

SWOT Analysis of the Tobacco Industry in the Republic of North Macedonia

Katerina Kareska

University St. Kliment Ohridski – Bitola, Scientific tobacco Institute – Prilep, Republic of North Macedonia

e-mail: katekareska@gmail.com ; katerina.kareska@uklo.edu.mk

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Abstract – This research aims to conduct a comprehensive SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis of the tobacco industry in the Republic of North Macedonia. The purpose of this study is to assess the internal and external factors influencing the industry's current status and potential future developments.

Through a combination of qualitative and quantitative research methods, including literature review, data analysis, and expert interviews, this analysis provides valuable insights into the key aspects of the tobacco industry in the country.

The results of the SWOT analysis indicate several significant findings. In terms of strengths, the Republic of North Macedonia has a long-standing tradition and expertise in tobacco cultivation, contributing to a well-established market and profitability for farmers. However, weaknesses are identified, including the increasing health concerns associated with smoking and the environmental impact of tobacco cultivation. The industry is also subject to various regulations, posing challenges for farmers and industry players.

Opportunities exist for diversification, with the potential to explore alternative crops or sustainable tobacco production methods. Additionally, emerging markets present growth opportunities for the industry, particularly in developing countries. However, threats such as anti-tobacco regulations, declining tobacco consumption due to health awareness, market competition from substitutes, and social stigma pose challenges for the industry's future prospects.

This SWOT analysis provides valuable insights for industry stakeholders, policymakers, and researchers interested in understanding the dynamics of the tobacco industry in the Republic of North Macedonia. The findings highlight the need for sustainable practices, product innovation, and strategic adaptations to navigate the changing landscape of the tobacco industry in a responsible and profitable manner.

Keywords – SWOT Analysis , Tobacco, Tobacco Industry, Strategy, Agricultural Strategy

I. INTRODUCTION

The tobacco industry in the Republic of North Macedonia has long been a prominent sector with significant economic, social and political

implications. Understanding the internal strengths, weaknesses, as well as the external opportunities and threats (SWOT) that shape the industry is critical for stakeholders, policy makers and researchers. This introduction aims to provide an overview of the SWOT analysis conducted for the

tobacco industry in the Republic of North Macedonia, highlighting its importance in assessing the current state and future prospects of the sector.

The SWOT analysis serves as a strategic tool that examines the internal and external factors affecting the tobacco industry in the specific context of the Republic of North Macedonia. By identifying the industry's strengths, weaknesses, opportunities and threats, this analysis offers valuable insights into challenges and potential avenues for growth and development.

The strengths of the tobacco industry in the Republic of North Macedonia lie in its rich historical heritage and expertise in tobacco cultivation. Generations of farmers have honed their skills in producing high-quality tobacco, leading to a well-established market presence and strong reputation for certain tobacco varieties. In addition, the industry has provided significant employment opportunities, especially in rural areas, contributing to the socio-economic standing of the country.

But the tobacco industry also faces various weaknesses that need to be addressed. Health concerns related to smoking and increasing global awareness of the harmful effects of tobacco consumption pose challenges to the sustainability of the industry. Compliance with evolving national and international regulations adds further complexity, requiring adaptation to changing market dynamics and changing consumer preferences.

Identifying and capitalizing on external opportunities is critical to the growth and sustainability of the tobacco industry. The Republic of North Macedonia has access to developing markets, both at home and abroad, where tobacco consumption remains relatively high. Exploring these markets and diversifying product offerings can allow the industry to tap into new revenue streams and expand its customer base. Furthermore, increasing demand for tobacco alternatives and innovations, such as smokeless tobacco or tobacco-derived products for industrial use, presents opportunities for strategic market positioning and differentiation.

Despite the industry's strengths and opportunities, it also faces external threats that require attention. Increasing anti-tobacco regulations and measures aimed at reducing smoking rates present significant

challenges. These regulations may include stricter restrictions on advertising, packaging regulations and public health campaigns. In addition, the tobacco industry competes with alternative products and substitutes, such as electronic cigarettes or cannabis, which can affect market share and profitability.

By conducting a thorough SWOT analysis of the tobacco industry in the Republic of North Macedonia, policy makers, industry stakeholders and researchers can gain significant insights into the industry's current state and future prospects. This analysis provides a basis for strategic decision-making, enabling the development of tailored policies, market strategies and initiatives that balance economic considerations, public health objectives and sustainable development.

