

FINANCIAL VIABILITY AND HIGH PRICES – A STIMULUS FOR INCREASED TOBACCO PRODUCTION IN MACEDONIA

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Abstract. *Tobacco producers in Macedonia have concluded approximately 30,000 contracts for the 2025 harvest, with a projected yield of 27,000 tons of tobacco, which represents a significant increase compared to previous years. A total of 33,517 contracts have been concluded for this production, which represents an increase in the number of contracts by approximately 3,560 contracts compared to the 2024 production year (29,957).*

According to the data entered into the electronic tobacco recording system by registered tobacco buyers, a total of 17,829 agricultural holdings (tobacco producers) were recorded in the production year 2025, which represents an increase in the number of agricultural holdings (tobacco producers) by about 999 or by about 6% compared to the harvest year 2024 (16,830). The Prilep type is expected to produce about 27,230 tons on a contracted area of 14,409 hectares, and the Jaka type is expected to produce about 83 tons on a contracted area of 67 hectares. The areas sown with tobacco reach 14,000 hectares, which represents an increase of 8%. Tobacco is being paid at the highest price ever (400 denars per kilogram), and this is precisely the motive for farmers to increase their activity. Due to the high price, but also due to the increased global demand for aromatic tobacco, producers again see this industry as profitable.

Macedonia is second in the world, right behind Turkey, in the amount of aromatic tobacco produced – one of the most sought after on the world market. The world's annual needs are 120-130 million kilograms, but only about 100 million are produced, which represents a shortage of 20-30 million kilograms.

Keywords: *tobacco production, yield, prices, perspectives, world trends.*

Introduction

Macedonia is a country with a traditional production of oriental tobaccos. In the decades-long production, there are temporal oscillations caused by several factors, among which the most influential are the weather factors and they have the greatest significance for the quality and quantity of tobacco. In terms of the quality and quantity of the produced tobacco, in practice, the so-called weak, average and above-average harvests are differentiated. In addition to weather conditions, the stability of tobacco production is influenced by measures and instruments of economic policy, primarily prices and incentives.

In the transition period, there are oscillations in tobacco production compared to the previous socialist period. Such deviations are due to the change in the socio-political system and the adaptation of tobacco production to the newly occurring changes. In terms of time, production begins with stabilization and approximation to the previous period, as far as quantities and quality are concerned. Starting from 1997, although there are frequent oscillations in tobacco production, the quantities of tobacco from the previous period are already being achieved. The stabilization of production has also been greatly contributed by the support from the state by introducing special incentives for tobacco production (which after 2005 ranges between 20,000 - 25,000 tons), which is an important factor in maintaining the

stabilization trend that has begun. In this context, it is important to emphasize that Macedonia has a more stable production compared to neighboring countries, both in terms of quality and quantity.

Results and Discussion

Tobacco has an important place in the structure of Macedonian agricultural production and is a crop that delivers significant economic and social effects to our economy. Tobacco is a source of basic and additional income for a population of about 80,000 people, a source of significant budget revenues (excise duties on tobacco products reached an amount of about 190 million euros or 5.3% of total budget revenues).

The following is data on the agreed, or planned, quantities of tobacco, as well as the planned areas and concluded contracts on the one hand, and on the other hand, an overview of everything that was actually achieved in the 2024 harvest is provided.

In the period from 2020-2024, tobacco in Macedonia is present on an average area of about 12,680 hectares. The agreed production of tobacco in 2024 is approximately the same amount as the agreed production from the 2023 harvest and is around 26,400 tons, and the areas are around 13,000 ha. The number of concluded contracts has decreased by 664 or about 2%, and the number of agricultural holdings is reduced by 756 or about 4% compared to the 2023 harvest.

Table 1.

