



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD



The Pacific Cigarette Company in the South African and Zimbabwean Cigarette Markets

Kirsten Van der Zee

14 April 2023

Background

Recently the Research Unit on the Economics of Excisable Products (REEP) received a request from a member of the media for information on the role of the Pacific Cigarette Company (PCC) in the South African and Zimbabwean cigarette markets. This report aims to respond to this request, by using the available data sources to characterize the PCC within the South African and, where possible, Zimbabwean cigarette markets.

PCC, originally called Savanna Tobacco, is a Zimbabwe-based cigarette manufacturer. The company was founded in 2002 and rebranded as the Pacific Cigarette Company in 2017.[1] According to their website, PCC produces the brands Pacific, Branson, Acacia and Pegasus. Of these brands, Acacia has never been observed in our data.

Data sources and caveats

National market share data

We use NIDS-CRAM [2] and Euromonitor [3] to provide national estimates for PCC's share in the cigarette market in South Africa. To my knowledge, there are no national datasets available that give information on the market shares of cigarette producers for Zimbabwe.

The National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM) is a broadly nationally representative panel survey of South Africans. The same people were interviewed every few months and asked a range of questions about their economic situation, as well as about their knowledge and behavior related to COVID-19. The aim of the survey was to provide periodic, nationally representative, data on key economic and welfare outcomes during the COVID period.

In 2020 the South African government banned the sale of all tobacco products as part of its COVID-19 lockdown policy; the ban was in place for 20 weeks. In the third wave of the NIDS-CRAM, the questionnaire included questions about cigarette use and purchases. NIDS-CRAM wave 3 was conducted in November/December of 2020, which was 3 months after the tobacco sales ban was lifted. The questionnaire included a module on cigarette use so as to understand how the ban had impacted tobacco use. Amongst other things, smokers were asked the brand which they had typically purchased after the sales ban.

There are some limitations to the NIDS-CRAM survey. The five waves of the NIDS-CRAM were conducted very quickly, given the urgency of the situation. Some of the limitations of the third wave of the survey (which included questions on cigarette use) are discussed in Walbeek, Hill and Filby [4]. In short, the limitations are as follows: (1) while the survey is broadly nationally representative, it is not fully nationally representative; (2) the sample size for the smoking questions is small, and (3) because the survey was conducted only three months after the lifting

of the sales ban, it is possible that brand preferences and choices had not fully "settled down". As with all surveys, the results obtained from the NIDS-CRAM should be interpreted with care.

Besides NIDS-CRAM, I also include a commercial data source, Euromonitor. While Euromonitor does not provide much detail on their methodology, they give estimates for market share by company and brands over time. These data are available for South Africa, but not for Zimbabwe. Euromonitor data from 2019-2021 are assessed, as a comparison with NIDS-CRAM. Based on the retail volumes quoted by Euromonitor (roughly 16.6 billion sticks in 2021), it is clear that Euromonitor reports primarily on the formal retail sector, since prevailing estimates for the total retail volume in South Africa are roughly 34.4 billion sticks per year.[5] This is confirmed when looking at [their data sources](#), which are skewed towards the formal sector. Therefore, when interpreting the Euromonitor data, I assume these are for the formal sector only.

Non-representative data sources

A major data source used in this report is the [African Cigarette Price \(ACP\)](#). [6] The ACP has been collected by REEP since 2015. While there have been minor tweaks to the methodology since its inception, the data collection process has remained broadly the same since that time. REEP employs registered UCT students from across Africa who are traveling to their hometowns for the long university holidays. The fieldworkers collect tobacco prices, along with information on the location where the price was collected, branding (brand and sub-brand), and packaging type (e.g., single vs pack). The fieldworker is required to photograph both the product and the storefront where the price was collected, as proof that the price is legitimate and to help with data verification, where necessary. The data are scrutinized to ensure that the prices are legitimate.

An important consideration when analyzing or interpreting these data is that they are not nationally representative; this is because there is no fixed plan for where the fieldworkers should collect data, nor how much of each type of data (formal vs informal outlets) they should collect. The fieldworkers can use their discretion when choosing where to collect prices. For this reason, the data can give us a sense of what the market looks like (often in countries where no official or nationally representative data are available), but one cannot assume that the results represent the entire country.

To date, 12 rounds of ACP data have been collected, between 2016 and 2022. For this report, I have limited the data to only South Africa and Zimbabwe since this is the focus of the analysis. I have also limited the data to cigarettes only (i.e., removed other tobacco).