Understanding the internal strengths, weaknesses, as well as external opportunities and threats of the tobacco industry in the Republic of North Macedonia is essential for the future roadmap of the industry. SWOT analysis serves as a valuable tool for assessing the current state of the industry, identifying challenges and opportunities, and informing strategic decision-making processes. By leveraging its strengths, addressing weaknesses, capitalizing on opportunities and mitigating threats, the tobacco industry can adapt and thrive in an ever-changing landscape, contributing to the socioeconomic development of the Republic of North Macedonia.

II. MATERIALS AND METHOD

A comprehensive review of relevant literature on the tobacco industry in the Republic of North Macedonia was made. Taking into account the problem being processed, data obtained from regular statistical surveys conducted by the State Statistics Office, annual accounts from the Central Registry, and data from the Ministry of Agriculture, Forestry and Water Management, for the period from 2015 to 2021, were used.

From the above data sources, relevant knowledge will be obtained about the areas under tobacco, the average yields, the total production of tobacco in the Republic of North Macedonia, as well as the value indicators for the exported and imported tobacco.

Also, within one calendar year (2021), 20 semi-structured interviews were conducted on the territory of the Republic of North Macedonia with key stakeholders in the tobacco industry, including farmers, industry representatives, policy makers and experts. These interviews aimed to gather insights, perspectives and first-hand experiences related to the industry's strengths, weaknesses, opportunities and threats.

The studies are mainly based on secondary sources of data, and the set goal is dictated by several methods: method of indices, comparative inductive, deductive and other mathematical-statistical methods characteristic of agro-economic research.

III. RESULTS

FRAMEWORK FOR SWOT ANALYSIS:

Identification of strengths: data collected from the literature review and stakeholder interviews were analyzed to identify the internal strengths of the tobacco industry in the Republic of North Macedonia. These strengths included factors such as historical expertise in tobacco farming, market reputation and employment generation.

Identification of Weaknesses: The data analysis also focused on identifying internal weaknesses in the industry. This covered areas such as the health problems associated with smoking, regulatory compliance and the environmental impacts of tobacco farming.

Identification of opportunities: The data analysis examined the external factors that represent opportunities for the tobacco industry in North Macedonia. This included research into emerging markets, product diversification and innovative tobacco-related products or alternatives.

Identification of Threats: External threats to the industry were identified based on the data analysis. These threats include anti-tobacco regulations,

declining trends in tobacco consumption, market competition from substitutes, and social stigma associated with tobacco production and consumption.

The results of the SWOT analysis are categorized and presented in a clear and concise manner. This includes summarizing the key strengths, weaknesses, opportunities and threats identified in the tobacco industry in the Republic of North Macedonia. Findings are interpreted and discussed, highlighting implications for industry, potential strategies to address weaknesses and threats, and recommendations for exploiting strengths and opportunities. The materials and methods listed above were used to conduct the SWOT analysis of the tobacco industry in the Republic of North Macedonia. A combination of literature review, stakeholder interviews, thematic analysis and comparative analysis provided a comprehensive understanding of the industry's internal and external factors, enabling an informed assessment of its current state and future prospects.

Planted areas and Tobacco Growers

Analyzing the planted areas with tobacco and the number of producers for the specified period (2015-2021), from table no. 1 the first thing that is noticed is that there are visible oscillations in the planted areas and that they are decreasing in the last three years. At the same time, it is noticed that the number of producers is also decreasing. In the analyzed period, the average planted area is 16,260 ha, which is the closest to the area planted in 2016. An average of 21,989 producers were engaged in tobacco production, regardless of the fact that the continuous decrease in the number of producers from year to year is visible.

If we look at the producers, the average planted area per producer is 0.75 ha, which is close to the average area per producer in 2018.

Table 1. Planted areas and Tobacco Growers

Harvest	planted area in ha	Number of manufacturers	Average area per producer, ha
2015	16.128	24.234	0.67
2016	16.379	23.438	0.70
2017	15.961	23.373	0.68
2018	16.582	23.426	0.71
2019	16.719	20.997	0.80
2020	16.592	19.702	0.84
2021	15.457	18.752	0.82
Average	16.260	21.989	0.75

The socio-economic importance of tobacco in R. North Macedonia

The tobacco industry has been playing a significant socio-economic role in the Republic of North Macedonia for several decades. The cultivation, production and trade of tobacco are intertwined with the country's history, culture and economy. The aim is to highlight the socio-economic importance of tobacco in the Republic of North Macedonia, examining its contribution to employment, export earnings, rural development and state revenues.

