

**ALFRED NOBEL UNIVERSITY
DEPARTMENT OF INTERNATIONAL ECONOMIC RELATIONS AND
ECONOMIC THEORY**

BACHELOR THESIS

«THE DEVELOPMENT AND IMPLEMENTATION OF THE INTERNATIONAL INVESTMENT PROJECT: PREPARATION AND MAKING OF FOREIGN TRADE AND FARMING OF TOBACCO BUSINESS IN GERMANY»

Student: Courage Dhuku

Group: MEB-16A

Specialty: 292 International economic relations

Supervisor: prof. Kuzminov S.V.

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УНІВЕРСИТЕТ ІМЕНІ АЛЬФРЕДА НОБЕЛЯ

КАФЕДРА МІЖНАРОДНИХ ЕКОНОМІЧНИХ ВІДНОСИН ТА ЕКОНОМІЧНОЇ ТЕОРІЇ

Перший (бакалаврський) рівень

Спеціальність 292 Міжнародні економічні відносини

Затверджую:

Зав. кафедри _____
Задоя Анатолій Олександрович,
д. е. н., професор
(підпис, прізвище, ім'я та по батькові, науковий ступінь, вчене звання)

“ ____ ” _____ 20__ р.

ЗАВДАННЯ

на кваліфікаційну роботу здобувачу

Дхуку Куражу

прізвище, ім'я та по батькові

1. Тема роботи «The development and implementation of the international investment project: preparation and making of foreign trade and farming of tobacco»

2. Керівник роботи **Кузьмінов Сергій Васильович, д. е. н., професор**
(прізвище, ім'я, по батькові, науковий ступінь, вчене звання)

Затверджені наказом від " ____ " _____ 20__ р., № _____

3. Термін здачі здобувачем закінченої роботи **1 червня 2020 року**

4. Цільова установка та вихідні дані до роботи **Мета роботи – дослідження можливості та доцільності інвестування в економіку Німеччини шляхом створення фермерського господарства.**

Об'єкт дослідження – створення приватного підприємства у Німеччині. Предмет дослідження – інвестиційна привабливість об'єкта дослідження.

5. Зміст роботи (перелік питань, які належить розробити):

Розділ 1: проведення теоретичного дослідження та аналізу загальних тенденцій в економіці Чехії;

Розділ 2: аналіз зовнішньоекономічної діяльності Чеської Республіки, в тому числі інвестиційного клімату;

Розділ 3: розробка інвестиційного проекту, його обґрунтування та оцінка інвестиційної привабливості.

6. Консультанти розділів роботи:

Розділ	Консультант (прізвище, ініціали, посада)	Підпис, дата	
		Завдання видав	Завдання прийняв

7. Дата видачі завдання **2020 року**

8. Календарний план виконання роботи

№ п/п	Назва етапів кваліфікаційної роботи	Термін виконання етапів роботи	
		За планом	Фактично
1.	Визначення теми роботи та узгодження її з керівником	до 12 березня 2020 р.	
2.	Розробка плану роботи та узгодження його керівником	до 20 березня 2020 р.	
3.	Підготовка першого розділу	до 1 квітня 2020 р.	
4.	Підготовка другого розділу	до 15 квітня 2020 р.	
5.	Підготовка третього розділу	до 15 травня 2020 р.	
6.	Подача завершеної роботи	до 1 червня 2020 р.	
7.	Попередній захист роботи	15 червня 2020 р.	
8.	Захист роботи	23 червня 2020 р.	

Здобувач

Дхуку Кураж

Керівник кваліфікаційної роботи _____

nidnuc

nidnuc

прізвище, ініціали
Кузьмінов С. В.
прізвище, ініціали

прізвище, ініціали

Кузьмінов С. В.

прізвище, ініціали

Abstract

Courage Dhuku. The development and implementation of the international investment project: preparation and making of foreign trade and farming of tobacco business in Germany.

The paper examines the current state and trends in Germany, paying special attention to tobacco industry. The main objective presented in this thesis is the measurement of how much capital, building materials and technologies are needed. The paper examines the location and viability of the project. To achieve this, this thesis identifies the problems encountered in the process of making investment in such a project. This paper examines if it is possible and feasible to invest in Germany, contains the research of investment climate of Germany. Detailed financial plan and organizational schedule is included too.

Key words: Germany, tobacco industry, international investments, agriculture I Europe.

Анотація

Дхуку Кураж. Розробка та реалізація міжнародного інвестиційного проекту: «Підготовка та здійснення зовнішньої торгівлі та ведення фермерського господарства тютюнового бізнесу в Німеччині».

У роботі автор досліджує сучасний стан та тенденції в Німеччині, приділяючи особливу увагу тютюновій промисловості. Основною метою, представленою в цій дипломній роботі, є вимірювання того, скільки потрібно капіталу, будівельних матеріалів та технологій. Розглядається локалізація та життєздатність проекту. Для досягнення цієї мети ця дисертація визначає проблеми, що виникають у процесі інвестування в такий проект. Досліджується, чи можливо і доцільно інвестувати в Німеччину на основі аналізу інвестиційного клімату Німеччини. Детальний фінансовий план та організаційний графік проекту також включені.

Ключові слова: Німеччина, тютюнова промисловість, міжнародні інвестиції, сільське господарство в Європі.

ABBREVIATION & SYMBOL MEANING

FPG	Federal Police of Germany
GE	Germany embassy
GDP	Gross Domestic Product
GNP	Gross National Product
FDI	Foreign Direct Investment
GVA	Gross Value Added
IMF	International Monetary Fund
CPI	Consumer price inflation
CAGR	Compound Annual Growth Rate
EUR	EUROS
IIT	Individual Income Tax
VAT	Value Added Tax
UNDP	United Nations Development Programmed
HDI	Human Development Index
CPI	Consumer Price Index
BRIC	Brazil, Russia, India, China and South
Africa	
BOP	Balance of Payment
UNESCO.	United Nations Educational, Scientific and Cultural
Organization	
WIPO	World Intellectual Property Organization
ILO	International Labor Organization
ICADR	International Centre for Alternative Dispute
Resolution	
IT	Information Technology

DIPP

Department of Industrial Policy and Promotion

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INTRODUCTION

Actuality of research. A cash crop a crop, such as tobacco, grown for direct sale rather than for livestock feed. Tobacco is a plant within the genus *Nicotiana* of the Solanaceae (nightshade) family. While there are more than 70 species of tobacco, the chief commercial crop is *N. tabacum*. Tobacco cultivation and exports formed an essential component of the Germany colonial economy during the seventeenth and eighteenth centuries. Tobacco plantations were distinct from other cash crops in terms of agricultural demands, trade, slave labor, and plantation culture. Many influential Germany revolutionaries, including Thomas Jefferson and George Washington, owned tobacco plantations, and were financially devastated by debt to British tobacco merchants shortly before the American Revolution.

Annual CSP-NATO Tobacco Supplement is replete with legislative strategy; in-depth reports on emerging categories such as snubs and e-cigarettes; and insights and thoughts from the suppliers who drive our tobacco business across cigarettes, cigars, MST, pipe tobacco, RYO/MYO and developing segments.

