and varied the process also made growth in countries that had quite sophisticated economies that were also diverse a well-established sector and had a culture of entrepreneurship most sectors also have grown relatively from areas that are close to the urban centers and which are quite densely populated and in areas where levels of tobacco production and surplus are greater.

#### MARKET ACCESS CONSTRAINTS

Physical access to the markets ,distance to markets and lack of roads to get to them or roads that are impassable at a certain time of the year and high fee in the transport cost they present the real physical difficulties in the assessing or getting in touch of markets for rural communities throughout the developing world or the areas that we have mentioned above it undermines or looks down to the ability of the producers of tobacco to buy their input so that they could produce their crops and sell which will result in the high cost of transportation and high transaction cost to the buyers and sellers of the sellers and leads to non-competitive and monopolistic market.

In many countries the closure of the former parastatal market chain has removed the problem leaving huge numbers of farmers far from any market transport cost and storage cost are hugely the huge figures that will be looked at because the storage is important when going to sell the products and difficult market access restricts the opportunities for income generation remoteness increases uncertainty and reduction of choice it results to more limited marketing opportunities reduced farm gate prices and increment of input cost and also exacerbates the problem of post-harvest losses which can also be high up to 50 % sometimes by so doing it also sometimes weaken the incentive to take part in a monetized economy.

Improved infrastructure leads to increased market integration and more commercially oriented production systems market access is the key player and holds the determinant of the household production systems so for these to take place all angles in the production sectors should be allying so that the term of monopolistic can be removed and all parties can gain essay access to the market for the betterment of everyone else.

Market Structure - rural markets are characterized by the extreme asymmetry of relations between the huge numbers that maybe there of the small producers and consumers and on the other hand a few market intermediaries such market relation tend to be more uncompetitive and also unpredictable and most rural producers and farmers who tend to find it hard access the markets often tend to the buyers that will visit them from there and buy their tobacco from them and then go on to sell to the bigger markets and these buyers do not tend to often go to the rural areas or to the farms of the producers so the farmers tend not to have too much choice and end up having less choice and go for first come offer which sometimes might not be favorable and the traders or the buyers are the ones with all the info about the prices on the market.

In many countries there has a huge rapid growth in the numbers of smallholder based contract farming and through the process many poor or less privileged farmers have established an important and assured commercial relationship however in the sense of monopolization of processing, credit and marketing technical capabilities by the agribusiness companies and small holders have been entering a commercial relationship that has been quite important.

Although experiences have differed and there are clear examples of companies that are acting on self-interest smallholders have found themselves operating or working as employees and not as partners and they have also derived very low returns or profit and the large private sector uses its economic power to take the lion share of value added this will then bring up an opportunity of growth of smallholder's production without smallholder development.

Input markets have been more of a problem in many countries that have commercial firms that have replaced the parastatal input distribution companies that have only a limited retail network in the interior and that's when they start their development of network agents to the extent the input reach out to the rural areas or community and in many developing countries such as Zimbabwe the prices of fertilizers has fallen off dramatically in the recent times the range is often limited and the prices are higher than they used to be this is the result of the removal of the subsidies on the agriculture inputs and high transport cost.

Market Access Tools in the year 2012 the European Commission identified a number of access tools that are in place or already functioning in the developing countries such as Zimbabwe that are for resolving marketing access and also the competitiveness of it and are also to support and promote the agricultural intensification of this crop that we are looking at here which is tobacco and they are put in place to make sure that the market is also an even ground for most to participate in and huge significant amount of profit can be made.

I. Market Information System (MIS)

Ii. Inventory Credit (IC)

Iii. Warehouse Receipt System (WRS)

Iv. Agriculture Commodity Exchange (ACE)

V. Contract Farming (CF)

Market information Systems ( MIS) this was formed as a service that usually operated or run by the public sector that involves the collection of prices and information and the quantity that is there from the rural sector so the tobacco from there they help and facilitate the selling of the products at the right price and they also inform the buyers on

what will be available they also get help from the government officials and the two main objectives that they will be seeking is to provide the market monitoring indicators and also help on the decision making support to devise and steer agricultural and trade policies and improve the transparency in the market to make sure that all the information is clear as a daylight.

The market systems also looks at redressing the information between players to help the poor farmers because they are usually in a position of not benefiting and also facilitate the trade decisions for the buying and selling of their tobacco then moving forward they also help the small scale farmers in negotiating for the sale of their products so it will be looking at also putting them in the position of power which is quite useful for them and helps the farmers to understand the market by providing a platform for transparency while improving the strategic guidelines given by the public and private institutions and reduce the transaction cost.

The MIS have been developed for the past fifteen years they also now involved in the private operations such as professional organizations and companies they also help with the aspect of information and helps with the analyses of weather reports and studies and training the areas where they are most involved in is the developing countries so in Zimbabwe they do play a key role by linking the product value chain and small scale producers and their information is up to date.

The Warehouse Receipt System this is also known as inventory credit they come into play after when the producers or the farmers harvest a quantity of goods at the warehouse where the manager of the warehouse then the producer or the farmer takes the receipt to the bank or the MFI and it can be used as collateral for a loan of up to 100% of the value of the products on the day and they reduce risk of up to the value of 80% in the exchange the financial institution keeps the receipt as the guarantee this enables the transaction to take place.

Looking to the harvest days of the product the producer identifies a buyer for his product then they go to the financial institutions to pay for the tobacco and present or show the certificate of deposit that will allow the buyer of the tobacco to take possession of his tobacco ,the financial institution then draws up the receipt for the producer and they

deduct the interest on the loan and the storage charges then they pay the farmer the remainder of the money which will then complete the transaction at hand these ways also in addition they secure the stock for the buyer and they can take a shortcut loan from the commercial bank using warehouse receipt then it offers aggressive security advantage which allows the farmers to take advantage of the market .

The Agriculture Commodity Exchange which is a private or public platform which enables the exchange of standardized tobacco that would have been there and also setting off the prices without the physical presence of the tobacco or it being there. This is different to the physical markets that the people will be used to such as some auctions and buying points these seek to boost the agricultural productivity in the country and since their introduction that has been observed they also make trading quite easy as well by the process that they take of centralizing and dematerializing transactions.

The ACE gives a platform for consummation for spot and future contracts and transactions on spot markets and future markets respectively on the spot market the contracts are signed or handled between the buyer and the seller at a given price then the delivery is done there and there while on the future markets the contracts are signed and everything done for delivery of a date that is for some time not there the future market gives rise to derivatives market such as options for future contracts while used for basic goods.