Growing tobacco is deeply rooted in the agricultural traditions of North Macedonia, with a long historical expertise in tobacco production. It provides a reliable source of income for farmers, especially in rural areas where alternative economic opportunities are limited. The labor-intensive nature of tobacco cultivation has contributed to employment generation, offering job opportunities to farmers, farm workers and individuals involved in the tobacco value chain, including processing, production and trade.

The tobacco industry is the main contributor to North Macedonia's export earnings. Tobacco and tobacco products consistently account for a significant portion of the country's total exports. Demand for Macedonian tobacco in international markets, especially for its high-quality oriental tobacco varieties, has provided valuable foreign exchange earnings and contributed to the trade balance.

In addition to its direct economic impact, tobacco production has played a role in rural development. The concentration of tobacco cultivation in certain regions led to the development of rural infrastructure, including roads, irrigation systems and warehouses. This facilitated agricultural

activities not only related to tobacco, but also benefited other crops and agricultural practices in those regions. The tobacco industry has contributed to the economic viability of rural communities, helping to maintain population levels and prevent rural-urban migration.

The government of the Republic of North Macedonia achieved significant income from the tobacco sector through taxes and duties. These revenues contributed to public finances and the financing of basic services such as health, education and infrastructure development. However, it is important to note that the government's tobacco-related fiscal policies were also influenced by international tobacco control obligations and public health considerations. While we recognize the socio-economic importance of tobacco in the Republic of North Macedonia, it is important to recognize the global context that is developing around tobacco consumption and control measures. Public health concerns, changing consumer preferences and increasing regulatory frameworks present challenges and opportunities for the tobacco industry. It is crucial to strike a balance between economic considerations, public health goals and sustainable development in shaping the future of the tobacco sector in the Republic of North Macedonia. The tobacco industry has a major impact on the socio-economic climate of the country. From its contribution to employment, export earnings and rural development to its role in income generation.

PRODUCTION AND YIELD OF TOBACCO

In the production and yield of tobacco in the analyzed period, oscillations are visible both in the total production and in the received kg/ha. The highest production was recorded in 2019 of 26,234

tons, and the lowest two years earlier when it was 22,885 tons. The same year (2017) is the lowest yield in kg/ha (1,434 kg), and the highest in 2020 and 2021. The average production is 24,970 tons, and the average yield is 1,536 kg/ha. If in 2019 26,234 tons were obtained from 16,719 ha planted,

and 25,547 tons were obtained from 16,582 ha planted in the previous year, we will conclude that in 2019 the planted areas increased by 0.83% compared to the previous year, and production increased by 0.97%.

Table 2 Tobacco production and yield

year	Tobacco production and yield	
	total, in tons	kg, per hectare
2015	24 . 237	1 . 503
2016	25 . 443	1 . 554
2017	22 . 885	1 . 434
2018	25 . 547	1 . 541
2019	26 . 234	1 . 573
2020	26 . 112	1 . 574
2021	24 . 329	1 . 574
Average	24 . 970	1 . 536

BUYING AND AVERAGE SELLING PRICE OF TOBACCO

As a result of tobacco production, it is purchased. From the attached data in table 3, there are oscillations in the purchased quantities and therefore the average quantity of purchased tobacco is 24,167 tons. The average purchase price in the analyzed period moves with a slight increase, so that in 2020 there will be a noticeable drop and in the following year there will be a slight

increase again. In 2019, when the largest amount of tobacco was purchased (26,234 tons), the highest average purchase price per kilogram was reached (Den 219.89). The average purchase price for the seven-year analyzed period is approximately 199 den. MKD per kilogram of tobacco, which is the closest to the average purchase price in the last year. In table 3 also shows the values of the purchased tobacco, where it is noted that the average value of the purchased tobacco is 4,811,810.41 MKD or 89,248.51 USD.