Tobacco has a long history in the Germany . An estimated 45.3 million people, or 19.3% of all adults (aged 18 years or older), in the Germany smoke cigarettes in 2010. By state, in 2010, smoking prevalence ranged from 9.1% in Utah to 26.8% in West Virginia. By region, in 2010, smoking prevalence was highest in the Midwest (21.8%) and South (21.0%) and lowest in the West (15.9%). Cigarette smoking is the leading cause of preventable death in the Germany accounting for approximately 443,000 deaths, or 1 of every 5 deaths, in the United States each year.

The aim of the course project is the research and analysis of the main components of economic conditions on the farming and export of tobacco from Germany. The purpose sets the following **tasks**:

- to review and analyse the global and Germany market of tobacco;
- to identify the legal regulation of export of tobacco;

-to examine how to make international contract on export of tobacco.

The research **object** is foreign trade contract on export of tobacco to the UK and its **subject** is peculiarity of the procedure of tobacco export from Germany In this course project the following **methods** are used: analysis and synthesis, comparison, research, statistical and graphical methods, logical generalization of results in the formulation of conclusion and others.

Research's database is a set of specialized publications, reports of the World Trade Organization (WTO), World Health Organization, Imperial Tobacco Group plc, periodical articles, legislative base and Internet resources that examine the issue of the market development of tobacco in the world and Germany

CHAPTER 1

GENERAL ANALYSIS OF GERMANY'S ECONOMY

1.1. GDP of Germany

Like in any other nations it is necessary to look at Germany its own territory as a country .Its political system is determined by the parliament this is where all more decisions are made if there is a problem in the country concerning operations they will help a meeting which will be air on the German National television so that everyone will know what is taking place and the new rules and regulations offered by the new constitution.In 1949 the Germany law was improved so that both the domestic and the people from other countries could benefit from this The Germany cabinet is includes federal cancelers and 15 ministers in the contort and the chief state as the president

If there is an offer from other countries from other companies or business concerning to invest in the country it is more important to write a letter to the ministry if investment mainly the land minister that he will look into your proposal and decide if its good to give the legal rights to invest in the country or not .They will look into your proposal if it means the culture of the people who live in the country and whether the government will benefit from it .If your proposal is good and they agree in it that means that will offer you an opportunity to invest in Germany.You will get a letter or a reply that shows that you are now allowed to invest in the government The IMF shows that Germany economic is improving daily Germany foreign invest portfolio fund in 2018 it was around 133 million us dollars Through the years the invest Portfolio for Germany was in a roller

coaster move where it was going up and down due to created wars in the country and sometimes people were not working hard especially the disaster in 1996. It started to pick up from 1999 up to date in 2020 it's still rising due to better. Looking at Germany its GDP from 1946 it was increasing at a constant level. Until 1996 and 2008 recession the economy was not performing well it was a world crisis which leads to these poor economy performance a lot of countries suffered too just like what happens in 2020 from March to around April on the oil price it drops dramatically and people did not believe it resulting in massive losses and stresses.

GDP for Germany in 2019 it was recorded 4040 billion US dollars this information came from the World Bank and from the economies of trading so generally looking at its economy GDP of Germany represents at least 3.4% of the world economy. In Germany there are good working conditions in the country a lot of people from other countries go there to work because they pay better money than other countries. More people from Ukraine work in Germany because it is close to them and it's one of the best countries in Europe. Looking at its healthy sector it is known that in Germany there are good healthy policies if you get sick most people have insurance and it's vital for more workers to have insurance policy in case of a problem if it occurs at work or anywhere. Their healthy system is very good in Germany the elderly most from 65 years old they have free healthy policy where they get treated for free most of the times if they get sick. Germany manufacturing is growing more than in other countries it is recorded that it is fast growing in the industry section that most of the world countries. Germany has big technological skills and ways in its production.

sector .most countries know that technology is germany its amazing because it also imports tools from the Chinese section because are world leading when it comes to computer science in the country about 23.5 % of the values in Germany they come from the manufacturing in 2016-17 in February it was more

Employment in the manufacturing sector its amazing about six million people are employed in this section in Germany that's act employment the whole Denmark as a country The manufacturing industry in vested over 50 billion euros trying to research and development this allows them to have new ways of manufacturing improvements in technology and building more lans to introduce other better ways of farming or producing in the country Most of Germany trade is done with the Chinese people about 26,6% of the buying and selling is done between them and the Chinese people.Trade boost the economy of the country and helps its foreign currency basis to be strong .USA is one of the country which have some relationships with Germany also to encourage their trading and business so that both countries benefit and make money .Germany uses gas a lot like any other European country so it produces more gas and supply it to other countries there are a lot of coal deposits in Germany due to its cold climate weather conditions in winter times and hot weather in times like June and July lets say for example maybe a country used to produce 5 million cars and in 2017 and would have shifted to be able to produce 10 million in 2018 that would have shown the sign of an economic growth and expenditure and shows that you are moving from one place to the other what we can also have is when in country we used to produce maybe 1000 doctors per year and now on to the following one we will

have 3000 its other sign of economic growth on the service sector and it show that there is movement .

Economic growth is measured by the GDP % which represents the gross domestic products then due to inflation the economics prefer to measure the growth of economy or economic

1.2. Inflation rate in Germany

The largest tobacco company in the world (measured by cigarette volume) is the state-owned China National Tobacco Corporation. According to industry reports, China National Tobacco Corporation has a more than 99% market share in China, making it the single largest tobacco manufacturer in the world. Philip Morris – including both the separate Philip Morris International and US market (Altria) companies) – runs second to China National Tobacco Corporation with 17.3% of the global market share, followed by British American Tobacco, Japan Tobacco International and Imperial Tobacco (Table 1.1).

Table.1.1

Estimated percentage share of global market, 2014

	Company	Profit	Revenue	Global Market Share
	China National Tobacco Co.	\$16.0 billion	\$91.7 billion	37.1%
	Philip Morris International Inc (Altria Group Inc)	\$7.5 billion	\$67.7 billion	20.2%
	Japan Tobacco International	\$1.5 billion	\$65.9 billion	9.6%
	British American Tobacco	\$4.2 billion	\$58.1 billion	12%

	Imperial Tobacco Group	\$2.0 billion	\$38.4 billion	4.9%
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Source: [11]

U.S. exports are \$2.272 trillion, generating 13% of U.S. total economic output as measured by GDP. However, it could be much larger – only 1% of U.S. businesses export. As a result, the United States is the world's third largest exporter, falling behind China and the European Union, and barely edging out Germany [23].

Tobacco trade is big business, for both the raw material (tobacco leaves) and the finished product (manufactured cigarettes). Brazil is the largest exporter of tobacco leaf, and the Russian Federation and the USA are the largest importers. Some countries that grow tobacco, such as the USA, also import foreign tobacco as well as exporting their own tobacco leaves. Interestingly, the USA exports approximately the same amount of tobacco that it imports. Because US tobacco is popular globally, and tends to be more expensive than tobacco from other countries, the value of US tobacco leaf exports are about double that of the same quantity of imports.