The list of the importance of the Agriculture Commodity Exchange is as follows.

- I. Risk management, by the usage of future markets and derivatives.
- Ii. Liquidity of securities due to the possibility of trading before the end of operations.
- Iii. price transparency
- Iv. They gave market price information through the quotes made on exchanges to make it a measure of the value attributed by the market to an agricultural commodity or product in a different time zone.
- V. The future markets are of an advantage to the farmers of tobacco because they get to secure their income and their balance while on the side operating account by



obtaining a guaranteed sale price before the agriculture year there by averting several risks (exchange rates and lower selling price).

Then moving on we want to look at what is known as Contract Farming which can also be defined as a contractual arrangement between the farmers and a firm and this can be done on a written form or oral specifying the conditions on how the production of the crop we are looking at here which is tobacco and the company we looked at which is MTC does offer this to its farmers and this entails the relationship between the growers and private or government enterprises that substitute for open market exchanges by linking independent family farmers of widely variant assets with a central processing exporting and the buying unit that future price of the good, production practices and product quality.

The IFAD also states that contract farming is an mutual agreement between the buyer of the product and the producer of it regarding to the production and marketing conditions usually the farmer agrees to provide certain quantities of his tobacco in accordance with the quality standard established by the buyer and the time and place determined by the buyer then in the other hand the buyer agrees to buy the product at the predetermined price and in some instance by supporting the production by providing the inputs such as fertilizers, seeds ,agrochemicals land preparation and technical advice for example.

All the these inputs and services mentioned in the above paragraph are charged to the farmer then when the farmer sells their tobacco the deduction for these inputs and services are made this will reduce the benefit of the farmer making the gross income which will be quite accurate to the benefit of the farmer and as stated by the Boland et al stated in the year 2002 states that contractual farming is one of the vertical coordination alongside open marketing which is the traditional method used by the producers or sellers to sell their produce as price takers and also in the contractual type of farming these products will be sold an advance price which would have been agreed upon long back and according to Boland we learn that they are two types of contracts we have the marketing contracts and the production contract.

The difference between the two is the management responsibility, crop ownership and provision of inputs. There are also a number of possible plans within the basic types including alteration such as the pricing, storage, transportation and quality determined. Boland et al. also hugely state that the buyer and the seller of the product have two main provisions that they look at which is the price of the product and the price they used to set a price and a market for a crop to be sold at a future date. The producers or the farmers have a guaranteed buyer and a guaranteed price of their product. The price is determined by the supply and demand conditions and the quality may be provided in the contract.

The production contracts have their own provisions which are production inputs supplied by the contractor. Then secondly quantity and quality. Then the third one is the type of compensation that will be given to the farmer for the services rendered. In this there is an increase on the side of the buyer in terms of control and risk sharing. As a result, the producer's portion of the crop value is lower than in marketing contracts. In these contracts, there is also the part of when there is the receiving of the seeds and other inputs of the producers or the farmers.

The use of contract farming increased the start of the 1990s and up to now it is still very popular and most farmers are turning to it and it also reduces the risk exposure to price variation from the supply and demand conditions after the state had removed its involvement in the agricultural market. This contract farming can be used to several farming of different products not tobacco alone but also such as maize or even on livestock or flowers. It has been more successful with products with high added value and for products for processing and export.

Then we here we want to look at the benefits and the risk of contract farming for producers and buyers.

For the producers or farmers under contract they have the following benefits.

I. The promoter or the company offering the contract provides the inputs and production services that are mostly paid for on credit with the money that the buyer pays upfront.

ii. It is easier to get financing and directly buy inputs and other services because the banks see the risk to be lower.

iii. Contract farming often uses new technology and allows the farmers to learn new methods of production.

iv. farmers usually face a lower price risk because the prices are agreed in advance.

The disadvantages of contract farming to the farmers or producers under it.

I. With new crops the farmers face the risk of market failure or the demand fall or technical production troubles.

Ii. ineffective management or marketing problems can lead to buyers manipulating quotas to avoid buying the entire production under contract.

iii. Buyers can be unreliable or exploit a legal or de facto monopoly.

iv. farmers can fall into debt due to production accidents and advance payment that they cannot repay.

Benefits of the Buyer on contract farming.

I. Contract farming working with small scale farmers is more politically acceptable production on plantations for example where wages are very low.

Ii. dealing with small scale farmers may overcome difficulties related to land access for major producers.

Iii. Production is more reliable than purchasing on the open market.

iv. The company transfers part of the production maybe risk to farmers

Disadvantages and risk

i. When the land status of smallholders is precarious it may be harder to sign long term contracts.

ii. Cultural or social obligations may affect farmer's ability to produce according to buyer specifications.

Iii. Poor management and communication and lack of communication can lead to break of suppliers and poor contract enforcement.

Contract farming is widely used in most parts of Africa throughout grower schemes that will link tobacco to the tobacco factory this contract farming has also given a positive in expanding the tobacco in production on the part of smallholders even the governments of some other neighbouring countries are also looking into expanding in this contract

farming in the view of creating public -private partnerships that could significantly boost agricultural production and reduce the amount rural poverty.

### 2.3 Risk assessment with Tobacco production and farming

As we have seen from the above paragraph we mentioned a lot to do with the positives of tobacco growing and production to the economy of Zimbabwe which is quite a lot I would say and since this is an analytical chapter so we also see that tobacco farming comes with some issues or some problems and the first of it that it leads to a high rate of child labour which is very against to what the children right do urge people to do for example the Gweru farm in Zimbabwe which employee more than 100 tobacco farmers who stay there most of these guys that are adults who would have grown on the farms and their kids also help them to do the job and most of the ages that we have observed are children from the ages of 13 to 16 and they are relatively young because the laws of the country say that 18 is the minimum age that someone can now be regarded as an adult.

Moving on with the problems that can also be observed with tobacco farming to Zimbabwe and that is one of the key and important aspect is health we also seen that the children and adults who work on the Zimbabwe's tobacco are facing very dangerous risks to their health and the reports that have come out speak on this matter again they also show that the working on the farms also interferes with their education also because they would have little time to focus on their school work and it will cause a regression instead of progression and disturbs the cause that the nation would be trying to implement to make sure that schools are built at the farms and the rural areas to make sure that the kids get the education that they will need and get the indecency they would need.

