الجمهورية اللبنانية
مكتب وزير الدولة لشؤون التنمية الإدارية
مركز مشاريع ودراسات القطاع العام

Republic of Lebanon
Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)

EXECUTIVE SUMMARY

1. EXECUTIVE SUMMARY

This document presents the deliverable of Task 5.1.2.: "Audit" prepared according to the proposal for Restructuring the Regie. The purpose of the audit being "to assess the present market size and position, and determine the strengths and weaknesses of Regie". For maximum consistency, every effort was made in order to present the audit assessment (section 3.) in accordance with Exhibit 1: "Audit" of the proposal.

In pursuing the objectives of this particular task, the study team started by identifying official bodies within the Regie for the anticipated need for support, guidance, relevant information, and other sources of information. **Table (1.1) presents the Main Official Bodies Interviewed.**

The Audit process began by studying all identifiable and accessible documentation on the Regie. The study team soon realised that while most of the submitted information was directly usable, more data gathering had to be done via direct contact and interviews with selected Regie executives within the various departments. **Table (1.2) presents the Official Documents and Sources Used for the Audit Process.**

Within the overall objectives of the study, focusing on the specific purpose of the Audit task, a thorough review of the Regie was carried out under the following main headings:

- Legal Audit
- Market Audit
- Technical Audit
- Management Audit
- Human Resources Audit
- Financial Audit

As such, the audit assessment covers the evolution of the legal status of the Regie, its present market size and position, its management performance, human resources qualities, and its recent performance in the main financial areas.

The major reasons for the delay in delivering this report include:

- Approval for the release of certain requested information had to be given by such high authorities as the Minister of Finance.

- Data received from the various departments and sources within the Regie needed multi-level validations, and structuring it into tabulated formats underwent up to eight iterations in the process of ensuring maximum accuracy. Initial analysis of the financial data, which is based on unaudited statements, revealed that further consolidation is needed to ensure optimum accuracy as input for the forthcoming financial modelling.

- The extending need to conduct external research and macro agronomic fact finding in an environment where such resources are severely under-funded.

Upon perpetuation of the delay in receiving requested information, a project management decision was taken (on October 21, 1996) to deliver a first draft of the Audit Interim Report by November 1, 1996. Gaps in the audit assessment presented in this report are highlighted in the relevant parts which are yet to be completed before this report can be of optimum benefit for subsequent tasks and phases of the project.

TABLE (1.1)

MAIN OFFICIAL BODIES INTERVIEWED

DATE OF INTERVIEW	NAME (S) OF PERSONNEL INTERVIEWED	POSITION	SITE NAME and LOCATION	SITE FUNCTION
May 30, 1996	Mr. Kamal Atrissi Mr. Ali Srour Mr. Khalil Ghawi Mr. Joseph Aoun Mr. Antoine Madi Mr. Samir Nasser Mr. Ibrahim Jamati Mr. Michel Awad Mr. Shirbil Hajj Mr. Ghazi Mrad	Coordination Manager Inspection Manager EDP Manager Head of Dist and Sales Dept Head of PR Dept Head of Store Dept Head of Production Dept Foreman Maintenance Engineer Head of Exploitation Dept	Regie Hadath (Beirut)	Headquarter -Cigarette Manufacture - Wholesale Distribution - Storage
June 22, 1996	Mr. Abdel Mawla Mawla	Head of Saadiyat Center	Saadiyat (South)	Laboratory
June 22, 1996	Mr. Ali Srour	Regional Manager of the South	Ghazieh (South)	Sorting and Storage of Tobacco
June 22, 1996	Mr. Ali Hajj Mohammed	Head of Storing Dept	Nabatieh (South Region)	Storage of Tobacco
June 25, 1996	Mr. Naim Sarroufim Mr. Antoine Samaha Mr. Elias Abu Haydar Mr. Joseph Abu Elias	Head of Technical Dept Inspection Manager Store Keeper Head of Storing Dept	Bekfaya (North Region)	Sorting and Storage of Tobacco and Tombac
June 25, 1996	Mr. Assaf Bassil Mr. Salim Shedid	Head of Storing Dept. Head of Adm. Division	Batroun (North Region)	Storage of Tobacco
June 25, 1996	Mr. Mahmoud Sanjakdar	Regional Manager of the North	Tripoli (North Region)	Sorting and Manufacture of Tombac
June 25, 1996	Mr. Adnan Ajam	Head of Kfarsaroun Center	Kfarsaroun (North Region)	Laboratory

TABLE (1.1) CONT'D

MAIN OFFICIAL BODIES INTERVIEWED

DATE OF INTERVIEW	NAME (S) OF PERSONNEL INTERVIEWED	POSITION	SITE NAME and LOCATION	SITE FUNCTION
July 4, 1996	Mr. Kamal Atrissi Mr. George Hobeika	Coordination Manager Production Manager	Regie Hadath (Beirut)	Headquarter
July 15, 1996	Mr. Kamal Atrissi	Coordination Manager	Regie	Headquarter
July 24, 1996	Mr. Kamal Atrissi	Coordination Manager	Regie	Headquarter
August 7, 1996	Mr. Kamal Atrissi	Coordination Manager	Regie	Headquarter
August 20, 1996	Mr. Kamal Atrissi	Coordination Manager	Regie	Headquarter
September 24, 1996	Mr. Kamal Atrissi	Coordination Manager	Regie	Headquarter
October 2, 1996	Mr. Kamal Atrissi	Coordination Manager	Regie	Headquarter
October 10, 1996	Mr. Kamal Atrissi	Coordination Manager	Regie	Headquarter
October 15, 1996	Mr. Mahmoud Sanjakdar	Regional Manager of the North	Tripoli (North Region)	Sorting and Manufacture of Tombac
October 18, 1996	Mr. Kamal Atrissi	Coordination Manager	Regie	Headquarter

TABLE (1.2)

OFFICIAL DOCUMENTS AND SOURCES USED FOR THE AUDIT PROCESS

DOCUMENT TYPE	DOCUMENT TITLE	DOCUMENT SOURCE
LEGAL	- Decree No. 151	Official Ghazette
	- Decision No. 1/14753	Minister of Finance
	- Decision No. 1/2381	Minister of Finance
	- Decision No. 1/430	Minister of Finance
	- Decision No. 1/1857	Minister of Finance
	- Decision No. 1/567	Minister of Finance
	- Decision No. 2051 Dated 15/4/95	Minister of Finance
	- Decision No. 2633 Dated 10/6/95	Minister of Finance
	- Decision No. 6478 Dated 18/11/95	Minister of Finance
	- Decision No. 10412 Dated 27/9/1994	Minister of Finance
	- Decision No. 16 L.R. Dated 30/1/1935	Regie
	- Decision No. 1/ 3759 Dated August 20, 1992.	Regie
	- Decision for Regie Top Management Employment	Regie
	- Terms of Reference according to Decision No.16.	Regie
	- Rules concerning the organisation of Tobacco and Tombac cultivation in Lebanon .	Regie
	- Wholesale Distribution Centers Dated 5/7/1995.	Regie
	- Evolution of the Legal Status of Regie	Regie
	-Licenses for Import and Sales of Tobacco and Tombac Products in Lebanon.	Regie
MANAGEMENT& HUMAN RESOURCES	- Samples and forms of Regie Directorates.	Regie
	- Additional compensation for early retirement Dated 2/11/1994	Regie
	- Employment Application form.	
	- Organisation structures	Regie
	- Job Title and No. of Staff	Regie
	- Regie personnel system dated 1979	Regie
	- Performance appraisal system	Regie
	- Total Regie cadre	Regie
	- Administrative order No.29 Dated 16/2/1996	Regie
	- Promotion of employees to Head of Bureau	Regie
	- Regie Personnel Rules and Regulations since 1979	Regie
	- Basic Information on Regie Adminstration	Regie
	- Regie current existing cadre	Regie
	- Performance appraisal report	Regie
	- Job description of Regie staff	Regie
	- Plans and projects of the Regie	Regie
	- Messenger duties and responsibilities.	Regie
		Regie

TABLE (1.2) CONTINUED

MARKET	- List of Local and foreign Brands	Regie
	-The movement of Tombac production process from 1990-1996.	Regie
	- The cultivation of Tobacco in Lebanon	Regie
	- Cigarette Brands and origin.	Regie
	- Market shares from 1991-Present	Regie
	- The final result of Tombac & Tobacco production crop.	Regie
	- Tombac and Tobacco farmers and the cultivated lands.	Regie
	- Information on annual production, exports, sales, etc.	Regie
	- Life cycle of Toabcco	Regie
	- Campaign against Tobacco smuggling	Regie
	- Geographical distribution For Tobacco Cultivation (N/A)	Regie
	- Tombac Crop since 1990 - 1995	Regie
	- Classification of Tombac	Regie
	-Agricultural guidelines for improving Tobacco & Tombac crops.	Regie
	-Guidelines booklet regarding various agricultural operations including Burley Tobacco.	Regie
	-Guidelines booklets regarding the cultivation of Tombac	Regie
FINANCIAL	- Additional Compensation for Early Retirement	Regie
	-Tobacco and Tombac Yield production results for the year 1992/93/94.	Regie
	- Regie Budget from 1976-1994 in LL. & USD.	Regie
	- Payroll expenses from 1994-1/10/1995.	Regie
	- Financial Situation for the year 1995.	Regie
	- Estimated Financial results till the end of October 1995.	Regie
	- Statement of Results till the end of October 1995.	Regie
	- Production report from the year 1968-1995.	Regie
	- Sales Status from 1/1/1995 till 1/11/1995.	Regie
	-Balance sheet & financial statement year ended December 31, 1992.	Regie
	-Balance sheet & financial statement year ended December 31, 1993/94.	Regie
	- Cost of subsidies of Tobacco and Tombac crop	Regie
	-Evolution of Tobacco and tombac cultivation and production during the last sixty years.	Regie
	-The current situation of imported cigarettes sales from 1992 - till October 1995.	Regie
	-The financial results for production from 1985- till the end of 1994.	Regie
	- Advanced payments to Regie	Regie
	- Land and buildings: areas and values.	Regie
	- Non audited balance sheet up to 31/12/1995	Regie
	- Salaries and wages of Regie staff.	Regie
	- Identification of price list.	Regie
	- Tranfer of Funds from Regie to Treasury for the years 1992/3/5	Regie

TECHNICAL	-Revival of equipment related to segmentation of Tombac leaf -Project for manufacturing local cigarettes with a complete technical study - Letter No. 399 Minister of Financial Affairs - Chain of general preparation - Hadath factory -Terms of reference related to the stages of preparing and packaging of tombac for Tripoli factory	Regie Regie Regie Regie Regie

BACKGROUND

2. Background

2.1. Agricultural Status

Research Findings

An investigation of the agricultural degradation of Lebanon confirms the absence or at best the narrow approach the Lebanese government has adopted towards the agricultural sector. For example, comparing production levels and the contribution of the agricultural sector to the whole economy between the pre-1960s and the 1990s, we can clearly notice that the country has transformed from a net exporter to a net importer of food crops. The fruits, vegetables, silk, **tobacco**, and olive oil industries, once symbols of the country's agricultural reputation, have witnessed sharp declines. Today, the country can barely meet 30% of its food needs. It has often reverted to buying cereal items through aid programs because it could not afford to acquire them through the international market price. The agricultural sector is so poorly managed that it contributes only 10% of the gross national product, down from 60% five decades ago.

As for the environmental toll, it is not much better. Whatever is left of the shallow soil is eroding at an alarming rate. Starting with farmers' practices, or rather malpractice's, of the land management (from over-grazing to the application of dangerous chemicals, to over-fishing), combined with the lack of governmental regulations, Lebanon is guaranteed to lose its topsoil within two generations. Urban expansion and the open rape of the forest (which today covers less than five percent of Lebanon, down from 25 percent just 15 years ago), has additionally taken its toll on prime agricultural land. This environmental abuse is affecting underground water replenishment, the little surviving wildlife, air quality, and the overall health condition of the population.

On the economic front, the agricultural sector is still struggling. Marketing channels have been disrupted due to the Lebanese Civil War (1975-1990) and are facing tough competition from regional producers. Agricultural land is either too expensive to own or lease, or is unsuitable for cultivation without large amounts of capital investment to reclaim it. Food prices are so high for the consumers that they drain up to 70 percent of their personal incomes. At the same time, high food prices do not benefit farmers as much as the middlemen. Agricultural credit is barely available, and conventional banks operate on high interest, making it practically impossible for farmers to invest in long term projects.

Long-term planning is lacking, consistency is non-existent, and policies change with every incoming administration. Ministers of agriculture are usually appointed according to their religious background and social status, instead of their qualifications and wisdom in understanding the complexity of the agricultural challenges. The Agricultural Ministry is conventionally known as the "forgotten administration" and receives the "leftovers" of the State Budget. The allocation to the Agricultural Ministry has traditionally averaged

0.64% of the state budget, although the agricultural sector contributes more than 11% of the country's GNP, and positively contributes to the trade balance.

Government corruption exists from the lowest to the highest ranking official. It is manifested by officials taking bribes and giving preferential treatment to one village over the other. The only consistency in agricultural policy during the past fifty years has been the constant abuse of power, corruption, irresponsibility and exploitation of the farmer. As of today, the majority of land reclamation and other projects have been paid for by private citizens, but their humble efforts are far behind the available natural resources, and are way beyond their financial capabilities.

Today, many barren fields and thousands of trees await cultivating, pruning, or picking, but the farmers have either migrated, emigrated, or are too frightened to come back. The crisis has contributed to the brain drain among the educated and to the financial drain among the investors. Today, Lebanon is in chaos with a corrupt bureaucracy and an alienated population searching for any means of short-term survival.

