

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Abstract of Bachelor Thesis

Nurbek Zhaanbaev

Supervisor: Ing. Tomáš Maier, Ph.D.

© 2015 CULS Prague

TOBACCO INDUSTRY ANALYSIS IN KYRGYZ REPUBLIC

Summary

This bachelor thesis is focused on analysis of tobacco industry. Theoretical part introduces the cigarette industry followed by a general economic and tobacco production characteristics in the Kyrgyz Republic and around the world. The thesis deals with tobacco industry problems, description and seeking the ways for solving. Thereafter the thesis analyzes the industry structure and researches the reasons for solving the problems. The practical part is focused on analysis and evaluation of the production and distribution, examines on the real companies data. There is used questionnaire to the LLC “Imperial Tobacco” which gives data for analytical part of the thesis. Final part is concentrated on formulation of the ways for restoration, development, and attracting foreign direct investment in the tobacco industry of the Kyrgyz Republic.

Key words: Tobacco production, Kyrgyzská Republika, distribution, analysis, factors, and development.

Introduction

Tobacco industry of the Kyrgyz Republic in the aggregate represents one of the major branches of agriculture sector. The significance of the tobacco industry in the economy is determined by its high specific gravity in the production of gross and food processing industry of the Kyrgyz Republic.

In the Kyrgyz Republic tobacco is grown in Osh, Jalal-Abad and Batken regions. The main areas of plantations in the country occupies with aromatic sort of tobacco "Djubek 4407".

Soil and climatic conditions allow to grow high-quality tobacco, provides high palatability, which competes with other types of tobacco and enjoys a certain demand in the CIS markets, as a result of long-term cultivation of tobacco in Osh, Jalal-Abad and Batken regions of the country there is ability to form a powerful industrial and agricultural infrastructure. Because of this, at the moment Republic has a great potential of qualified manpower, capable for providing high-quality cultivation and primary processing of tobacco.

The transition to a market economy and the ongoing reforms in the whole Kyrgyz Republic and in its agricultural sector has led to many social and economic changes. Eliminated state ownership of land, rural producers privately own about 80% of arable land. Land market development creates conditions for the improvement of land tenure and land use has established a mixed economy, which is represented by farms, collective agricultural enterprises and others. Formed a new structure of the agricultural sector combining private, collective and state forms of management. Changes in agriculture contribute to the development of private initiative and rural business, revitalization and growth of agricultural production. Kyrgyzstan is an agricultural country, agriculture and its industry remains essential in ensuring food security of the country and employment. The role of the agricultural sector, especially the processing industry must constantly increase, this is most important for the southern regions of the country - Batken, Jalal-Abad and Osh, where the share of the agricultural sector accounted for 40.4% of the gross agricultural production of the country. It is known that the southern regions of the country are the main producers of export-oriented technical crops such as cotton, tobacco, unique fruit, melons, horticulture and viticulture. They have the opportunity to significantly increase the volume of livestock and become major producers of grains, vegetables and other agricultural products.

Objectives of thesis

The main aim of this bachelor thesis is to understand the current situation of tobacco industry in the Kyrgyz Republic and the influence of the “Imperial Tobacco” LLC to the market. Not only analyze the market position and influence of the case company, but also provide the possible solutions to its problems as well as to determine the potential of the company. In order to achieve the aim of the thesis following objectives could be reached:

- The first is to analyze trends of tobacco in the world and in the Kyrgyz Republic.
- The second objective is to analyze the current status of Tobacco Industry in Kyrgyz Republic, and evaluate the distribution of concrete tobacco products in example of company “Imperial Tobacco” in the Kyrgyzstan.
- The third objective of the thesis was to determine the market share of

companies in the industry. Due to limited production sales information of the main tobacco companies in Kyrgyz Republic and their privacy policy, it was unable to provide complete market share analysis of the industry. Based on the Interview the researcher tries to provide general overview of market shares of the biggest tobacco companies in the industry.

- The last objective is to formulate the probable solutions, which will help to develop the Tobacco Industry.

