TETRAD GROUP

WEEKLY REVIEW – 10 FEBRUARY 2012

More chaos at the tobacco auction floors?

Yet another tobacco selling season as the auction floors are expected to open their doors to farmers this coming week. Also known as the golden leaf, tobacco plays a pivotal role in the country's economy as it is a major contributor to total agricultural output. This year, expected tobacco output is 150million kg from 133million kg in 2011. Agriculture is expected to grow by 11.6% this year underpinned mainly by growth in tobacco output. Traditionally tobacco farming was carried out on a large scale with a few commercial farmers producing a sizeable output of the crop. After land reform, the tobacco farming structure changed from a few commercial farmers to numerous small scale farmers.

Although this has done some good to the new tobacco farmers, there have not been much structural changes to the way the crop is sold. Last year, some tobacco farmers travelled all the way to Harare to sell their crop at licensed auction floors. Initially, there was only one operational auction floor, TSF, which failed to service the number of farmers that came through to sell their crop. Two more floors were licensed later, which somewhat eased the pressure at TSF. The whole process turned out to be chaotic as farmers spend nights outside the auction floors, which created a health hazard as there were no sanitary facilities to cater for them. A lot of unregistered farmers also turned up, creating disorder as the auction floors serviced both the registered and the unregistered farmers, overwhelmingly.

To deal with these problems for the 2011/2012 season, Tobacco Industry and Marketing Board (TIMB) has deployed mobile registration services to the farmers for easier access for registration purposes. Further, they invited parties interested in opening auction floors in other provinces, to ease congestion at the Harare floors. All these ideas are noble and have the potential to change the way the tobacco auctioning system is structured.

With a week to go before the floors open, it remains to be seen if the measures taken by TIMB will bear fruit. According to press reports, TIMB CEO, Dr Matibiri stated that despite the mobile registration services which were within reach for most tobacco farmers, only 35,000 have registered with TIMB. This is against the 66,000 registered growers last year. Including the non-registered and the other new farmers, administration at the floors can only get worse. Further, all potential applicants for out of Harare auction floors were denied licenses as they did not meet the stipulated standards. This means that farmers will again be heading to the capital to sell their crop.

The measures put forth by TIMB would have gone a long way in de-congesting the auction process, had they worked as planned. However, farmers do not seem eager to cooperate, complaining of the US$10 registration fee. This is unlikely the reason as even after TIMB introduced a stop order facility for the farmers, where they would collect their fee after the crop had been sold, not many farmers were keen to register anyway. Probably the chaos that rocked the floors last year, where the registered farmers ended up being serviced simultaneously with the unregistered ones, discouraged most farmers to register this year. However this only means that the situation may just turn out to be worse this year, as only four Harare auction floors are expected to service farmers from all over the country,.

It is crucial that the problems in the tobacco auction system be dealt with expeditiously. TIMB needs to put more effort in the upcoming season to ensure that farmers register. Also, potential players in the auction business located out of Harare may need some assistance to improve their standards to acceptable levels.

CORPORATE NEWS

Investment Advisory Services required to license

The Securities Commission of Zimbabwe (SECZ) and the Zimbabwe Stock Exchange (ZSE) issued a joint statement advising all persons offering investment advisory services to immediately register with the SECZ. With effect from the date of publication, (9 February 2012), no corporate actions filed by investment advisors that are not registered with SECZ will be accepted.

NSSA to acquire 84% stake in Renaissance Merchant Bank (RMB)

RMB curator issued a statement advising the public that an agreement to subscribe for shares and composite waiver and settlement agreement was reached with NSSA, Renaissance Financial Holdings Limited (RFHL), Renaissance Merchant Bank (RMB), Renaissance Investment Banking Corporation (RIBC), Renaissance Securities (RS) Nominees, Econet and EW Capital. The terms of the agreement are as follows:

- NSSA will subscribe for shares in RMB, which results in an acquisition of an 84% stake, for a consideration of US$24million which will be payable through a US$9.8million cash injection, conversion of debt amounting to US$8.5million to equity and the assumption of debt of US$5.7million owed to Econet by RFHL and RMB.
- Shares held by RFHL, RIBC and RS Nominees in Afre be transferred to RMB in settlement of debt of US$13.3million owed to RMB by RFHL
- EW Capital sells shares it holds in AFRE to NSSA

The curator acknowledged that the agreement had received the requisite approvals from the relevant financial authorities.

CBZ Bank issues press release

CBZ Bank advised its customers that there has been a general slowness in processing of RTGS transactions. This was a result of high value and high volume transactions that were processed at the end of the year, and the backlog has spilled into the current period. The bank however advised that measures have been put in place to maintain the bank's normal turnaround times in processing customer payments.