Table 3 Purchase and average purchase price of tobacco

year	Purchase and average purchase price of tobacco		Total value (000)	
	Realized purchase of tobacco in total, in tons	Average purchase price (den. MKD/kg)	den. MKD	USD \$
2015	18.910	184,5	3.488.895,00	61.816,00
2016	25.152	196,82	4.950.416,64	85.190,44
2017	22.885	217,6	4.979.776,00	97.527,93
2018	25.547	214,21	5.472.422,87	102.269,16
2019	26.234	219,89	5.768.594,26	105.323,98
2020	26.112	158,78	4.146.063,36	82.821,88
2021	24.329	200,44	4.876.504,76	89.790,18
Average	24.167	198,89	4.811.810,41	89.248,51

Tobacco production results not only in processing, but also in exports and imports. Like other tobacco producers, our country also exports part of the annual production, making a profit. For its needs, our country needs to import certain quantities of unprocessed tobacco. The attached table no. 4 shows the export and import of the Republic of North Macedonia for the ten-year period (2012-2021). Revenues and expenditures from exported and imported quantities of unprocessed tobacco are also shown, in US dollars.

From the tabular display, it can be observed that both in export and import, there is an increase and decrease in exported and imported quantities, as well as a decrease and increase in prices per ton/quantity. In the analyzed period, Macedonia exported an average of 24,907 tons at an average price of USD 5,318 per ton. Comparatively, exports in 2021 compared to 2012 grew by 19.5%. An average inflow of USD 132,132,275 was realized from exports. The highest export in the ten-year period was achieved in 2016, when it

amounted to 27,692 tons, and the highest price per ton was achieved in 2020 and was 6,053 US dollars. When it comes to imports, Macedonia has a downward trend. For example, if in 2012 5,356 tons were imported, in 2021 2,299 tons were imported, which represents a decrease of 57%. The largest quantities of unprocessed tobacco were imported in 2016 (5,945 tons), and the highest import price of US\$4,804 per ton was paid in 2020. In the end, the conclusion is that during the period of analysis, the Republic of North Macedonia had much higher exports than imports or 6 times higher exports than imports.

It should also be emphasized that the Macedonian government has taken steps to support the tobacco industry, including subsidies for farmers and investment in research and development. The tobacco industry also faces a number of challenges, including declining demand for tobacco products in some markets and increasing competition from other tobacco-producing countries.

Table. 4 Export-import of tobacco in the Republic of North Macedonia from tariff number 2401

year	EXPORT			IMPORT		
	Quantity in tons	Export price in US \$ /ton	value in US \$	Quantity in tons	Import price in US \$ /ton	value in US \$
2012	22.954	5.286	121.339.862	5.356	4.325	23.163.185
2013	25.864	5.925	153.244.833	5.437	3.846	20.910.151
2014	23.996	5.329	127.875.709	3.010	3.408	10.257.623
2015	22.775	4.209	95.855.989	2.998	4.154	12.453.689
2016	27.692	4.265	118.119.734	5.945	3.863	22.963.886
2017	27.622	5.160	142.531.331	4.803	3.942	18.934.611
2018	23.327	5.908	137.816.042	4.703	4.594	21.606.459
2019	24.898	5.758	143.366.634	3.663	4.193	15.359.772
2020	22.511	6.053	136.252.966	1.872	4.804	8.993.395
2021	27.431	5.283	144.919.653	2.299	5.133	11.800.081
Total	249.070	53.176	1.321.322.753	40.086	42.261	166.442.852
Average	24.907	5.318	132.132.275	4.009	4.226	16.644.285

Source: <https://comtradeplus.un.org/>

Although tobacco production is an important part of the Macedonian economy, there are concerns about the health risks associated with tobacco use and the environmental impact of tobacco cultivation. Some stakeholders are calling for more sustainable and environmentally friendly agricultural practices and efforts to promote

alternatives to tobacco cultivation, but despite this tobacco remains the number one industrial crop in the RS territory. Macedonia.