The facts are clear. Lebanon has become a net importer of food. It has lost its agricultural industry, its rural population is migrating, and agricultural labor costs are high. Incomes are low, while food is unaffordable. Soil, forests, water, and wildlife are depleting rapidly, and a corrupt leadership is not held accountable for its policies.

The Assessment by the UNDP

According to the 1994 UNDP *Development Cooperation for Lebanon* report concerning the agricultural sector, "... its rehabilitation and development are made difficult by the absence of a coherent agricultural strategy, absence of clear policies, and of commitment to implement or enforce them, and lack of capacity to develop and manage programs. According to the private Lebanese Centre for Agricultural Research and Studies (CREAL), Lebanon's agriculture is in tatters due to official neglect and a flood of produce and worker from neighbouring Syria."

According to the 1995 UNDP *Development Cooperation for Lebanon* report, "The agricultural sector has been in perennial crisis due to the absence of a strategy and a long-term development programme, the marginalisation of capacity of the agricultural administration, marketing problems, and the absence of agricultural finance. The latter constitutes the basis for modernising the productive assets of the sector. The private sector remains hesitant to commit resources to agriculture in view of the relatively high risk and because of systematic subsidisation which conflicts with the profit motive. The country's competitive position in agriculture can be redressed from the moment a decision is taken to develop a strong agriculture and the necessary means are made available for research, development and marketing."

According to the same report, activity in the agricultural and industrial sectors remained subdued, not withstanding the good performance of exports and the significant increase of bank loans to these sectors (up by 30% in 1995). Both sectors are dominated by traditional enterprises, which are badly under-capitalized and are in need of restructuring and modernising their productive apparatus.

The Assessment of the Lebanese Chamber of Industry and Commerce (LCIC)

The following excerpts outline the major findings of the 1995 annual report (not published when this report went to print) regarding the agricultural sector in general:

- The current output from agricultural activities contributes to less than 10% of the GNP.

- Self-sufficiency regarding agricultural produce has been dropping drastically. Lebanon today imports more than 70% of consumer demand on cereals and meats/ poultry, and more than 75% on foodstuffs.

- Lebanese fresh fruit exports slumped to 164,456 tons in 1995 after reaching 370,934 tons in 1973.

- In 1995, the export value of agricultural produce and processed foodstuffs was around USD145m contributing 17.54% of the total export value, while the import value for the same categories of products was around USD1,402m reaching 10 folds by comparison to the export value.

- Only 65,000 hectares of the potentially fertile 300,000 hectares of land is supported by modern artificial means of irrigation that makes it suitable for modern intensive farming, while the rest of farming areas depend on rainfall irrigation.

- Forest land has receded to around 7% of the total Lebanese territory. The high population density (around 400 per square kilometer), has caused further degradation to the natural environment due to the ever expanding residential and grazing areas, in addition to the damage caused by negligent or pre-meditated fires.

- The rising cost of agricultural production due to the cessation of government subsidy for seeds and fertilizers as well as the rising labor cost, contributes to lessening the economic feasibility of farming to the extent of rendering it uncompetitive regionally.

- There has been limited government action to remedy this situation, primarily manifested in the allocation of only 2% of the national budget for the Ministry of Agriculture, 80% of which is allocated for salaries. Government sponsored agricultural projects supported by various international bodies lack collaboration, integration and working within pre-defined priorities and a focused political framework for agricultural development at the national level.

- The Ministry of Agriculture endeavors to provide advice on best farming practices in addition to supplying fertilizers and pesticides to farmers. The Ministry has also issued an Agricultural Calendar to protect the interests of the farmers and domestic crops.

- Action has been taken to promote local produce to international markets. Agreements have been recently signed for exporting potatoes, grapes, citrus fruits and apples to Jordan, and citrus fruits to Syria, while Libya will be importing Lebanese apples.

- Lebanese agricultural produce is currently being subjected to quality inspection in terms of trading conditions, standards and packaging.

- Import of tropical fruits is subjected to licensing regulations, and tax on these commodities has been raised to 100%.

- The Council of Ministers has approved the commissioning mandate of the Agricultural Development Bank with a capital of 30,000,000,000 LL. The Ministry of Agriculture aims to secure 80% of the finances from the private sector.

- The Ministry of Agriculture, through the Council for Development and Reconstruction, endeavors to secure finances for irrigation projects from the World Bank for Agricultural Development and the Arab Organisation for Agricultural Development.

- The Lebanese Parliament has authorised the Lebanese Government to sign an agreement for a loan from the World Bank for Agricultural Development for the modernisation and rehabilitation of the irrigation sector. The loan amount is around 9,920,000 USD, while the total cost of the project is 57,000,000 USD. The project will benefit some 33,000 farming family, and will cover an area of 17,500 hectares of land, and will be implemented within 5 years.

Agricultural pricing policies have succeeded in reactivating agricultural output and encouraged the return of farmers to their land.

Initiation of the Agricultural Survey Project

According to a report published in Al-Nahar newspaper on October 4, 1995, the initial stage of the Agricultural Survey Project had just been launched, after a period of 35 year long absence of agricultural statistics. This work will be a collaboration between national and foreign experts spanning over a period of 3 years, and is financed by the World Bank, the Lebanese government and the Food & Agriculture Organisation (FAO). It is worth noting that output of official agricultural statistics have ceased since 1974 and that the latest comprehensive available figures date back to 1970. As a result of the long civil war and the unanticipated changes it imposed on the socio-economic structure, the informative value of existing agricultural statistics has vanished altogether. This lack of government statistics on agricultural, and all other kinds of economic activities, profess a huge gap in terms of the need for information support for socio-economic planning in Lebanon in the post civil war era; the unavailability of reliable statistics remains to be the main impediment to any socio-economic planning.

2.2. Industrial Status

Prior to the civil war (1975 - 1990), Lebanon was viewed by neighbouring Arab and Gulf states as the leading Arab exporter in terms of quality and variety of manufactured goods in addition to agricultural produce and commercial services. According to economic analysts, maintaining this position was largely due to the continuation of the traditionally open market economy. Successive governments were always receptive of new ideas in support of social progress and economic growth. The positive response in this respect is evident through the related legislations, which in its structure and form, is comparable to legislations in developed countries.

According to the 1994 UNDP *Development Cooperation for Lebanon* report, an issue of major importance concerns the privatisation of public services, which could be seen as a major step towards the reconstruction of the devastated infrastructure and the operation of rehabilitated public services. The government took an important initiative in this respect when it considered and approved in February 1994 a draft bill to create mixed companies of public and private capital for managing public utilities.

According to the 1995 UNDP *Development Cooperation for Lebanon* report, the industrial sector which provides 140,000 jobs is also seriously hindered in its development by, among others, lack of adequate financing. In 1995, 431 factories were established, a little more than in earlier years (but 700 closed down); these factories employed 3,450 workers and had a cumulative capital of USD60m. Imports of industrial machinery decreased slightly in the past few years. The adoption of a strategy for industrial development focusing on the promotion of industries where Lebanon has a comparative advantage and of a supporting programme, is very much required.

According to the same report, private sector organisations repeatedly called for privatisation of public infrastructure and public services. It was argued that the rehabilitation and operation of the public utilities can be delegated to the private sector under agreed arrangements and under strict supervision according to clear policies for pricing and marketing services. The private sector, both in the country and abroad, has big financial capabilities, a considerable human potential and high technical abilities. The government has continued preparatory activities towards restructuring of public services with a view to reviewing the status and/or management and operational arrangements.

To give a quick overview of the current level of industrialization in Lebanon, the Ministry of Industry and Petroleum's Report of Industrial Census ascertains that the Lebanese industry is a recent one. Out of the 23,518 Lebanese industrial enterprises (satisfying the criteria of at least one machine, one worker, one material input and a finished product), only 12% have been established before the seventies. The years 1990 to mid-1994 saw a rise of 7,000 industrial units, of which 1,808 (25.8%) were established in the first half year of 1994.

The production infrastructure is outmoded and enfeebled by the damages caused by the civil war. Productivity has dropped due to lack of skilled labor and out-of-date production equipment and techniques.

There is no adoption of, nor existence for, a national industrial policy, perhaps because there is a serious lack of statistical and other information, such as on exports and new markets. The absence of industrial zones and reliable public services discourages new and heavy industrial investments.

The Industrial Census of the Ministry of Industry and Petroleum indicates that the following measures have been taken:

- Some new industrial investments have been exempted from tax payments, according to criteria such as the type of industry, the zone location and the investment amount.

- Locally manufactured products have received customs protection (from 8 to 10% for staple products, and from 18% to 40% for the others), and occasionally some export subsidies, in addition to custom duty exemptions on manufacturing equipment, spare parts and raw material.

- Special credit institutions, such as *BANQUE DU CREDIT AGRICOL, INDUSTRIEL ET FONCIER* (BCAIF) and *BANQUE NATIONALE/ POUR LE DÉVELOPPEMENT DE L'INDUSTRIE ET DU TRAVAIL* (BNDIT) have been founded to give out loans at discounted interest rates and with favorable terms.

- Energy resources prices have been subsidized.

- Preferential treatment has been given out to the Lebanese industry on government projects.

- A professional training policy has been adopted through the establishment of technical and professional training.

- Industrial exports are being promoted through trade agreements signed with the Arab countries and the European Union.

All the reports and articles reviewed in the course of this study have made recommendations for reviving the industrial sector in Lebanon. They include:

- The Lebanese government must adopt an industrial strategy, promote small and medium scale industries, and encourage niche industries. Furthermore, an industrial information system and promotion programme must be implemented and the main service institutions such as the Industrial Research Institute and the Lebanese Standards Institute (LIBNOR) rehabilitated. As the General Directorate of Industry of the Ministry of Industry and Petroleum is well on its way to conclude its final stage of the industrial census, the gathered information could be of main service to establishing an industrial information system. Moreover, the information will help formulating and adopting the appropriate industrial policy for Lebanon. The government could then play an effective role in guiding potential investors as to what industries they should invest in and provide them with all the needed statistics and information.

- Local universities and industries should cooperate in order to align the university research with the industrial needs. A starting point for the collaboration would be the establishment of intelligent manufacturing centers in the universities with members from the regional industries.

- While governmental awareness programmes should be developed to create new jobs for workers replaced by automation, the educational system and training programmes must take into account the progressive transformation of employment structures and the related changes in the required skills for the existing industries and the new ones that will be created.

- Investors and industrialists must be made aware of the great benefits they can draw from automation and intelligent control. This entails the training of the labour force on the new technology and its re-direction towards more engaging jobs. This industrial automation must be accompanied with the relevant organisational changes and production strategies that new and high technologies impose.

- Long-term planning of local industries must be prioritised over short-term quick money making plans.

- Lebanon, being a developing nation, must customise the available manufacturing technologies to meet its local needs and constraints. It should not try to blindly implement the system that developed countries are following. Instead, investors and industrialists must take into consideration the local conditions, market size, labor relations, degree of skills, logistical systems, and available financial and monetary institutions.

- The restructuring of the industrial sector must be achieved with other sectors and take into consideration the interests of the community and the consumers. A comprehensive industrial policy should be formulated with other ministries and included in a global development programme.

2.3. Status of the Public Administration

The National Administrative Rehabilitation Programme (NARP) was initiated in 1994 to restore minimum working conditions and the management capacity required to restart basic public services and to prepare the ground for administrative reforms. The programme is meant to be implemented over a three to five year period. According to the 1995 UNDP *Development Cooperation for Lebanon* report, the preliminary NARP appraisal, which was completed in March 1995, encompassed:

- Six (6) core administrative institutions
- Twenty-four (24) line ministries
- Twelve (12) autonomous agencies

The results of this appraisal led to a total requirement for $106.3m which encompassed;

- Computerisation and acquisition of basic equipment (44%)
- Training (19%)
- Advisory services ((37%)

The office of the Minister of State for Administrative Reform understands the need for constant updating to account for:

- A sectorial and cross-departmental programming approach
- A coordinated appraisal of sector institutions requirements
- An on-going review of the mandates and attributions of all public institutions and,
- A rising demand for better and more efficient public services.

However, in an interview published in Al-Safeer newspaper on October 21, 1996, the Minister of State for Administrative Reforms blamed the prevailing sectarian policy of the government and the adverse role of the politicians, for impeding the implementation of the administrative reforms. He reaffirmed that administrative reforms can not be attained in Lebanon before a political decision is made and endorsed to support such reforms, sighting that there should be a political reform that is conducive to the objectives of the intended administrative reforms. He also articulated that politicians insist on interfering in every minute detail in the management of public services, thus hammering the basis of righteous and fair management, and diverting the loyalty of employees to outside the public service, aiming to exploit their ministerial positions for personal ends.

2.4. Status of the Government Information Infrastructure

In the aftermath of the devastating 15-year civil war (1975-1990), Lebanon's re-construction, development and rehabilitation programmes are hindered by the obsolescence of government statistics. However, the Central Administration of Statistics with support from UNDP and other donors published annual statistics for the years 1992 and 1993 and initiated the publication of the monthly bulletin of statistics early in 1995; it also initiated field work towards the re-establishment of the national statistical frame. Still, funding bodies are reluctant to release finances already agreed for certain projects due to the inadequacy of firm planning information. While foreign investors continue to eye Lebanon as having the ideal socio-economic complexion for good cash returns, the unavailability of basic macro-economic data presents a serious impediment to conducting feasibility studies. The following is a selection of the observations made by potential investors:

- Lack of a base supporting service and integral environment that helps the industry.
- No government guidance or information for investors on what to invest their money and how.
- Lack of information on market needs.
- The nonexistence of a harmonised form for commercial trade and socio-economic data capture, resulting in the difficulty of consolidating related statistics from various sources.
- When an industrial information system becomes active, the government could then define and present its objectives clearly, and allocate resources effectively, leading to a more attractive arena for international investors.