Tobacco production in the U.S. from 2000 to 2013 (in 1,000 pounds)

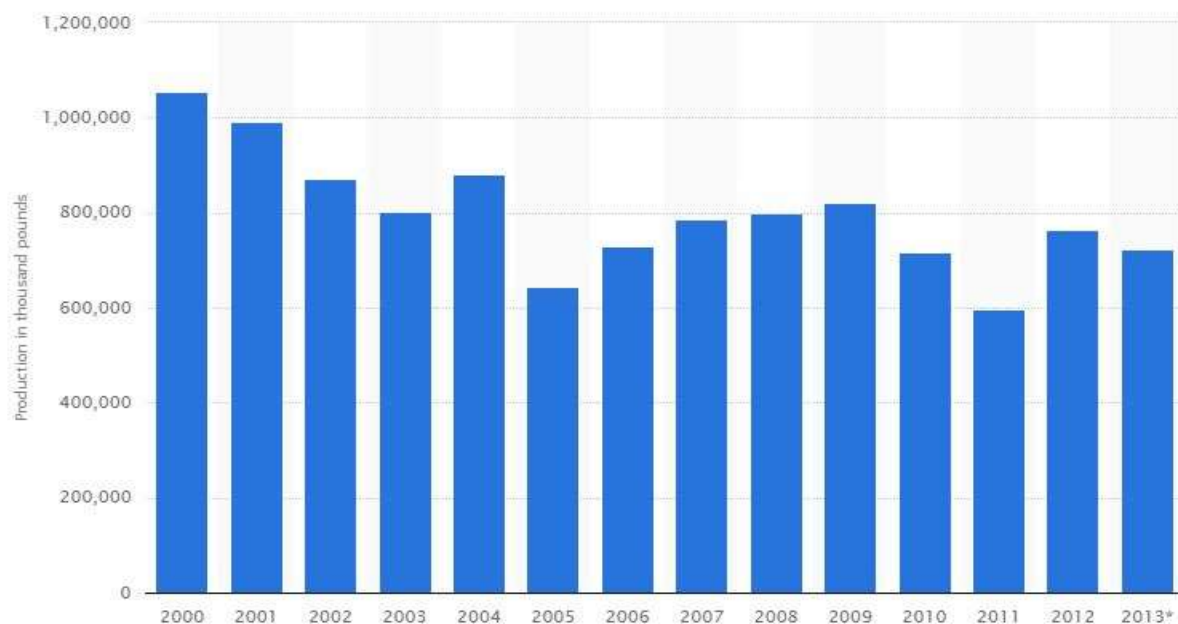


Fig.1.1. Tobacco production in the U.S. from 2000 to 2013 (in 1,000 pounds) [23]

The tobacco industry generally refers to the companies involved in the manufacture of cigarettes, cigars, snuff, chewing and pipe tobacco. The largest tobacco company in the world by volume is China National Tobacco Co. International markets are dominated by five firms: Altria, British American Tobacco (represented in the U.S. market by a 42% stake in Reynolds American, Inc.), Imperial Tobacco, Japan Tobacco, and Philip Morris International. Altria was formerly called the Philip Morris Cos, and it still owns the Philip Morris tobacco business in the United States, but Philip Morris International has been fully independent since 2008. In most countries these companies either have long established dominance, or have purchased the major domestic producer or producers, often a former state monopoly. The United States has one other substantial independent firm, Lorillard. India has its own major player, ITC Limited (25.4% owned by British American Tobacco). There are a small number of surviving state monopolies, and some small independent firms.

The six major classes of tobacco include flue-cured, air-cured, fire-cured, cigar filler, cigar binder and cigar wrapper. Flue-cured tobacco accounted for 58 percent of tobacco production in 2011 and air-cured burley tobacco accounted for 29 percent (NASS). The majority of U.S. tobacco is used for cigarettes. Cigarettes account for about 95 percent of flue-cured tobacco and 90 percent of burley tobacco. Dark air-cured and fire-cured tobaccos are used in snuff and chewing tobacco.

In 2011, yield per acre averaged 1,850 pounds, down 278 pounds from 2010. (NASS) The total value of tobacco production in 2011 was more than \$1.1 billion. (NASS) Tobacco is commercially harvested in 10 states. In 2011, North Carolina led in production by harvesting nearly 251.6 million pounds from 162,000 acres. Kentucky again ranked second, harvesting more than 172.1 million pounds of tobacco from 77,500 acres. At 160,000 acres, North Carolina also had the most acres of flue-cured tobacco, and Kentucky the most acreage of burley tobacco, 64,000 acres. Following these states in production were Virginia, Tennessee and South Carolina.

Manufactured cigarettes are also traded globally. Again, the USA is the largest exporter of manufactured cigarettes, accounting for nearly 20 percent of the world total.

Japan is the largest importer of cigarettes (Table 1.2.). According to government reports, 846 billion cigarettes were exported, but only 619 billion were reported to be imported. Statistics such as these provide a sense of the size of the cigarette smuggling problem. China is quietly emerging as a significant cigarette exporter, increasing from virtually no exports in 1980 to over 20 billion cigarettes exported in 2001, worth about US\$320 million. In 2005 the value of China's export trade in cigarettes is predicted to be US\$600 million. (Appendix A).

Table 1.2.

Major producers of tobacco, 2000-2013

	Country	Production
	China	2,397,152 metric tonnes
	Brazil	908,679 metric tonnes
	India	520,000 metric tonnes
	United States of America	353,177 metric tonnes
	Argentina	170,000 metric tonnes

Source: []

To the extent that governments decide to use higher tobacco taxes to reduce the health and economic consequences of tobacco use, they need to consider more than just the absolute level of taxes. Changes in the prices of other goods and services need to be taken into account. Increases in taxes on tobacco products that do not result in increases in prices that are larger than the increase in other prices will result in a drop in the prices of tobacco products relative to other goods and services (a drop in the real or inflation adjusted price). Rising nominal but falling real prices for tobacco products will lead to increases, not decreases, in tobacco use and its consequences.

Currently, governments that impose a differential excise system often levy higher taxes on premium or high price brands, often produced by foreign manufacturers, than they do on lower grade, lower priced brands that are often produced domestically. As taxes

increase, premium and high-price brands are expected to generate more stable revenue than the other price bands due to their less price sensitive consumption base. High income smokers are more likely to smoke premium, high price brands and are less responsive to price than are smokers in lower income groups. Given their market share and the high taxes that are applied to them, premium brands generate a relatively high share of total tobacco tax revenues in various countries.

The many countries and the wide range of economic situations make Europe a continent with a wide range of prices. In the bottom we have eastern European countries like Belarus, Kazakhstan and Moldova where you can get a pack of Marlboro for around one euro. In the top there are western countries like Ireland and Norway where a pack of cigarettes cost ten times as much.

