

Side marketing- a ticking time bomb for the tobacco industry

This year, 2022, the Tobacco Industry and Marketing Board (TIMB) is on an accelerated drive to end tobacco side marketing. This criminal practice is responsible for the loss of millions of dollars annually and has the potential to kill the tobacco industry.

TIMB cannot accurately ascertain how much is lost annually since side marketing is an illegal activity whose statistics cannot be accurately ascertained, however, in 2021 alone five exporters lost fifty seven million United States Dollars as a result of several factors and chief among them being side marketing.

Side marketing is a form of contract default where contracted tobacco growers sell their tobacco to third parties in breach of the contractual agreement which states that tobacco shall only be sold to or bought by the contractor who provided inputs to the grower. It is suffice to mention that side marketing can be perpetrated by either a farmer or illegal buyers who also include errant licenced contractors.

Tobacco selling in Zimbabwe was done exclusively through auction whereby tobacco producers mobilized the necessary cropping resources on their own and took their crop to an auction floor of their choice and the highest bidding buyer secured the produce. However, from the 2004 selling season this system was changed with the introduction of contract growing and marketing of tobacco.

A licenced tobacco buyer (contractor) provides inputs required for tobacco production to the farmer, with the contractor guaranteeing to buy all the tobacco contracted at prices (per grade) equal to or higher than those prevailing on the auction floors. This way the farmer gains more.

Despite guarantee of fair and prompt payment in the contract system, some tobacco growers and licenced contractors engage in the criminal practice of side marketing to their own disadvantage. In the same vein, Middlemen also illegally buy tobacco they did not sponsor at less prices so they too can get profits when they sell that tobacco at auction floors whilst some licenced contractors also buy tobacco from farmers not contracted to them. It therefore implies that losses through side marketing can also be attributed to some illegal acts by licenced contractors who are in the habit of purchasing tobacco which they did not sponsor.

Each grower number is linked to a bank account. When side marketing, the unlawful buyer who can even be a licenced contractor allocates a grower number commonly known as a company "grower number" and payment is paid into the bank account linked to it. It is then the buyer's discretion whether to pay a farmer immediately or reinvest in other ventures for a period then pay when they wish and in some cases default the payment.

In case of such an illegal transaction, TIMB cannot arbitrate on pricing or pressure the contractor to pay when they delay because this will be tantamount to enforcing and promoting crime. With such knowledge, uncouth contractors take advantage and profiteer knowing such growers fear fines and prosecution.

Contractors who are victims of side marketing engage debt collectors to confiscate that grower's registered property to the tune of the contracted amount. Many growers are unaware of this eventuality hence they lose assets.

When contracted tobacco is sold to the rightful contractor profits are realized by both parties. Such a contractor will be in a space to support more hectares of tobacco the following year, the farmer will receive inputs for the next farming season early and they can increase their hectareage. This is key as we work towards producing 300 million kilograms of tobacco a year and a 5 billion dollar tobacco industry by 2025.

TIMB introduced the Inspectorate Department in 2021 to specifically devise ways to prevent, detect, investigate and address all illegal activities including side marketing in the tobacco industry. This Department has deployed Inspectors in all tobacco farming regions in this regard.

Geographical Information Systems (GIS) have also been introduced at local and national level to mark cardinal points of every tobacco field, constantly monitor progress and collate with the crop assessment report to make sure all self-financed tobacco is sold at auction and contract tobacco is bought by the rightful contractor.

We encourage all players in the tobacco industry including licenced contractors to be honest stewards of the industry, varimi/ macontractor akavimbika, abalimi /amacontractor athembekileyo.