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**THE FUTURE OF MACEDONIAN TOBACCO IS IN PRODUCTION ACCORDING TO STANDARDS FOR COMPETITIVE PRODUCT WITH HIGH QUALITY**

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**ABSTRACT**

As an agricultural crop, tobacco is important for many countries in the world and depending on the climatic conditions, it is either a mass crop or it is marginally present. Globally, the production of all types of tobacco ranges from 6,500,000-7,000,000 tons per year. This production also includes the final processing of cigarettes, which with the acceptance of the American blend becomes more international or global, in terms of its quality.

The trade with tobacco raw material in the world is quite stable, i.e. there is a balance between supply and demand. The market is traditional and, in most cases, perfectly defined. Over 95% of the tobacco production is spent on the production of cigarettes, while the remaining 5% belongs to other tobacco products.

Macedonia stabilizes tobacco production. The quantities tend to be kept at around 23,000-28,000 tons of tobacco, which allows better quality.

As a country with its own strategy, Macedonia does not accept a methodology for reducing tobacco production that is contrary to ensuring the existence of producers and in conditions when tobacco is replaced by another crop. Climatic conditions and economic effect should be taken into account. In the regions where tobacco is grown, there are no climatic conditions for other crops because these places are dry. As for the economic effect, a new crop is accepted only if it is a viable replacement, i.e. if it provides a livelihood for producers, which is unlikely.

In the Republic of North Macedonia, the achievement of an average production of about 28,000 tons should not be questioned at all. It requires a small effort, both by the society and the producers and buyers. Our society needs a more efficient definition of the strategy for tobacco production, as it is a traditionally important crop in our country. This means providing a legal climate - economic and social, in which production will take place. Thereby, the producer should strictly adhere to the agreed quantities and varieties of tobacco with the buyer, who in turn should ensure a constant business purchase policy, which will stimulate production together with the community.

**Keywords:** Stabilization, Standard, Tobacco Production, Incentives For Support And Development, Production Structure, Purchase Prices.

**1. INTRODUCTION**

Oriental tobacco is traditionally produced in Macedonia. In the decades-long production, there are time oscillations caused by several factors, among which the most influential are the weather

conditions, as they have the greatest impact on the quality and quantity of tobacco. Regarding the quality and quantity of the produced tobacco, in practice there are so-called weak, average and above average yields. In addition to the weather conditions, the stability of the tobacco production is influenced by the measures and instruments of the economic policy, above all by the prices and the stimulations.

During the transition period, there were oscillations in tobacco production compared to the previous socialist period. These fluctuations are due to the change of the socio-political system and the adjustment of the tobacco production to the newly created changes. Over time, production starts to stabilize and reaches the previous period, in terms of quantity and quality. Starting in 1997, the quantities of produced tobacco from the previous period are already being reached, although there are frequent oscillations in tobacco production. The support by the state contributed a lot to the stabilization of the production by introducing special stimulations for tobacco production (after 2005 tobacco production ranges between 20,000 - 30,000 tons) These stimulations are an important factor in maintaining previously started stabilization trend.

Tobacco production in Macedonia has a greater stability compared to neighbouring countries, both in quality and quantity.

**Quantitative and qualitative changes in tobacco production  
Conditions in pre-transition period**

In the pre-transition period, the tobacco production in Macedonia included 23 tobacco processing organizations and three tobacco factories, organized by the complex organization SOZT "Jugotutun"- Skopje, which organized the production of raw tobacco and its processing.

Achieved production of raw tobacco in medium-terms in the Republic of Macedonia (in tons)

| medium terms | production |
|--------------|------------|
| 1971 – 1975  | 29,120     |
| 1976 – 1980  | 30.243     |
| 1981 – 1985  | 29.976     |

Source: Analyzes from the operating of SOZT "Jugotutun" - Skopje

In the medium term 1981 - 1985, more precisely in 1980, 70,000 subcontractors were engaged in tobacco production. The average area of planted tobacco per subcontractor was 0.4 - 0.43 hectares. The average amount of produced tobacco was 430 kg per subcontractor. Oriental tobacco varieties "Prilep", "Jaka", "Jebel" and the semi-oriental variety "Otlja" were represented in the tobacco production. These varieties were produced in five production areas in Macedonia.

