Cry, the beloved company

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Below is a glimpse into the weeping from the firms operating in Zimbabwe in 2007 and whose December reporting period has just ended.

The companies now face the prospect of a further economic meltdown as President Robert Mugabe tightens his grip on to power despite reportedly losing the March 29 presidential election.

• **Colcom Holdings Limited – producer of pork, beef and ostrich meat:**
"Operating conditions continued to deteriorate during the period (six months). Price controls implemented in July continued in force; inflation rose from 725% in June 2007 to 66 212% in December 2007, which led to a further reduction in consumer spending power. High levels of inflation in December contributed to severe cash shortages which led to falling demand for most goods and services."
• **Hippo Valley Estates – sugar producer:**
"The government directive in July 2007 to reduce prices to the levels as at 18 June seriously impacted industry viability, resulting in severe sugar price and input mismatches, and a general shortage of most essential goods and services."
• **Kingdom Meikles Africa – conglomerate with retail, hotel and banking interests:**
"The nine-month period (to December 2007) has seen an economy where official inflation, interest rates and foreign exchange rates have not maintained relative consistency and therefore reflect anomalies when measuring performance. In addition, since July 2007, when new pricing mechanisms were introduced, all businesses have operated under extremely difficult conditions. Supply of stock, pricing and terms of trade have put pressure on margins and cash generation to replace stock, when available."
• **Dairibord Holdings – with interests in the production of milk and milk products:**
"It was a very difficult year for the domestic market where new records of low capacity utilisation were broken across all sectors of the economy. There were even periods of nil production because of a combination of non-viability and non-availability of inputs since the imposition of a price freeze in June 2007. Prices of all products could not be adjusted in line with cost of inputs without the express approval of the National Incomes and Pricing Commission, which process lagged behind changes in the market."
• **CAPS Holdings – drugs manufacturer and retailer:**
"The year 2007 was a very difficult one, as the economy continued on its downward spiral. The worsening hyperinflationary environment, foreign currency shortages and price controls led to a decline in the groups trading activities."
• **Larfage Cement Zimbabwe – cement producer:**
"The operating environment remained difficult and was characterised by hyperinflation and persistent shortages of raw materials and foreign exchange. The local construction industry declined further in 2007 due to the absence of major construction projects.

Despite the difficulties, the company remained in full production through out the year, although capacity utilisation dropped from 89% in 2006 to 80% in 2007. Performance in the second half of the year was severely affected by the imposition of price controls.

The cement industry was one of the worst affected as prices were rolled back to those prevailing in February 2007.”