Table 1.3

International Cigarette Prices, Europe and USA

EUROPE (2014)		
Country	In Euro	In US Dollar
Cyprus	4.5	6.1
Denmark	5.1	6.9
Germany	5.1	6.9
Italy	5.0	6.7
Netherlands (Holland)	6.0	8.3
Ukraine	1.0	1.3
United Kingdom	8.1	11.0
USA(2014)		
State	In Euro	In US Dollar
California	4.3	6.0
New Jersey	5.8	8.0
New York	9.3	12.8
Texas	4.2	5.8
Washington	5.1	7.0

Source: [23]

Cigarette prices are positively associated with sales of e-cigarettes regardless of e-cigarette types, indicating, everything else constant, markets with high cigarette prices have

higher e-cigarette sales. However, the association is not statistically significant. The estimated coefficients for the cigarette tax are negative and not statistically significant for disposable e-cigarettes. The differences in the results between cigarette price and cigarette tax are likely due to the differences in how closely these two variables reflect the actual prices that smokers paid for cigarettes. As explained in the previous section, the cigarette price variable used in our analyses reflects market-store-level average cigarette retail prices, constructed directly from Nielsen store scanner data, and is a good approximation of the prices smokers actually pay. The cigarette tax variable, on the other hand, reflects the county population weighted average cigarette tax within a market and is therefore not a direct measure of prices and does not capture cross-border shopping in markets that cross state lines and/or those with significant local taxes.

Tobacco companies are aggressively exploiting trade and investment agreements to expand their market in low- and middle-income countries. Lower tariffs reduce the price of imported cigarettes in countries without good taxation systems to compensate. Multinational tobacco companies use dispute resolution provisions in trade and investment agreements to block tobacco marketing and labeling regulations far more modest than those in the United States. Young women, who have historically smoked less than men in most parts of the developing world, are a major target of industry marketing campaigns. Girls now smoke at the same rate as boys in more than 60 percent of countries surveyed by the World Health Organization (WHO) and the U.S. Centers for Disease Control.

The Obama administration launched its TPP negotiations in late 2009. These talks involve eight other trading partners, including one lower-income country—Vietnam. The TPP members have set a goal of reaching the outlines of an agreement by the Asia-Pacific Economic Community (APEC) Leaders' meeting in Honolulu in November.

Table 1.4 Cigarette Companies

Company Name	Brand Examples	Market %	Cigarettes Sold
Philip Morris USA	Marlboro, Basic, Virginia Slims	46.1%	135.1 billion
Reynolds American Inc	Camel, Doral, Winston, Kool	24.9%	72.9 billion
Lorillard	Newport, Maverick, Kent	13.7%	40 billion
All other companies	USA Gold, Sonoma, Montclair	15.3%	45 billion

Table 1.3 cigarettes purchases in the United States in 2011

Marketing in the retail environment, or point of sale, is an especially effective method to gain sales by both new tobacco users and those trying to quit or reduce use. Research shows retail advertising is an important factor in youth initiation, with the very young internalizing messages of tobacco use normalcy and acceptability and ‘tweens and teens higher recall of specific advertising images and displays. Sadly, it is precisely these youth the tobacco companies need to recruit as new users, since new tobacco users are almost never adults. The overwhelming majority of regular smokers start smoking as youth—nearly 90% by age 18 and 99% by age 26.

If you want to bring tobacco products into the Germany from another country in the course of your business there are several different ways you can proceed. Which way is best for you depends on what country the products are coming from, and how often you expect to bring products into the Germany

If you only import tobacco products that are in duty suspension from other EU countries on a one-off or infrequent basis, then you can apply to HM Revenue & Customs (HMRC) to become a Temporary Registered Consignee. You must do this for every consignment, and you must follow the procedures for Registered Consignees.

The 2012 Census of Agriculture provides the most recent count of U.S. tobacco farms: 10,014 tobacco farms in the USA using 342,932 acres to grow tobacco. Overall, there were 2.1 million farms of any type in the United States in 2012, using 914 million acres, which means that tobacco farms accounted for less than half of one percent of both the total number of U.S. farms and U.S. farm acreage. Tobacco farm revenue totaled \$1.5 billion or less than one half of a percent of total U.S. farm income (\$394.6 billion).

Table 1.5

Ranked By Number of Tobacco Farms	Ranked By Total Tobacco Acreage
1. Kentucky 4,530	1. North Carolina 167,443
2. North Carolina 1,682	2. Kentucky 87,931
3. Pennsylvania 1,312	3. Tennessee 23,801
4. Tennessee 935	4. Virginia 22,982
5. Virginia 558	5. South Carolina 12,155
6. Ohio 224	6. Georgia 9,882
7. Wisconsin 181	7. Pennsylvania 9,532
8. Indiana 158	8. Indiana 2,348
9. South Carolina 136	9. Connecticut 2,180
10. Georgia 102	10. Ohio 1,864

Table 1.4 U.S. Department of Tobacco, 2012 Census of Agriculture, May 2014

The role of tobacco farming in the United States economy and in the so-called tobacco states' economies has been shrinking rapidly for some time. While some of that decline has been caused by reductions in the amount of smoking in the United States, much of the reduced demand for U.S. tobacco leaf has come from U.S. cigarette companies using more foreign tobacco in the cigarettes they make and sharply reducing, if not eliminating, their cigarette exports.

Top tobacco producing U.S. states in 2012 and 2013 (in 1,000 pounds)