According to the National strategy for agriculture and rural development for the period 2014-2020 and the 5-year program for the development of agriculture and rural development, measures and

policies have been adopted for the development of the tobacco sector, which should be in accordance with the policy of the Common Agricultural Policy in the EU as:

-Regulation (EU) no. 1307/2013 of the European Parliament and the Council of 17 December 2013 establishing rules for direct payments to farmers within the framework of support schemes within the framework of the common agricultural policy,

-Regulation (EU) no. 1308/2013 of the European Parliament and the Council of December 17, 2013 on the establishment of a common organization of agricultural product markets,

- Regulation (EU) no. 1305/2013 of the European Parliament and the Council of December 17, 2013 on the support of rural development by the European Agricultural Fund for Rural Development (EAFRD). So, it can be concluded that the Republic of North Macedonia is aimed at realizing:

1. measures and activities to increase the efficiency of the tobacco sector;
2. measures and activities for sustainable development of the tobacco sector;
3. measures and steps for adaptation of the tobacco sector of the Republic of Macedonia with the Good Agricultural Policy of the European Union (GAP)

In terms of increasing the efficiency of the tobacco sector as a leading direction towards the realization of the goals of the strategy, the need to support balanced and sustainable development and support for the formation of producers' organizations is imposed. The measures related to Support for balanced and sustainable development of all tobacco regions are:

- Application of integrated measures for the production of tobacco and tobacco seedlings
 - procurement of protective equipment (to protect seedlings and tobacco from pests and weeds),
 - procurement of irrigation equipment and drip systems,
 - training of young tobacco producers,
 - legal and natural persons for procurement of modern equipment, equipment for irrigation of tobacco in the field.

- Support for the production of tobacco seedlings through purchasing enterprises intended for individual tobacco producers;

- Support for conducting studies and research on the possibility of tobacco production as a renewable source of bioenergy for heat production,

- Support for the formation of producers' organizations for the joint production of seedlings
 - investments in the application of common production practices for compliance with standards,

- procurement of common equipment for the production of seedlings,

- Support for the establishment of producer organizations for the joint use of tobacco dryers,

- Support for the establishment of producers' organizations for integrated tobacco production,

- formation of an organization of producers for joint procurement of pesticides, fertilizers, joint use of machines, soil analysis,

- Economic association of legal and natural persons for carrying out agricultural activity for integrated tobacco production and,

- introduction of common practices for the production of integrated tobacco production,

- Support of production of tobacco seedlings and cultivation of oriental tobacco in tall greenhouses - basic conditions for cultivation,

Regarding the measures and activities related to the sustainable development of the tobacco sector, the following will be implemented:

- measures and sub-measures to be implemented to achieve the strategic objectives of supporting the income of agricultural farms and farms supported by the state engaged in tobacco production

- payments for performing agricultural activity in areas with limited opportunities for agricultural activity,

- support of collective investments,
 - support for modernization and/or restructuring of agricultural holdings,

- support for the construction of wells and microdams (reservoirs),

- support of operational groups

- measures and activities that should be implemented in order to achieve the strategic goals for balanced sustainable development of tobacco production through environmental protection, introduction of "good agricultural practice", efficient use of natural and other resources and economic development.

- Specific minimum conditions for "Good agricultural practice" and soil protection,

- special minimum conditions for agricultural practice and water protection,

- Special minimum conditions for "Good agricultural practice" in plant protection,

- Agroecological aid for tobacco production,

- support for soil improvement,

- Support for protecting the soil from erosion,

- Support for introducing agricultural production with higher quality standards,

- Sustainable use of agricultural land,

- application of prescribed standards in the field of environmental protection,

- Measures and activities to increase competitiveness and maintain the traditional reputation of the tobacco market and they include:

- Financial support for demonstration-production trials among producers with newly created tobacco varieties,

- participation in international gatherings of tobacco associations,

- publication of scientific articles on Macedonian tobacco in renowned world tobacco magazines, etc.

Regarding the measures and steps for adapting the tobacco sector of the Republic of North Macedonia to the Common Agricultural Policy of the European Union, they are aimed at achieving the strategic goal of supporting the income of tobacco farms through the following two approaches:

- Approach 1 – Additional national direct payments as a percentage of the financial envelope for direct payments, supplementing the percentage for the respective year with national principles from 30% to 100%. The state can, on the basis of objective criteria and upon authorization by the

European Commission, determine the amounts of national participations and

- Approach 2- The European Commission authorizes the new member state to supplement the percentage for the given year with additional national payments up to 100% of the size of the financial package.

