**INTERNAL PARITY OF PRICES BETWEEN THE RAW**

**TOBACCO GRADES**

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 **ABSTRACT**
Tobacco, along with other agricultural crops, is important segment of the productional structure of individual producers. Depending on crop prices, the farmers plan and direct their activities toward one or several cultivars that will guarantee the highest income. This relationship is called parity ratio of the prices of agricultural crops.

According to this quality, farmers make decision to which agricultural structure they will direct their economy. In practice, it is about parity between two and more crops due to differences in their prices, also referred as disparity. Disparity is an indicator to which crop and to which extent will the farmers direct their activities. This is also valid for tobacco crop in terms of its market price compared to other cultures.

Beside this, there is also internal parity. In tobacco, it is the parity between different tobacco types and varieties as well as different grades within the variety. In determining and creating the prices of tobacco, internal parity should be carefully considered because it affects the need to increase or decrease the quality of tobacco depending on market demand. In the first case, parity between different types and varieties of tobacco can lead to increase of tobacco production, which can result in possible market surplus of one tobacco type and lack of another. In the second case - internal parity of grades within certain variety has a significant role in stimulating and maintaining the quality of tobacco, taking care not to cause high approximation (equalization) of quality between tobacco grades.

Parity and internal parity will be discussed and analysed in this paper.

**Keywords:** crops, prices, grades, quality, parity

 **ИНТЕРЕН ПАРИТЕТ НА ЦЕНИТЕ ПОМЕЃУ КЛАСИТЕ**

 **НА СУРОВИОТ ТУТУН**

Тутунот како земјоделска култура заедно со другите култури ја сочинуваат производната структура кај индивидуалните производители.Во зависност од цените на одредени земјоделски култури кои се застапени во производната структура на земјоделецот ,тие ја формираат и насочуваат неговата активност кон културата или неколку земјоделски култури кои гарантираат најголем доход.Во тој случај производителот ја одредува неговата активност кон која култура ќе ја насочи за да обезбеди најголем доход.Овој однос е тн.паритетен однос на цените помеѓу земјоделските култури. На оваа основа и паритет се донесува одлука на која земјоделска структура земјоделецот ќе го насочи неговото стопанство.Во пракса се зборува за паритет меѓу две и повеќе култури поради постоење на разлики во нивните цени односно т.н. диспаритет.Овој диспаритет е индикатор каде и колку ќе ја усмери и која култура ќе ја насочи во структурата на своето стопанство.Ова се одесува и на тутунската култура во однос на тоа каква е нејзината пазарна цена во однос на други култури.Покрај овој паритет постои и интерен паритет,конкретно кај тутунот тој паритет е паритет помеѓу одредени типови на тутун,сорти на тутуни и тутунски класи во сортата на тутунот.Во одредување и креирање на цените кај тутунот треба добро да се внимава на овој паритет зошто преку него се влијае на потребата и желбата за зголемување или намалување на квалитетот на тутунот во зависност од пазарната побарувачка.Во првиот случај кога се зборува за паритет меѓу одредени типови и сорти на тутун паритетот може да влијае на пораст на производството на тутун така да можи да се јави од една страна пазарен вишок на еден тип тутун и недостаток на друг тип тутун.Интерниот паритет на одредена сорта на тутун по класи има значајна улога и функција во стимулирање и одржување на квалитетот на тутунот,водејќи сметка да не дојде до големо приближување(егализација) на квалитетот помеѓу класите на тутунот.

Паритетот и интерниот паритет ќе бидат аргументирано разработени во содржината на трудот.

**Клучни зборови:**култури,цени,класи,квалитет,паритет.

 **INTRODUCTION**

If particular agricultural product has a more favorable price compared to other crops, the interest and activities of the producers are directed towards those crops that provide higher income. In this context, the relation between the price of raw tobacco and the price of one or more agricultural crops is called parity. In practice and in theory, however, when talking about parity between agricultural crops and differences between the prices of two or more crops we actually talk about price disparity. The disparity is a good indicator of the changes occurring in the market relations and conditions among agricultural crops. In tobacco industry, particularly in the stage of primary production and maintenance of its stability, it is very important to maintain the parity of tobacco in relation to other agricultural crops. If it is not maintained, it can find itself in "price scissors". The parity of tobacco in relation to other crops is very important in terms of timely determination of prices agreed between the buyer and manufacturer. By the rule, the price should be determined immediately after the end of the harvest and its purchase and the period for determination should be as short as possible. Late determination of purchase prices affects the decision of tobacco grower on the structure of agricultural goods, i.e. which and how much of them will be accepted depending on prices and their profitability. Timely determination of prices will also help tobacco grower to estimate the size of agricultural area for production and to forecast the profitability of tobacco compared to other crops. Untimely determination of prices leads to oscillation of the number of growers involved in tobacco production.

