Nestle remains a target in Zimbabwe

International refined foods manufacturer Nestle invested US$12m into its Zimbabwean operations in 2012 desp the uncertainty surrounding its future in Zimbabwe as the government has not yet decided upon its indigenisatic compliance plans. However, the Swiss company has reiterated its commitment to its operations in the country.

By Tawanda Karombo 4 Jan 2013

In Zimbabwe, Nestle manufactures foodstuffs for babies and also makes cereals and powdered milk under various brands. The company, according to informed sources, is treading carefully in Zimbabwe following a previous run-in with the government after announcing that it had stopped buying milk from President Robert Mugabe's dairy farm.

However, Nestle Zimbabwe says it is committed to continuing with its operations in the country, adding that the operating environment, although fraught with challenges and uncertainties, is "stable".

"Nestle Zimbabwe has been operating in Zimbabwe for 53 years in times of economic hardship and in times of prosperity and the company will surely manage any difficult situation as it arises," said Nestle Zimbabwe's executive director Farai Munetsi, in response to questions from *Business Day*.

Independent economic analyst Moses Moyo said the company would be a target for indigenisation compliance. Economis and investment analysts are worried that President Robert Mugabe and his Zanu PF party could be using the empowermei policy to drum up support ahead of elections this year.

"Despite doing well and enjoying a good market share, the indigenisation policy is still a scare for the company and this ha to be settled to enable it to be certain of its future in the country, especially with threats that have previously been made against it," said Moyo.

Munetsi said Nestle Zimbabwe's "indigenisation proposals" were still under consideration by the government and added tha the two parties "are still in discussion" over the issue.

Zimbabwe is a key market for the company in the southern African region, which is said to have the fastest growing population. This will provide further demand and growth for the company's products.

In September lasted year, Nestle Zimbabwe set up a new cereals manufacturing line and upgraded another.

The manufacturing plant in Harare is operating at 54% of capacity, above the average capacity for most manufacturing companies in Zimbabwe. Munetsi said it was difficult to measure the company's market share as products are not consistently available on the market and there is also strong competition from imports.

Analysts said companies such as Nestle Zimbabwe are likely to continue encountering problems such as the tight liquidity crunch that drives up the cost of borrowing along with erratic and unreliable power and water supplies.