Contracted areas and contracted tobacco production 2020-2024

Harvest	Total contracted area in ha	Total agreed quantity in tons	Total number of contracts concluded	Number of agricultural holdings
2020	12.114	22.960	29.932	19.702
2021	11.784	22.137	27.650	18.752
2022	13.237	24.098	29.429	17.924
2023	13.321	26.504	30.621	17.586
2024	12.959	26.418	29.957	16.830

Source: ISET (Tobacco Information System)

According to the data entered into the electronic tobacco recording system ISET by the purchasing companies, a total of 24,321 tons of raw leaf tobacco were purchased from the 2024 harvest with an average purchase price of 399.80 denars/kg.

Of the JAKA type, about 224 tons of raw leaf tobacco were purchased with an average purchase price of 399.80 denars/kg, and of the PRILEP type, about 24,096 tons of raw leaf tobacco were purchased with an average purchase price of 399.80 denars/kg.

The average purchase price for the 2024 harvest is 399.80 den/kg. which is an increase of 46.17 denars/kg. (by +11.5%) compared to the 2023 harvest. (353.63 denars/kg).

The higher purchase price of tobacco from the 2023 harvest reflects the higher quality of tobacco compared to the 2022 harvest, which can be seen according to the participation of the classes in the total purchase, as well as an increase in purchase prices before the start of the purchase due to increased costs for fertilizer, oil, raw materials, etc.

According to the percentage of participation of the classes, tobacco from the 2024 harvest was purchased in class I-I, which is about 99.82% of the total purchased quantity, and the purchase in the other classes is insignificant and amounts to about 0.18%, which indicates that this harvest is of good quality tobacco and a higher average purchase price was achieved.

In the 2023 harvest, about 99.97% of tobacco in the I-I class was purchased, and about 0.03% of tobacco in the other classes was purchased. Attached is a table with data on the realized purchase of tobacco for the 2024 harvest.

Table 2.

Final overview of the purchase of raw tobacco from the 2024 harvest

Class	Types of tobacco				Total quantity for class in kg.	Weight price per class in denars/kg
	Jaka - quantity in kg.	Price in denars/kg.	Prilep - quantity in kg.	Price in denars/kg.		
I-I	223,928.47	400.00	24,053,533.56	400.00	24,277,462.03	400.00
I-II	304.73	300.00	35,478.87	300.00	35,783.60	300.00
I-III	49.85	240.00	7,766.09	240.00	7,815.94	240.00
Total aromatic tobaccos in kg.	224,283.05		24,096,778.52		24,321,061.57	
Additional tobacco						
II-I	0.00	0.00	60.02	116.40	60.02	116.40
Total additional tobacco in kg.	0.00		60.02		60.02	
Moldy tobacco in kg.	16.26	14.00	132.86	14.00	0.00	14.00
	224,299.31		24,096,971.40		24,321,270.71	
Total in kg.	24,321,270.71					
Total value of purchased tobacco	9,723,557,640.74					
Average purchase price in denars/kg.	399.80					

Source: ISET (Tobacco Information System)

Compared to the 2023 harvest, the purchase for 2024 has increased by 60%. Namely, for the 2024/2025 harvest, 24,321,270.71 kilograms of tobacco were

purchased, compared to the 2023/2024 period when only 14,763,596.06 kilograms were purchased.

The value of the purchase amount for this harvest has increased by about 4.5 billion denars. All this indicates the fact that tobacco production in Macedonia is financially viable and its sustainability in the future is guaranteed. In this context, we are referring to both the economic and social aspects of tobacco for the population in Macedonia and beyond, which certainly should not be neglected.

Its importance in our socio-economic life is multifaceted. Among other things, we will especially highlight the following aspects:

- by its specificities, it is an agricultural and industrial crop. As an agricultural crop, with its biological properties it can be grown in almost all parts of our country, both on soils with higher and lower fertility, and this means using soils on which it is not possible to achieve such an economic effect as would be achieved with tobacco production by growing other agricultural crops. As an industrial crop it appears through its raw material for processing and finalization in the tobacco industry, especially for cigarette production.