**INTERNAL PARITY OF THE PRICES OF RAW TOBACCO**

Internal parity denotes the relationship among prices of purchase grades of raw tobacco and it enables the obtaining of a good quality tobacco material. Inadequate assessment and establishment of inadequate parity can lead to overproduction or lack of certain variety of tobacco, which is not in the interest of parity. The dynamics of the internal parity per kilogram of tobacco and the prices of tobacco grades are presented in Table 1.

Table 1. Purchase price of the Prilep tobacco raw material (MKD/kg), internal parity and ratio

|  |  |  |
| --- | --- | --- |
|  |  1993 |  1994 |
|  |  |  |
|  Grade |  Price | Index | Ratio |  Price | Index | Ratio |
|  1-aromat |  85 | 100.00 |  |  85 | 100.00 |  |
|  2 |  73 |  85.88 | 1:1,164 |  73 |  85.88 | 1:1,164 |
|  3a |  55 |  64.70 | 1:1,545 |  55 |  64.70 | 1:1,545 |
|  3b |  44 |  51.76 | 1:1,931 |  44 |  51.76 | 1:1,931 |
|  4 |  27 |  31.76 | 1:3,148 |  27 |  31.76 | 1:3,148 |
|  5 |  14 | 16.47 | 1:6,071 |  14 |  16.47 | 1:6,071 |

|  |  |  |
| --- | --- | --- |
|  |  1995 |  1997 |
|  Grade |  Price | Index | Ratio |  Price | Index | Ratio |
|  1-aromat |  100 | 100.00 |  |  120 | 100.00 |  |
|  2 |  84 |  84.00 | 1:1,190 |  97 |  88.83 | 1:1,123 |
|  3a |  63 |  63.00 | 1:1,587 |  72 |  60.00 | 1:1,667 |
|  3b |  49 |  49.00 | 1:2,040 |  54 |  45.00 | 1:2,222 |
|  4 |  30 |  30.00 | 1:3,333 |  33 |  27.50 | 1:3,636 |
|  5 |  15 | 15.00 | 1:6,667 |  17 |  14.17 | 1:7,059 |

Source: Analysis of the work of AD Yugotutun-Skopje

It can be noted from the table that the ratio between internal parity and the price of tobacco per kg is rarely changed and the proportions are not dramatically disturbed. However, in certain years of production they undergo some changes in terms of pricing policy set by the purchase companies depending on the quality of tobacco at the time of purchase, which is characteristic of the period 1995-1997 in relation to the period 1993-1994. Following the internal prices which are result of an agreement between tobacco buyers and growers, changes recorded in the harvests of 2010 and 2011 are presented in Table 2.

Table 2. Purchase price of the Prilep tobacco raw (MKD/kg), internal parity and ratio

|  |  |  |
| --- | --- | --- |
|  |  2010 |  2011 |
|  Grade |  Price | Index | Ratio |  Price | Index | Ratio |
|  1-aromat |  208 |  100 |  |  208 |  100 |  |
|  2 |  163 |  78 | 1:1,282 |  165 |  79 | 1:1,266 |
|  3a |  125 |  60 | 1:1,667 |  112 |  53 | 1:1,887 |
|  3b |  85 |  40 | 1:2,5 |   |  |  |
|  4 |  49 |  24 | 1:4,167 |  50 |  24 | 1:4,167 |
|  5 |  23 |  11 | 1:9,091 |   |  |  |

Source: Analysis of the work of AD Yugotutun-Skopje

According to the table, the parity from the 2nd to the 5th grade significantly differs compared to previous periods and shows a tendency of higher differentiation in quality. Based on the internal parity, the extent of oscillation of tobacco raw quality between the grades can be estimated. Insufficient assessment and establishment of inadequate parity in the internal grades can impair the quality of a particular variety, which may have implications on the intensity of its sale and on creation of inadequate tobacco stocks.

Particularly indicative in the internal parity is the amount of tobacco from consecutive grades that can be bought for the price of the first grade. For example, the price for the first grade tobacco was enough for buying 6,71 kg of the fifth grade in 1993 and 1994 and 6,66 kg in 1995. In 2010, the price for the first-grade tobacco was enough to buy 9 kg of the fifth grade, 4,2 kg of the fourth grade, 1.6kg of the third grade and 1.27 kg of the second grade. In 2011, the price of the first grade could buy 4.16 kg of the fourth grade, 1.88kg of the third grade and 1.26 of the second grade tobacco.