Still on this matter we managed to sit down with one of the farmers at the Gweti farm by the name Munashe he then went on to tell us about the problems he had when they never had a good yield the previous year so they were now short on funds and they ended up also getting their 16 year old daughter to help them in the farm for man power and their 12 year old niece and how they were doing everything to the extent that they were now over worked he also described how he and his wife often felt sick while working on the tobacco field that they ended up suffering from sickness with the symptoms showing acute nicotine poisoning which occur when the workers absorb the

nicotine through their hands while handling the tobacco plants and from the way Munashe was talking to us he sounded as if that no one ever talked to him about it and how also it can be cured or how it can be prevented they also told us on how they handled pesticide without adequate protective gear.

This report also showed us that the crop maybe be one of the sources of the nation's income sources but there are negatives that are faced by some other people during the production or the farming of this cash crop because they told us on the hours that they would spend on the field also and they would get up as early as 6 am in the morning and finish at 5 pm during the evening and these are a lot of hours per day that any human can do per day and this also against the requirement of the human rights and no human being should go through that whatsoever.

Some of the problems that were stated by Munashe was of working on overtime at the farm that they would do so for comparison on the over time they would have worked and that the normal wages without the overtime would be paid on time and they would go for many month without being paid their wages which was quite bad because this is also their source of income that is what holds their livelihood and without the monies they would be wallowing in poverty and after you have worked it becomes a very bad picture and they do not have any control on it whatsoever.

The other factor or problem that may occur to a country that is involved in tobacco farming and in this case we are looking into Zimbabwe and this comes problems with high environmental price tag and their concerns with it and the Forestry Commission have said that almost close to 330 000 hectares of the nation's forest resources is lost and that covering 45% of its surface that is due to the clearing of land for agriculture.

Some of the land that is cleared also is for infrastructure development collection of wood that is used for energy then also for the process of tobacco curing these all factors that we have mentioned contribute to deforestation the FCZ also states that tobacco curing is also responsible for close to 15 % of the nation's deforestation in the year 2016 a total close to 50 000 ha of the forest was destroyed and burnt for the curing of tobacco then in the year 2017 we also observed that 60 000 ha was lost due to the same reason also.

The curing of the tobacco artificially creates favourable condition for the tobacco leaf to ripen the heat is used in the curing barns due to some of the studies made by the FCZ there was a result that they found out was that the Eucalyptus wood weighing 425 per cubic stacked in a meter with close to 13% moisture that can be converted to 8,5 to 9.7 kg of firewood used to produce 1 kg of cured tobacco then all these generated to coal to produce 1 kg of cured tobacco.

### Chapter 3 ECONOMIC EFFECT OF TOBACCO INDUTRY

The Tobacco Economy and Theories of Development.

Tobacco Trade and Development.

According to the FAO in the year 2003 it states that in the developing countries that are in the southern region of Africa which are is the group by the name (SADC) and Zimbabwe which is also part of them they mainly rely or take part in tobacco trade and it is an important sources of social and economic well-being of the citizens and their nation's economy as a whole the other organization by the name ILO also gave an estimate that the tobacco industry alone give employment to about 100 million people worldwide and which is a very huge number for an industry which is very dominant like this one.

In Zimbabwe in the 1990s where the tobacco industry was at its very best the industry did employee almost 50 % of the people involved in the commercial agriculture this estimate did not include people that are involved in the other activities and downstream industries that were there to serve in the tobacco industry as well and from this alone which see the influence of the tobacco industry in the nation and it was the nation's biggest foreign currency earner which was quite remarkable also looking into detail it also was contributing to a third of the nation's total exports of all the goods that

Zimbabwe exported outside to the other nation and according to Timb the industry contributed 12 % to the nations GDP (TIMB 2011).

There is a time where by the amount of Tobacco that was exported by Zimbabwe was ranging around 20% of the world's flue cured tobacco as the main ingredients in the cigarettes the growing and manufacture of tobacco has also led to the development of other crops, tobacco provides one of the best economic return per hectare amongst all the major annual crops grown in Zimbabwe including maize, beans etc. then the income that comes and from growing the tobacco crop is also used by the farmers to develop their farms also try and improve their irrigation schemes if the farmer does operate at an A1 farms because for the best results to be occurred all this needs to be put in place.(Phiip,2013)

The Zimbabwe Tobacco Association in the year 2014 gave an estimate that the tobacco production base was at plus 100,000 growing units ,and of that 80% are small scale farmers who grow tobacco from 1 hectare to 2 hectares then the total area which is covered with tobacco annually is at an estimated at 120,000 hectares which is a big number mostly from the figures we had given usually brings out 180 million kgs of tobacco that is valued at \$670 million with this size of produce rate that is consistent they will give out tobacco valued at over US\$ 1.5 billion with an estimation of 1.2 million directly dependent on the crop also this figures have multiplied by 4 times to an estimated 4.8 million people if dependents are also included.

### National Flow of Tobacco Income

Tobacco is at the moment the most influential crop in the agriculture and the economy based on the revenue and foreign currency generation into the nation's economy which is a boost in the review of literature the study showed us that the tobacco economy based on the concept of the national income to show the growth options through policy interventions and it very important for us to understand the tobacco value Chain the

tobacco national income is measured by the tobacco Gross Domestic Product (GDP) and the Tobacco Net National Income (NNP) and according to Stanlake who came up with these theories in the year 1985 where the former is the value of tobacco goods and the services produced by the citizens or the people who do live in the country.

From all the tobacco that is produced should be consumed locally and internationally that is across the nation's borders based on the expenditure approach that is used to measure the national income and we do have an equation that has been developed by Stanlake that is used to calculate. (Stanlake,1985)

$$Y = C + G + I + (X - M), \text{ Where } Y = \text{Tobacco Income.}$$

C= Domestic Consumption of Tobacco

G= Government Spending on Tobacco

I= Investment in Tobacco Industry

X= Exports of Tobacco

M= Import of Tobacco

This flow of the tobacco income can also be presented in a diagram and is a simple two sectors open with the government as follows.



