**SWOT - ANALYSIS OF TOBACCO PRODUCTION IN MACEDONIA AS A METHOD FOR STRATEGIC PLANNING AND AN OPPORTUNITY FOR GREATER EFFICIENCY AND EFFECTIVENESS IN THE ACTIVITY**

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**Abstract**

 The production of oriental tobacco in the Republic of North Macedonia has real development opportunities during a long-term period, viewed from the perspective of world requirements for the representation of oriental types of tobacco in the tobacco mixture in the production of quality cigarettes, as well as for other, broader needs of this type. tobacco at the world level. In addition, precisely the production of tobacco in Macedonia, for a large part of the population provides a condition for improving its social and economic position, engagement of almost all members of the family, creation of work habits (of course, within the framework of non-abuse of child labor) among young people , and thus their possible turning away from bad habits and from reaching out to vices, as well as generally speaking, improving the financial benefits for the state. In perspective, tobacco production, with some oscillations, has a stable trend of movements, with slight upward trends in world production, to which we need to adjust and monitor.

 Bearing in mind the significance and importance of tobacco as an industrial culture from an economic and social aspect, it is necessary to analyze all aspects significant for this sphere, i.e. all weaknesses, strengths, opportunities and threats, sublimated in a detailed SWOT analysis through which perceived the impact of the internal and external environment, as well as the challenges that follow in the future. Precisely because of this, this paper is aimed at analyzing the factors important for tobacco production, by giving recommendations for taking future steps that will lead to greater efficiency and effectiveness of all stakeholders involved in this activity.

**Keywords:** tobacco production, quality, competitiveness, stable prices, experience, tradition

**Introduction**

 Macedonia, both regionally and globally, on world stock exchanges and markets, is considered a producer of high-quality aromatic oriental tobacco. The production and trade of tobacco and tobacco products have great economic and social importance, with a share of 3.8% in the gross domestic product. Tobacco is represented by a high 80% of the total area under industrial crops and is one of the most represented exported agricultural products, with 18% participation in domestic exports. The demand for Macedonian oriental tobacco (which is also found in neighboring countries: Bulgaria, Greece and Turkey, but not of the same quality as Macedonian) is still high. Tobacco production as an agricultural branch acquires strategic importance within the state economy, as a significant item of the realized income directly flows into the state budget.

 Tobacco is an extremely important crop due to its great influence on the global political, economic and social life of the world's population. But the production of tobacco in the Balkans, in the last five years, is rapidly declining. And in Greece, the production of tobacco has been drastically reduced, because as a member of the European Union, in recent years, high subsidies were available for tobacco production in order to reorient the tobacco producers to the cultivation of some other crops. In Bulgaria, tobacco production has also decreased because, as a recent member of the EU, the country was called upon to reduce its tobacco production areas (tobacco production quota fell in relation to its production even before becoming a member of the EU ). In Serbia, the production of oriental tobacco is almost eliminated, and only Virginia and Burley tobacco are produced (5,000 to 6,000 tons on average). Albania, as a producer of oriental tobacco, has a symbolic share of about 2,000 tons per year. Macedonia produces only oriental tobacco. Production oscillates from 16,000 tons to 26,000 tons over the past years. It has stable production, with high quality tobacco, well known to the world's largest tobacco companies.

 This points to the fact that the future development of tobacco production and the entire complex of activities related to it must be based on the preferred standards of the European Union and on the trends of modern world achievements in that area. The preferred standards of future development point to an increasing focus on production, both on its quantitative limitation and on its qualitative worthiness, environmental protection, social security, economic efficiency, the healthy way of growing and developing plants, as well as compliance with the guidelines of the World Health Organization. In that direction, it is extremely important to make a special analysis with an appropriate methodology that will indicate all the opportunities and advantages that are available to tobacco production in Macedonia, but also to emphasize the weaknesses and future threats that can affect the reduction of production and its replacement with other crops. For those reasons, using the SWOT analysis and its methodology can greatly contribute to the strategic planning of tobacco production in Macedonia.

**Research material and method**

The research in this paper has a scientific and analytical approach with mandatory use of statistical data from relevant sources such as: World Bank, State Statistics Office of the Republic of North Macedonia, Ministry of Agriculture, Forestry and Water Management of the Republic of North Macedonia, Chamber of Commerce, data from Eurostat database, data from the Food and Agriculture Organization of the United Nations - FAO (Food and Agriculture Organization of the United Nations), data from the World Health Organization, as well as own analyzes and empirical research through the use of mathematical-statistical and comparative methods, as well as tabular and graphical presentation of the obtained results.