The above ratios show that despite the agreed price by grades, there are conflicting situations between farmers and dealers in the time of purchase, due to the change of tobacco quality. Tobacco raw from different insertions (belts) has a different quality and thus the decrease or increase of grades and their impact on quality in domestic and industrial manipulation of tobacco is highly questionable.The presented data show that in reality the fourth and fifth grade exist and are present during the purchase, but in practice their reduction is obvious and they seem to disappear, especially in the last few years. However, the purchaser permits dislocation of these quality groups in the first, second and third grade, which means that the industrial manipulation accepts these changes.

Top of Form

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The table below shows the movement of internal parity in the period 2015-2017.

Table 3. Purchase price of the Prilep tobacco raw (2015-2017), internal parity and ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Purchase grades |  2015 |  2016 |  2017 |
|  |  |  |
|  Price  | Index | Ratio |  Price | Index | Ratio |  Price | Index | Ratio |
|  1 |  249 | 100 |  | 270 | 100 |  | 280 | 100 |  |
|  2 |  178 |  71 | 1:1,398 | 188 |  70 | 1:1,436 | 195 |  73 | 1:1,435 |
|  3 |  136 |  54 | 1:1,830 | 136 |  50 | 1:1,985 | 142 |  56 | 1:1,972 |
|  4 |  55 |  22 | 1:4,527 |  55 |  20 | 1:4,909 |  60 |  33 | 1:4,667 |

Source: Association of tobacco producers of R. Macedonia

The table shows the changes in internal parity of tobacco grades 1 – 4, as well as additional indicators for comparison between internal parity of grades during the purchase realized in the following crops:

- 1993 – with the price of the 1st grade it was possible to purchase 1.164 kg of the 2nd grade, 1.931 kg of 3b, 1,545 kg of 3a; 3,148 kg of the 4th and 6,071 kg of the 5th grade tobacco.

- 1994 – the price of the 1st grade tobacco was enough for 1,164 kg of the 2nd grade, 1,931 kg of 3b, 1,545 kg of 3a; 3,148 kg of the 4th and 6,071 kg of the 5th grade tobacco.

- 1995 - the price of the 1st grade tobacco was enough for 1,190 kg of the 2nd grade, 1,587 kg of 3a grade, 2,040 kg of 3b grade, 3,333 kg of the 4th grade and 6,667 kg of the 5 grade tobacco.

- 1997 - the price of the 1st grade was enough for 1,123 kg of the 2nd grade, 1,667 kg of 3a grade, 2,222 kg of 3b grade, 3,636 kg of the 4th grade and 7,059 kg of the 5th grade tobacco.

- 2010 - the price of the 1st grade tobacco was enough for 1,282 kg of the 2nd grade, 1,667 kg of 3a grade; 2.5kg of 3b grade; 4,167kg of the 4th grade and 9,091 of the 5th grade tobacco.

- 2011 - the price of the 1st grade was enough for 1,266 kg of the 2nd grade; 1,887kg of 3a grade and 4,167kg of the 4th grade tobacco.

- 2015 - the price of the 1st grade was enough for 1,398 kg of the 2nd grade; 1,830 kg of the 3rd grade and 4,527 kg of the 4th grade tobacco.

- 2016 - the price of the 1st grade was enough for 1,436 kg of the 2nd grade; 1,985 kg of the 3rd grade and 4,909 kg of the 4th grade tobacco.

- 2017- with the price of the 1st grade it was possible to purchase 1,435 kg of the 2nd; 1,972 kg of the 3rd grade and 4,667 kg of the 4th grade tobacco.

 **CONCLUSION**

Based on previous analyses and research work presented in the tables, it can be concluded that there were five purchase grades of tobacco, with grade 3b in between. During the period of analyses, the number of grades was reduced from five to four, but recently it has been suggested to reduce them to three purchase grades. It should be taken into account, however, that there are five grades according to leaf position and belts, and they are of different quality. By reducing them to only three purchase grades, the fourth and fifth grade will be moved into the third, second and first grade, which will lead to degradation of quality of the above three grades.

It can be stated that the internal parity of prices of purchase grades is variable. The changes are usually small, although under different weather conditions they can reach extreme values and change the internal parity. It is characteristic that in 2014 the fourth grade accounted for 23.3% of the total rate of yield, while in the succeeding years it participated with only 2%. It gives grounds to exclude this grade from purchase grades, which is quite disputable.

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