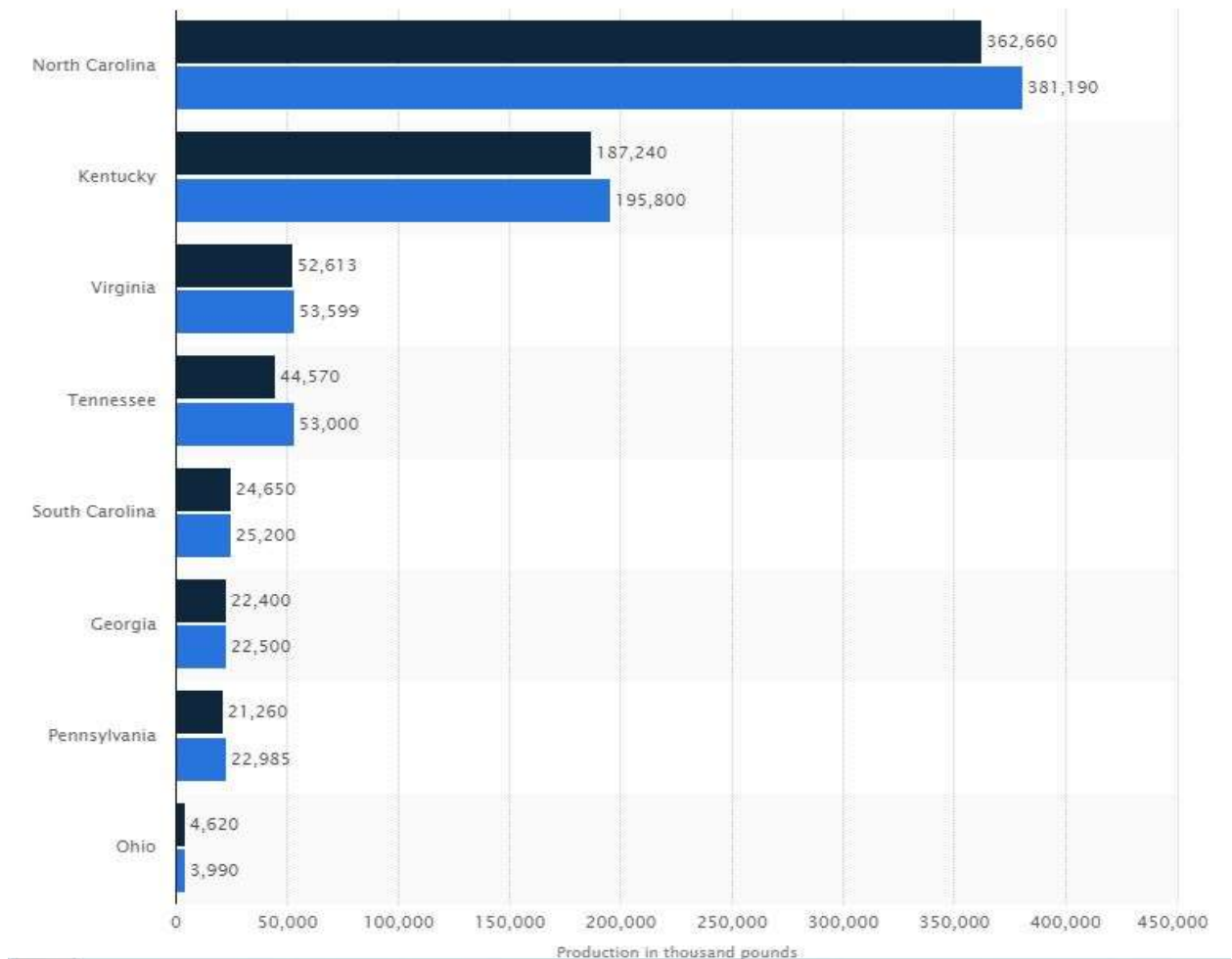


Fig 1.2. Top tobacco producing U.S. states in 2012 and 2013 (in 1,000 pounds) [

On June 22, 2009, President Barack Obama signed into law the Family Smoking Prevention and Tobacco Control Act, giving the U.S. Food and Drug Administration (FDA) comprehensive authority to regulate the manufacturing, marketing, and sale of tobacco products. The new law (H.R. 1256) represents the most sweeping action taken to date to reduce what remains the leading preventable cause of death in the United States.

CHAPTER 2

FOREIGN ECONOMIC ACTIVITY OF GERMANY

2.1. Tobacco export & Import Activity in Germany

United States Smokeless Tobacco Company (USSTC) manufactures its products using the finest dark air-cured and dark fire-cured tobacco grown in Tennessee and Kentucky. USSTC have had operations in these two states for more than 70 years.

USSTC has worked hard to build relationships with the farmers who supply our tobacco. One hundred percent of the tobacco we purchase for our moist smokeless tobacco products is grown in the U.S.

Through our direct contracting program known as the Tobacco Leaders Program, we encourage consistent high-quality tobacco, innovation, efficiency and open communications between the company and its growers.

USSTC works with tobacco growers to:

- promote the production of high-quality tobacco using responsible environmental and labor management practices;
- encourage innovation on the farm for greater efficiency and improved quality; and
- understand the challenges growers face and advance solutions that make sense both for growers and our business.

The Altria family of companies, including USSTC, does not condone the unlawful employment of children in the workplace nor do we condone forced labor. USSTC promotes these positions within our supply chain by:

- establishing specific contract terms and conditions related to child and forced labor; and
- discussing our expectations on these issues and requiring that suppliers accept responsibility for their labor practices.

Farm labor is important to the U.S. tobacco growing community. USSTC supports a reasonable system to provide tobacco farmers with a reliable source of legal workers and addresses issues associated with farm labor in a number of ways:

- We do not condone the unlawful employment or exploitation of farm workers.
- We support laws and inspections overseen by the Department of Labor.
- Our contracts with growers require all domestic contracted growers to certify in writing (at contract time and upon delivery of tobacco) that all of their tobacco is produced using GAPs defined by the company.

The FDA issued a final rule containing a broad set of federal requirements designed to significantly curb access to and the appeal of cigarettes and smokeless tobacco products to children and adolescents in the United States. The new rule, Regulations Restricting the Sale and Distribution of Cigarettes and Smokeless Tobacco to Protect Children and Adolescents, restricts the sale, distribution, and promotion of these products to make them less accessible and less attractive to kids. The rule became effective on June 22, 2010, and has the force and effect of law.

New Requirements Relating to Sale and Distribution

- Prohibits the sale of cigarettes or smokeless tobacco to people younger than 18.
- Prohibits the sale of cigarette packages with fewer than 20 cigarettes.
- Prohibits the sale of cigarettes and smokeless tobacco in vending machines, self-service displays, or other impersonal modes of sales, except in very limited situations.
- Prohibits free samples of cigarettes and limits distribution of smokeless tobacco products.

Shipments containing tobacco or tobacco products, as those terms are variously defined under applicable state in the USA ("Tobacco Product Shipments"), are accepted for transportation only from shippers who are licensed and authorized to ship tobacco and tobacco products pursuant to applicable laws. United Parcel Service (UPS) does not provide pick-up service from any person or entity included in the Bureau of Alcohol, Tobacco, Firearms and Explosives PACT Act - Non-Compliant List. Tobacco Product Shipments shipped to a consumer will only be accepted for transportation as a contractual service. However, because UPS prohibits shipments of cigarettes to consumers under any circumstances, UPS does not offer a contractual service for the delivery of cigarettes to

consumers. To receive service for Tobacco Product Shipments shipped to a consumer, the shipper must sign and agree to the provisions set forth in an approved UPS agreement for the transportation of tobacco products. For all other service for Tobacco Product Shipments, the receiver must be licensed and authorized to receive tobacco or tobacco products pursuant to all applicable federal, state, provincial, or local laws or regulations, and the shipment must conform to the terms, conditions, restrictions, and prohibitions set forth at www.ups.com/tobacco at the time of shipping. It is the responsibility of the shipper to ensure that a shipment tendered to UPS, including a Tobacco Product Shipment, does not violate any federal, state, provincial, or local laws or regulations applicable to the shipment.

UPS reserves the right to refuse to accept, transport, or deliver any Tobacco Product Shipment that UPS, in its sole and unlimited discretion, determines does not comply with UPS requirements for the shipment or any applicable law or regulation, and to discontinue any or all service to any shipper for, among other reasons, tendering such a shipment. UPS reserves the right to dispose of any Tobacco Product Shipment that shippers are prohibited from shipping, that UPS is not authorized to accept, that UPS states that it will not accept, or that UPS has a right to refuse.

When entering the UK from a non-EU country, you must make a declaration to customs if:

- You exceed your allowances, which includes up to 1 litre of spirits, 200 cigarettes and a maximum of £390 worth of perfume and souvenirs
- The goods are for commercial use
- You have 10,000 euros or more (or equivalent) in cash
- You think you may have banned or restricted goods

Citizens of countries outside the EU can get VAT (Value Added Tax) refunded on some purchases made within the UK.

If you want to bring tobacco products into the UK from another country in the course of your business there are several different ways you can proceed. Which way is best for you depends on what country the products are coming from, and how often you expect to bring products into the UK.

If your business imports tobacco products into the UK, you should also be aware of the legal requirements for fiscal markings on cigarettes and hand-rolling tobacco.