- in its production, that is, in part of the production operations, people of different ages and genders can be involved, i.e. all those whose health allows it and who express a desire to engage in it;

- its production is not tied to typical agricultural households, but other households can also engage in it where the organizers of the production are employed in other activities, so tobacco production serves as an additional source of income, or they have the idea of developing small enterprises with the main activity of tobacco production;

- engaging a large number of workers, i.e. an average of over 250,000 people are involved in its production, which represents more than 10% to 15% of the total population in our country;

- ensuring balanced development of this branch in both rural and urban areas.

- ensuring relative income, without major investment and current investments per household;

- tobacco at the level of the Republic is a subject of internal retail and wholesale trade. The turnover of tobacco in retail trade, according to the sales of tobacco carried out by trading enterprises, including the stores of production enterprises and separate shops, is quite large and amounts to about 3% of total trade, expressed in financial indicators (denars). Technological development and innovation continue to be important for the development of agriculture and rural development, but must be supported by the development of appropriate structures for managing that sector. In other words, it is necessary to design, implement and constantly review specific economic and agrarian policy measures necessary to support investments in agriculture, such as:

- Maintaining sound and stable macroeconomic and trade policies that encourage investment in agriculture;

- Improving the functioning of markets for production factors (labor, agricultural land and capital) and outputs at local, national and international levels;

- Strengthening and improving the quality of human capital through appropriate education and access to productive resources;
- Establishing a strong institutional environment that improves access to markets, ensures the dissemination of information, defines standards and provides an appropriate legal and regulatory framework;
- Providing research services that develop productive technologies;
- Improving marketing, transport and communication infrastructure to support timely access of agricultural producers to seasonal and long-term capital and production inputs, as well as providing strong incentives through agricultural product pricing policies; and
- Protecting natural resources and the environment.

Experts working on the issue of tobacco production and its development, according to their projection methods, predict an increase in tobacco production in the future, but here it is necessary to emphasize the intention of the other side, i.e. the side of all those governmental and non-governmental organizations and associations at the global level that are anti-tobacco-minded with their analyses. In order to mitigate these anti-tobacco blows, the EU and the global positive world policy require that tobacco production in the coming period meet the set standards relating to public health, animal and crop health, environmental protection and the environment as a whole. It is also particularly important that agricultural areas are maintained in good agricultural and ecological condition. This means producing quality tobacco, which is in demand on the market, while simultaneously preserving the environment from pollution by the use of excessive fertilizers, agrochemicals, as well as many waste materials.

Conclusion

Based on the demands of the world market, the scientific and technological achievements of the world and the available natural, production and human (labor) potentials, it can be freely concluded that today, and even more so in the future, there will be an expressed need for:

- raising the quality of tobacco production to a much higher level, taking into account the demands of buyers;
- efficient and effective production, where the arising and potential problems will be identified in an easier way and the organizational entity will be able to deal with them in an efficient way;
- raising the motivation and satisfaction in work by the employees (engaged) people, with better use of technical and technological benefits, greater use of means and mechanization that largely replace the physically invested labor and reduce the time of production operations and processes, etc.;
- guaranteeing the quality of tobacco production and tobacco products and reliable placement;
- Continuous development of research, educational and advisory activities to raise awareness of the proper implementation of Good Agricultural Practices (GAP);
- Raising awareness of the quality of the overall operation among all engaged persons in the company or farm;

- Integrating economic and environmental goals, i.e. increasing income, preserving the environment of healthy plants and a favorable existence for all living beings;
- Developing opportunities for creating alternative (combined) income, by expanding tobacco production and other additional products or services;
- Taking care of environmental protection through a publicly declared policy for this;
- Establishing ways to monitor tobacco production, i.e. developing continuous monitoring;
- Building a program to minimize the harmful effects on the environment caused by the organization's activities;
- Establishing a system for achieving the set goals, through data monitoring, internal checks, etc.;
- setting requirements for continuous improvement of quality management and environmental management, as well as directing the company's mission and vision that will lead to TQM (Total Quality Management).

With this approach, organizational entities in the tobacco industry will be able to justify the production of tobacco, which, together with coffee and alcohol, falls into the group of so-called everyday household habits, but without neglecting the improvement of its quality and minimizing the harmful effects on human health and the environment.

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