African Sun releases a press statement

African Sun issued a press statement advising that they will be re-launching their Holiday Inn hotels in Harare and Bulawayo. This will involve the introduction of the InterContinental Hotels Group (IHG) franchise hallmarks and signage as well as product refurbishment of the hotels. In addition, it shall be undertaking some refurbishment works commencing with the city hotels. At the same time, Afrisun has rebranded Holiday Inn Mutare to African Sun Amber Hotel Mutare while Holiday Inn Beitbridge will be rebranded to Beitbridge Express Hotel

EQUITY MARKET

The market traded positively for the better part of the week with the mainstream index recording gains of 2.48% for the week. Major gains were recorded in counters such as CFI, Natfoods, African Sun which had gains of between 14% and 21%. In addition, there was increased activity in heavyweight counters with most them closing the week in the black. The resource index advanced 0.65% following gains in Falgold, which was the top performer for the week, with gains of 28% and Bindura which advanced 5%.

Overall the market had 26 gainers against 18 losing and 31 static counters. Market cap and turnover also traded higher with gains of 2.26% and 22.14% respectively.

GLOBAL MARKETS

Greece took centre stage this week as the party leaders held discussions on whether they should implement the austerity measures required to receive extra bailout funds from the European Union. Reports that party leaders at some stage failed to agree on whether or not to implement the austerity measures, heightened the risk that Greece was going to default as early as next month. However at the end of the week, the party leaders reached an agreement and this could lead to the IMF and EU availing further170 billion Euros in bailout packages. Most global markets ended the week lower, as investors watched closely developments in Greece

TRADING STATISTICS

Table 1: ZSE trading statistics

	Previous week	Current week	Change
Total Market Capitalization	US$3,518.02million	US$3,597.61million	2.26%
Total Value of trades	US$4,684,888.68	US$5,721,918.00	22.14%

Table 2: Old Mutual prices on different exchanges

	Previous week	Current week	Change	Premium/(Discount)
ZSE price	US$1.65	US$1.76	6.67%	-
JSE price	R18.77	R18.91	0.75%	(29.45%)
LSE price	£1.5780	£1.5510	(1.71%)	(28.31%)

Table 3: PPC ZIM vs. PPC SA

	Previous week	Current week	Change	Premium/(Discount)
ZSE price	US$2.11	US$2.11	-	-
JSE price	R29.05	R29.99	3.24%	(46.67%)

NB: International cross rates in table 4 were used to compute the premium/discount on PPC

Table 4: International Cross rates

	Previous week	Current week	Change
£ : US$	1.530	1.5829	3.46%
US$: ZAR	7.6684	7.5803	(1.15%)
£ : ZAR	12.1391	11.9991	(1.15%)

Table 5: The comparison of the ZSE to other major indices

	Previous week	Current week	Change
Industrial index	139.71	143.17	2.48%
Mining index	82.65	83.19	0.65%
FTSE 100	5 901.10	5 852.39	(0.83%)
DOW JONES	12 862.23	12 801.23	(0.47%)
JSE	34 386.97	33 892.58	(1.44%)
NIKKEI	8 831.93	8 947.17	1.30%

Table 6: Commodities

	Previous Week	Current week	Change
Gold (US$/oz)	1 725.90	1 722.10	(0.22%)
Platinum (US$/oz)	1624.50	1 638.00	0.83%
Nickel (US$/ton)	20 780.00	21 087.50	1.48%
Oil (US$/barrel)	112.65	117.21	4.05%

Table 7: Movers

COUNTER	Previous week-USc	Current week-USc	Percentage Change
FALGOLD	7.01	9.00	28.39%
CFI	5.00	6.02	20.40%
NATFOODS	90.00	106.00	17.78%
AFRICAN SUN	0.85	1.00	17.65%
TSL	7.00	8.00	14.29%

Table 8: Shakers

COUNTER	Previous week-USc	Current week-USc	Percentage Change
INTERFRESH	0.42	0.21	(50.00%)
ZBFH	20.00	13.00	(35.00%)
PELHAMS	0.80	0.60	(25.00%)
CELSYS	0.04	0.03	(25.00%)
ART	0.39	0.30	(23.08%)

UNIT TRUSTS

	Previous week	Current week	Percentage Change
JUPITER FUND (USc/Unit)	4.76	4.86	2.10%
VENUS FUND (USc/Unit)	3.90	4.15	6.41%
CAPRICORN FUND (USc/Unit)	6.54	6.67	1.99%
GOLD FUND(USc/Unit)	129.08	128.95	(0.10%)

LOOKING AHEAD

Foreign participation has notably picked up in the last few weeks and if this continues then it could give some impetus to the market. However participation by foreigners has always been very volatile and if any unfavourable political announcements are made, foreigners are not hesitant to withdraw their money. Also, the opening of the floors could boost liquidity on to the market. But if last year is anything to go by, there may not be a material improvement in market liquidity.

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