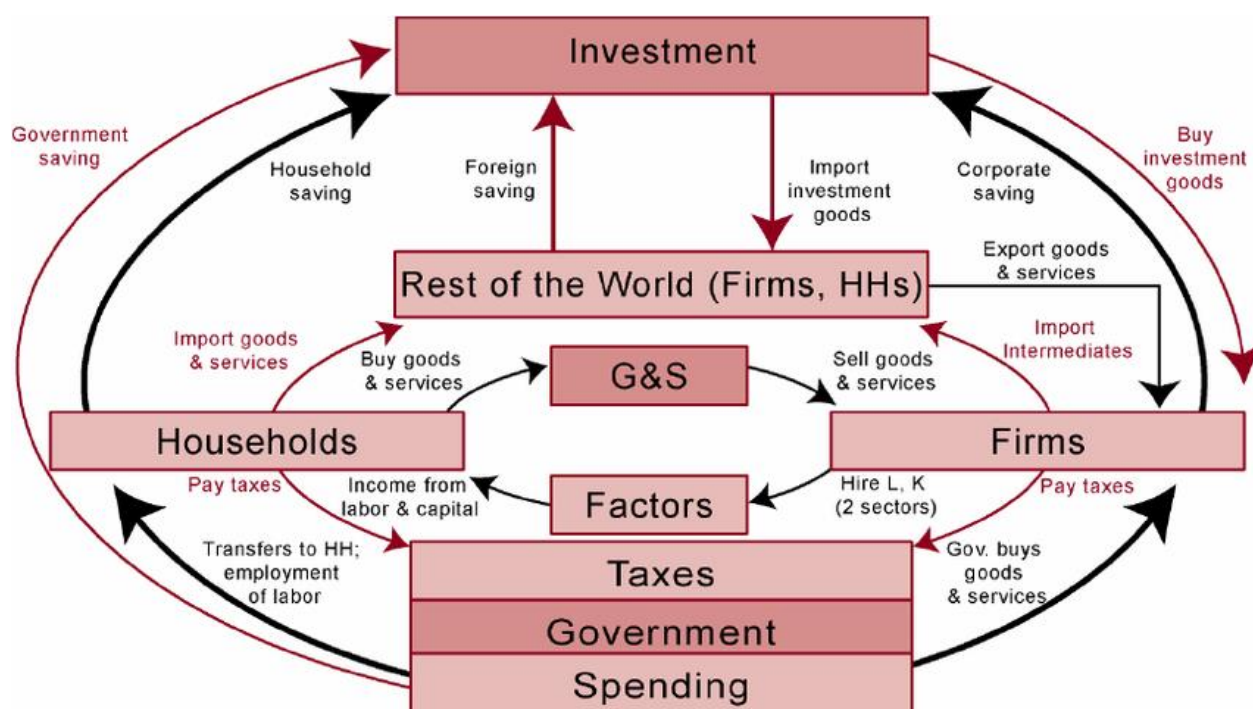


Fig 3.1 The Circular Flow of Tobacco Income.

The national tobacco income flows from households through their business who pay households sometimes use their money that they would have obtained on imports save some money so that they could pay government taxes in the near future these will form leakage from the tobacco income circular flow some business export some of the goods that would have been produced and they use the money they gain to re-invest in the future so to them that would be the capital and these kind of expenditures form some injections into the flow of the income which will cause the tobacco economy to be equilibrium when the injections match the leakages that would be there.

IF the state is going to have a success of running the tobacco economy in the best way they need to have the objects which would allow them to control the expenditure variables and some of the main instruments or objects and these are the government expenditure and taxes to try and create surpluses and some deficiencies to try and causes an imbalance in the private sector also some other objects that may be used as well there is what are called monetary policies and direct controls to influence on what will be imported or exported some of the fiscal measures will also be implemented as well as the exchange rates policies while having direct control to influence on what will be imported and exported the goal will be to facilitate a higher percentage of private investment and

this kind of investment will be put in total control by the multiplier effect illustrated by the following.

$$\text{The multiplier} = 1 / \text{MPS} + \text{MPM} + \text{MPT}$$

Where

MPS = Marginal Propensity to Save

MPM= Marginal Propensity to Import

MPT = Marginal Rate of Taxation

Looking to the study of Writer Stanlake in the year 1985 he came up with the terms we had mentioned in the previous page where MPS + MPM stands for any proportion of an increase in the income which will go out of the circular flow then we also have the multiplier effect which is an increment in investment (I) government expenditure (G) independent consumption (c) which stand for the exports then (X) will stand for a time of successive spending and saving at different levels of the domestic tobacco economy then the proportion of on the money that comes in which is passed at different stages of spending is reduced by leakages and taxes as well until it becomes very little then the result will of the tobacco income will be as equivalent to the initial investment multiplied by the value of the multiplier.(Stanlake,1985)

We also going to look at the theory that came up from Harrod which fits quite well in our research which also looks at the potential of Zimbabwe to grow based on tobacco and this is known as the H-D development theory by the writer Harrod Domar and according to this theory it would need the industry to save on whatever income that comes from selling (S) and after saving they should Invest (I) so that the capital stock could be increased (K) and by so doing that will increase the growth in the industry that would also

boost the national economy then the net saving ratio (s) is then the fixed proportion of the national tobacco output (Y).(Harrod Domar,1998)

Using the formula from the writer as we have observed to see the effects we dived to take some numbers from what we looked at when analyzing the tobacco industry we during our research so to see how the theory could be applied to come up with result on how it works for example the nation can save approximately \$ 670 000 000 and invest \$ 400 000 000 that will be imputed into the day to day running then will increase the capital also by \$ 40 00000 then at the end of the annual year the amount of profit that will be gain might triple to what would have been there at the beginning going up to \$ 3 000 000 000 which is a huge sum of money that would be our Y according to the scholar H. Dommar.

$$S = sY$$

Total investment (I) is determined by the level of Saving (S)

$$I = S = sY \quad (i)$$

New investment is defined as change in capital stocks ( K)

$$I = \Delta K \quad (ii)$$

The total capital stock K has a direct relationship to national tobacco output (Y) where the capital -output is K as given below:

$$K/Y = k \quad (\text{iii})$$

$$\Delta K / \Delta Y = k \quad (\text{iv})$$

$$\Delta K = k \Delta Y \quad (\text{v})$$

Based on equation i, ii and v it follows that:

$$I = \Delta K = k \Delta Y = s Y$$

$$\Delta K / Y = s/k$$

Basing on the H-D model , the growth rate of the tobacco economy ( $\Delta Y/Y$ ) is mainly dependent on the net savings (s) and tobacco capital output ratio (k) the more that the tobacco capital puts more into savings for example as we have mentioned about the millions they do put aside and invest in capital stocks the more the industry will improve and grow and there is also a term that is used that defines it whereby they mention that the higher the capital output ratio and the lower the growth rates.

### 3.2 DATA COLLECTION

#### Secondary Data

This is the study carried out by reviewing the secondary data we collected on information on tobacco production, imports, exports and prices ranges that would have been set this also includes the review of the government policy documents, media reports

and the Reserve Bank of Zimbabwe which is also known as the (RBZ) and all the annual reports of the work that would have been done on the field.