The following specified tobacco products, if imported into or manufactured in the UK, must contain a fiscal mark indicating that UK duty has been paid:

- Cigarettes
- hand-rolling tobacco (but see below for exception)

For any tobacco products brought into the UK, you will also have to follow procedures regarding the payment of Customs Duty and VAT.

The following specified tobacco products, if imported into or manufactured in the UK, must contain a fiscal mark indicating that UK duty has been paid:

- cigarettes
- hand-rolling tobacco (but see below for exception)
- Exceptions from fiscal marking

Any hand-rolling tobacco intended for retail sale in loose form and supplied by the manufacturer or importer in packets containing 500 grams or more must not carry a fiscal mark.

- Any other tobacco products must not carry a fiscal mark.
- Tobacco products which are not released into the UK market must not carry a fiscal mark, such as products intended for:
 - ships and aircraft stores
 - export
 - sale in export shops to travellers to third countries

Tobacco products must not carry a fiscal mark if the rules for duty relief are followed and they are:

- imported for personal use
- for supply to entitled international organizations' and diplomatic missions
- for sale to visiting forces

There are also specific exceptions for products released for use in the Isle of Man.

If you manufacture any of the specified products in the UK and none of the exceptions apply, they must be marked when they are packaged and before they leave your registered factory.

If you import any of the specified products into the UK and none of the exceptions apply, they must be marked before they enter the UK. It's your responsibility to ensure that

your supplier understands the significance of the fiscal mark and that they ensure that any specified tobacco products sent to you carry a compliant fiscal mark.

If you are a Registered Consignee or an Occasional Importer then all the specified products you bring into the UK must be marked before they enter the UK, because you're not allowed to keep products in duty suspension for later export.

If you manufacture tobacco products in the UK, or bring them into the UK, you must make returns and pay Tobacco Products Duty to HM Revenue & Customs (HMRC). You must also keep certain records.

You must make payments of Tobacco Products Duty to HMRC when the products become liable to the duty.

Products become liable to the duty when either of the following happens:

- they enter the UK from overseas
- they reach a smokeable condition in the course of manufacture. These events are known as 'duty points'.

If your goods are kept in a registered warehouse, store or factory, you can use 'duty suspension arrangements'. This means that you can pay the duty at a later stage, for example, when they leave a registered store for distribution to the UK market.

Tobacco Products Duty is charged by the kilogram for cigars, hand-rolling tobacco, other smoking and chewing tobacco. Each of these product types has a specific rate.

Tobacco Products Duty on cigarettes is worked out from a percentage of the retail cost of the cigarettes, plus a specific amount per thousand cigarettes.

Table 2.1 Rates of Tobacco Product Duty

Tobacco product	Duty rate from 20 March 2013
Cigarettes	16.5% of the retail price plus £176.22 per 1,000 cigarettes
Cigars	£219.82 per kilogram
Hand-rolling tobacco	£172.74 per kilogram
Other smoking tobacco and chewing tobacco	£96.64 per kilogram

When there is a rate increase, any products passing a duty point on or after midday on the day of the increase are liable to the higher rate of duty.

There are limits to how many cigarettes can be removed from duty suspension arrangements in the period before a Budget. These are known as 'anti-forestalling' measures.

In the restricted period, you are only permitted to remove a certain number of cigarettes from duty suspension onto the UK market - known as your 'allocation'.

Packaging

2.2. Factors of competitiveness

Virginia, Burley, Maryland, Kentucky and the like are packaged almost solely in cartons. The cartons are of internationally standard dimensions and weigh between 180 and 200 kg net. Since the leaf is deribbed where it is grown, leaf and ribs are packaged separately.

Oriental tobacco and dark air-cured tobacco are generally packaged in jute bales, different weights being specific to different countries: Bulgaria approx. 22 kg net, Greece approx. 28 kg net, Turkey approx. 55 kg net, Malawi approx. 80 kg net, Indonesia approx. 100 kg net. Oriental tobaccos are generally Tonga manipulated, i.e. the tobacco leaves are compressed into bales in a random arrangement. Bales from Turkey, Greece and Albania are Sira-Pastal manipulated, i.e. the tobacco leaves are arranged in a single direction.

The dimensions are approximately standardized. Some countries (e.g. China, India) also package lower quality Virginia tobaccos in bales.

Bales are generally wrapped in jute fabric. However, linen, palm leaves, banana leaves, reed matting or bast are also used.

Transport

Means of transport

Ship, truck, railroad. Ships are the main means of transport for tobacco; however, land transport by truck and railroad is also common.

Container transport

These days, tobacco is generally transported in 40' or 20' standard containers. Ventilated containers are only used for transport from regions with critical climatic conditions (e.g. Indonesia, Dominican Republic), subject to compliance with lower limits for water content of goods, packaging and flooring. Containers intended for loading have to be watertight and must not be contaminated in any way. Containers whose floors release a foreign odor, are contaminated by any substances or are too damp should be rejected. Below deck stowage is required, to rule out the possibility of exposure to rain or seawater or of overheating by day and cooling at night. Tobacco containers must not be stowed near heat sources.

Carton dimensions are adapted to container dimensions and allow the containers to be filled virtually to total capacity. These two features mean that the standard container can be used without difficulty as FCL cargo.

Cargo handling

Containers are often stuffed with cartons via locks (comparable to refrigeration locks), which provide protection against rain and snowfall. If the cartons are handled in the open air, the cargo must be protected from rain and snow and the like, since losses are otherwise inevitable.

When transporting leaf tobacco, the bales must be prevented from bumping against the hatch coaming, the ship's sides, container walls or the like during packing, as the leaves of excessively dry tobacco may break under the slightest mechanical stress and thereby

lose value. Hooks or cargo nets must not be used; instead, the tobacco must be loaded on pallets. Point loads must not occur at the corners and edges of the bales.

Stowage space requirements

Cool, dry, good ventilation. On board conventional ocean-going vessels, stowage spaces on the lower 'tween deck are most favorable, as these do not adjoin any heat sources. Under no circumstances should tobacco bales be stowed beneath the metallic weather deck, as otherwise the risk of sweat formation is too great. The bales should stand on a completely flat, smooth surface. If the bales are stowed over boxes, distortion may arise, should the boxes shift as a result of rough seas. However, this negative effect may be ruled out by the use of appropriate dunnage.

Segregation

Fiber rope, thin fiber nets, matting, jute coverings. The segregation of individual batches is of considerable importance, as tobacco batches from different factories and of different varieties must not be mixed together.

Cargo securing

Since leaf tobacco suffers damage through breakage when exposed to the slightest mechanical stress, care must be taken to ensure that cargo securing is adequate, especially in the case of bales. The best course of action is to stuff the holds or containers completely full, so that the bales cannot move and bump into one another in the hold/container during transport.

Distortion caused by wooden dunnage is a particular risk with cigar wrapping leaves: if the leaves are torn, they can no longer be used as wrapping leaves.

Fiscal marking applies to specified tobacco products.

Specified tobacco products that are intended for, or are removed to, home-use are required to carry the fiscal mark.

Specified tobacco products are:

- cigarettes; and
- hand-rolling tobacco.

Please note that hand-rolling tobacco, which is intended for retail sale in loose form and is supplied by the manufacturer or importer in packets containing 500 grams or more, is not a specified tobacco product and is not required to carry a fiscal mark.