Structure of tobacco production by varieties

| varieties | tons   | %  |
|-----------|--------|----|
| Prilep    | 17,345 | 59 |

|                 |        |     |
|-----------------|--------|-----|
| Yaka            | 6,195  | 21  |
| Djebel          | 1,543  | 5   |
| Otlja           | 2,197  | 8   |
| other varieties | 1,917  | 7   |
| total           | 29,197 | 100 |

Source: Lj. Poposki: " Influence of socio - economic and organizational factors on the state and development of primary tobacco production ", Belgrade, 1990

71,033 subcontractors were registered in the tobacco production in 1985. According to the tobacco yield from that year, an average of 411 kg of tobacco per subcontractor was obtained.

Raw tobacco prices in this period are administratively determined by an appropriate state body. There were two types of pricing: guaranteed prices set by the state and production prices agreed with the tobacco companies. There were not any tobacco incentives during this period.

With the acquisition of independence and autonomy of the Republic of Macedonia, after 1991, the production of raw tobacco took place in changed socio-economic and political conditions. When privatization started, there was a lack of capital, production shifted from state-owned to private foreign and domestic companies. In such conditions, many companies stopped processing and buying tobacco. Foreign and a small part of domestic buyers have appeared on the raw tobacco market. The main organizers and buyers of tobacco are foreign companies.

Although Macedonia is a small country by territory and population, it has a concentration of solid tobacco production, which in terms of tobacco production per capita is higher than the surrounding countries. Based on statistics, in 2003 Macedonia gained 11.8 kg, Turkey 2.3 kg, Greece 11.1 kg, and Bulgaria 8 kg of raw tobacco per capita.

In the medium terms 2005-2010 and 2011-2015, the production of tobacco in Macedonia was as follows:

| medium terms | Production (tons) | subcontractors |
|--------------|-------------------|----------------|
| 2005 – 2010  | 21.726            | 33,785         |
| 2011 – 2015  | 24.773            | 34,784         |

Source: Association of leaf tobacco producers - R.M. 2015

During the period 2006-2010, an average of 33 795 subcontractors were hired, while during 2011-2014, 34 784 subcontractors were hired. The average production per subcontractor was 624 kg, i.e. 712 kg.

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**Planted areas of tobacco in the last medium terms**

| medium terms | ha     |
|--------------|--------|
| 2006 – 2010  | 16,837 |
| 2011 - 2014  | 16,044 |

Source: Association of leaf tobacco producers - R.M. 2015

The average production of tobacco per hectare in the medium term 2006-2010 is 643 kg, while in the medium term 2011-2014 it is 1 634 kg. Varieties "Prilep", "Jaka" and "Basma" are present in the tobacco production.

**Structure of raw tobacco production by varieties, 2015**

| tobacco varieties | kg tobacco | %     |
|-------------------|------------|-------|
| Prilep            | 16,684     | 88.5  |
| Yaka              | 2,150      | 11.0  |
| Basma             | 77         | 0.5   |
| total             | 18,911     | 100.0 |

Source: Association of leaf tobacco producers - R.M. 2015

In the production of raw tobacco, the variety "P-66" is dominant and it covers 90% of the total production. This means that it is quite adaptable to several production regions in the Republic of Macedonia. In the medium term 2011 - 2015, the variety "P-66" is represented with 78% of the total average purchased tobacco of 24 773 tons, "Yaka" - 20%, "Basma" - 1.7%, and 0,3% belongs to other varieties. It is characteristic that the variety "Basma" in 2015 was reduced to 77 tons. Compared to the production of 730 tons in 2011, there is a reduction of 90%.

The influence of the weather conditions on the quality and quantity of the produced tobacco also affects the structure of the purchase classes of raw tobacco.

Below is a table with data from ISET (information system for tobacco records) for the total purchase of raw tobacco from the harvest 2020.