### Primary data

In this study we looked at the tobacco growers and the contractors that are there across the nation and this one also targets key informants in the tobacco value chain involving the farmers, organizations auction floors and industry regulating authorities.

Then we move on to the part that is known as Selection of farmers where the sampling of these farmers is used and stratified random sampling based on TIMBS national database of the tobacco producers and this stage is broken down into 3 stages and the other one of them being random stratified and the farmers were put into 2 groups depending to whether they were contracted or not auction tobacco growers and in each of the following methods the farmers were further stratified by their gender then the strata that is gender based was further categorized by the sector this is used to obtain a balanced design for the study in respect for the contract and auction models ,gender and sector to make sure that there is equal representation in the sample of characteristics that may have influence on the level of income or benefits to the economy.

### Value Chain Analysis

On the study value analysis chain approach was used because it goes beyond the figures of the quantitative results from the cost benefit analysis and also the chi- square test including the analysis of variance according to the IFAD in the year 2012 they came up with the analysis that the chain value methodology can also be used to take a look at the factors that that have an influence in the tobacco industry whether its positive or negative and also the relationship that is there among the tobacco value chain participants and observe the main constraints to the increased efficiency productivity rate and

competitiveness of the tobacco industry and also look into how these constraints could be overcome so that things could move for the better.(IFAD,2012)

Basing from the figures and stats that came from the world bank in 2010 it shows that the bank notes that value chains are a key frame work for having a deeper understanding on how the inputs and services are put together and made to grow, transform or manufacture a product and also how the product is then transported from the hands of the producers who are involved in the making of the products to the hands of the customer and also how the value chain improves as the time goes by.

he bank goes on to argue in regards of the value chain that the value chain perspective gives very important means to have an understanding business relationships that is interconnected to the chain mechanism for increasing efficiency and ways that allow the business to boost their productivity rate and increase the value of the good it also provides a reference point for the improvements in supporting services and the business environment it can also give an added advantage to pro-poor initiatives and a better linking of the small firms that are in the market.

The value chain method guides and moves high impact and sustainable initiatives focused on improving the productive rate and also the competitiveness of entrepreneurship and the growth and emergency of small and medium enterprises so that there will be many.

### Partial and Full Budgets

The study used the net enterprise and the net cash flow cost benefits analyses to be able to analyse a comparative of the alternative tobacco production and the tools that will be used for the marketing side or the marketing models these were done using two techniques or method of budgeting which are as follows 1.the full budget analysis which comes into place basing with the standard of tobacco production and marketing budget which incorporates all the cost that include cash or exclude cash that is incurred by a grower per hectare and secondly there is the partial budget analysis which works on the

actual sales revenue and the deductions made also with pay-outs to the growers from the sample survey that would have been done.

This method was considered to be partial budget because of the deductions on the cost were kind of limited to what the contractor had advanced to contracted grower that are there and these deductions will be made through the TIMB or stop order system where net of levy related deductions is made and the deductions for the non-contracted were based on the contract package valued using market prices, the full budget analysis was used to create a profitability and viability contract and auction the tobacco production and marketing the study also states that the standard budget assumed uniform quality, price and the results from the field which in Shona in Zimbabwean language is known as gohwo across the tobacco production and marketing models.

These income factors are influenced by the model of production and marketing models and some of the characteristics at the farm level and are likely to be different due to the levels of the farms in order to see the effect of the model and the characteristics viability and profitability and establish a model that they can see to be more beneficial to the farmers and the economy and that they are more profitable and bring back most of the money that would have been invested from the beginning and this analysis method was implemented based on the sample of survey data, the sales revenue prices that would have been set and quality data from the sample survey already incorporated the effect of farm level characteristics on the determinants of net income.

#### Net Tobacco Budget income

The net tobacco budget income was used to see if the farmers are capable under contract and auction system. Net income stands for the return to the grower for the management that they would have done and the money that they would have invested into their business or their project it also states what is available from the years operation to pay the income tax and some expenses that will be there for example the family living expense and to re-invest into the business ,the net tobacco income is the difference between revenue from the sales of the crop and the expenses that they would have come across during the time of product for the revenue to be achieved.(Castle et al,1972)

$$\text{Net Tobacco Income} = \text{Revenue} - \text{Expenses}$$

For example, the Family from the Gweti farm we mentioned in the 2nd Chapter might have had a revenue of \$ 30 000 and expenses of \$10 000 during the process their net income will be \$20 000

$$\$30\,000 - \$10\,00 = \$20\,000$$

So from the basic example of the calculation we have carried above shows us all the stuff to do with revenue and net income that is the best example we could have taken.

According to the Scholar Abbot in the year 1990 he stated that tobacco revenue is the income that is obtained from the process of growing and selling of tobacco and one more Scholar by the name Castle also mentioned that such revenue represents the value of production for the period and includes the sales that would have been resulting from the normal operations of the farm business.

For the standard budget revenue is a product of the total quantity of delivered and the average price that will be there per kg.

$$\text{Revenue} = QP_a$$

Where;

$Q =$  Total quantity of tobacco delivered

$P_a =$  Average price



For the sample survey data that is in the partial analysis the revenue was equal to the sum of the products of quantity and price per delivery

$$\text{Revenue} = \sum_{n=1}^n Q_n P_n$$

Where:

$n$ = Number of delivery

$Q_n$ = Quantity of tobacco sold in the delivery

$P_n$ = Price of a kg of tobacco obtained for the delivery

All the cost under the normal budget included in both cash and non-cash expenses ,the cash expenses have the price of seeds, fertilizers, hired labor ,repairs, coal, wages and fuel.

$$\text{Expenses} = \sum_{i=1}^I E_{ci} + \sum_{i=1}^i E_{nci}$$

Where:

$E_{ci}$ = the 1st Expenses item

Enci= The 1st Non-Cash Expenses

For the sample survey data, expenses equal the sum of deduction per every delivery.

$$\text{Expenses} = \sum_{1}^n D_n$$

Where:

N= the first delivery

Dn= Deductions from the 1st delivery

The following study shows that tobacco production and marketing is beneficial to farmers if the tobacco enterprise is getting a positive net income under the full and partial budget analyses.

$$\text{Full Budget: Net Tobacco Income} > QPa - \left\{ \sum_{1}^i E_{ci} + \sum_{1}^i E_{ci} \right\}$$

$$\text{Partial Budget: Net Tobacco Income} > \sum_{1}^n Q_n P_n - \sum_{1}^n D_n$$