2.5. The State of the Lebanese Tobacco Farming and Industry

Overview of Tobacco Cultivation and Manufacture in Lebanon

Tobacco has been cultivated in Lebanon since the days of Al-Amir Fakhr El-Dine Al-Ma'ni in the beginning of the 17th century. It was in the year 1625 that the plant of tobacco was introduced in Lebanon by the "Inkshariyah" armies (Ottoman Army) who were fighting the Persians. This plant was known as the Arabian Tobacco. Later on, Turkish tobacco seeds (From the Turkish states : 'Samson', 'Bafra', and 'Izmir') entered Lebanon.

The tobacco industry in Lebanon fits the monopolistic model. Before the monopolistic model, tobacco cultivation was subject to two different agricultural systems, namely the free cultivation system in the 'Mutassarifiah' of Mount of Lebanon, and the Ottoman "Regie" system in the state of Beirut. Nevertheless, the practical distribution of licenses for cultivating tobacco has been done by the present "Regie" system which was established by the French mandate administration. The regulations of tobacco cultivation define conditions necessary to give the farmer the right to cultivate tobacco.

The tombac, another class of *tobaccum*, which is derived from the genus *Retonoid Nicotana*- was brought to Lebanon from Latikia in 1940. In the same year experiments conducted on this class were made in Tamra, Jarmak and Saida. This kind of tombac was known as Abu Jilda or tombac Baladi. Later on, from 1944 to 1948, the Iranian Tombac (Asfahani) currently known as Saadi 33 was introduced in Lebanon. Nowadays, Regie is trying to add some artificial flavor (sauce) in order to exactly match the Iranian Tombac qualities.

The Lebanese tobacco and tombac monopoly "the Regie", is legally endorsed by the monopoly status granted to it by the Lebanese government. Its main business operations are:

- Domestic manufacture and management of Lebanese tobacco and tombac.
- Wholesale distribution of all imported cigarettes and tobacco products.

According to the *Lebanese Chamber of Industry and Commerce (LCIC)* report already referenced:

- Tobacco cultivation achieved a notable growth that surpassed all expectations. **Tobacco and tombac yield recorded the following output (in tons):**

1991	1992	1993	1994	1995
700	1,800	2,700	4,500	8,000

- At the manufacturing level, rehabilitation of all tobacco sorting equipment was completed, and tombac production (in the North of Lebanon) increased from 7 to 30 tons per month.

- At the commercial level, and as a result of the eradication of smuggling, the Regie cash returns included 2,500,000,000LL in Due Fines in 1993, and 1,300,000,000LL, in 1994. Sales volume in 1994 increased by 30% compared to 1992. **At the financial level, Regie's total returns (in Billion LL) were:**

1993	1994	1995
81	123	150

- **In 1995, comparative tobacco and tombac trading recorded the following:**

Trade Category	Import Value (USD)	Export Value (USD)
Trade Total	7,303,061,800	824,000,260
Agricultural Products	1,401,743,106	144,547,462
Tobacco and Tombac	220,813,854	11,926,280
Tobacco and Tombac to Agriculture	15.75%	8.25%
Agriculture to Trade Total	19.19%	17.54%
Tobacco and Tombac to Trade Total	3.02%	1.45%

The importance of the Regie to the Lebanese government is both economic and political. From the economic perspective, the Regie is considered as one of the largest companies in Lebanon. Those who benefit and are related to the Regie are estimated at over 60,000 persons supporting between 400,000 and 500,000 people. Moreover, the business of the Regie is interconnected with the agricultural, industrial, and commercial sectors, making it a vital resource to the Treasury Department. According to Eco News weekly newspaper June 10, 1996. It is estimated that the related government authorities received $100m (in various taxations) from the sale and import of tobacco products in 1995, $41m being earned through stamp duties on imported products (which remains at a high of 25% since July 1995).

From the socio-political perspective the position of the Regie has become more critical. As described in an address on July 27, 1996 to a visiting delegation of Regie employees headed by Mr. Naseef Saqlawi (Regie's Managing Director), Mr. Nabih Berri (President of the Lebanese Parliament) underlined the important role of the Regie by saying: "...80% of our families in the territorial strip (the Israeli Occupied Zone of South Lebanon) would have left, had it not been for the tobacco plant and yourselves ...".

Underlying the strategic objective above, is the government's directives to the Regie concerning the financial support it grants to tobacco and tombac farmers in the form of farming subsidies. This subsidy is aimed at the following objectives:

- To encourage the farmers to stay on their land instead of migrating to the cities.
- To promote the replacement of illicit crops.

As such, the difference between the international market price and the actual purchase price of the tobacco crop is bore by the government in the form of a state subsidy in accordance with its above mentioned two-fold commitment. The eradication of illicit crops cultivation is also supported by the United Nations Drug Control Program fund of $1,178,000, according to the *UNDP's 1994 Development Cooperation Report on Lebanon.*

Tobacco is currently bought from Lebanese growers at the regionally high price of around 8,500LL per kg (over $5 at the average exchange rate in 1996), and exported (after sorting and quality grading) at the average price of $0.65 per kg (around only 1,000LL). Tombac is purchased at the average rates of 4,000LL and 16,000LL per kgm of poor and high quality respectively.

This study was initiated in recognition of the difficulties above, and the inherited problems of outdated technical equipment, and managerial and technical expertise and skills, and in accordance with the overall government strategy to rehabilitate the public service sector through restructuring.

Main sources of the background assessment status include:

- UNDP *Development Cooperation for Lebanon* reports for 1994 and 1995.
- Lebanese Chamber of Industry and Commerce (LCIC) annual report 1995.
- Doueiri, Dani A. H. Towards a Comprehensive Understanding of the Agricultural Policy Question in Lebanon, A Ph.D. Dissertation from the University of California at Los Angeles, 1996.
- Salih, Mohammed. "The Lebanese Regie" of Tobaccos and Tambacs: Current Problems and Recommended Solutions, A Master's Thesis at the American University of Beirut, Beirut, 1990.

MARKET AUDIT

LIST OF MARKET AUDIT TABLES AND FIGURES

3.2.1 BUSINESS ENVIROMENT

3.2.2 MARKET SIZE & SEGMENTATION

3.2.3 SALES & MKT SHARE ANALYSIS

3.2.3-1 MARKET SEGMENTATION OF REGIE PRODUCTS TO IMPORTS 1973-1995

3.2.3-2 REGIE PRODUCTS & IMPORTS OF CIGARETTES BY SUPPLIER

3.2.3-3 REGIE CIGARETTE SUPPLY BY BRAND

3.2.3-4 BAT IMPORTS BY BRAND

3.2.3-5 PM IMPORTS BY BRAND

3.2.3-6 RJR IMPORTS BY BRAND

3.2.3-7 TOMBAC SUPPLY BY BRAND

3.2.4 PRODUCT PRICES & QUALITY

3.2.4-1 REGIE PRODUCTION AND COST

3.2.4-2 REGIE IMPORTED CIGARETTE BRANDS & PRICES BY SUPPLIER

3.2.4-3 RETAIL PRICES & SALES TURNOVER OF IMPORTED CIGARETTES

3.2.4-4 RETAIL PRICES & SALES TURNOVER OF ALL PRODUCTS (1/1/95 - 1/11/95)

3.2.5 DISTRIBUTION SYSTEMS

3.2.5-1 ANNUAL BARTER QUANTITIES & VALUES FOR THE (SA'ADI 6) TOBACCO 1991-1995

3.2.5-2 ANNUAL GROWTH OF LICENSED WHOLESALERS (W/S) AND RETAILERS (R/T)

3.2.5-3 NUMBER OF AGENTS PER MAJOR SUPPLIER & QUANTITIES IMPORTED

3.2.6 MARKET RESOURCES AND SKILLS

3.2.7 TOBACCO CROP EXSISTING SITUATION

3.2.7-1 DEVELOPMENT & GROWTH OF TOBACCO & TOMBAC CULTIVATION (THE NORTH)

3.2.7-2 DEVELOPMENT & GROWTH OF TOBACCO & TOMBAC CULTIVATION (THE BEKAA)

3.2.7-3 DEVELOPMENT & GROWTH OF TOBACCO & TOMBAC CULTIVATION (THE SOUTH)

3.2.7-4 DEVELOPMENT & GROWTH OF TOBACCO & TOMBAC CULTIVATION 1991-1995

3.2.7-5 TOMBAC YIELD BY QUALITY GRADE

3.2.7-6 TOBACCO YIELD BY QUALITY GRADE

3.2.7-7 TOBACCO & TOMBAC PRICES PER QUALITY GRADE

3.2.7-8 PRODUCTIVITY OF TOBACCO & TOMBAC GROWING BY QUALITY GRADE

3.2.7-9 TOTAL SUBSIDY STRUCTURE

3.2. MARKET AUDIT

Proceedings of the Market Audit

1. Identification of Information Sources

Market Audit began by reviewing the project proposal and general Regie literature made available upon project agreement (certain documents being undated).

2. Data Gathering

Thorough analysis of the proposal followed, at the end of which the structure, layout, and content of the assessment, as well as the market audit methodology were agreed on among the task team. Additional sources for data gathering, within the Regie, and relevant information were identified through a series of contacts, site visits and interviews. This was followed by academic literature review (for example, an MBA Thesis by Mr. M. Salih entitled "*The Lebanese Regie" - of Tobaccos and Tambacs: Current Problems and Recommended Solutions*, dated 27 June 1990), and industrial and commercial field inquiries through such institutions as: UNDP, FAO, LCIC, etc....

3. Data Organisation and Tabulation

The next stage involved the design of a set of 45 data tabulation forms, the core instrument for market data analysis and modeling. This was followed by screening available information and identifying missing data, which was rapidly becoming a grave concern for the task team, due to the widening discrepancies between data required for the intended depth of the analysis, and the actually and immediately available data.

4. Data Validation

Further discrepancies began to surface upon receipt of data requested from the different Regie regional sites, departments and/or individuals. This is despite the fact the release of requested information in general and, in particular of numeric data, had to be authorised by the Minister of Finance, the Regie Managing Director, or a delegated high authority within the Regie. *This phenomenon reflects an individualistic and monopolistic style of management, and the non existence of an integrated coherent information systems strategy within the Regie, re-confirming the Minister of State for Administrative Reform's criticism of the public sector institutions.*

Current State of the Market Audit Assessment

The Inception Report of July 18, 1996, includes a sample of the initial set of the data tabulation forms described. Delivered with the Inception Report was a formal request for the information identified as critical to satisfactorily proceed with the data gathering and analysis. Response for this request was minimal. Such requests for information were repeatedly dispatched, but the response came with similar passiveness. The following critical requirements for market analysis remain on the list of requested items (till the time of this report going to print):

- Role and structure of farming co-ops, including geographical distribution

* Pricing and tax policies
* Disposal channels and trends of tobacco and tombac crops by type and quality grade
* Description of distribution channels, means and methods
* Marketing resources and skills
* Tombac sales by brands
* Relative tobacco & tombac farming subsidies in relation to other crops

In the meantime, due to the unavailability of sufficient data (to cover a time series of 10 years) it was decided to limit the time span for the forthcoming data analysis to a five-year period (1991 - 1995). In addition, most of the initial formats underwent up to eight iterations and the original set of 45 table formats would become 36 and subsequently reduced to 23 over a period of 10 weeks. Some of these iterations underwent such radical adaptation that the direction of the intended analysis was greatly reduced from its initial scope. Despite such frustrations, we managed after painstaking adjustments to complete the final 23 tabulations to the highest possible level in the face of the above circumstances.

It is important to note at this stage that the scope, comprehensiveness, accuracy and reliability of the assessment presented to date has yet to be evaluated in consultation with the Regie authorities prior to confirming its usability as the input for demand forecasting and modeling. Data adjustments for this end must take into consideration, among other factors, issues such as:

* Sales figures (in terms of both value and quantity) not reflecting the real demand, due to the unaccounted amounts sold through smuggling activities.
* The rapid and severe devaluation of the Lebanese currency over the time series addressed in the assessment.

3.2.1 BUSINESS ENVIRONMENT AND GOVERNMENT POLICY

The Regie manages its business activities through nine independent entities. **Figure (3.2.1-1)** presents an overview of the **Regie Business Environment**. Relationships with indicated parties: farmers, importers, wholesale agents, and retail agents are governed by associated licensing conditions and regulations described in the Legal Audit section. Processing of applications for the various licenses as well as operating procedures are described in the Management Audit section. Regie's main business operations as legally endorsed by the monopoly status granted by the Lebanese government are:

* Domestic manufacture and management of Lebanese tobacco and tombac.
* Wholesale distribution of all imported cigarettes and tobacco products.

The current political situation in Lebanon has the most powerful influence on the decisions and operations of the Regie. This has resulted, for example, in the frequent imposition on the Regie to purchase, at subsidies prices, the tobacco crop of unlicensed farmers. In addition, an investigative report published in Al-Diyar on October 10, 1996, concerning the tobacco and tombac crop damage compensations in the aftermath of the April 1996 Lebanese-Israeli conflict, revealed the ambiguity of rules, regulation and responsibilities of the various authorities (Ministry of Finance, Ministry of Agriculture, and Council of the South) in relation to the allocation and distribution of tobacco farming resources.