**Records from ISET for the total purchase of raw leaf tobacco in the harvest 2020 until 26.02.2021**

| CLASS                                   | TYPES OF TOBACCO        |              |                       |              | Total quantity per class in kg | Weighted price per class ** mkd/kg |
|---|-------------------------|--------------|-----------------------|--------------|--------------------------------|------------------------------------|
|   | YAKA quantity in kg     | Price mkd/kg | PRILEP-quantity in kg | Price mkd/kg |                                |                                    |
| <b>I</b>                                | 5,588.04                | 285.00       | 775,105.94            | 280.00       | 780,693.98                     | 280.04                             |
| <b>II</b>                               | 98,871.17               | 208.39       | 8,497,968.06          | 202.27       | 8,596,839.23                   | 202.34                             |
| <b>III</b>                              | 150,091.39              | 155.23       | 12,490,071.12         | 151.94       | 12,640,162.51                  | 152.98                             |
| <b>IV</b>                               | 25,143.08               | 79.97        | 2,925,884.34          | 77.09        | 2,951,027.42                   | 77.12                              |
| <b>Total aromatic tobacco in kg</b>     | <b>279,693.68</b>       |              | <b>24,689,029.46</b>  |              | <b>24,968,723.14</b>           |                                    |
| <b>ADDITIONAL TOBACCO</b>               |                         |              |                       |              |                                |                                    |
| <b>I</b>                                |                         |              | 125,650.67            | 85.07        | 125,650.67                     | 85.07                              |
| <b>II</b>                               |                         |              | 27,864.26             | 62.77        | 27,864.26                      | 62.77                              |
| <b>Total additional tobacco in kg</b>   | <b>0.00</b>             |              | <b>153,514.93</b>     |              | <b>153,514.93</b>              |                                    |
| <b>Moldy tobacco in kg</b>              |                         |              | 8,332.71              | 14.00        | 8,332.71                       | 14.00                              |
|   | <b>279,693.68</b>       |              | <b>24,850,877.10</b>  |              | <b>25,130,570.78</b>           |                                    |
| <b>TOTAL in kg</b>                      | <b>25,130,570.78</b>    |              |                       |              |                                |                                    |
| <b>Total value of purchased tobacco</b> | <b>4,119,301,596.49</b> |              |                       |              |                                |                                    |

According to the official data for the 2020 harvest, 26,953 tons of raw tobacco were purchased at an average price of 158 mkd/ kg. Thereby, 280 tons (1%) from the tobacco type Yaka were purchased with an average price of 169 mkd/kg, while 26,673 tons (99%) from the tobacco type Prilep were purchased at a price of 158 mkd/kg. The production is not reduced compared to the previous year, but the average price is drastically reduced (when we had 219 mkd/ kg). From this harvest there was a surplus of 4000 tons of tobacco, which was also a problem for the purchasing companies. But there was not any unpurchased tobacco, which is good for the tobacco production and tobacco producers.

Experience shows that there is necessity for having a balance between producers and buyers, because companies are limited according to the needs of the world market and they are bound by certain legal regulations. Optimal production according to the demand is 20 000-25 000 tons per year. Anything below those quantities, or above them will be a problem for buyers and producers. We must have production according to the standards required by the purchasing companies. If these standards are not respected, the production will not be purchased. Competitive production with high quality is required. Experts say that the most important factor for a high-quality product is the weather, but it is not favorable every year. Tobacco has been well-packaged in the past, but as more purchasing companies entered the market, purchase rules were violated.

11 784 hectares of tobacco have been planted in the harvest 2021 and production of 22 137 tons of raw tobacco in leaves is expected. 27,670 contracts were concluded and 18,752 tobacco producers were registered. In harvest 2021, there are reduced quantities of contracted production.

The entire tobacco production in Macedonia is intended for export, for the largest world companies that produce cigarettes. In 2020, a foreign exchange inflow of 136 million dollars was realized. The price is dictated by the demand on the world market as well as the quality of the tobacco.

## **2. CONCLUSION**

The observations presented in this paper, point to the general conclusion that it is necessary, the future development of tobacco production and the overall complex of activities to be based on preferred EU standards and current world developments in this area.

Namely, the preferred standards of future development point to increasing attention to the production itself, both to its quantitative limitation and to its qualitative dignity, environmental protection, social security, economic efficiency, healthy way of growing and developing plants, fulfilment on requests from the World Health Organization, etc.

After a long time, the tobacco production in Macedonia is stable both in quality and quantity, and it equals the pre-transition period.

Tobacco production is becoming more productive by achieving higher yields per unit area and per subcontractor, i.e. by increasing the efficiency of land capacity and available labour.

The structure of the quality of the purchased tobacco is dominated by the high-quality purchase classes, which is reflected in the price dynamics in the purchase classes.

Tobacco production is in proportion to the production of oriental tobacco in Bulgaria and Greece, in both quality and quantity, and has a more stable trend.

Stabilization is also influenced by the state, by introducing stimulations to support and develop tobacco production.

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