Another data source that is used in the analysis is a set of surveys in townships in South Africa. Between 2017 and 2021, REEP conducted four small-scale surveys of six townships in South Africa, across the Western Cape, Gauteng, KwaZulu-Natal, and the Free State. While these surveys are also not nationally representative (and thus one cannot use this data to infer results about the whole country, or about all townships in the country), it can give us a sense of the role that PCC plays in these six townships.

Method: estimating illicit trade

To understand illicit trade in South Africa, researchers often use an approach which is centered around the concept of the “minimum legal price”. For example, see Van der Zee, Vellios, Van Walbeek [7] and Van der Zee, Van Walbeek and Magadla [8]. The logic of the method is as follows:

In South Africa, cigarettes incur excise taxes, which are levied as a specific amount per pack. The recently announced excise tax on a pack of 20 cigarettes (irrespective of brand, price, or any other product feature) is R20.80 (for the 2023/2024 budget year). The most recent data included in the analysis were collected in late 2022, which corresponds with the 2022/2023 budget year, when the excise tax was R19.82 per pack. This amount increases each year.

As well as the excise tax, each pack also incurs VAT on the excise tax itself, so the manufacturer must pay 15% on the R19.82, resulting in a total tax of R22.79 per pack. Every pack observed on the market should have had this tax paid.

In addition, the manufacturer and all parties along the distribution chain will incur costs in producing and distributing the product. The best information that REEP has suggests that a minimum cost of production would be in the order of about R3.50 per pack. To cover all taxes (R22.79) and minimal production costs plus VAT (R3.50 plus R0.53), a pack of 20 cigarettes would have to sell at retail for at least R26.82; this amount does not include a wholesale or retail margin. If one assumes that producers are not running at a loss, one can safely assume that any pack retailing for less than this amount has not been fully tax paid.

Logically, then, any cigarettes selling for below this “minimum legal price” (MLP) are likely to be illicit. The MLP changes year-on-year, based on the tax and VAT rates and allowing for some inflation in the cost of production.

In this report, I use this approach to identify cigarettes that are probably illicit in the South African context, because the tax rate there is clear, and the ACP prices are reliable. In the Zimbabwean case, however, the MLP approach would not be an appropriate way to estimate illicit trade. This is because firstly, the prices in the ACP data are problematic – the prices collected in Zimbabwe are quoted in seven different currencies (BOND, RTGS, ZWL, ZAR, USD, etc.). Few of these currencies have well-documented conversion rates (particularly going back over the period for which there are ACP price data), and often the official exchange rate deviates significantly from the practical (i.e. black market) exchange rate. Within these currencies there are extreme fluctuations in price and, given the climate of high inflation, it is nearly impossible to distinguish data errors (such as incorrectly recorded prices or packaging information) from actual fluctuations in price. Secondly, the tax rate and structure in Zimbabwe are not clear; despite a thorough search, I have been unable to find comprehensive information on the tax rate in Zimbabwe. From the little information that I have identified, it seems that excise taxes in Zimbabwe are extremely low, which makes the MLP approach inappropriate, because it is likely

that even illicit cigarettes will be priced above the tax rate. For this reason, the analysis of illicit trade is limited to South Africa only.

Results

Estimates for national market share

According to NIDS-CRAM (Table 1), British American Tobacco (BAT) had the largest market share (46.6%) in November/December 2020, followed by the local producer Gold Leaf Tobacco Corporation (GLTC) (31.3%). PCC brands made up roughly 1% of cigarettes consumed in the market. This was very soon after the sales ban was lifted, which may have skewed the estimates, but it provides an indication that PCC has a relatively small market share in South Africa.