Another problem facing the Regie has been smuggling, which was particularly dominant during the civil war period and until the early 1990s. The smuggled tobacco market during that period was made up of foreign brand cigarettes smuggled into Lebanon mainly from Limassole and Port-Said through the illegal seaports. An Anti-Smuggling Squad (ASS) was instituted within the monopoly decree (16/Ir of January 30, 1935). Subsequent decrees, the latest being no. 1047/1 of January 27, 1994, extended the authority of this squad. This squad was fully equipped to carry out its duties efficiently until 1976, when civil order broke out and the government lost control over its administrative authorities. The responsibility for law and order was lost or overtaken by regional militias. Consequently, the ASS became defunct, and lucrative smuggling networks ruled the tobacco industry and market. As a result, sales of the Regie's monopolised legal activities plunged to a minimal level (reaching near zero levels in 1976, 1979 and 1984) in comparison to its traditional market demand. This situation continued until the last quarter of 1992, when the ASS was partially reassembled (from remaining members). However, the squad was under-manned and under-equipped, and could not deal with the responsibilities of the assigned regions. A request for new recruits was rejected by the governing body, and the administration was forced to resort to the temporary measure of transferring a few daily workers from the Sorting and Manufacturing Department to the ASS. **As a result of its tireless efforts in collaboration with the security forces the ASS have achieved the following results between 1/1/1993- 30/6/1996:**

law suits	836
confiscated tobacco (kgs)	36,415,753
value of fines due ($)	3,916,775
value of paid fines (20% of fines issued) and confiscated material ($)	798,712

Since the curtailing of illegal seaports and the restoration of peace in Lebanon, smuggling has been controlled although not totally eliminated, since new routes and outlets have been active through foreign occupied areas.

Internally, some Regie executives accuse the government of deliberately attempting to deprive the Regie from potential growth in profit margins in order to reflect its inefficiency. Their claim can be better explained through the following malpractice:

- All increases in tobacco and tombac wholesale revenues attained from tax increments go directly to the Ministry of Finance, while the Regie is not authorised to increase wholesale prices to at least maintain previous profit margins. This, Regie executives maintain, is intended to justify to the Minister of Finance to declare that Regie is a non-productive government undertaking, and as such it should be privatised.

- In order to eliminate illicit crops, the government is encouraging Bekaa Valley farmers to switch to tobacco cultivation, not taking into consideration the fact that the Regie is already overstocked with the South and North regions' extra crops, and that tobacco and tombac sales turnover to international companies is negligible compared to what Regie pays in farming subsidies. This implies that the Regie is voluntarily subsidising the cultivation of tobacco that will subsequently be only left to rot in poorly equipped warehouses, or incinerated.

- Due to the government policy aimed at exterminating the cultivation of illicit crops, which obligates the Regie to purchase all tobacco and tombac crop from all Bekaa farmers, the number of these farmers is rapidly increasing while the quality of the yield dropping, since the farmers are assured that their crops will be purchased. The poor quality of the yield is due to the fact that the Bekaa Valley farmers are not used to cultivating tobacco and they lack the necessary experience in this field, especially that the cultivation process itself needs intensive labor. From this viewpoint, Regie has requested the support of the government to conduct a feasibility study regarding the continuation of subsidising the cultivation of tobacco and tombac in the Bekaa. It has been suggested that the Bekaa farmers (especially those who were engaged in cultivating illicit crops) should switch to cultivating wheat that could be totally consumed locally. It was accordingly recommended that these farmers be offered social subsidies over a certain number of years for cultivating wheat.

- The government is neglecting the potential of local cigarette production, although it experienced a considerable period of prosperity prior to the civil war. The number of produced boxes dropped to 3000 boxes per month after being 20,000 per month during the civil war. Orders from Arab and East European countries are ignored due to the lack of investment in the modernisation of manufacturing equipment and machinery. This is in addition to the urgent need to upgrade managerial expertise and technical skills.

FIGURE (3.2.1-1)
REGIE BUSINESS ENVIRONMENT

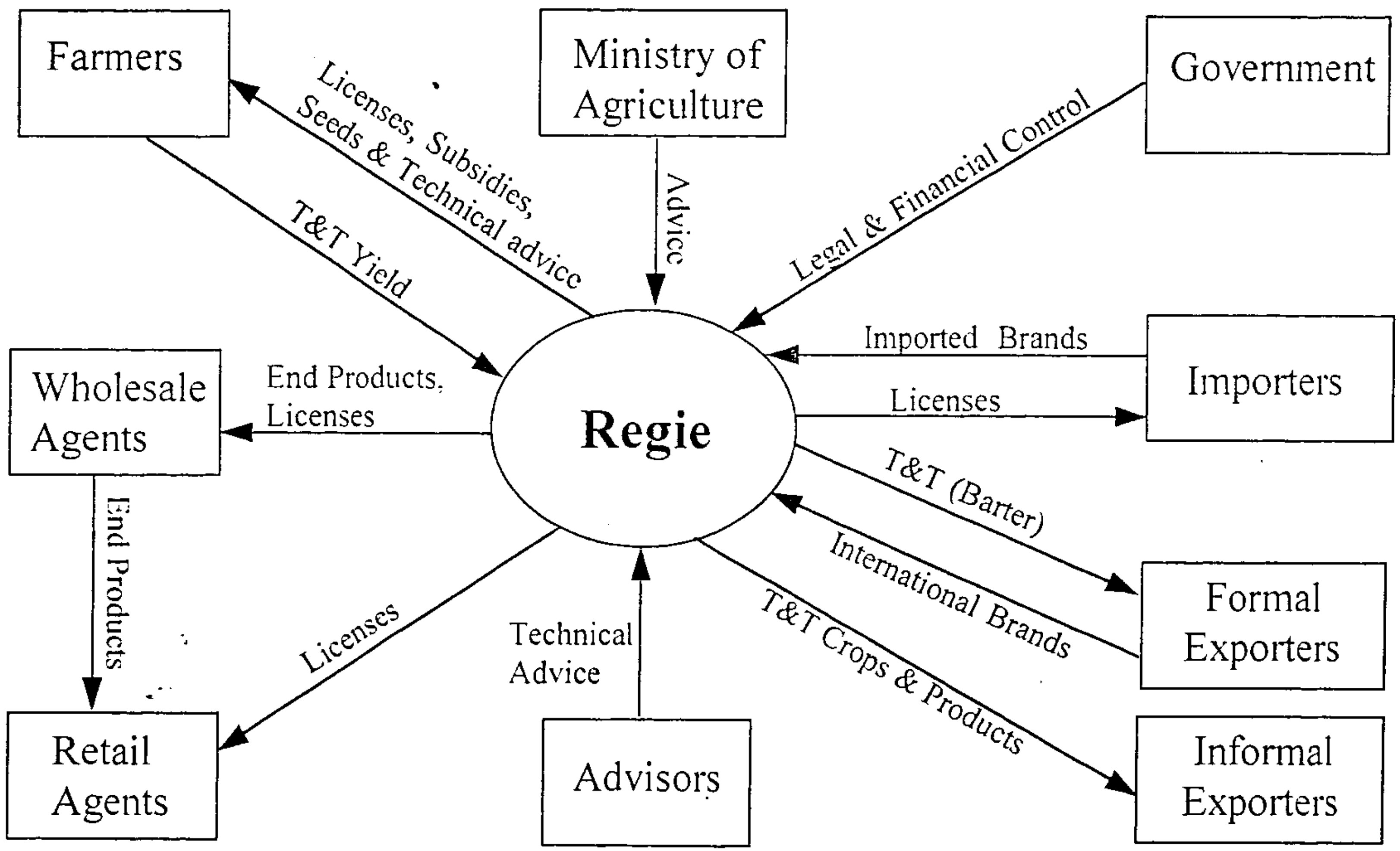
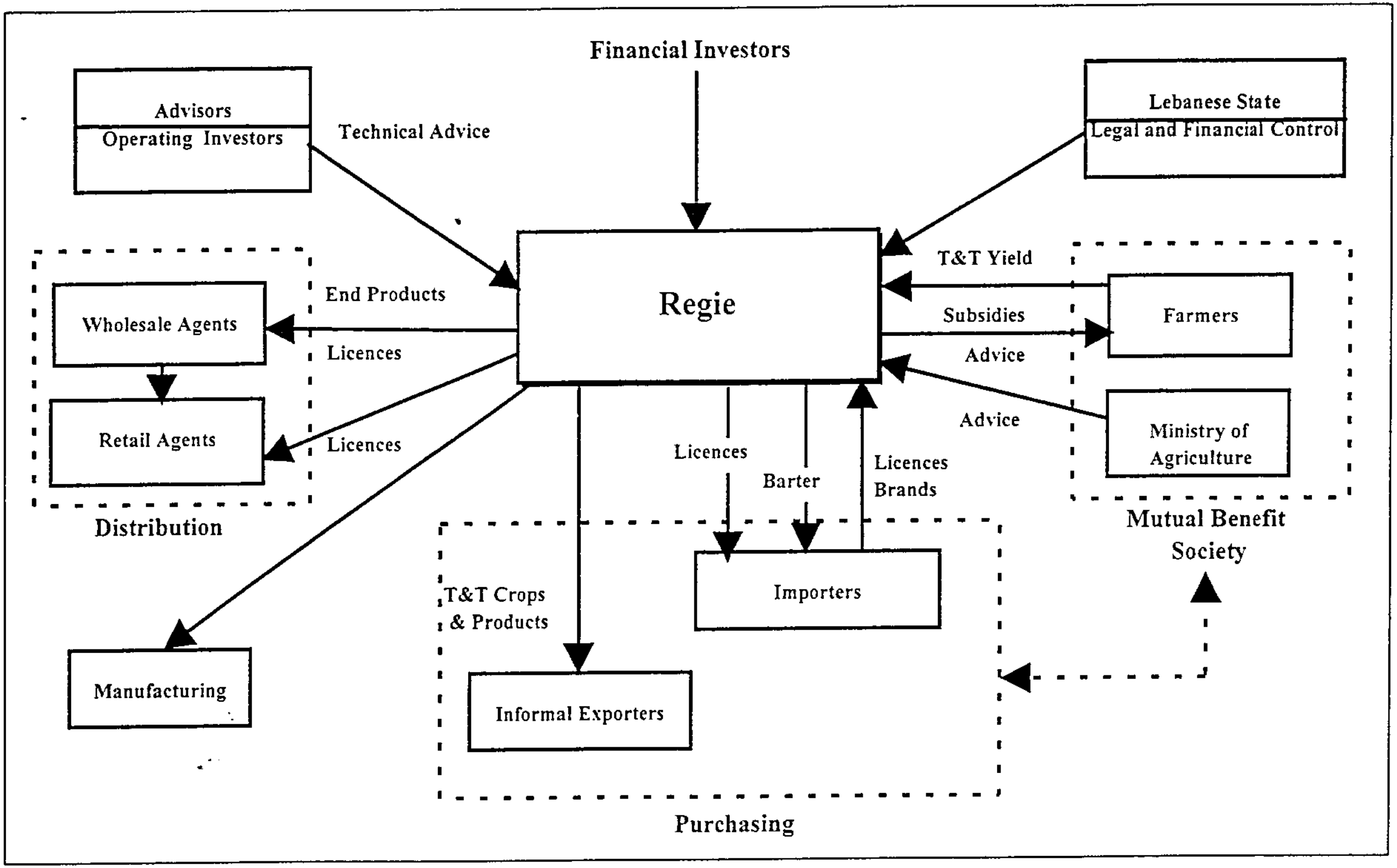


FIGURE 3.2.1-2 REGIE RESTRUCTURING CONTEXT



3.2.2 PRESENT MARKET SIZE AND SEGMENTATION

In terms of its cigarette brand portfolio, the Regie currently holds one brand, namely the CEDARS. The bulk of demand for local cigarette brands is realised in the Bekaa, Southern Lebanon and Akkar, where smokers are less exposed to advertisement of foreign cigarette brands than smokers in other parts of Lebanon.

The capability of the Regie to respond to the local demand on national cigarette brands was hampered by the destruction and theft inflicted on its main production facilities in the Hadath centre during the civil war period (1975 to 1984). This resulted in the absence of national brands form the market for a considerably long period of time which was sufficient enough to make traditional consumers switch to imported brands, and for new consumers to be introduced to these products. **Table (3.2.3-1) presents Market Segmentation of Regie Products to Imports 1973 - 1995.**

3.2.3 SALES AND MARKET SHARE ANALYSIS

Sales of domestic cigarette brands peaked in 1974 accounting for around 41% of total sales. This, according to Regie authorities, was due to the widespread popularity at that time of the CEDARS, the American blend Lebanese cigarette brand introduced in 1974 to compete with MARLBORO and WINSTON. The O.K. brand, which is the Lebanese substitute for KENT launched a few years earlier, was gaining ground in the Lebanese market. It seems possible therefore that if certain brands are manufactured in Lebanon, it may not be difficult to export them.

In the year 1976, sales of local brands were nil, due to the imposed complete stoppage of production caused by the deteriorated security situation. During the period 1977 to 1979, the local brands sales declined rapidly reaching the 9% share of the market in 1979, for the reasons mentioned earlier, giving way to imported or smuggled brands.

