

## STABILIZATION OF TOBACCO PRODUCTION IN R.MACEDONIA

Silvana Pasovska

Un.St.Kliment Ohridski Bitola, Scientific tobacco institute, Prilep Republic of Macedonia

e-mail: Silvana.Pasovska@uklo.edu.mk

### ABSTRACT

Tobacco is major agricultural product in many countries in the world. Depending on climate conditions, it is either exceptionally popular or marginally represented. At world level, the annual tobacco production ranges from 6.500.000 to 7.000.000 t. Within this range is the final production of cigarettes which, by acceptance of the American blend, becomes more and more globalized. Trade with raw tobacco in the world is fairly stable, with a balance between supply and demand. The market is traditional and in most cases perfectly defined. Over 95% of tobacco production is spent on cigarette production and the remaining 5% on other tobacco products.

Macedonia has stabilized its tobacco production at approximately 25.000-30.000 tons, with a tendency to improve the quality as much as possible. Macedonia is a country with its own strategy and it will not accept to reduce tobacco production, because replacement of tobacco with another crop will not provide existence to tobacco growers, having in mind the climate conditions and the economic impact. In regions where tobacco is grown, climate and soil conditions are unfavorable for other crops. Regarding the economic impact, production of a new crop will be accepted only if it is profitable replacement for tobacco that will provide existence to growers, which is hardly believable.

**Keywords:** stabilization, tobacco production, incentives for support and development, productional structure, purchase prices

### СЕ СТАБИЛИЗИРА ТУТУНСКОТО ПРОИЗВОДСТВО ВО Р.МАКЕДОНИЈА

Како земјоделска култура, тутунот е значаен за многу земји во светот и во зависност од климатските услови или е изразито масовна култура или е маргинално застапен. На светско ниво, производството на тутун од сите типови се движи од 6.500.000-7.000.000 тони годишно и во рамките на ова производство се движи и финалната преработка на цигари, која со прифаќањето на америчкиот бленд, по својот квалитет станува се повеќе интернационална односно глобална. Трговијата со тутунската суровина во светот е доста стабилна, односно постои рамнотежа помеѓу понудата и побарувачката. Пазарот е традиционален и во повеќето случаи перфектно дефиниран. Над 95% од тутунското производство се троши за производство на цигари, додека останатите 5% отпаѓаат на другите тутунски производи.

Македонија го стабилизира производството на тутун. Количините се со тенденција да се задржат на околу 25.000-30.000 тони тутун, со што е можен подобар квалитет. Како земја со своја стратегија, Македонија не прифаќа методологија за намалување на производството на тутун која е спротивна на обезбедувањето егзистенција на производителите и во услови кога ќе се замени тутунот со друга култура. При тоа треба да се имаат предвид климатските услови и економскиот ефект. Во регионите каде што се сади тутунот нема климатски услови за други култури бидејќи се тоа суви места. Околу економскиот ефект, се прифаќа само ако нова култура е исплатлива замена, односно им обезбеди егзистенција на производителите, што е малку веројатно.

**Клучни зборови:** стабилизација, тутунско производство, стимулации за поддршка и развој, производна структура, откупни цени.

## INTRODUCTION

Macedonia is traditional producer of oriental tobacco. During the long period of tobacco production it has fluctuated due to various factors, but the most important are weather conditions, which showed the highest impact on quality and quantity of tobacco and according to which we can differentiate weak, average and above average harvests. Other important factors that affect stability of tobacco production are the measures and instruments of economic policy, primarily the prices and incentives.

During the transition period, there were big oscillations in tobacco production compared to the preceding socialist period that were due to the change of socio - political system

and the adaptation of tobacco production to the newly created conditions. The production began to stabilize and to approach the quantities achieved in the previous period in 1997, although still with frequent fluctuations. Big and important role in this trend of stabilization played the Government, by introducing special incentives for tobacco production. After 2005, this production ranges between 20,000 and 30,000 tons.

Nowadays, Macedonia has a stable tobacco production compared to neighboring countries, both with regard to quantity and quality.

### QUANTITATIVE AND QUALITATIVE CHANGES IN TOBACCO PRODUCTION CONDITIONS IN THE PRE-TRANSITIONAL PERIOD

Macedonian tobacco production in the pre-transitional period consisted of 23 tobacco processing plants and three tobacco

companies, organized in the complex organization of associated labor "Yugotutun" – Skopje.

**Table 1. Production of raw tobacco in Macedonia in middle-term periods (in tons)**

Years	Production
1971 – 1975	29.120
1976 – 1980	30.243
1981 – 1985	29.976

Source: Analysis of the operation of SOZT "Yugotutun" - Skopje

In the period 1981 – 1985, more precisely in 1980, tobacco production engaged 70,000 subcontractors with an average of 0.4 - 0.43 hectares of planted area and 430 kg tobacco per subcontractor. Main tobacco

types represented in the production were the oriental types Prilep, Yaka and Dzebel and the semi-oriental type Otlja.. These tobacco types were manufactured in five tobacco producing regions in Macedonia.

**Table 2. Structure of tobacco production by types**

Type	Tons	%
Prilep	17.345	59
Yaka	6.195	21
Dzebel	1.543	5
Otlja	2.197	8
Others	1.917	7
Total	29.197	100

Source: LJ.Poposki "Uticao društveno-ekonomskih i organizacijskih faktora na stanje i razvoj primarne proizvodnje duvana", Beograd 1990

In 1985, the number of registered subcon-

tractors engaged in tobacco production of R. Macedonia was 71,033 and the average yield per subcontractor was 411 kg.