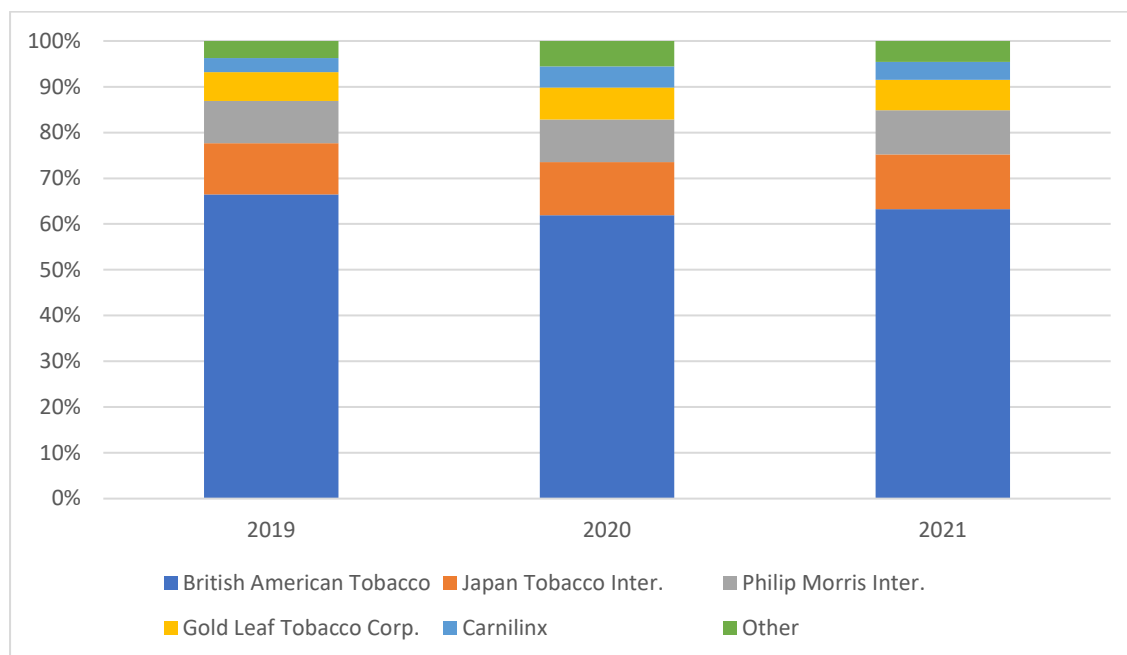
Table 1: Market shares by producer—NIDS-CRAM Wave 3

	Share (%)	95% Confidence Interval		Observations
		Lower bound	Upper bound	
Producer				
British American Tobacco	46.6	35.4	58.2	348
Philip Morris International	5.4	2.3	12.4	20
Japan Tobacco International	2.6	1.0	6.7	16
Gold Leaf Tobacco Corporation	31.3	18.8	47.3	154
Carnilinx	4.4	2.5	7.6	28
Afroberg	1.7	0.5	5.6	5
Amalgated Tobacco	2.7	1.0	7.3	11
Best Tobacco	1.4	0.6	3.2	13
Pacific Cigarette Company	1.0	0.3	3.7	10
Protobac	0.2	0.0	1.0	4
Unknown local	2.7	0.9	7.6	12
Total	100			621

* Notes: data are weighted using the NIDS-CRAM sample weights, including top up weights. The data are also weighted using to daily cigarette consumption.

As was mentioned in the data section, Euromonitor data seems to refer to the formal retail sector, since the total market quoted by Euromonitor in 2021 (16.6 billion sticks) equates to roughly 48% of the known total cigarette market (roughly 34.4 billion sticks).[5] Because of this, according to Euromonitor (Figure 1) the multinational companies (BAT, PMI and JTI)—who trade more in the formal retail sector—have a relatively large market share, at 80%-90% collectively, compared to what was observed in NIDS-CRAM.

Figure 1: Market shares according to Euromonitor—formal retail sector



Euromonitor only identifies the multinational companies, GLTC and Carnilinx in their data; the remaining producers are grouped together as “Other”. In 2019-2021, the “Other” group made up between 3.7% and 5.5% of the market. This group includes producers such as PCC, Afroberg, Protobac, Amalgamated Tobacco, Folha, and Best Tobacco (amongst others).

Share of data in the African Cigarette Prices dataset

I next assess the large, but non-nationally representative, ACP data. Each price collected in ACP has a brand (e.g. Marlboro) and sub-brand (e.g. Gold, or Beyond) recorded. These brands are used to allocate each product to a brand owner (producer). The table below shows the distribution of prices by each of the identified cigarette producers.

Table 2: Share of data by producer—African Cigarette Price data

	Share (%)	95% Confidence interval		Frequency
		Lower bound	Upper bound	
South Africa				66793
British American Tobacco	56.2	55.8	56.6	37540
Philip Morris International	9.7	9.4	9.9	6454
Japan Tobacco International	12.0	11.7	12.2	8005
Gold Leaf Tobacco Corporation	13.4	13.2	13.7	8975
Carnilinx	2.4	2.3	2.5	1605
Best Tobacco	2.7	2.6	2.8	1794
Pacific Cigarette Company	1.8	1.7	1.9	1203
Roxbury	0.1	0.1	0.2	86
Unknown local	0.5	0.4	0.5	307
Other	1.2	1.2	1.3	824
Zimbabwe				42102
British American Tobacco	47.2	46.7	47.7	19876
Gold Leaf Tobacco Corporation	2.5	2.4	2.7	1069
Carnilinx	0.3	0.3	0.4	127
Pacific Cigarette Company	28.7	28.3	29.1	12084
Roxbury	13.1	12.8	13.4	5516
Zark	4.7	4.5	5.0	1996
Unknown local	3.4	3.2	3.6	1424
Other	0.0	0.0	0.0	10

Combined, the South African and Zimbabwean data include almost 110 000 prices, and roughly 61% of those come from South Africa.