Production of local cigarette brands recorded a partial improvement in the period 1980 to 1982 only to plunge again in 1983. From 1984 onwards sales of local brands enjoyed a steady increase fluctuating at around 15% of the market share until 1988 - **refer to Table (3.2.3-1).**

The most important factor that caused the decline of the demand on national cigarette brands during the civil war period was the rapidly flourishing smuggled cigarettes market. Consequently, the impact of the prolonged smuggling activities eroded the demand for Regie products resulting in the rapid decline of Regie's market share in favor to imported alternatives. Hence, Regie's market share to imported products declined to 8.2% in 1991 and further to 1.8% by 1995. **Tables (3.2.3-2) to (3.2.3-7) present Cigarette Market Shares Analysis By Supplier & Brand.**

TABLE (3.2.3-1)
Market Segmentation of Regie Products to Imports 1973-1995

Year	Regie	R % TS	Imports	M % TS	Total	% T
1973	1,103,000	28.71%	2,739,000	71.29%	3,842,000	100.00%
1974	2,301,450	56.81%	1,750,000	43.19%	4,051,450	100.00%
1975	1,584,707	52.87%	1,412,750	47.13%	2,997,457	100.00%
1976	n/a	n/a	n/a	n/a	n/a	n/a
1977	201,292	14.47%	1,189,705	85.53%	1,390,997	100.00%
1978	302,570	13.48%	1,942,429	86.52%	2,244,999	100.00%
1979	209,774	9.50%	1,997,703	90.50%	2,207,477	100.00%
1980	331,647	17.19%	1,597,651	82.81%	1,929,298	100.00%
1981	457,730	12.78%	3,123,692	87.22%	3,581,422	100.00%
1982	326,979	15.82%	1,739,686	84.18%	2,066,665	100.00%
1983	195,114	10.07%	1,742,466	89.93%	1,937,580	100.00%
1984	299,586	12.55%	2,087,556	87.45%	2,387,142	100.00%
1985	302,612	14.38%	1,801,783	85.62%	2,104,395	100.00%
1986	388,892	16.41%	1,980,959	83.59%	2,369,851	100.00%
1987	431,018	15.20%	2,404,631	84.80%	2,835,649	100.00%
1988	536,618	15.44%	2,938,889	84.56%	3,475,507	100.00%
1989	n/a	n/a	n/a	n/a	n/a	n/a
1990	n/a	n/a	n/a	n/a	n/a	n/a
1991	**129,275**	**8.24%**	**1,439,180**	**91.76%**	**1,568,455**	**100.00%**
1992	**89,627**	**5.38%**	**1,576,719**	**94.62%**	**1,666,346**	**100.00%**
1993	**21,411**	**1.57%**	**1,341,259**	**98.43%**	**1,362,670**	**100.00%**
1994	**28,104**	**1.91%**	**1,444,617**	**98.09%**	**1,472,721**	**100.00%**
1995	**27,630**	**1.76%**	**1,539,781**	**98.24%**	**1,567,411**	**100.00%**

NOTE: *1973-1988 FIGURES INCLUDE ALL LOCALLY PRODUCED & IMPORTED PRODUCTS (Kg).*

(Source: AUB,MBA Thesis; ' The Lebanese Regie ' 1990).

1991-1995 FIGURES COVER CIGARETTES ONLY (Source: The Regie)

(Quantity unit in boxes; each box containing 50 Grosspacks; grosspack =10 consumer packets of 20 cigarettes each).

TABLE (3.2.3-2)

REGIE PRODUCTION & IMPORTS OF CIGARETTES BY SUPPLIER

SUPPLIER	1991		1992		1993		1994		1995	
	Qty*	Supply %	Qty *	Supply %	Qty	Supply %	Qty	Supply %	Qty	Supply %
REGIE	129,275	8.20%	89,627	5.40%	21,411	1.60%	28,104	1.90%	27,630	1.80%
BAT	658,567	42.00%	774,943	46.40%	718,734	52.70%	748,960	50.90%	775,789	49.50%
PM	415,729	26.50%	549,286	32.90%	424,477	31.20%	451,776	30.70%	521,802	33.30%
RJR	285,307	18.20%	214,293	12.80%	142,105	10.40%	156,578	10.60%	136,595	8.70%
OTHERS	79,577	5.10%	41,197	2.50%	55,943	4.10%	87,303	5.90%	105,595	6.70%
TOTAL	1,568,455	100%	1,669,346	100%	1,362,670	100%	1,472,721	100%	1,567,411	100%

Note*: Quantities measured by Box each containg 50 Grosspacks; each grosspack containing 10 consumer packets of 20 cigarettes each.

TABLE (3.2.3-3)
REGIE CIGARETTE SUPPLY BY BRAND

BRAND	1991		1992		1993		1994		1995	
	Qty*	Mkt %	Qty	Mkt %	Qty	Mkt %	Qty	Mkt %	Qty	Mkt %
- Cedars	65,809	50.91%	43,233	48.24%	20,027	93.54%	22,452	79.89%	24,327	88.05%
- Byblos	44,166	34.16%	27,082	30.22%	215	1.00%	1,464	5.21%	2,113	7.65%
- OK	19,300	14.93%	18,945	21.14%	819	3.83%	4,188	14.90%	1,190	4.31%
-Supars	0	0.00%	367	0.41%	350	1.63%	0	0.00%	0	0.00%
TOTAL	129,275	100%	89,627	100%	21,411	100%	28,104	100%	27,630	100%

* Note: Quantities measured by Box each containg 50 Grosspacks; each grosspack containing 10 consumer packets of 20 cigarettes each.

TABLE (3.2.3-5)
PM IMPORTS BY BRAND

PRODUCT & BRAND	1991		1992		1993		1994		1995	
	Qty*	Mkt %	Qty	Mkt %	Qty	Mkt %	Qty	Mkt %	Qty	Mkt %
Marlboro Red	101,610	24.44%	194,933	35.49%	232,446	54.76%	337,327	74.67%	417,896	80.09%
Chesterfield	104,231	25.07%	73,178	13.32%	44,011	10.37%	30,642	6.78%	26,303	5.04%
L &M	64,627	15.55%	118,097	21.50%	52,542	12.38%	38,253	8.47%	32,182	6.17%
Marlboro Lights	13,689	3.29%	32,100	5.84%	42,362	9.98%	21,338	4.72%	26,512	5.08%
Merit	12,870	3.10%	15,099	2.75%	8,611	2.03%	14,208	3.14%	9,455	1.81%
Bond Street	118,702	28.55%	112,059	20.40%	38,697	9.12%	9,282	2.05%	8,028	1.54%
Philip Morris	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1,386	0.27%
Lark	0	0.00%	1,650	0.30%	1,689	0.40%	526	0.12%	40	0.01%
Parl.	0	0.00%	2,170	0.40%	3,469	0.82%	0	0.00%	0	0.00%
Congress	0	0.00%	0	0.00%	650	0.15%	200	0.04%	0	0.00%
TOTAL	415,729	100.00%	549,286	100.00%	424,477	100.00%	451,776	100.00%	521,802	100.00%

*Note: Quantities measured by Box each containg 50 Grosspacks: each grosspack containing 10 consumer packets of 20 cigarettes each.

TABLE (3.2.3-6)
RJR IMPORTS BY BRAND

PRODUCT & BRAND	1991		1992		1993		1994		1995	
	Qty*	Mkt %	Qty	Mkt %	Qty	Mkt %	Qty	Mkt %	Qty	Mkt %
Winston	77,468	27.15%	148,191	69.15%	104,399	73.47%	122,137	78.00%	109,591	80.23%
Vantage	8,222	2.88%	6,053	2.82%	7,894	5.56%	9,173	5.86%	9,121	6.68%
Winston Lights	2,938	1.03%	2,363	1.10%	3,844	2.71%	7,279	4.65%	5,396	3.95%
Camel	65,659	23.01%	23,925	11.16%	10,426	7.34%	12,555	8.02%	3,320	2.43%
Monte Carlo	102,880	36.06%	26,223	12.24%	11,239	7.91%	3,894	2.49%	2,799	2.05%
Vantage Lights	0	0.00%	0	0.00%	0	0.00%	0	0.00%	3,964	2.90%
More	500	0.18%	100	0.05%	772	0.54%	1,300	0.83%	1,845	1.35%
Y.S.L	0	0.00%	0	0.00%	180	0.13%	181	0.12%	186	0.14%
Salem	0	0.00%	0	0.00%	136	0.10%	59	0.04%	43	0.03%
Winchester	17,420	6.11%	1,650	0.77%	0	0.00%	0	0.00%	0	0.00%
Magna	0	0.00%	476	0.22%	1,200	0.84%	0	0.00%	225	0.16%
Gold Coast	10,220	3.58%	5,312	2.48%	1,600	1.13%	0	0.00%	0	0.00%
Aspen	0	0.00%	0	0.00%	415	0.29%	0	0.00%	0	0.00%
United	0	0.00%	0	0.00%	0	0.00%	0	0.00%	105	0.08%
Winston Select	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
TOTAL	285,307	100.00%	214,293	100.00%	142,105	100.00%	156,578	100.00%	136,595	100.00%

*Note: Quantities measured by Box each containg 50 Grosspacks; each grosspack containing 10 consumer packets of 20 cigarettes each.

TABLE (3.2.3-7)
TOMBAC SUPPLY BY BRAND

BRAND	Qty Unit	1991		1992		1993		1994		1995	
		Qty	Mkt %	Qty	Mkt %	Qty	Mkt %	Qty	Mkt %	Qty	Mkt %
TOTAL											

Note: This Information has not been made available yet.

3.2.4 PRODUCT PRICES AND QUALITY

Pricing policy regulations are driven by the issuance of government decrees. The last decree being no. 1/3759 issued by the Treasury Department on August 20, 1992. This remains effective to-date. The current practice regarding this policy is for the Minister of Finance to adapt, or update input variables in the pricing formulas as economic circumstances dictate, instead of annually issuing a new decree.

All imported products retail prices are converted into Lebanese Lira according to 2 formulas including the following variables:

First: Imported Products with a Letter of Credit (L/C): 1st Formula

The retail price of one unit (in Lebanese Lira) is given by the following formula:

One Unit Retail Price =
[1.25 x ($ One Box Purchasing Price) +
($ One Box Shipment Expense + 15) x Actual U.S.D. Rate] /
units per box of product (i.e. 500 packs of cigarettes per box).

Or an equivalent

One Unit Retail Price =
[(1.339 x ($ One Box Purchasing Price) +
1.104 x ($ One Box Shipment Expense + 16) x Actual U.S.D Rate] /
units per box of product (i.e. 500 packs of cigarettes per box).

Second: Imported Products Without a Letter of Credit: 2nd Formula

The retail price of one unit (in Lebanese Lira) is given by the following formula:

One Unit Retail Price =
[1.213 x ($ One Box Purchasing Price) +
1.03 x ($ One Box Shipment Expense + 15) x Actual U.S.D Rate] /
units per box of product (i.e. 500 packs of cigarettes per box).

Or an equivalent

One Unit Retail Price =
[1.3 x ($ One Box Purchasing Price) +
1.104 * ($ One Box Shipment Expense + 16) x Actual U.S.D Rate] /
units per box of product (i.e. 500 packs of cigarettes per box).

__In Determining the Input Variables Included in the Above 2 Formulas:__

The input variables used in the above 2 formulas of one pack retail price is given according to the following:

1. The **One Box Purchasing Price** is F.O.B. or F.A.S. basis and is priced in U.S.D and is represented by the letter (P).

2. The **One Box Shipment Expense**, which is represented by the letter (S) is given in the following table. These variables differ from one manufacturing country to another.

Manufacturing Country	**Expense/Ton ($)**	**Expense/Box ($)**
USA	152.35	2.44
Brazil	412.50	6.60
Mexico	305.00	4.88
Uruguay	450.00	7.20
France	99.50	1.60
Holland + Belgium	149.30	2.39
Britain	165.30	2.72
Cyprus	35.00	0.56

3. The **Actual U.S.D. Rate**.

4. The average **weight of One Box** is 16 kg.

5. Number of *Boxes per Ton* is 62.5 boxes.

6. Number of *Boxes per Container of 20 feet* is 450 boxes.

. The *Custom Duty on One Box* is 5% of its declared price using the Custom U.S.D. Rate which is : 800 LL

8. The *Stamp Duty on One Box* is taken by the following formula: 3 per thousand of its declared price using the custom U.S.D. rate which is : 800 LL

9. The *Quayage or Quay Handling Charge* is taken by the following formula: 1% of the declared price **(The used U.S.D rate is 55% of the Actual U.S.D Rate).**

Quayage = 1/100 x (Purchasing Price + Transportation S) x 55/100

which is 0.0055 (P +S)

10. The *Laisser-passer fee* equals the half of quayage fee which is :

0.00275 x (P+S)

11. The, *Loading Expenses* is $ 25 per a container of 20 feet = 25/450 boxes.

12. The *Transportation Fee* between Port of Beirut and Hadath is 14,800LL /Ton.

. The *Banking Expenses* (in U.S.D). for imported cigarettes by L/C is 4.2% of its **Purchase Price.**

. The *Banking Expenses* (in U.S.D) for imported cigarettes without L/C is 0.5% of its **Purchase Price.**

15. The *Insurance* is 0.1215% of the total amount to warehouse (in U.S.D.)

0.1215% x (1.06 x P)= 0.0013 P

(Knowing that 0.6 P is the freight cost to Beirut Sea Port).

16. *Miscellaneous Expenses* per One Box (unexpected) is $ 0.25

17. *Commission*

Wholesaler	: 1.7 %
Licenser	: 5.0 %
Total	: 6.7 % of retail sale price.

. The number 93.3 % of the retail price is the stake of the Regie, while the remaining number 6.7 % is the commission amount.