**Results and discussion**

 Good climatic and soil conditions are one of the primary factors for tobacco production in Macedonia. Tobacco is grown on sandy soils of poor quality, where no other crop shows such good and profitable results for the producers. It tolerates wide variations in climatic conditions, but still achieves respectable yields. Oriental types of tobacco are often grown on poorer soils, for which the climatic conditions in most regions of Macedonia appear to be very suitable. There are different types of tobacco that are compatible with the climatic differences of the country and with the different regions in which they are grown. For each oriental type of tobacco produced in Macedonia (prilep, jebel and jaka) common characteristics are their quality and specific aroma.

 The fact that tobacco is a relatively perishable product compared to other agricultural products, as well as the fact that it is relatively easy to store and transport, make tobacco cultivation desirable. The still high level of unemployment largely contributes to this (according to the State Statistics Office of the Republic of Macedonia, in the fourth quarter of 2021, unemployment is 15.2%), as well as the fact that, especially in rural regions, tobacco represents a means of livelihood. Although the unemployment rate has been decreasing in recent years, it is still very high, at least in rural areas. Thus, when we say that tobacco is a culture that provides livelihood for a certain population, we especially want to point out that Macedonia has a relatively cheap labor force, which indicates the possibility of obtaining lower prices for products, and thus greater market competitiveness.

 Macedonia has experienced tobacco producers, some of whom have been growing tobacco for several generations, as well as tobacco experts educated in agricultural schools (secondary schools, colleges and institutes). Of particular importance in this domain is the functioning of the Scientific Institute for Tobacco - Prilep, which employs professional, high-quality, capable and specialized personnel, who work on developing and controlling the process of tobacco production, on creating new tobacco varieties, protection from tobacco diseases, production of certified tobacco seed, as well as additional education and assistance for each tobacco grower.

 The advantage for tobacco producers is that there is a guaranteed purchase for the tobacco, as well as a certain amount of subsidies which, in recent years, depend on the quality of the delivered tobacco, that is, on the class. Since it is a relatively demanded product not only in Macedonia but also on the world market, a part of the production of oriental products is intended for export, which creates a significant inflow of foreign currency in the country. In general, tobacco exports are intended for countries such as the United States, Greece, Germany, Switzerland and others. In Macedonia, there is a well-defined legal regulation that is constantly being worked on in order to meet the needs of individual tobacco producers, but at the same time to protect them. One of the particularly important positives is the existence of a well-developed network of primary producers, tobacco buying firms and cigarette processors. All producers are protected by the existence and conclusion of a contract for the purchase of tobacco, which makes this crop relatively desirable for production. The existence of multiple buying companies creates a good competitive climate. The relatively stable price and the existence of additional direct payments by the state make this product even more competitive than other products.

 If we count traditionality and experience among the strong points of tobacco production and cultivation, that very traditionality is also a weak point of tobacco production. Tradition is one of the characteristics that binds the people living in the villages to their fields and to the traditional way of growing tobacco. Their lack of additional skills leaves them with no choice and makes them addicted to tobacco cultivation even when the purchase prices are relatively low, ie. is. when bad market conditions exist. The absence of skills for management, reorientation, production planning, makes these tobacco producers even more vulnerable. This shows that there is no visible strategy that would allow tobacco producers to have valuable information about the market before planning production or how to improve product quality and thereby secure better prices. Traditionality is also related to other elements. Thus, it is mostly a question of small farms or family businesses of only a few acres. Such small farms in Macedonia have big problems in achieving low production costs and applying more mechanization in the production process. Macedonian tobacco producers are mostly small landowners who have little opportunities to expand their land due to the undefined structure of the land market and the poor allocation of state agricultural land for rent. Poorly developed relationships between producers and buyers are caused by many factors. Tobacco buying companies do not always fulfill their obligations defined in the contract. The delay in the beginning of the purchase of raw tobacco in certain years, the lower prices given to the producers at the buying points and the delay in payment, are just a few problems that shake the confidence between the producers and the buyers. All these problems reduce the interest in tobacco production – a fact that is reflected and can be seen by the decrease in the areas planted with tobacco, analyzed from 2010 until now. Demographic structure is another weakness of tobacco production. The Macedonian population, which is engaged in agriculture, and therefore in tobacco production, is getting older. Young people see their livelihood in cultivating the land less and less, so if steps are not taken that would restore the interest of the young population to tobacco cultivation, after a few decades there will not be enough labor to cultivate the already existing areas, and, of course, the probability of its increase decreases. Here it is important to emphasize the fact that the existing workforce in tobacco production does not have a sufficient level of education, which contributes to the absence of the desire to cooperate and gain experience in using the appropriate funds.