Net Cash Flow

According to Scholar Warren in the year 1982 he came up with a theory that refers to cash as money in hand or that is in the bank account and also has suggested that a farms should have enough funds that would allow the farmer to be able to take care of the day to day work that may need to be fixed at the farmer he Warren also stated that cash flow as the movement that takes place with money in and out of the farm enterprise during a specific time and also that the cash flow statement also summarizes the farm business source and use of cash gives information about liquidity and loan repayment capacity of the farm.(Warren,1982)

This study has also instituted the net cash flow technique using the full budget to see if the tobacco production and marketing will lead to a better free cash flow after taking into account all the revenue and capital expenditure requirements for the seasons to follow this is also very important as also stated by one of the scholars Castle in the year 1972 and its still being taken into account up to now in Zimbabwe he also pointed out that even though a firm might seem as if it's only making profit it may also be heading towards difficult problems if the business does not provide more funds to meet all its debt repayment and it is one of the common themes in the tobacco production in Zimbabwe because many farmers also use debt system to produce and work on paying those people when they come from the floors taxes are also some of the cost that might be involved.(Castle 1972)

Also according to Warren free cash flow is secured by the addition of none cash expenses during a given period to net income and subtracting the revenue that would have been re investment that being the revenue and capital expenditure requirements into the business for the future years.

$$FCF = Y + \sum_{i=1}^i Enci + \sum_{i=1}^i Fi + \sum_{i=1}^i Wi$$

Where:

FCF= Free Cash Flows

Y = Net Tobacco Income

F = Fixed asset re investment required

W = Working capital re investment required

The study we mentioned above adopted the decision standard that tobacco is successful if it is generating positive free cash flows after re investment requirements.

The we have what is known as Descriptive statics which involves the usage of the statistics that have to do mean and standard deviation to describe the distribution of key variables from sample data under each tobacco production and marketing models such as auction, contract marketing and production the key variables included tobacco area yield and price which were considered as critical in determining the variable under study net tobacco income.

The descriptive statistics were used to show the results from the chi square anova analysis the study is looking how these key factors of tobacco income are influenced by the farm level qualities still on this matter descriptive statistics were also generated for each and every one of the models by the farm characteristics to describe the effects or the results to describe the effects of such characteristics on the mean deviation and the standard ones and they will also be the key factors of the productivity and net tobacco income .

The Chi - square has the cross tabulated of tobacco production and marketing models with several farm level characteristics that involve gender,age ,farm size ,natural regions and irrigation status to establish whether there was a link between the production and marketing models and the farmer level characteristics.

The standard of tobacco that is delivered is very important in the determining the level of economic advantages that benefit to growers because of its influence on prices the study also cross-tabulated the standard and farm level quality then secondly the quality and model and thirdly the quality and marketing channel to determine whether there was really an association between the different quality grades or results and the farmer level characteristics and models and marketing channel respectively so all these aspects are important and need to be taken account of.

#### The Value Chain Structure.

The tobacco industry has a complete and united local market Value Chain that converts close to 98% of the tobacco that is produced in the country to unmanufactured semi processed tobacco for exported as lamina to countries such as China ,Britain and Japan then the remaining percentage is then used to manufacture cigarettes for sale in the home market that will make brands such as Madison, Kingsgate, Pacific and many more and these are one of the most trusted brands in Zimbabwe.

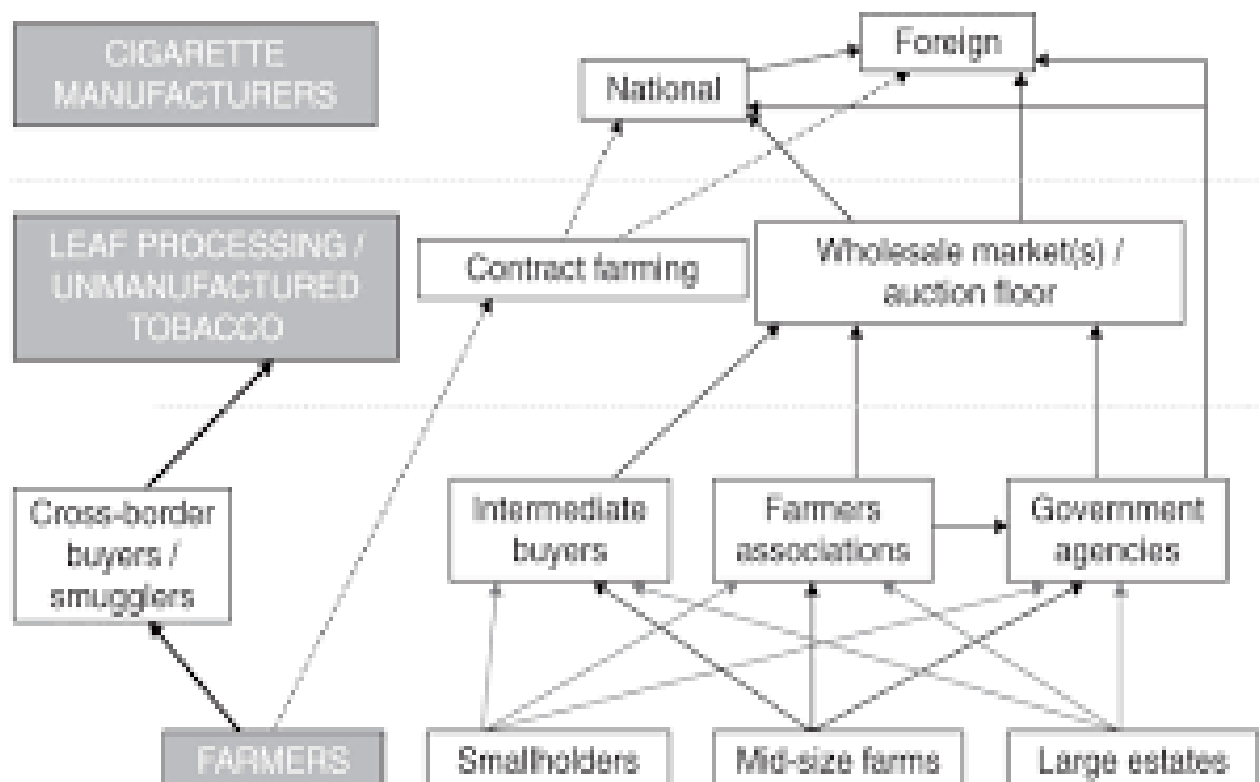


Fig 3.3

The has showed that the tobacco value chain has a competitive input supply support industry have two local manufactures going toe to toe with big and several other sellers of fertilizer the production stage will be having close to 97,000 tobacco growers and from that there will be 90 % and 10% are smallholder and commercial size farmers then as we move we see that the marketing level has 3 auction floors 12 being tobacco merchants and the 3 processors who will be the next level of the chain, the big players including ZLT has relationships with transnational Companies and these are financing small merchants to contract for the deliveries to them.