Of all the prices collected, the cigarette manufacturer that features the most in South Africa is BAT (56.2%). PCC makes up 1.8% of the data, which equates to 1203 prices collected in South Africa. In Zimbabwe, the largest manufacturer is also BAT (47.2%), followed by PCC, with 28.7% of all prices collected there.

Table 3 ranks the top 10 brands found in South Africa and Zimbabwe. In South Africa, brands owned by multinational producers (BAT, JTI and PMI) dominate the top 10, as well as GLTC’s “RG” and “Voyager”. Pacific, PCC’s largest brand, ranks 16th in SA, with 1% of the recorded data points. In Zimbabwe, Pacific is the largest brand (25%), followed by BAT Zimbabwe’s Madison and Everest. PCC’s Branson also features in the top 10 (9th) with 2.3% of the data.

Table 3: Top 10 brands by country—African Cigarette Prices data

South Africa			Zimbabwe		
Brand	Share (%)	Frequency	Brand	Share (%)	Frequency
Peter Stuyvesant (BAT)	18,7	12479	Pacific (PCC)	25,0	10520
Dunhill (BAT)	15,8	10538	Madison (BAT Zim)	20,1	8452
Camel (JTI)	8,0	5332	Everest (BAT Zim)	18,9	7941
Pall Mall (BAT)	6,5	4354	Chelsea (Roxbury)	6,7	2834
Marlboro (PMI)	5,5	3687	Roxbury (Roxbury)	5,8	2447
RG (GLTC)	5,5	3684	Zark (ZARK)	4,7	1996
Chesterfield (PMI)	4,1	2767	Phoenix (unknown)	3,4	1419
Craven A (BAT)	3,4	2241	Ascot (BAT Zim)	3,0	1260
Voyager (GLTC)	3,3	2186	Branson (PCC)	2,3	969
Benson & Hedges (BAT)	3,1	2045	Dunhill (BAT Zim)	2,2	922
Other	26,2	17481	Other	7,9	3346

[ACP estimates for illicit trade](#)

Table 4 shows the share of prices that fall below the MLP (as defined in the method section above) and which are thus likely to be illicit, for each producer. The lower section of the table shows the share of PCC products that were below the MLP for each year where sufficient data were collected.

Table 4: Share of prices below the minimum legal price—African Cigarette Prices data

	Share below MLP (%)	95% Confidence interval	
		Lower bound	Upper bound
Overall	12.5	12.3	12.8
Producer			
British American Tobacco	0.8	0.7	0.9
Philip Morris International	0.3	0.2	0.4
Japan Tobacco International	0.5	0.3	0.6
Gold Leaf Tobacco Corporation	43.2	42.2	44.2
Carnilinx	70.0	67.7	72.2
Best Tobacco	75.1	73.1	77.1
Pacific Cigarette Company	57.3	54.5	60.0
Roxbury	67.4	56.9	76.5
Unknown local	76.6	71.5	81.0
Other	71.0	67.8	74.0
Year	Share (%) of PCC prices < MLP		
2019	37.1	32.1	42.4
2020	55.8	47.4	63.9
2021	65.0	60.5	69.2
2022	78.2	72.1	83.3

12.5% of all the prices collected in South Africa were below the MLP, thus probably illegal. Again, the results from this data should not be extrapolated to South Africa at large, because they will be skewed by what types of data were collected and where (for example, more data collected from formal outlets). Also, even if the cigarettes are sold at a price above the MLP, this is not a guarantee that the excise tax and the VAT have been fully paid. It is possible that such brands might be illicit as well, but retail for a higher price.

Of the prices with brands made by PCC, 57.3% were below the MLP. Proportionally, PCC had far more illegal cigarettes in the sample than was found in the data countrywide (12.5%). The lower panel of the table shows that the share of PCC prices below the MLP increased consistently between 2019 and 2022, from 37.1% in 2019 to 78.2% in 2022.