Specified tobacco products, which are removed or imported for a duty-free purpose, are not required to carry a fiscal mark and must not carry a fiscal mark.

Tobacco can be supplied in a variety of different ways:

- in a raw, unprocessed or unmanufactured state
- as manufactured cigars, cigarettes or cigarillos
- as prepared loose smoking tobacco
- as prepared chewing tobacco
- as snuff
- as homogenised or reconstituted tobacco
- as an extract or essence

There are also a range of manufactured tobacco and smoking substitutes. Some of these are classified as tobacco even though they do not contain any tobacco as such. This guide will explain where each of the products should be classified.

Classifying raw and unprocessed tobacco

All forms of unmanufactured tobacco and tobacco refuse are classified under heading 2401 - Unmanufactured tobacco; tobacco refuse.

The term 'unmanufactured tobacco' includes many forms. It could be tobacco supplied as whole plants or leaves in the natural state, or as cured or fermented leaves. It also includes tobacco which has been stemmed/stripped, trimmed or untrimmed, broken or cut, including pieces cut to shape.

Tobacco leaves which have been blended, stemmed/stripped and 'cased' ('sauced' or 'liquored') with a liquid of appropriate composition, mainly in order to prevent mould and drying and also to preserve the flavour, are also covered in this heading. However, it does not include tobacco which is ready for smoking.

Tobacco refuse includes all waste resulting from the manipulation of tobacco leaves or from the manufacture of tobacco products and thus includes stalks, stems, midribs, trimmings, dust, etc.

Classifying cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes

Cigars whether or not wrapped, cheroots, cigarillos and cigarettes are all classified under heading 2402, whether they are made wholly of tobacco or of mixtures of tobacco and tobacco substitutes, regardless of the proportions of tobacco present in the mixture.

Similarly, apart from cigarettes containing only tobacco, this heading also includes those made from mixtures of tobacco and tobacco substitutes, regardless of the proportions of the tobacco and tobacco substitutes in the mixture.

It's worth noting that cigarettes, cigars, cheroots or cigarillos will be classified here even if they contain no tobacco at all. For example, 'cigarettes' which are made from specially processed leaves of a variety of lettuce and therefore contain neither tobacco nor nicotine would also be classified under this heading.

This heading does not cover medicinal cigarettes. However, cigarettes containing certain types of products specifically formulated to discourage the habit of smoking but which do not possess medicinal properties remain classified in this heading. Loose tobacco including pipe tobacco and tobacco for hand rolling cigarettes, whether or not containing tobacco in any proportion, is classified under heading 2403.

Excise Duty on tobacco products

Excise Duty is the most significant charge levied on the import of tobacco products. However, the determination and application of Excise Duty is not dependent upon classification but instead upon the Tobacco Products (Descriptions of Products) Order 2003. This means that the classification of such products in no way determines whether excise is due or the excise rate which will apply.

Incoterms (Appendix B)

The 'Total Value' of your goods liable for Import Duty and/or VAT depends on the 'Terms of Sale' or 'Inter-company Terms (Inco-Terms)', between yourself, the importer (or buyer) and the exporter (or seller), and clearly outlines as to who is paying for what.

When buying any goods, you would usually pay either an all-in price, one which includes the cost of shipping to the UK. Or alternatively, there could be the situation whereby the price you pay, only covers the cost of the goods and then you may have to pay the seller an extra charge for shipping them to the UK. Or, perhaps you are just paying the seller for the cost of the goods and you're sorting out the shipping costs out yourself, with the company who has shipped them from the country of origin to the UK port. These 3 options are 3 different examples of 'Inco-terms' (or 'Terms of Sale') and perhaps, are the most commonly used 'Inco-Terms', (although there are many more), and they each affect what Customs deem as the value of your goods on which import duty and / or VAT will be paid (if applicable).

UK Customs see that the total value of your goods as the original purchase price, as well as any of the following:

- Collection/Delivery costs from the shipper to the port of export, as well as the shipping cost to the UK of arrival
- The cost of any specialized packaging
- Any additional Insurance taken out to cover your goods during transit

If the seller absorbed these costs, then they will not be added to you Customs declaration (Form C88), however, if you paid for them, then you will have to pay import duty and / or VAT on them (if applicable)

CHAPTER 3

DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT TO ESTABLISH A PREPARATION AND MAKING OF FOREIGN TRADE CONTRACT AND FARMING OF TOBACCO

3.1. Foreign trade contract of export of tobacco

Contract № 113-E

Deerfield, North Carolina, USA
2014

12 October

The firm CF Industries Holdings (Deerfield, Illinois, USA), hereinafter referred to as "SELLER", on the one hand, and Philip Morris Limited (Richmond upon Thames, United Kingdom), hereinafter referred to as the "BUYER", on the other hand, have concluded the present Contract on the following:

1. SUBJECT OF THE CONTRACT

1.1. The Seller has sold and the Buyer has bought on FOB (Kandla) the tobacco hereinafter referred to as raw and unprocessed tobacco to the amount of 600 tons in the quantity, assortment, at price and according to technical conditions as stated in Supplements No. 1 shown at the end of the contract which are an integral part of the present contract.

1.2. The tobacco under the valid contract is delivered for the purpose of its use in the enterprise activity of the buyer.

2. QUALITY OF TOBACCO

2.1. The quality of the "raw and unprocessed tobacco" should conform to the samples-references agreed and certified by the Parties as well as to the technical data stated in Supplements Nos. 1 to the Present Contract.

2.2. The quality of "raw and unprocessed tobacco" is to be confirmed by a Quality Certificate issued by the Manufacturer. With the first lot of the goods to be shipped to each Consignee the Seller sends one sample-reference of each article which is to be sent to the same Consignee.

2.3. Samples-references must be sealed and packed into an individual bale with the inscription "Duplicate of Sample-reference".

3. PACKING AND MARKING

3.1. The packing of the "raw and unprocessed tobacco" to be shipped shall be in accordance with the technical conditions ruling at the manufacturing works and ensure safety of the tobacco during the transportation provided that the tobacco bags are duly handled. Each package shall be provided with marking showing the place of destination, name of consignee, name of the SELLER, case number, gross and net weights, dimensions of case.

4. PRICE

4.1. Price for "raw and unprocessed tobacco" sold and delivered in the frame of the present Contract is understood Free on Board terms and fixed in US Dollars per bale and effective within the agreed pricing-period (five quotations, namely: two days immediately preceding to Bill of Lading (B/L) date, on the B/L date and two days immediately following after B/L date), unless other price-period is agreed by Parties additionally, if no quotation is published on the Bill of Lading date then the immediately preceding quotation to apply; minus a discount, agreed by Parties in separate addendums to the present Contract for each ton is up to 240 US Dollars unless agreed otherwise by parties additionally in accordance with world's spot tobacco market situation.

5. DELIVERY TERMS

5.1. The tobacco hereunder shall be delivered FOB (Kandla). The date of Bill of Lading is considered the date of delivery. The total weight of the tobacco may vary by +/- 10% depending on container's capacity. The Seller shall inform the Buyer by fax after dispatch of the goods of the following:

- dispatch date;
- name of vessel;
- Contract No. & Annexure No.;
- Quantity and cost of consignment.