Value Chain Coordination Mechanism the study showed that the big source of productivity market entry and competitiveness for the golden leaf value chain was the upcoming of a new vertical coordination mechanism in the year 2004 contract farming ensured a efficient movement of information ,inputs and output and finances across the value chain the study also showed us that there are 3 tobacco value chain coordination mechanism or production and marketing models and there are as follows 1 which is the open production and marketing then the second being contract marketing and the third contract production and marketing.

#### Tobacco Production and Marketing Models.

The study provided the difference in the administration of the inputs and the input pricing policy between merchants and processors to the different models of the business then the processors are more interested in making sure that the plants are secure and making money out of input distribution and the same vein there is an emerging trend where the processors and merchants are integrating backwards into contract farming by creating equity ventures or non-equity partnership in order to make sure that throughput to processing plant.

The study saw that 100% of the contractors in adding to buying their contracted crop they also look at the grades of the crops to ensure that they best is found then the value chain leaders on the private sector side are companies which have international connections which are Tianze and Tribac with the likes of MTC the one we looked at on the above chapters which is linked to Alliance international and ZLT which is linked to Universal Tobacco Company these ones do have floors to which the tobacco is delivered

and have a entry to offshore financing which they are also channelling to their local counterparts who they partner for contracting of farmers.

Type	Contracter /	N	Mean	Standard
Processor				Deviation
Seed Pack		2	43.48	12.763
Land Chems		2	404.05	432.68
Comp C\$		2	45.94	2.74
AN\$		2	35.42	2
Cash Labour		2	100	141.42
Coal		2	250.5	64.356
Cost Ha		2	1,387.2	92.631
		4		
Interest Rate		2	9.5	71
Coal Market		2	195	0
AM Market \$		2	33	0
CompC Market \$		2	33	0
Merchant				
seed Pack		11	98.17	136.85

Land Chems	11	142.28	102.43
Comp C\$	11	47.78	8.94
AN \$	11	37.85	5.52
Cash Labour	11	141.81	136.15
Coal Market	11	221.85	100.72
Cost Ha	9		1260.34
		2.191.3	
	1		
Interest Rate	11	9.45	3.55
Coal Market	11	195	0,00
AM - Market \$	11	33,00	0,00
Com C Market	11	33,000	0,00

Contract Input for  
Small Scale Farmers

Components	Input	Cash	US\$
	s	Service	



Seedbed		
Seed	*	25
Fertilizer	*	18
Chemicals	*	22
		65
Field Costs		
Fertilizers	*	590
Chemicals	*	85
Transport In		57
		732
Working Capital	*	163
Coal/wood	*	157
Protective Clothing	*	56
Packaging Materials	*	140
		421
Maize Seed	*	19
Trees	*	21

Insurance	*	68
Administration Fees		115
Interest Fees		
Interest Charges		
Extras	*	
TOTAL COST		1530

As we can see from some of the figures mentioned above in the calculations we have had or some that are stated were showing the whole process and steps taken and the money invested into tobacco production from the time it is a seed to the stage where is sold and processed and since this a crop that takes time to produce requires a lot in terms of cash injection so it requires a forecasting which is very smart so to avoid making a loss because that is the biggest reason why as a nation Zimbabwe is involved in the production of the cash crop or the Golden leaf as it is called in Zimbabwe.

We also looked at the calculations and some formulas in this chapter in need to understand if the projects that were being looked into were making profit or not was there growth or not is it necessary to keep doing the same thing or not also looked at how much a farmer would need or require to start up in their business for tobacco farming and also stated some of the products and things they would require in order to do this and also the quantity and the whole reason for this was to see if it is worthy it and the word which is profit because that is the whole reason why people do engage into business because that is the main objective and goal.

Also the numbers also suggest why most countries in the SADC including Zimbabwe take part in Tobacco farming because it employs a lot of people which means that for the economy side of things it will be a big boost because it means a higher rate or addition on the numbers of employed people and more money in the circulation

and the GDP numbers of the nation are also quite increased by the crop too because it brings the most foreign currency it is a crop that the country is most sure of that it will bring in a lot of revenue.

Since the above chapter was also on the practical and calculation stage we also looked at some of the formulas that enable us to see or measure the profitability of the crop we also looked at the Stanlake theory where his formula looked at where how it measures the national income and some components that are involved in it such as government spending, domestic consumption then also other factors such as exports and imports and the role they play so we also got to get a better understanding on it and shows on which area to increase or decrease for a better profitability.

Then we also looked at the circular flow of tobacco which shows how it moves and components involved in it such as investment which is key then the firms that do play some roles in how it goes by the households where there are some taxpayers and the importation on goods and services then the government and the spending that is involved it also illustrates on how the money that would have been received as profit will then be reinvested again for future purposes and to increase the profits that would have been made already and if the state is going to be successful on running the business which what they should have in place to allow them control the expenditure and the variables.

We also looked at the HD theory by Harrod Domar where we wanted to see the potential of the Zimbabwean economy growing through the production of the tobacco plant where we checked at the at what should be invested like how much this is where the figures part come into question then we looked at the capital stock we also looked at the output which will then be the final result which enables us to see the progress using these for and we came up with some numbers that were used as an example to show how it can be put into practice and the theory also showed us that the growth rate of the nation is also dependent on the net saving and tobacco output ratio.

We also got look at the inputs that are needed such as the seed pack ,land Chems ,labor ,Coal, transport etc. and the amount needed to achieve certain results we also looked at their mean and standard deviation which is a measure of dispersion from a set of data from its mean it also measures the absolute variability and there is the theory that

goes by the better the standard deviation the greater will be the magnitude of deviation of the value of their mean so we looked at the certain numbers and we got a clue.