Considering the illicit prices from another angle, the following table shows, for all prices that are below the MLP, what share comes from which producer. The table illustrates that, compared to their relatively small share in the data (1.8% of all prices in South Africa), PCC has a relatively large share of the prices below the MLP (8.4%).

Table 5: Producer share of prices overall, compared to the share of prices below the minimum legal price—African Cigarette Prices data

Producer	All cigarettes (%)	95% CI		Prices below MLP (%)	95% CI	
		Lower bound	Upper bound		Lower bound	Upper bound
BAT	56.2	55.8	56.6	3.4	3.1	3.8
PMI	9.7	9.4	9.9	0.2	0.1	0.3
JTI	12.0	11.7	12.2	0.4	0.3	0.6
GLTC	13.4	13.2	13.7	47.0	45.9	48.1
Carnilinx	2.4	2.3	2.5	13.6	12.9	14.4
Best Tobacco	2.7	2.6	2.8	16.3	15.6	17.2
Pacific Cigarette Co.	1.8	1.7	1.9	8.4	7.8	9.0
Roxbury	0.1	0.1	0.2	0.7	0.5	0.9
Unknown local	0.5	0.4	0.5	2.9	2.5	3.2
Other	1.2	1.2	1.3	7.1	6.6	7.7

While one cannot use the MLP method for Zimbabwe, the method illustrates that price can be an indicator of legal status. To provide some information on how PCC prices compare to those of the rest of the market in Zimbabwe, the following table compares PCC prices to BAT prices. Due to the currency issues described earlier, I only include prices which were reported in USD. This covers 41% of the Zimbabwean data. The data are limited to 2016 to 2019, due to low sample size and data anomalies in the other years.

Table 6: Comparison between BAT and PCC prices in Zimbabwe, by year—African Cigarette Prices data

Year	BAT			PCC		
	Mean	Std. dev.	Freq.	Mean	Std. dev.	Freq.
2016	1,90	0,38	829	1,12	0,26	495
2017	1,75	0,32	3598	1,08	0,32	1183
2018	1,84	0,40	6745	1,12	0,32	2513
2019	4,02	2,04	1413	3,30	1,48	960
Total	2,06	1,04	12585	1,52	1,10	5151

The table shows that PCC prices are generally below the price of BAT products, at 60%-80% of the mean BAT price. While one cannot distinguish legal from illegal cigarettes from this, it indicates that, in Zimbabwe, PCC brands are generally cheaper.

Insights from a township survey

As a final data source, I considered REEP’s four township surveys, conducted between 2017 and 2021. Table 7 shows the producer shares of cigarettes consumed in the data.

Table 7: Producer share of cigarettes—REEP township surveys

Producer	Share (%)	95% Confidence interval		Frequency
		Lower bound	Upper bound	
GLTC	30.7	29.1	32.4	1334
BAT	44.0	42.2	45.8	2239
Carnilinx	4.9	4.1	5.7	212
Pacific Cigarette Co.	3.2	2.7	3.9	159
Protobac	0.1	0.0	0.4	2
Best Tobacco	4.4	3.7	5.3	195
JTI	2.7	2.2	3.3	151
PMI	8.7	7.8	9.7	565
Other	1.3	0.9	1.8	49
Total	100			4906

Note: data are weighted by reported daily cigarette consumption.

The township dataset is much smaller than the ACP, with fewer than 5000 observations. PCC plays a slightly bigger role in this market than in the ACP data above, making up 3.2% of the data. According to the following table (Table 8), most of the PCC products were found in Umlazi township (73%), in KwaZulu-Natal.

Table 8: Spread of PCC cigarettes by township—REEP township surveys

Township	Share (%)	95% Confidence interval		Frequency
		Lower bound	Upper bound	
Eldorado Park	0.7	0.1	4.8	1
Ivory Park	3.1	0.7	12.3	2
Khayelitsha	5.2	2.2	12.1	6
Mitchell's Plain	5.6	2.4	12.9	6
Thabong	12.4	7.0	21.1	14
Umlazi	73.0	62.8	81.2	130

Note: data are weighted by reported daily cigarette consumption.

I used the MLP approach to assess the illicit cigarettes in the township data. The following table indicates the share of cigarettes that fell below the MLP for each of the producers. Overall, 35.3% of the cigarettes consumed in the sample were bought at prices below the MLP (probably illicit). Of the PCC cigarettes, 55.5% were below the MLP. Once more, PCC has a disproportionately high share of illegal cigarettes compared to the rest of the producers.