19. The number 500 represents the number of packs per One Box.

20. The number 1.25 of **One Box Purchasing Price** and the number 1.03 of **One Box Shipment Expense** are derived from the following elements(in U.S.D)

	One Box Basis (in $)	**(in $)**
- Purchasing Price	1.00 P	
- Shipment Expenses	1.00 S	
- Banking Expenses with L/C	0.042 P	
- Insurance	0.0013 P	
-Expenses and Fees incurred in Lebanon		
- Treasury Stamp Duty 3(1000P+S) 800/1800	0.0014 P + 0.0014 S	
- Custom : 5/100(P+S) 800/1800	0.0222 P + 0.0222 S	
- Quayage	0.0055 P + 0.0055 S	
- Laissez-passer Fee	0.00275P + 0.00275 S	
- Loading Expenses		0.056
- Unexpected Expenses 450/1800		0.250
- Transportation (Port to Hadath)* 850*62.5/14800		0.2786
- Administration General Expenses + Administration Taxes and Profits	0.17 P + 15.00	

Total 1.24515 x **P** + 1.03185 x **S** + 15.5846

rounded to (1.25 x **P**) + 1.03 x **S**) + 15)

* The U.S.D rate used in the transportation fee equals 850 LL

21. The number 1.213 of **One Box Purchasing Price** in the 2^{nd} formula is derived from the difference of *Banking Expenses* which is 4.20% - 0.5 = 3.7%

- The Regie has the right to round up the **One Box Purchasing Price** to one dollar when the 2 formulas mentioned are used.

- Every article incompatible and prior to this decree is deemed invalid.

- The Regie must inform the governmental commissioner and take his approval before any change of sale price due to the U.S.D rate fluctuation.

Table (3.2.4-1) presents Regie Production and Cost 1991 - 1995
Table (3.2.4-2) presents Regie Imported Cigarette Brands and Prices by Supplier
Table (3.2.4-3) presents Retail Prices & Sales Turnover of Imported Cigarettes
Table (3.2.4-4) presents Retail Prices & Sales Turnover of all Products (1/1/1995-1/11/1995)

TABLE (3.2.4-1)
REGIE PRODUCTION AND COST

PRODUCT	1991			1992			1993			1994			1995		
& BRAND	QTY	Cost	%	QTY	Cost	%	QTY	Cost	%	QTY	Cost	%	QTY	Cost	%
Cigarettes (Boxes)															
- Cedars															
- Byblos															
- OK															
- Supars															
SUB - TOTAL	162,985			127,968			35,163			22,370			27.380		
Tombac (Kgs.)															
-															
-															
-															
-															
SUB - TOTAL	178,305			145,593			131,548			260,130			191,069		
GRAND TOTAL															

Note: Remainder of data not available

Note: Quantities measured by Box each containg 50 Grosspacks; each grosspack containing 10 consumer packets of 20 cigarettes each.

TABLE (3.2.4-2)
IMPORTED CIGARETTE BRANDS & PRICES BY SUPPLIER

SUPPLIER	BRANDS	LENGTH	IMPORT WAY	ORIGIN	PRICE / BOX ($)
BAT					
	AMERICAN FULL FLAVOUR 100s	100mm	F.O.B.	U.S.A.	A.A*
	AMERICAN FULL FLAVOUR K.S.	85mm	F.O.B.	U.S.A.	A.A
	AMERICAN LIGHTS 100s	100mm	F.O.B.	U.S.A.	A.A
	AMERICAN LIGHTS K.S.	85mm	F.O.B.	U.S.A.	A.A
	BARCLAY 100s	100mm	F.O.B.	U.S.A.	A.A
	BARCLAY K.S.BOX	85mm	F.O.B.	U.S.A.	A.A
	BENSON & HEDGES K.S.	85mm	C.I.F.	U.K.	210.00
	BENSON & HEDGES LUXURY	85mm	C.I.F.	U.K.	A.A
	CARLTON	100mm	C.I.F.	U.S.A.	A.A
	CARLTON K.S. BOX	85mm	C.I.F.	U.S.A.	A.A
	DU MAURIER S.K.	100mm	C.I.F.	U.K.	A.A
	HOLLYWOOD BOX	85mm	C.I.F.	BRAZIL	A.A
	KENT DELUXE SOFT	100mm	F.O.B.	U.S.A.	200.00
	KENT LIGHT BOX	85mm	F.O.B.	U.S.A.	200.00
	KENT LIGHT DELUXE SOFT	100mm	F.O.B.	U.S.A.	200.00
	KENT SUPER LIGHTS BOX	85mm	F.O.B.	U.S.A.	210.00
	KENT SUPER LIGHTS SOFT	85mm	F.O.B.	U.S.A.	A.A
	KIM GREEN LIGHT	100mm	F.O.B.	GERMANY	145.00
	KIM RED LIGHT	100mm	F.O.B.	GERMANY	145.00
	KIM ULTRA SLIM 100 LIGHT	100mm	F.O.B.	GERMANY	180.00
	LUCKY STRIKE K.S.BOX	85mm	F.O.B.	U.S.A	140.00
	LUCKY STRIKE K.S.SOFT	85mm	F.O.B.	U.S.A	140.00
	LUCKY STRIKE NON-FILTER	80mm	F.O.B.	U.S.A	140.00
	PALL MALL SUPER LONG	100mm	F.O.B.	U.S.A	145.00
	SILK CUT BLUE K.S.	85mm	F.O.B.	U.K.	155.00
	SILK CUT DELUXE MILD	100mm	F.O.B.	U.K.	165.00
	VICEROY BOX	85mm	F.O.B.	CYPRUS	88.00
	VICEROY K.S. SOFT	85mm	F.O.B.	U.S.A.	140.00
	VICEROY LIGHTS BOX	85mm	F.O.B.	CYPRUS	A.A

*NOTE: A.A (PRICE ADJUSTED ANNUALLY).

TABLE (3.2.4-2 Cont.)
IMPORTED CIGARETTE BRANDS & PRICES BY SUPPLIER

SUPPLIER	BRANDS	LENGTH	IMPORT WAY	ORIGIN	PRICE / BOX ($)
RJR					
	CAMEL 100s SOFT	100mm	F.O.B.	U.S.A.	140.00
	CAMEL K.S.	85mm	F.O.B.	U.S.A.	A.A
	CAMEL LIGHT BOX	85mm	F.O.B.	U.S.A.	140.00
	MONTE CARLO	85mm	F.O.B.	BELGIUM	82.00
	MORE REGULAR GREEN	120mm	F.O.B.	U.S.A.	190.00
	MORE REGULAR RED	120mm	F.O.B.	U.S.A.	190.00
	SALEM 100s	100mm	F.O.B.	U.S.A.	A.A
	SALEM SOFT	85mm	F.O.B.	U.S.A.	A.A
	VANTAGE 100s SOFT	100mm	F.O.B.	U.S.A.	190.00
	VANTAGE BOX	85mm	F.O.B.	U.S.A.	210.00
	VANTAGE LIGHTS	85mm	F.O.B.	U.S.A.	A.A
	WINSTON 100s SOFT	100mm	F.O.B.	U.S.A.	190.00
	WINSTON K.S. SOFT	85mm	F.O.B.	U.S.A.	170.00
	WINSTON LIGHTS 100s SOFT	100mm	F.O.B.	U.S.A.	190.00
	WINSTON LIGHTS BOX	85mm	F.O.B.	U.S.A.	190.00
	WINSTON SELECT BOX	85mm	F.O.B.	U.S.A.	230.00
	WINSTON SELECT LIGHT BOX	85mm	F.O.B.	U.S.A.	230.00
	YSL MENTHOL	100mm	F.O.B.	U.S.A.	A.A
	YSL REGULAR	100mm	F.O.B.	U.S.A.	230.00

NOTE: A.A (PRICE ADJUSTED ANNUALLY).

TABLE (3.2.4-3)

RETAIL PRICES AND SALES TURNOVER OF IMPORTED CIGARETTES

YEAR	Qty*	RETAIL PRICES ($)			TOTAL VALUES ($)		
		F.O.B	AT WAREHOUSE	SALE	F.O.B	SALES	PROFITS
1991	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1992	824,170	158.7	170.0	210.8	130,795,779	173,735,036	33,685,117
1993	981,780	154.6	168.0	209.7	151,783,188	205,879,266	40,969,149
1994	1,103,601	162.2	175.7	235.2	179,004,082	259,566,955	65,637,234
1995 (-Oct)	1,026,753	165.4	191.3	258.9	169,824,946	265,826,352	69,418,993

*Note: Quantities measured by Box each containg 50 Grosspacks; each grosspack containing 10 consumer packets of 20 cigarettes each.

TABLE (3.2.4-4)

RETAIL PRICES AND SALES TURNOVER OF ALL PRODUCTS (1/1/ 95 - 1/11/ 95)

PRODUCT	QUANTITY*	PRICE PER UNIT $			TOTAL VALUES ($)		
		PURCHASE	SALE	MARGIN	PURCHASE	SALES	PROFITS
IMPORTED CIGARETTES	1.026.853	191.3	258.9	67.6	196,436,979	265.852.242	69.415.263
LOCAL CIGARETTES	22.449	73.8	94.6	20.8	1,656,736	2.123.675	466.939
TOTAL CIGARETTES	1.049.302				198,093,715	267,975,917	69.882.202
IMPORTED TOMBAC	31.232	50.3	84.7	34.4	1.570,970	2.645.350	1.074.381
LOCAL TOMBAC	22.449	28.8	57.1	28.3	646,531	1,281,838	635.307
TOTAL TOMBAC	53,681				2,217,501	3,927,188	1,709.688
CUBAN CIGARS	1.530.415	1.1	1.4	0.3	1.683,457	2,142,581	459.125
OTHER CIGARS	4.518.476	0.3	0.4	0.1	1.355.543	1.807,390	451.848
TOTAL CIGARS	6,048,891				3,038,999	3,949,971	910,972
PIPE TOBACCO	323,821	1.0	1.3	0.3	323,821	420,967	97,146
GRAND TOTAL	1,026,853				*203,674,036*	*276,274,044*	*72,600,008*

*Note: Cigarette Quantity unit measured by Box, each containg 50 Grosspacks; grosspack = 10 consumer packets of 20 cigarettes each.- **Quantity units for other products not provided.**

3.2.5 DISTRIBUTION SYSTEMS AND OPERATIONS

The Distribution Department is concerned with the purchase of tobacco and tombac and the distribution of tobacco seeds to the farmers. Distribution operations are organised on a weekly basis with the amount distributed being dependent upon the weekly quota set by the Regie Distribution and Sales Department. This department is also responsible for the control and inspection of distribution and sales channels - as described in the Management Audit section.

Tobacco and tombac bales are brought by the growers to specified centres in the villages where tobacco is cultivated, and purchasing transactions are accomplished directly between the growers and Regie at the purchasing centres. The crops are then transported to the Regie storage locations.

Distribution operations of finished and imported products are managed through two levels of intermediaries; wholesale agents and retail agents. The dispatch of tobacco quantities ready for export on barter basis - see the table below - is directly controlled from the Hadath headquarters, where instructions are issued to Bekfaya (in the North) indicating the specified quantities to be delivered to specified dealers who would then handle export procedures.

Table (3.2.5-1)
Annual Barter Quantities & Values for the (Sa'adi 6) Tobacco
(1991-1995)

YEAR	QUANTITY (KG.)	VALUE ($)	($) VALUE / (KG.)
1991	689,170	3,952,165	5.73
1992	769,617	4,517,508	5.87
1993	1,569,519	8,570,132	5.46
1994	1,999,522	11,406,132	5.70
1995	n/a	n/a	n/a

TABLE (3.2.5-2)
ANNUAL GROWTH OF LICENSED WHOLESALERS (W/S) AND RETAILERS (R/T)

YEAR	NORTH REGION				BEKAA REGION				SOUTH REGION				TOTALS			
	W/S	%	R/T	%	W/S	%	R/T	%	W/S	%	R/T	%	W/S	%	R/T	%
1991																
1992																
1993																
1994																
1995																

TABLE (3.2.5-3)
NUMBER OF AGENTS PER MAJOR SUPPLIER & QUANTITIES IMPORTED

YEAR	B.A.T.		P.M.		R.J.R.		OTHERS	
	NO. OF AGENTS	QUANTITY	NO. OF AGENTS	QUANTITY	NO. OF AGENTS	QUANTITY	NO. OF AGENTS	QUANTITY
1991								
1992								
1993								
1994								
1995								

3.2.6 MARKETING RESOURCES AND SKILLS

Import and export operations of tobacco are the responsibilities of the Marketing Department. This department is also responsible for advertising, promoting, transporting and selling manufactured products.

3.2.7 CURRENT SITUATION OF TOBACCO CROPS

Overview

Tobacco cultivation in Lebanon was a prosperous undertaking until 1975 when the cultivated area reached around 72,875 donums (7,875 hectares), tobacco output reached 8,500 tons by 1971. In the intervening years, due to the social turmoil the nation experienced, levels of output fluctuated drastically, decreasing to 300 tons by 1985. In the post-war period (1991-onwards), cultivation recovered to reach 81,659 donums (81,659 hectares) with an output of 8,207 tons by 1995.

In recent years however, a significant amount of the tobacco yield has been discarded as damaged crop. Rates of the damaged crop varies from season to season. Exact and reliable figures as to the annual rates however were not available.