From what has already been stated, it can be concluded that agriculture today, especially tobacco production, faces significant challenges in response to a rapidly changing global agribusiness environment. Tobacco is the most profitable agricultural crop of all agricultural and industrial crops in the Republic of North Macedonia, taking into account yield, purchase prices, subsidies and regulated market. But taking into account the intention of North Macedonia to be a part of the EU, it is necessary to prepare tobacco farms, to comply with all measures and activities in accordance with European directives.

SWOT ANALYSIS OF THE TOBACCO INDUSTRY IN THE REPUBLIC OF NORTH MACEDONIA

Conducting a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis provides valuable insights into the internal and external factors affecting the industry. This analysis aims to assess the current state and future prospects of the tobacco industry in North Macedonia.

Strengths:

- Historical expertise: North Macedonia has a long-standing tradition and expertise in tobacco cultivation, resulting in the production of high-quality tobacco.
- Well-established market: The country has a well-established market presence for its tobacco products, with a reputation for certain varieties of tobacco.
- Profitability: Tobacco production can be financially profitable for farmers due to its high market value.
- Employment generation: The tobacco industry provides employment opportunities, especially in rural areas, contributing to the livelihood of farmers and agricultural workers.
- Expertise and knowledge: In regions with a long history of tobacco cultivation, farmers

may possess valuable expertise and knowledge of tobacco cultivation techniques.

- Export potential: North Macedonia's tobacco exports contribute significantly to its total export earnings, generating valuable foreign exchange.

Weaknesses:

- Health concerns: The tobacco industry is facing increasing health problems related to smoking, leading to a decrease in tobacco consumption and an increase in public health regulations.
- Regulatory compliance: Compliance with national and international regulations, including packaging requirements, advertising restrictions and health warnings, presents challenges for the industry.
- Dependence on regulations: Tobacco production is heavily regulated, and compliance with various regulations can be a challenge for farmers.
- Vulnerability to price fluctuations: Tobacco prices can be volatile, and farmers can face financial challenges during periods of low prices or market disruptions.
- Environmental Impact: Growing tobacco requires significant amounts of water, pesticides and other inputs, leading to potential environmental degradation and sustainability challenges.
- Dependence on tobacco: The industry's heavy reliance on tobacco as a primary agricultural crop makes it vulnerable to market fluctuations and changing consumer preferences.

Features:

- Emerging markets: There are opportunities to tap into emerging markets where tobacco consumption is still growing, especially in developing countries.
- Diversification: Farmers can explore diversification opportunities by growing alternative crops or switching to sustainable tobacco production methods.

- Sustainable practices: Embracing sustainable agriculture and environmental practices can improve the industry's reputation and attract environmentally conscious consumers.
- Investments: through the use of domestic and EU funds.
- Application of GAP (good agricultural practices).
- Production and product innovations: The development of technologies and their application in innovative ways related to tobacco, contribute to the care of changing consumer preferences and regulations.

Threats:

- Anti-tobacco regulations: Governments around the world are implementing stricter regulations on tobacco products, including advertising bans, graphic health warnings and increased taxes, which are affecting demand and profitability.
- Reducing tobacco consumption: Increasing awareness of the health risks associated with smoking is leading to a reduction in tobacco consumption in many countries.
- Market competition: The tobacco industry faces competition from alternative products and substitutes, such as e-cigarettes, vaping devices and cannabis.
- Social stigma: The tobacco industry is subject to social and ethical challenges due to concerns about the health problems associated with smoking and the impact on communities and workers.

It is important to note that SWOT analysis can vary depending on the specific context, region and market dynamics of tobacco production. For a more accurate assessment, a thorough analysis tailored to the specific circumstances is recommended.

Conclusion:

The SWOT analysis of the tobacco industry in the Republic of North Macedonia highlights its internal strengths, weaknesses, as well as external opportunities and threats. While the industry has a long-standing tradition and expertise in tobacco cultivation, it faces challenges related to health concerns, regulatory compliance, and environmental impact. However, opportunities exist in emerging markets, product diversification, sustainable practices, and product innovation. Threats such as anti-tobacco regulations, declining consumption trends, market competition, and social stigma require strategic considerations. By leveraging strengths, addressing weaknesses, capitalizing on opportunities, and mitigating threats, the tobacco industry in North Macedonia can navigate the evolving landscape and work towards sustainable growth and responsible practices.

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