Table 9: Share of cigarettes that were below the minimum legal price, by producer—REEP township surveys

Producer	Share below MLP (%)	95% Confidence interval	
		Lower bound	Upper bound
GLTC	70.8	67.8	73.7
BAT	2.8	2.0	3.9
Carnilinx	96.5	92.5	98.4
Pacific Cigarette Co	55.5	45.5	65.1
Protobac	28.6	2.4	86.5
Best Tobacco	95.1	90.3	97.6
JTI	4.7	2.3	9.6
PMI	2.0	1.0	4.3
Other	92.2	82.2	96.8
Overall	35.3	33.5	37.1

Note: data are weighted by reported daily cigarette consumption.

Finally, Table 10 shows that PCC makes up 3.2% of all cigarettes in the sample, but 5.1% of the cigarettes bought below the MLP. Again, PCC has a relatively high proportion of probably illicit cigarettes.

Table 10: Producer share of cigarettes overall, compared to those below the minimum legal price—REEP township surveys

Producer	All cigarettes (%)	95% CI		Prices below MLP (%)	95% CI	
		Lower bound	Upper bound		Lower bound	Upper bound
GLTC	30.7	29.1	32.4	61.8	58.7	64.9
BAT	44.0	42.2	45.8	3.5	2.5	4.8
Carnilinx	4.9	4.1	5.7	13.4	11.4	15.7
Pacific Cigarette Co.	3.2	2.7	3.9	5.1	3.9	6.6
Protobac	0.1	0.0	0.4	0.1	0.0	0.4
Best Tobacco	4.4	3.7	5.3	11.9	9.9	14.2
JTI	2.7	2.2	3.3	0.4	0.2	0.8
PMI	8.7	7.8	9.7	0.5	0.2	1.1
Other	1.3	0.9	1.8	3.4	2.4	4.8

Note: data are weighted by reported daily cigarette consumption.

Conclusion

This report uses various data sources to illustrate the role that the PCC plays in the South African and Zimbabwean cigarette markets. All the data sources agree that PCC plays a fairly minor role in the South African market, with a market share of between less than 1% and 4% of the various datasets analysed. The township survey indicates that, in a low-income setting, PCC has a slightly larger market share (3.2%) than in the market overall (between 1% and 2%).

In Zimbabwe, PCC plays a much more important role; Pacific, PCC's flagship brand, appeared more often than any other brand in the Zimbabwean ACP data and, collectively, PCC brands made up 28.7% of all the data collected in Zimbabwe.

The data indicate that, in South Africa, the majority of PCC cigarettes retail at prices that strongly suggest that they are illicit (below the minimum legal price). The share of these low-priced, probably illicit, PCC cigarettes has increased in recent years, to 78.2% of the PCC cigarettes collected in ACP in South Africa in 2022.

References

1. *Pacific Cigarette Company: Our History*. 2023 [cited 2023 12 April]; Available from: <http://www.pacificcigarette.com/our-history/>.
2. Southern Africa Labour and Development Research Unit, *National Income Dynamics Study - Coronavirus Rapid Mobile Survey (NIDS-CRAM) Wave 3. Version 3.0.0.* . 2020, Allan Gray Orbis Foundation [funding agency]. Cape Town: DataFirst [distributor], 2021. DOI: <https://doi.org/10.25828/7tn9-1998>.
3. Euromonitor International, *Tobacco 2022: Company Shares*. 2023.
4. Walbeek, C.V., R. Hill, and S. Filby, *Quitting behavior during the tobacco sales ban in South Africa: Results from a nationally representative survey*. Tobacco Induced Diseases, Under review.
5. Vellios, N. and C. Van Walbeek, *Lost revenues due to illicit cigarettes in South Africa: 2002-2022*. Tobacco Control, Under review.
6. Research Unit on the Economics of Excisable Products, *African Cigarette Prices 2016-2022* [dataset]. Version 1.6. Cape Town: REEP [producer], 2023. Cape Town: DataFirst [distributor], 2023. DOI: <https://doi.org/10.25828/nvz2-ah77>.
7. Van der Zee, K., et al., *The illicit cigarette market in six South African townships*. Tobacco control, 2020. **29**(Suppl 4): p. s267-s274.
8. Van der Zee, K., C. Van Walbeek, and S. Magadla, *Illicit/cheap cigarettes in South Africa*. Trends in Organized Crime, 2020. **23**(3): p. 242-262.