According to a study conducted by Mr. J. Downie of British America Tobacco (BAT), delivered to the Regie towards the end of 1994, a crop of acceptable quality can be produced in Southern Lebanon, provided the area on the coastal plain is avoided. However, the same study concluded that for the manufacturer of cigarettes, there were problems in assessing the quality of the crop, because two of the existing factories did not have the equipment to process the crop to a satisfactory standard. With regard to the 1992 crop, the study advised that the three quality grades (good, medium, and poor) would have been rejected by any international buyer even if it was offered at very low prices.

On the other hand, there seems to be a certain amount of demand (exact figures not available) by foreign companies for the Oriental Tobacco grown in the South of Lebanon, since they have access to an abundant supply of a higher quality Burley Tobacco from American growers.

The deterioration in the quality of tobacco yield presents a major problem to the Regie, because the locally cultivated tobacco is the cheapest input for the production of national brand cigarettes.

Many factors contributed to the deterioration of tobacco yield quality in Lebanon, the most serious cause being the Israeli invasions in 1978 and 1982. Another important factor contributing to the decline of tobacco quality has been the increased tendency among the more experienced farmers and land owners to switch to substitute tobacco cultivation with vegetables and cereals that give relatively higher incomes.

In attempting to reverse this trend, the following measures have been taken:

- Tombac and tobacco farming subsidies were extended
- Two R&D laboratories were revitalised aimed at improving the quality of tobacco seeds.
- Quality engineers were appointed for the purpose of crops quality improvement.

Due to these encouraging measures, the existing number of practising farmers, licensed and unlicensed, as well as the cultivation output far exceed the demand. Priority for the licensing of tobacco cultivation used to favor those who actually practised the cultivation. In recent years however, this has changed so that land owners have the priority for tobacco cultivation. As such, a large number of land owners have the licenses that are not directly exploited by them, but rather these licenses are rented to farmers who do not have their own licenses. This practice of renting or leasing licenses is seen (by the Regie) as conducive to the effective and efficient use of resources. However, despite the steady increase in the number of licenses, there have been continuous complaints and accusations regarding the criteria according to which licenses are granted.

Additional problems are also emerging due to imposed government regulations to purchase all unrestricted tobacco and tombac yields, which has resulted in overstocking.

Yield Types and Pricing

According to 1995 statistics, around 70-80% of tobacco cultivation activities are in the South of Lebanon. The remaining 20-30% in the Bekaa Valley, while Tombac cultivation takes place, predominantly, in the North.

Within the category of **Tobacco,** two types of seeds are currently cultivated in Lebanon; the Lebanese Oriental Tobacco, which is domestically known as Sa'adi 6, and is predominantly grown in the South, and the local Burley seed, which is predominantly grown in the Bekaa.

Tombac, which is a variant of the tobacco plant characterised by a special flavour and used for smoking hubble-bubble, is also cultivated in Northern Lebanon. The Northern city of Tripoli being the Regie centre for sorting, manufacturing, warehousing, and distributing operations of tombac. Once again there are two types of tombac seeds used for cultivation in Lebanon: Sa'adi 33, which is genetically derived from the Asfahani seed of Iranian origin, and Tombac Baladi, which originated from the Syrian Abu Jilda seed.

The Ministry of Finance, in consultation with the Regie, determines the purchase price of the crop for the season according to three quality grades; good (superior), medium, and poor (inferior). The table below categorises the currently cultivated tobacco seeds in Lebanon and their 1995 purchase prices.

Lebanese Tombac and Tobacco Kinds and their 1995 Purchase Prices (in Lebanese Lira per Kg.)

Tobacco Kind	High Quality	Medium Quality	Poor Quality
Ordinary Tobacco Sa'adi 6 Seeds	15,950	11,550	4,500
Shkouk (Threaded) Tobacco Sa'adi 6 Seeds	9,250	5,250	1,200
Tobacco Leaf Burley Seed	10,450	7,150	2,500
Tombac			
Baladi Seed	8,580	6,620	2,500
Sa'adi 33	15,950	11,550	4,500

Table (3.2.7-1) presents Development & Growth of Tobacco & Tombac Cultivation (The North) 1991-1995.
Table (3.2.7-2) presents Development & Growth of Tobacco & Tombac Cultivation (The Bekaa) 1991-1995.
Table (3.2.7-3) presents Development & Growth of Tobacco & Tombac Cultivation (The South) 1991-1995.
Table (3.2.7-4) presents Development & Growth of Tobacco & Tombac Cultivation 1991-1995.
Table (3.2.7-5) presents Tombac Yield by Quality Grade 1991-1995.
Table (3.2.7-6) presents Tobacco Yield by Quality Grade 1991-1995.

Farming Subsidies

The benefits of farming subsidies to farmers are manifested in the following achievements:

- The Distribution Department of the Regie supervises a number of agricultural centres located in the tobacco cultivation areas of the various regions. These centres provide the farmers with tobacco seeds, fertilizers, and pesticides. As such, Regie is directly, although partially, responsible for the quality of the crops and yield of Lebanese tobacco.

- The offering of the highest quality seeds as gifts to all farmers.

- In the month of August each year and for the past 3 years, a public fair takes place in recognition of the "Ideal Farmer". Awards include much needed farming equipment.

- The provision of technical advice and farming expertise through Regie specialists.

TABLE (3.2.7-1)
DEVELOPMENT AND GROWTH OF TOBACCO & TOMBAC CULTIVATION 1991-1995
THE NORTH

YEAR	Crop Type	Seed Type	Licensed Cultivation		Unlicensed Cultivation		Total Cultivation		No. of Active Farmers	Crop Yield (Kg.)	Value	
			No. of Farmers	Area (m2)	No. of Farmers	Area (m2)	No. of Farmers	Area (m2)			Estimated (L. L.)	Paid (L. L.)
1991	Tombac	Baladi	48	226.150	123	994,000	171	1.220.150	n/a	198.572	n/a	n/a
	Tobacco	Sa'adi 6	1	5,000	3	4,000	4	9.000	n/a	793	n/a	n/a
Totals for 1991			**49**	**231.150**	**126**	**998,000**	**175**	**1.229,150**	n/a	**199,365**	n/a	n/a
1992	Tombac	Sa'adi 33	6	30,000	0	0	6	30.000	n/a	4,001	n/a	n/a
		Baladi	18	235,000	389	3.859,050	407	3,994,050	n/a	442,072	n/a	n/a
	Tobacco	Sa'adi 6	100	136.400	12	15,400	112	151,800	n/a	14,074	n/a	n/a
Totals for 1992			**124**	**401,400**	**401**	**3,874,450**	**525**	**4,175,850**	n/a	**460,147**	n/a	n/a
1993	Tombac	Sa'adi 33	29	161.350	11	48,400	40	209,750	n/a	23,560	n/a	n/a
		Baladi	456	1.589,100	278	1,470,200	734	3,059,300	n/a	402,890	n/a	n/a
	Tobacco	Sa'adi 6	227	423,250	5	9,000	232	432,250	n/a	30,678	n/a	n/a
		Burley	1	1,000	0	0	1	1,000	n/a	87	n/a	n/a
		Baladi	56	32.500	123	216,500	179	249,000	n/a	30,002	n/a	n/a
Totals for 1993			**769**	**2,207,200**	**417**	**1,744,100**	**1,186**	**3,951,300**	n/a	**487,217**	n/a	n/a

TABLE (3.2.7-1 cont.)

DEVELOPMENT AND GROWTH OF TOBACCO & TOMBAC CULTIVATION 1991-1995

THE NORTH

YEAR	Crop Type	Seed Type	Licensed Cultivation		Unlicensed Cultivation		Total Cultivation		No. of Active Farmers	Crop Yield (Kg.)	Value	
			No. of Farmers	Area (m2)	No. of Farmers	Area (m2)	No. of Farmers	Area (m2)			Estimated (L. L.)	Paid (L. L.)
1994	Tombac	Sa'adi 33	50	265,100	540	2,612,810	590	2,877,910	590	467,304	4,019,213,000	4,022,961,550
		Baladi	64	284,350	809	3,820,960	873	4,105,315	863	559,237	2,944,907,000	2,948,881,100
	Tobacco	Sa'adi 6	342	540,450	9	17,500	351	547,950	151	32,174	321,047,700	321,375,450
		Burley	2	18,000	5	21,500	7	39,500	4	5,898	25,501,900	25,572,175
		Baladi	27	39,000	70	154,500	97	193,500	93	8,089	53,817,500	53,878,200
Totals for 1994			**485**	**1,146,900**	**1,433**	**6,627,270**	**1,918**	**7,764,175**	**1,701**	**1,072,702**	**7,364,487,100**	**7,372,668,475**
1995	Tombac	Sa'adi 33	172	768,153	4,950	13,724,071	5,122	14,492,224	4,285	1,693,517	15,751,708,750	15,815,640,725
		Baladi.	0	0	318	336,000	318	336,000	318	47,066	275,828,180	277,595,355
	Tobacco	Sa'adi 6	523	888,985	4	3,800	527	892,785	527	81,815	854,478,800	856,694,650
		Burley	52	103,500	208	451,500	260	555,000	238	56,350	364,792,600	367,540,353
Totals for 1995			**747**	**1,760,638**	**5,480**	**14,515,371**	**6,227**	**16,276,009**	**5,368**	**1,878,748**	**17,246,808,330**	**17,317,471,083**

TABLE (3.2.7-2)
DEVELOPMENT AND GROWTH OF TOBACCO & TOMBAC CULTIVATION 1991-1995
THE BEKAA

YEAR	Crop Type	Seed Type	Licensed Cultivation		Unlicensed Cultivation		Total Cultivation		No. of Active Farmers	Crop Yield (Kg.)	Value	
			No. of Farmers	Area (m2)	No. of Farmers	Area (m2)	No. of Farmers	Area (m2)			Estimated (L. L.)	Paid (L. L.)
1991	Tobacco	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Tombac	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Totals for 1991			**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	n/a	n/a
1992	Tobacco	Sa'adi 6	15	20.000	35	110.000	50	130,000	n/a	9,780	n/a	n/a
		Burley	n/a	n/a	15	91,000	15	91.000	n/a	6,852	n/a	n/a
	Tombac	Sa'adi 33	n/a	n/a	2	5,000	2	5,000	n/a	435	n/a	n/a
Totals for 1992			**15**	**20.000**	**52**	**206,000**	**67**	**226,000**	n/a	**17,067**	n/a	n/a
1993	Tobacco	Burley	285	401.000	268	727.000	553	1,128.000	n/a	116,949	n/a	n/a
	Tombac	0	0	0	0	0	0	0	0	0	0	0
Totals for 1993			**285**	**401,000**	**268**	**727,000**	**553**	**1,128,000**	n/a	**116,949**	n/a	n/a
1994	Tobacco	Sa'adi 6	3	12.000	0	0	3	12,000	3	1,747	12.257,600	12,813,950
		Burley	425	456,500	1,438	7,140,000	1,863	7.596,500	1699	675,463	4.391,644.100	4.413,873.900
	Tombac	0	0	0	0	0	0	0	0	0	0	0
Totals for 1994			**428**	**468,500**	**1,438**	**7,140,000**	**1,866**	**7,608,500**	**1,702**	**677,210**	**4,403,901,700**	**4,426,687,850**
1995	Tobacco	Sa'adi 6	16	8,500	0	0	16	8,500	16	6,554	74,812,550	75,165,550
		Burley	1,107	1.273,500	3,790	14,625,000	4,897	15,898,500	4897	1,705,143	11,982,994,150	12,072,989,500
	Tombac	Sa'adi 33	4	9,500	0	0	4	9,500	4	995	1,081,500	10,130,700
		Baladi	n/a	500	0	0	n/a	500	n/a	49	341,420	343,820
Totals for 1995			**1,127**	**1,292,000**	**3,790**	**14,625,000**	**4,917**	**15,917,000**	**4,917**	**1,712,741**	**12,059,229,620**	**12,158,629,570**

TABLE (3.2.7-3)

DEVELOPMENT AND GROWTH OF TOBACCO & TOMBAC CULTIVATION 1991-1995

THE SOUTH

YEAR	Crop Type	Seed Type	Licensed Cultivation		Unlicensed Cultivation		Total Cultivation		No. of Active Farmers	Crop Yield (Kg.)	Value	
			No. of Farmers	Area (m2)	No. of Farmers	Area (m2)	No. of Farmers	Area (m2)			Estimated (L. L.)	Paid (L. L.)
1991	Tobacco	Sa'adi 6	2,320	4,970,350	28	77,000	2,348	5,047,350	n/a	793,452	n/a	n/a
	Tombac	0	0	0	0	0	0	0	0	0	0	0
Totals for 1991			**2,320**	**4,970,350**	**28**	**77,000**	**2,348**	**5,047,350**	n/a	793,452	n/a	n/a
1992	Tobacco	Sa'adi 6	2,650	8,230,200	832	2,591,450	3,482	10,821,650	n/a	873,820	n/a	n/a
	Tombac	0	0	0	0	0	0	0	0	0	0	0
Totals for 1992			**2,650**	**8,230,200**	**832**	**2,591,450**	**3,482**	**10,821,650**	n/a	**873,820**	n/a	n/a
1993	Tobacco	Sa'adi 6	3,861	12,696,700	1,792	7,062,200	5,653	19,758,900	n/a	1,965,290	n/a	n/a
	Tombac	Sa'adi 33	0	0	13	25,000	13	25,000	n/a	0	n/a	n/a
Totals for 1993			**3.861**	**12,696,700**	**1.805**	**7.087,200**	**5,666**	**19,783,900**	n/a	**1,965,290**	n/a	n/a
1994	Tobacco	Sa'adi 6	4.039	9.254,850	3.634	20,117,900	7,673	29,372,750	7673	2,730,533	29,226,224.800	29,314,719,700
	Tombac	Sa'adi 33	0	0	20	74,050	20	74,050	20	2,526	30,775,500	30,890,000
Totals for 1994			**4,039**	**9,254,850**	**3,654**	**20,191,950**	**7,693**	**29,446,800**	**7,693**	**2,733,059**	**29,257,000,300**	**29,345,609,700**
1995	Tobacco	Sa'adi 6	11,534	49,461,500	0	0	11,534	49,461,500	11,534	4,592,721	53,171,926,600	53,369,072,900
		Sa'adi 6 (Threaded)	2	5,000	0	0	2	5,000	2	668	3,523,650	3,548,450
	Tombac	Sa'adi 33	28	194,000	0	0	28	194,000	28	22,295	304,789,150	305,677,725
Totals for 1995			**11,564**	**49,660,500**	**0**	**0**	**11,564**	**49,660,500**	**11,564**	**4,615,684**	**53,480,239,400**	**53,678,299,075**