 One of the main opportunities that must be intensively worked on, especially in the coming period, is the possibility of utilizing the uncultivated agricultural land that is in state ownership. A second possibility that should be paid attention to is the reduction of the fragmentation of the already existing tobacco production entities, in order to improve their efficiency and effectiveness. Education of tobacco producers, which would encourage tobacco production, but also raise it to the level of a family business, is the third possibility that should be considered, especially through the monitoring of seminars, trainings, debates, as well as the increasing involvement of the expert public and bringing it closer to the problems on the ground. The introduction of production quotas for tobacco in the member states of the European Union, as well as the reduction of production in these countries due to the lack of interest of producers to engage in this type of business, means for Macedonia the creation of new opportunities for the expansion of production, especially in a period when stagnation of the production of oriental types of tobacco, not only in our immediate neighborhood but also more widely, in the world. As an opportunity for future and current tobacco producers, the idea and plan for additional production should be developed, which would achieve better utilization of production factors. In order to improve and increase tobacco production, it is necessary to enable cheap credit lines, which would create easy access to fresh capital that will be used both for the modernization of outdated equipment and for the expansion of production capacities, i.e. for the cultivation of larger areas .

 In addition to the opportunities for development, threats to tobacco production are also present. The first and biggest threat is that, after Macedonia's entry into the European Union, we are expected to receive reduced production quotas, imposed by the need to comply with the existing CAP (Common Agricultural Policy) which does not foresee the existence of direct payments for tobacco producers, but payments after area or rural development payments. This kind of agrarian policy at this moment corresponds very little to our agrarian policy. The next threat is the danger of reducing the participation of oriental types of tobacco in modern blend cigarettes, as well as the increasingly frequent use of electronic tobacco products. A third threat is the danger of increasing taxes in order to fill the budgets of the countries due to the existing crisis, and thus an increase in the price of cigarettes, as well as the increasingly present aggressive campaign against smoking. Today, tobacco is considered a great threat to people's health and, against it, i.e. against smoking, very aggressive measures are proposed. The decline in smoking is beginning to affect the demand for tobacco and the quantities of tobacco produced in Europe and around the world. The drop in the price of tobacco at the world level, the use of obsolete equipment, as well as globalization, the monopolization of the tobacco market and the market of tobacco products (cigarettes) by a small number of companies, are the dangers that further threaten this species. production. However, the greatest responsibility should be borne by the Government, during the pre-accession negotiations for entry into the European Union, because without the provision of respective quotas for tobacco production, all efforts would be in vain.

For greater visibility and clarity of the previously mentioned weaknesses and strengths, as well as opportunities and threats for tobacco production in Macedonia, they are shown in the attachment with the help of graphic displays.

 This delineation of all aspects and opportunities for the development of tobacco production, through the use of SWOT analysis, gives good results in terms of taking future measures and steps. The application of this analysis in practice proves to be very effective, in every area. Its history begins in 1960, at the Stanford Research Institute in America, where Albert S. Humphrey and his team created a matrix for identifying and analyzing the strengths and weaknesses, opportunities and threats of a company. The main goal was to increase awareness of the factors that contribute to making a decision or establishing a strategy. Initially, the matrix was named SOFT (Satisfactory, Opportunity, Fault, Threat), so that later the renaming to SWOT proved to be more reliable for use in the various departments in the organization, but also to be applied personally for oneself, for self-knowledge, for making a decision and achieving the intended goal. Before starting the application, of course, the most important thing is to define the goal and devise a way or a strategy how to start to reach its achievement.

 In short, the SWOT analysis is an acronym for Strengths, Weaknesses, Opportunities, Threats (strengths, weaknesses, opportunities, threats), where the first two listed characteristics are internal factors, and the remaining two are external factors. With the help of this analysis or matrix, it is much easier to make a decision about the next steps that we plan and it creates a visual representation of the current moment in which we are. This type of analysis, although it is mostly intended and used in companies and has a very important role, can be very simply applied in the management of self-development.

**Conclusion**

The research and analysis done through the SWOT method for comparing the weaknesses, advantages, opportunities and threats, specifically in the sphere of tobacco production in Macedonia, indicates that in order to achieve greater efficiency and effectiveness in production and create conditions for prosperity in the future, emphasis should be placed on the following parameters:

- Perception and understanding of modern world achievements in the field of management and organization of tobacco production;

– Continuous improvement of processes based on objective measurements and analyses;

- Creation of results in the course of work, through expressed motivation and satisfaction during work, which result, first of all, from proper management;

- Taking care of the continuous improvement of the overall quality in the operation;

– Establishing a system for monitoring the achievement of set goals through monitoring, data analysis, internal checks, etc.

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