

Nestle could be next target for Zim government

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

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 procuring 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 in the country, although fraught with challenges and uncertainties, is "stable".

"Nestle Zimbabwe has been in Zimbabwe for 53 years both in times of economic downturns and in times of prosperity and surely the company will manage the situation as it comes in order to secure its survival for a long time to come," said Nestle Zimbabwe executive director Farai Munetsi, in response to Business Day questions.

Independent economic analyst Moses Moyo said the company would be on the government's checklist for indigenisation compliance. Economists and investment analysts are worried that President Robert Mugabe and his Zanu PF party could be using the empowerment policy to drum up support ahead of elections expected this year.

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

Munetsi said Nestle Zimbabwe's "indigenisation proposals" were still under consideration by the government and added that 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 growth demand for the company's products.

In September this 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 although there is room to ramp this up. Munetsi said it was difficult to measure the company's

market share as "products are not consistently in the market" while there is also strong competition from "imports".

The subdued capacity utilisation for the foods manufacturing industry has led to high imports which are however covering up for the "industry wide low-capacity utilisation".

Analysts said companies such as Nestle Zimbabwe are likely to continue encountering problems that persisted in the country in 2012. These range from a tight liquidity crunch that has driven up the cost of borrowing, and erratic and unreliable power and water supplies.

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