In the above administrative period, prices of raw tobacco were determined by appro-

priate government authority. There were two types of prices: guarantee prices set by the Government and production prices contracted with purchase companies. No incentives for tobacco existed during this period.

### TOBACCO PRODUCTION DURING THE PERIOD OF TRANSITION

After 1991, with acquisition of independence of the Republic of Macedonia, the production of raw tobacco took place in changed socio - economic and political conditions. It was a period of beginning of privatization process, when there was a lack of capital and when the production shifted from public to private foreign and domestic companies. In such conditions, some of the companies ceased the manufacture and purchase of tobacco. Foreign buyers appeared

on the raw tobacco market, with only a few domestic companies. Main organizers and buyers are, however, the foreign companies. Macedonia, although small by its area and population, has a solid concentration of tobacco production which, estimated per capita, is higher than that of the surrounding countries. Based on statistics, in 2003 per capita production of raw tobacco in Macedonia was 11.8 kg, in Turkey 2,3kg, in Greece 11,1kg and in Bulgaria 8 kg.

**In the last two medium terms, tobacco production in Macedonia ranged as follows:**

**Table 3.in tons**

Year	Production	Subcontractors
2005 – 2010	21.726	33.785
2011 – 2015	24.773	(2014) 34.784

**Source: Association of tobacco growers of R. Macedonia 2015**

In the period 2006 - 2010, the average number of subcontractors was 33,795, while in 2011-2014 it was 34784 and

the average production per subcontractor was 624 kg and 712 kg, respectively.

**Table 4. Areas under tobacco in the last medium terms**

Years	Hectares
2006 – 2010	16.837
2011 - 2014	16.044

**Source: Association of tobacco growers of R. Macedonia 2015**

The average production of tobacco in 2006 - 2010 was 643 kg/ha, while in 2011-2014 it mounted to 1,634 kg/ha. The most frequent-

ly grown tobacco types were Prilep, Yaka and Basma.

**Table 5. Structure of raw tobacco production in 2015godina by types**

Tobacco types	kg	%
Prilep	16.684	88,5
Yaka	2.150	11,0
Basma	77	0,5
Total	18.911	100,0

**Source: Association of tobacco growers of R. Macedonia 2015**

The most dominant variety in the production of raw tobacco is P -66, which accounts for 90% of the total production. This means that it is easily adaptable to most of the productive regions in R. Macedonia. Thus, in 2011-2015 the variety P-66 represented about 78% of the total amount of 24,773 tons purchased tobacco, Yaka - 20%, Basma - 1.7% and other varieties 0, 3%. It is wor-

thy to mention that in 2015 the production of Basma variety was reduced to 77 tons, which is over 90% decrease compared to 730 tons in 2011.

The influence of weather conditions on the quality and quantity of manufactured tobacco affects the structure of purchased classes of raw tobacco.

**Table 6. Purchased amount of raw tobacco in tons and share of purchased classes in %**

Class	2013		2014		2015	
	T o b a c c o tons	Tobacco %	Tobacco tons	Tobacco %	Tobacco tons	Tobacco %
I	248	10,0	249	4,3	270	10,0
II	178	57,4	178	28,4	189	65,0
III	136	25,2	136	44,0	136	23,0
IV	53	7,4	55	23,3	55	2,0
Total	615	100,0	618	100,0	650	100,0

**Source: A representative part of the purchase of a tobacco purchase company**

The data in the table reveal that the 2014 harvest was below the average, the harvest in 2013 was within the average, while in 2015, seen through the quality of purchase

classes, the harvest was slightly above the average.

In compliance with the quality of purchased tobacco are the purchase prices by classes.

**Table 7. Purchase prices of raw tobacco, denars/kg**

Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Prices	118	141	167	192	136	165	180	153	117	185

**Source: Source: Association of tobacco growers of R. Macedonia**

Differences in quality of purchased tobacco expressed through the purchase prices are due to the influence of weather conditions

in subsequent years, but subjective influence of the purchase companies must not be excluded.

## COMPARATIVE DATA AND INDICATORS OF PRIMARY TOBACCO PRODUCTION IN GRECCE AND BULGARIA

In terms of purchase prices of leaf tobacco, the situation in Macedonia is similar to that in Greece. The average purchase price in Macedonia in 2015, is 4 EUR /kg including the incentives, and in Greece it ranges from 3.8 to 4.5 EUR/kg leaf tobacco. Tobacco production per hectare in Greece is around 2,000 kg, while in Macedonia, in the period 2011-2014, it reached 1,634 kg. The area under tobacco per subcontractor is 1 ha in Greece, 0.5 ha in Macedonia and 0.55 ha in Bulgaria.

The number of subcontractors engaged in tobacco production in Bulgaria in 2015 was 32,000, while in Macedonia 35,000 subcontractors were engaged in the period 2011-2015. The average production of oriental tobacco in Bulgaria for the period 2011 - 2015 was 15,300 tons, while in Macedonia 24,773 tons. The lower production of oriental tobacco in Bulgaria is a due to the fact that some of the subcontractors are engaged in the production of large-leaf tobaccos Virginia and Burley.

## CONCLUSION

After a long time, Macedonia has stabilized its tobacco production both in quality and quantity, which means that it regained the yields of the pre-transitional period.

Tobacco production has increased its productivity and gives higher yields per unit area and per subcontractor, which points out to better utilization of land capacities and available workforce.

The structure of purchased tobacco consists

of high quality classes, which is reflected in the pricing policy of purchased tobacco.

The yields and quality of oriental tobacco production in Macedonia is in compliance with those of Bulgaria and Greece, with a strong trend of stabilization.

Big influence on this stabilization has the Government, with its incentives for support and development of tobacco production.

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