Methodology

Qualitative and quantitative methods were chosen to conduct the research for purposes of this bachelor thesis. To follow one of the objectives of thesis, interview and questionnaire was used.

- Interview - a great deal of qualitative material comes from talking with people whether it could be through formal interviews or casual conversations. If interviews are going to tap into the depths of reality of the situation and discover subjects' meanings and understandings, it is essential for the researcher.

- Questionnaire – the method was used to collect the empirical data from the distributor of “Imperial Tobacco”. One of the advantages of this method is that it can be done in distance, without personal present.

- SWOT analysis - is an extremely useful tool for understanding and decision-making for all sorts of situations in business and organizations. In thesis this analysis will be used in order to get a clear assessment of the forces and the situation on the tobacco market

- PEST analysis - is an acronym for Political, Economic, Social and Technological. This analysis is used to assess these four external factors in relation to your business situation.

Basically, a PEST analysis helps you determine how these factors will affect the performance and activities of your business in the long-term.

- Porter Five - rather old and well-known model to determine the attractiveness of the current industry to the company. You can use it to identify potential dangers and challenges that will face us.

Conclusion

The main objective of the thesis research was to investigate the current situation of tobacco industry in the Kyrgyz Republic, to find out the role of "Imperial Tobacco" LLC in the market and the trend behavior of tobacco distribution based on the analysis of the case company.

In the theoretical part the researcher tried to analyze trends of tobacco in the world and in the Kyrgyz Republic, which shows that the global cigarette industry is one of the most profitable industries in the world, which can be observed by increasing values and increasing number of consumers.

The second objective shows that according to the analyzed data, the tobacco production is very promising and perspective area, but there is a lack of clearly identified national strategy to support domestic producers, which operates in the territory of the Kyrgyz Republic. A case company "Imperial Tobacco" who shares 18% of tobacco market in Kyrgyzstan has all the features to increase the volumes of tobacco sales, but now there is problems with products distribution. Considered statistical and corporate data from the company of the last 3 years have shown a slight regression of product distribution and sales. By SWOT and PEST analysis researcher tried to show a case company's current market position, potential and direction of the business in tobacco industry. Based on the interview the same issue have been observed in other leading companies. The main reasons of this problem are affected by inflation, political, economic instability of the country and significant increase of taxes.

Previously formulated by researcher the probable specific steps and measures, which implementation will help to reconstruct and improve the situation in tobacco industry in the Kyrgyz Republic.

Finally, many unsolved problems was accumulated for 20 years, invited a lot of development and reconstruction programs from the state authorities and by private sector, but at the moment none of them has yielded significant results to improve the industry. We possess all resources and capacity to change the situation, now it is important to have patience and to elaborate the management system to follow them.

References

1. Musakozhoev Sh. M. The concept of development of the real sector of the economy of the Kyrgyz Republic // Economics and Statistics. Bishkek, 1999, № 2.
2. Dicker G.L., Kuznetsov V.S. Manufacture of tobacco products. M.: Food prom, 1971. - 178 p.
3. Alymkulov K. Gusev K.B., Musakozhoev Sh. Urgent measures to improve the health of the economy of the Kyrgyz Republic // Economics and Statistics. Bishkek, 1999, № 3.
4. Alymkulov K. Gusev K.B., Musakozhoev Sh. Urgent measures to improve the health of the economy of the Kyrgyz Republic // Economics and Statistics. Bishkek, 1999, № 3.
5. Alymkulov K. Gusev K.B., Musakozhoev Sh. Urgent measures to improve the health of the economy of the Kyrgyz Republic // Economics and Statistics. Bishkek, 1999, № 3.
6. Vissarionov A. Features of state regulation of the economy in transition // Problems of the theory and practice of management. 1996, №4.
- 7.<http://stat.kg/images/stories/docs/tematika/sns/National%20accounts%20public.2008-2012.pdf>
8. http://mineconom.gov.kg/images/projects/files/66_1359996531.pdf
- 9.<http://stat.kg/images/stories/docs/tematika/sns/National%20accounts%20public.2008-2012.pdf>