Looking at all the factors we came across in the chapter and the formulas we saw example of the Net spend and value and the theories we got to support our bases would love to say that this production of tobacco is a business that i personally would venture into maybe i also got a soft spot from it since that what my parents do but we also have the evidence of numbers and facts to support it too and it is very profitable because it bring the most foreign currency to the nation and it is the key holder to the GDP the Zimbabwean economy hugely relies on the farming and production of this and as a Zimbabwean would advise people from other countries to invest in tobacco it is risky because sometimes it might not go as planned by it if is done in the right way it is a crop that would make someone have a lot of profit and can change your life and all the evidence is there for us to see.

## CONCLUSION

To round off as we have made some researches and looked at different theories and factors regarding the effect of growing tobacco in Zimbabwe and we looked at some of the negatives and the positives of it and we are going to touch base on both of them and give our final verdict as well so since the country as it is based in an area that has the fertile soil and the good weather which makes it easy to produce and this crop is the major cash crop and the most injector of foreign currency into the nation and builds the countries relationship with others through interactions that will enable Zimbabwe to also learn other forms of trade that will benefit the nation's economy as well.

The other effect of tobacco farming to the economy of Zimbabwe is also employment creation because most people are making a living through it from the guys that will be working on the farms to the owners also touching the others that will be in the tertiary sector of it the people involved with companies such as MTC so the majority of people are reliant on it which will also add to the benefits of reducing the number of crime rates in the areas where it is used produced because most of the people who are at the age of being employed will be busy and will have an income so this also benefits the nation's economy and makes it grow by the day and the year.

Growing of the tobacco plant benefits the economy of Zimbabwe also by growing the nations GDP because this crop alone contains quite a huge significant number on the country's GDP and countries with a big GDP tend to be doing well economic wise so this plays a big role so tobacco farming is quite significant to the economy of Zimbabwe and the crop also put the nation of the world map and a lot of people have taken notice because of this and now come for other different products that will end up contributing to the growth of the nation's income and cause growth to the nation's economy which is very important and why we are looking at this research topic.

As we look ahead also the importance of tobacco farming and production on its impact to the nation's economy we can also say that it also adds to building of more infrastructure from the farm houses that will be built for the workers and the owners of the farms the schools that will be built the clinics and also the offices of the companies

that will oversee the tobacco processing and farming and this adds a different dimension to what would have been there before also it leads to creation of a better transportation system where better roads are made so that it would be easy to transport the tobacco from the farms to the market or the tobacco floors where it would be sold so this increases or better the nation's economy because the farming of this crop and the nation will end up having things that it wouldn't have before and that is a big sign of progression.

Tobacco farming is also important to the economy of Zimbabwe because of the part of education that is going to be obtained through the schools that is built for students that will be of the farm workers and we have seen or learnt all countries that are well developed or doing well they have a good and functioning education system like what i learnt from one of my professors Mr Kuzminov he taught us that the best way to develop is to learn and when you learn you can be able to do things by yourself and save resources so that is the key factor of having good schools being built there and improves the education system which is a big positive.

There are also taxes that are paid to the nation by the companies that are involved with tobacco production and the farmers also as well as the other countries that will be importing from Zimbabwe and that is used to go and try and counter act on the rate of inflation that will be there in the country and as it is going down the economy will be reducing and the more the money that is there in circulation the nation will be progressing so this crop is very vital to the economy of Zimbabwe and these monies coming from tax will go also and try and improve the health sector and also on the social security party which are key fundamentals that should be taken care of in economy wise so farming of tobacco is important to the economy of Zimbabwe.

As we can also see the effects of tobacco farming to the economy of Zimbabwe we can also see that an increase in productivity can also cause an positive growth on the economy because the country will be the exporter which is the key position where money is coming into the nation and it will change the living standards of the citizens as whole especially the farmers of tobacco because from the money that they would have received the will be able to buy and when people can do that they will be able to change their lifestyles they will now be able to send their children to school afford medical health buy

clothes that they will need and by so doing they will be pumping money into the economy and the only way a economy can grow is by having money circulating into the economy and that's how it will grow and those are some of the positive effects of tobacco farming to economy of Zimbabwe.

Going forward we can also see that tobacco farming has a positive effect on the economy of Zimbabwe it helps the economy grow and reduce the rates of poverty in Zimbabwe because this is the main source of income for many people because the tobacco will be sold to other countries that are outside Zimbabwe that will inject foreign currency to the nation because different countries use different forms of currency so for example most countries that will be doing well they will be getting a lot of foreign currency coming into their country and this crop is the main injector in the country so it improve everything and the livelihood of the citizens so tobacco farming is beneficial to the economy of Zimbabwe.

As we continue to analyse as we can see that something might have its pros or advantages but it will also have its disadvantages that is the same thing as growing of tobacco to the economy of Zimbabwe where by first of the problem that is caused by growing of this crop in this country is called child labour which is not a very good thing because most people who own farms and the farmers do tend to a lot of people by the age of 12 to 16 as cheap labour and happen to be a problem because to some extent it is a crime to have people of those ages doing the kind of jobs that they will be doing which will not be good because they should be in school and focus do things that do benefit them.

Secondly some of the negative effects of growing tobacco to the economy of Zimbabwe is it is risky with fact that it takes a lot of finance for the production and the cultivation of the crop from the point they are seedlings to the final stage and as we all know with agriculture nothing is given so in some extents where by you do not get the expected results or outcome you might have a huge loss which is very worrying because a lot of money would have been invested so this is one of the disadvantages to the economy of the country of Zimbabwe.

The other problem with growing of tobacco to economy of Zimbabwe also have to do with the depletion of natural resources and deforestation because a lot of natural resources are used while in the process of growing our tobacco first from the point of clearing the land for land then the wood that will be used in the tobacco barns and coal that is used in it and during this process a lot of the nation's resources will be depleted and growing of this crop is also associated with health issues because the farmers will spend a lot of time standing up and being also in direct contact with pesticides so it will end up costing the nation a lot of funds to buy medication for the people that will end up suffering some health issues thus by taking the money from the nation's coffers which so not quite well.

So to conclude as we can see although there some problems that might be caused by the farming of tobacco to the economy of Zimbabwe due to some negative effects that might be there but the positive factors outnumber the negative ones and that is supported by the facts that we have stated on the research we did and it shows that tobacco farming is very great to the economy of Zimbabwe and it has helped the country's economy to grow many Zimbabweans would not love to think where the country would be without growing this cross and it is their cash crop and that is the major reason why they also call it the golden leaf because it's the very valuable and it has a major part of the nation's income and plays a key role on their GDP and I would also encourage other people from other countries to invest in this crop in Zimbabwe because it is very profitable.



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