TABLE (3.2.7-4)
DEVELOPMENT AND GROWTH OF TOBACCO & TOMBAC CULTIVATION 1991-1995*

YEAR & REGION	Licensed Cultivation		Unlicensed Cultivation		Totals		Crop Yield (Kg.)
	No. of Farmers	Area (m2)	No. of Farmers	Area (m2)	No. of Farmers	Area (m2)	
NORTH							
Totals for 1992	124	401,400	401	3,874,450	525	4,175,850	460,147
Totals for 1993	769	2,207,200	417	1,744,100	1,186	3,951,300	487,217
Totals for 1994	485	1,146,900	1,433	6,627,270	1,918	7,764,175	1,072,702
Totals for 1995	747	1,760,638	5,480	14,515,371	6,227	16,276,009	1,878,748
BEKA'A							
Totals for 1992	15	20,000	52	206,000	67	226,000	17,067
Totals for 1993	285	401,000	268	727,000	553	1,128,000	116,949
Totals for 1994	428	468,500	1,438	7,140,000	1,866	7,608,500	677,210
Totals for 1995	1,127	1,292,000	3,790	14,625,000	4,917	15,917,000	1,712,741
SOUTH							
Totals for 1992	2,650	8,230,200	832	2,591,450	3,482	10,821,650	873,820
Totals for 1993	3,861	12,696,700	1,805	7,087,200	5,666	19,783,900	1,965,290
Totals for 1994	4,039	9,254,850	3,654	20,191,950	7,693	29,446,800	2,733,059
Totals for 1995	11,564	49,660,500	0	0	11,564	49,660,500	4,615,684
NATIONAL							
Totals for 1992	2,789	8,651,600	1,285	6,671,900	4,074	15,223,500	1,351,034
Totals for 1993	4,915	15,304,900	2,490	9,558,300	7,405	24,863,200	2,569,456
Totals for 1994	4,952	10,870,250	6,525	33,959,220	11,477	44,819,475	4,482,971
Totals for 1995	13,438	52,713,138	9,270	29,140,371	22,708	81,853,509	8,207,173

*Note: Due to the incomplete data given for 1991 it was not possible to incorporate the year in this table.

TABLE (3.2.7-5)
TOMBAC YIELD BY QUALITY GRADE*

YEAR	Seed Type	Cultivated Area (m2)	Good Quality Quantity (Kg.)	Good Quality %	Medium Quality Quantity (Kg.)	Medium Quality %	Poor Quality Quantity (Kg.)	Poor Quality %	Unusable Quantity (Kg.)	Unusable %	Yields By Type (Kg.)	Yields %	Yields % Of Total	Yields Total (Kg.)
1991	**Sa'adi 33**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	n/a
	Baladi	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
1992	**Sa'adi 33**	**30,000**	607	**15.17%**	1.202	30.04%	1,844	**46.09%**	348	8.70%	4,001	100.00%	0.92%	435,974
	Baladi	3,994,050	65,658	15.20%	136,389	31.57%	176,436	40.84%	53,490	12.38%	431,973	100.00%	99.08%	
1993	**Sa'adi 33**	**209,750**	**5,521**	**25.37%**	**7,804**	**35.86%**	**7,826**	**35.97%**	**609**	**2.80%**	**21,760**	**100.00%**	**4.47%**	487,217
	Baladi	3,059,300	141,701	30.44%	178,801	38.41%	139,477	29.97%	5,478	1.18%	465,457	100.00%	95.53%	
1994	**Sa'adi 33**	**2,877,910**	**91,562**	**19.49%**	**161,980**	**34.48%**	**202,174**	**43.03%**	**14,114**	**3.00%**	**469,830**	**100.00%**	**45.66%**	1,029,067
	Baladi	4,105,315	146,279	26.16%	210,391	37.62%	191,387	34.22%	11,180	2.00%	559,237	100.00%	**54.34%**	
1995	**Sa'adi 33**	**14,492,224**	**416,674**	**23.10%**	**689,197**	**38.21%**	**634,675**	**35.19%**	**62,972**	**3.49%**	**1,803,518**	**100.00%**	**97.46%**	1,850,577
	Baladi	336,000	12,858	27.32%	20,092	42.70%	12,992	27.61%	1,117	2.37%	47,059	100.00%	**2.54%**	

* NOTE: The above data reflects Tombac Yield Grading; in the main from the North; where the crop is predominantly grown.
Although a negligible amount of Tombac is grown in the Be'eka & South, figures relating to quality grade are minimal or unavailable.
However, figures were available for the cultivation of Tombac in these regions-refer to **(Tables 3.2.7-2/3)**

TABLE (3.2.7-6)
TOBACCO YIELD BY QUALITY GRADE*

YEAR	Seed Type	Cultivated Area (m2)	Good Quality Quantity (Kgs)	Good Quality %	Medium Quality Quantity (Kgs)	Medium Quality %	Poor Quality Quantity (Kgs)	Poor Quality %	Unusable Quantity (Kgs)	Unusable %	Yields By Type (Kgs)	Yields %	Yields % Of Total	Yields Total (Kgs)
1991	**Sa'adi 6**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	Burley	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
1992	**Sa'adi 6**	**10,951,650**	**449.149**	**50.02%**	**230,527**	**25.67%**	**165.330**	**18.41%**	**52,987**	**5.90%**	**897,993**	**100.00%**	**98.13%**	915,060
	Burley	91,000	6.623	38.81%	7,730	45.29%	1,828	10.71%	886	5.19%	17.067	100.00%	**1.87%**	
1993	**Sa'adi 6**	**19,758,900**	**548.536**	**27.91%**	**1,081,718**	**55.04%**	**242.301**	**12.33%**	**92,735**	**4.72%**	**1,965.290**	**100.00%**	**94.38%**	2.082.239
	Burley	1,128,000	43.560	37.25%	56,684	48.47%	12.068	10.32%	4,637	3.96%	116.949	100.00%	**5.62%**	
1994	**Sa'adi 6**	**29,384,750**	**787.202**	**28.48%**	**1,495,533**	**54.10%**	**370,687**	**13.41%**	**111,032**	**4.02%**	**2,764,454**	**100.00%**	**80.04%**	3.453.904
	Burley	7,596,500	198,757	28.83%	344,709	50.00%	96,750	14.03%	49,234	7.14%	689,450	100.00%	**19.96%**	
1995	**Sa'adi 6**	**49,461,500**	**1,399,025**	**30.46%**	**2,460,206**	**53.56%**	**544,280**	**11.85%**	**189,878**	**4.13%**	**4,593,389**	**100.00%**	**72.93%**	6.298.532
	Burley	15,898,500	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,705,143	n/a	**27.07%**	

* NOTE: The above data reflects Tobacco Yield Grading; in the main from the South & Beka'a ; The Burley being predominantly grown in the Beka'a,while Oriental (sa'adi 6) in the South.

Although a negligible amount of Tobacco is grown in the North, figures relating to Quality grade are minimal or unavailable.

However, figures were available for the cultivation of Tobacco in the region-refer to **(Tables 3.2.7-1)**

In pursuing the twin objectives of encouraging farmers to stay on their land and the eradication of illicit crops cultivation and trading, the government's directives to the Regie accentuate the financial support given to tobacco and tombac farmers in the form of farming subsidies.

As such, the difference between the international market price and the actual purchase price of the tobacco crop is bore by the government in the form of a state subsidy in accordance with its above mentioned two-fold commitment. The eradication of illicit crops growing is also supported by the United Nations Drug Control Program fund of $1,178,000, according to the UNDP's 1994 Development Cooperation Report on Lebanon.

Table (3.2.7-7) presents Tobacco & Tombac Prices per Quality Grade 1991-1995.
Table (3.2.7-8) presents Productivity of Tobacco & Tombac Growing by Quality Grade 1991-1995.
Table (3.2.7-9) presents Total Subsidy Structure 1991-1995.

Purchasing Activities

The individual farmer delivers his harvest to the Regie buying centre in his area. A buying committee is constituted of the following:

- One tobacco yield quality expert (chief of the committee)
- One tobacco yield quality expert assistant
- One storekeeper
- Two clerks for checking the count
- One accountant
- One clerk for weighing the crop

After weighing the incoming tobacco bales, they are examined and quality graded by the quality expert, who is the one and only authority for the quality grading of the delivered crop - ***refer to the Technical Audit (Section 3.3.) for*** *the Operational Quality Grading Criteria.* After the weighing and quality grading of the delivered crop, a payment voucher is issued immediately to the accountant who makes the payment to the farmer.

The main problem that the current tobacco purchase procedure described above entails, is that the employees (members of the buying committee) responsible for the receipt, weighing, quality grading, and purchase of the crop, being in direct contact with the farmer, are under moral and political pressures, which invariably hinder objectivity and fairness to the selling and buying parties.

TABLE (3.2.7-7)

TOBACCO & TOMBAC PRICES PER QUALITY GRADE 1991-1995

(Average Purchase Price Quoted in $ Per Kg.)

YEAR	ANNUAL EXCHANGE RATE $: L.L.	TOMBAC						TOBACCO					
		Sa'adi 33			Baladi			Sa'adi 6			Burley		
		Good Quality	Medium Quality	Poor Quality	Good Quality	Medium Quality	Poor Quality	Good Quality	Medium Quality	Poor Quality	Good Quality	Medium Quality	Poor Quality
1991	879	5.46	4.55	2.73	3.21	2.46	1.64	5.46	3.37	0.96	n/a	n/a	n/a
1992	1838	7.07	4.90	2.18	4.35	2.83	1.36	7.07	4.90	2.18	4.62	2.83	1.36
1993	1713	7.59	5.84	2.34	4.67	3.42	1.46	7.59	5.84	2.34	4.96	3.36	1.46
1994	1647	8.80	6.68	2.73	4.74	3.83	1.52	8.80	6.68	2.73	5.77	4.13	1.52
1995	1596	9.99	7.24	2.82	5.38	4.15	1.57	9.99	7.24	2.82	6.55	4.48	1.57

TABLE (3.2.7-8)

PRODUCTIVITY OF TOBACCO & TOMBAC GROWING BY QUALITY GRADE

YEAR	Cultivated Area (Dnm)*	Total Yield (Tons)	Average Yield Per Dnm (Kg.)	Good Quality			Medium Quality			Poor Quality			Total		
				Quantity (Tons)	Value (S m)	%	Qty (Tons)	Value (S m)	%	Qty (Tons)	Value (S m)	%	Qty (Tons)	Value (S m)	%
1991	5.154	993	192.666	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1992	14,976	1,351	90.211	471	3.46	34.90%	651	3.33	48.20%	229	0.39	16.90%	1,351	7.18	100.00%
1993	24.863	2,569	103.326	741	5.05	28.80%	1.322	7.18	51.50%	506	0.79	19.70%	2,569	13.02	100.00%
1994	44.819	4,483	100.025	1,225	9.63	27.30%	2,213	13.36	49.40%	1,045	2.02	23.30%	4,483	25.01	100.00%
1995	81,659	8,207	100.503	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,207	53.05	n/a

NOTE: Value calculated at Average Purchase Price (which is adjusted to include subsidy per quality grade).

This tabulation has been generated through the amalgamation of Tobacco & Tombac cultivation and crop figures, as well as, accounting and financial data.

The macro-derivative method was deviced to improvise in order to overcome the lack of crop & financial figures available on a micro-regional level.

* Cultivated Area measured in Donum's (Dnm). Each 10 Donum's = 1 Hectare.

TABLE (3.2.7-9)
TOTAL SUBSIDY STRUCTURE

YEAR	Total Yield (Tons)	Good Quality		Medium Quality		Poor Quality		Subsidy Structure				
		Quantity (Tons)	Purchase Price $ per Ton	Qty (Tons)	PP $ per Ton	Qty (Tons)	PP $ per Ton	Ave .Purchase Price $ / Ton	Total Purchase Value ($ m)	Ave. Market Price $ / Ton	Total Market Value ($ m)	Subsidy Incurred ($ m)
1991	993	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1992	1.351	471	7,348	651	5,116	229	1,710	5,356	7.236	3,201	4.325	2.911
1993	2.569	741	6,816	1,322	5,443	506	1,608	5,148	13.227	3,635	9.339	3.889
1994	4,483	1,225	7,860	2,213	6,035	1045	1,936	5,630	25.239	3,642	16.330	8.909
1995	8,207	n/a	n/a	n/a	n/a	n/a	n/a	6,464	53.050	2,808	23.050	30.000

NOTE: Value calculated at Average Purchase Price (which is adjusted to include subsidy per quality grade).