5.2. Commercial terms used in this Contract are understood in accordance with the rules of interpretation of the International Commercial terms, "INCOTERMS 2010".

5.3. Shipment of "raw and unprocessed tobacco" sold under the present contract to be effected from St. Louis (Missouri) port not later than 30 days. The date of Bill of Lading is considered as the date of Shipment.

5.4. Delivery of the "raw and unprocessed tobacco" under the present Contract is to be effected within the dates, stipulated in Supplements to the present Contract, equally to each consignee.

5.5. The Seller has the right to effect delivery of the "raw and unprocessed tobacco" ahead of the scheduled time subject to the Buyers' consent.

5.6. Date of Bill of Lading is considered to be the date of delivery. The Sellers are to furnish the Buyers monthly with the information of the fulfillment of the Contract obligations per consignees as per assortment, in quality and amount.

6. TERMS OF PAYMENT

6.1. The payments for the "raw and unprocessed tobacco" under this Contract shall be effected by irrevocable confirmed divisible and transferable Letter of Credit payable at sight and opened before the shipment of consignment with the U.S. Bank, in favor of the Seller.

L/C will be processed at least 10 days in advance from the date goods are likely to be ready on such information from Seller. Payment shall be released against the following documents to be submitted to the Bank within three weeks after opening the L/C:

- Signet invoice in four copies for each lot shipped,
- Full set of clean on board Bill of Lading issued in the Consignee's/Buyer's name, notifying the Buyer's/Consignee's name, showing that the tobacco have been shipped and freight paid, Original Certificate of Origin,
- Packing Listing triplicate,
- Manufacturer's Quality Certificate in triplicate,
- Insurance Policy in one original dated not later than the date of Bill of Lading,
- Inspection Certificate.

All shipping documents including invoices should be made for each container.

7. CLAIMS

7.1. The claims may be made for the quality and quantity of the "raw and unprocessed tobacco" if they do not conform to the quality or quantity stipulated in the Present Contract. The BUYER has the right to claim on the SELLER in respect of the quality within 3 months and in respect of the quantity within three months from the date of delivery. The claims should contain the quantity and the name of the claimed goods as well as the nature for the claim.

7.2. The claims should be forwarded by a registered letter enclosing all the necessary documents justifying the claim including act of competent neutral organization. The SELLER has the right to inspect at the place of delivery the correctness of the claim by his representative.

7.3. On expiration of the above mentioned period no claims will be accepted. No claims put forward in respect of any consignment of the goods can be used by the BUYER as a reason for his refusal to accept all other goods to be delivered under the Present Contract and to pay for them.

8. SANCTIONS

8.1. Shall the Sellers fail to deliver the goods within specified time he is to pay penalties estimated from the value of non delivered goods 0,5% for every week of delay. If delay exceed four weeks the Sellers pays 10% of the value of the non delivered goods over and above the mentioned penalties.

8.2. If delay exceed 2 month the Buyers have the right to cancel the Contract.

8.3. Shall the Buyers fail to open the L/C provided for by the Contract in due time he is obliged to pay penalties at the rate of 0,5% of the value of the mispaysed goods for every week of delay.

8.4. If delay exceeds 4 weeks the Buyers is obliged to pay penalties at the rate of 10% of the value of the mispaysed goods over and above the mentioned penalties.

8.5. If delay exceeds 4 weeks the Sellers have the right to cancel the Contract.

9. INSURANCE

9.1. The SELLER shall insure the "raw and unprocessed tobacco" delivered under the Present Contract (on FOB terms) against usual shipping risks with the COFACE in accordance with the Rules of Transport Insurance of the COFACE, for the Invoice value of the tobacco. The tobacco may be insured against other risks only on the instruction of the Buyer and at their own expenses.

10. GUARANTEE OF QUALITY

10.1 The SELLER shall guarantee the quality of the sold tobacco within months from the date of delivery. Should the tobacco within the guarantee period prove to be defective or not corresponding to the Terms and Conditions of the Contract the SELLER shall eliminate defects or replace defective parts.

3.2. Estimated income calculation and assessment of the economic attractiveness of the investment project

INVESTMENT REQUIREMENT IN THE FARMING AND TRADE OF TOBACCO IN GERMANY in euros

1. seeds-----20 000
2. burners of tobacco-----12 000
3. meeting contracts-----3000
4. farm land-----50 000
5. tractor -----10 000
6. irrigation pipes-----15 000
7. computers0-----5000
8. warehouse-----8000
9. fertilizer-----10 000
10. open trucks-----20 000

total cost \$153 000euros

expenditures

job	number of people	month	total
drivers for tractor	2	10 000	20 000
sales manager	1	5000	5000
irrigation team	20	8000	160 000
burner	4	8000	32 000

Below are the monthly expected expenditures in EUROS

Monthly expenses

farm-----10 0000
 rent-----20 000
 fuel-----5000
 electricity-----11 000
 burners-----13 000
 seeding-----20 000
 accounting-----13 0000

total 92 000

yearly expenses in euros

Yearly expenditure	year 1	YEAR 2	YEAR 3
farm	120 000	114 000	45000
rent	240 000	120 000	112000
fuel	60 0000	40 000	33000
electricity	132 0000	22 000	44000
burners	156 0000	120 000	22 000
seeding	240 0000	130 000	12 0000
accounting	156 0000	100 000	90 000
TOTAL			

Estimated Revenue

No	Name of goods	Unit of measure	Net weight	Price in euro per ton	Amount in euro
1	Raw tobacco	t	400 t	800	320 000
	Totally		700t	800	560 000

Totally: 880 000

Investment Effectiveness

So in this part of the module i will be looking at the things that will lead to the attractiveness of

this project in Germany so i will be calculating the expected net returns after expenses with a

risk reward ratio of 3 as to one (3;1) Also using the 20% risk rule where we only risk 20% of the

working capital in this project and interest rate at 14% strike in Germany and loan rates at 4% for

other expenditure made in the project

discount value = $0.20 \times 0.4 \times 100\% - 2 = -1.99$

looking at three years projection

discount rate = interest rate + -1.99

interest rate $\times 2 = 8.23$

interest $\times 3 = 20.5$

Discount on chickens to other supplies

discount = $\frac{840\,000 \times 14}{100} = 600\,000$

309 000

Discounted given for the first year

120 000

$1 = \frac{220\,000 - 14\%}{2,667} = \frac{303\,000}{1.077} = 340\,000$

2 430 000

3) 124 00

NET PRESENT VALUE ;

680 000 - 430 000

= 637 00

SO THE NET PRESENT value is above the zero and 1 this shows that it is a project that

can be made and be done and bring currency and be profitable

CONCLUSIONS AND PROPOSALS

In conclusion, the tobacco industry is a global market with high and increasing levels of concentration and trade. Generally population growth and economic growth are the main drivers for increased tobacco consumption. The Germany share of global tobacco consumption is about 11 billion cigarettes in 2012, and growing rapidly. Developments in Germany will continue to play a major role in how the global tobacco market will develop. However, US exporters like Philip Morris USA Industries Holdings face competition from both local producers and exporters from countries like Cuba who are also one of the largest exporters.

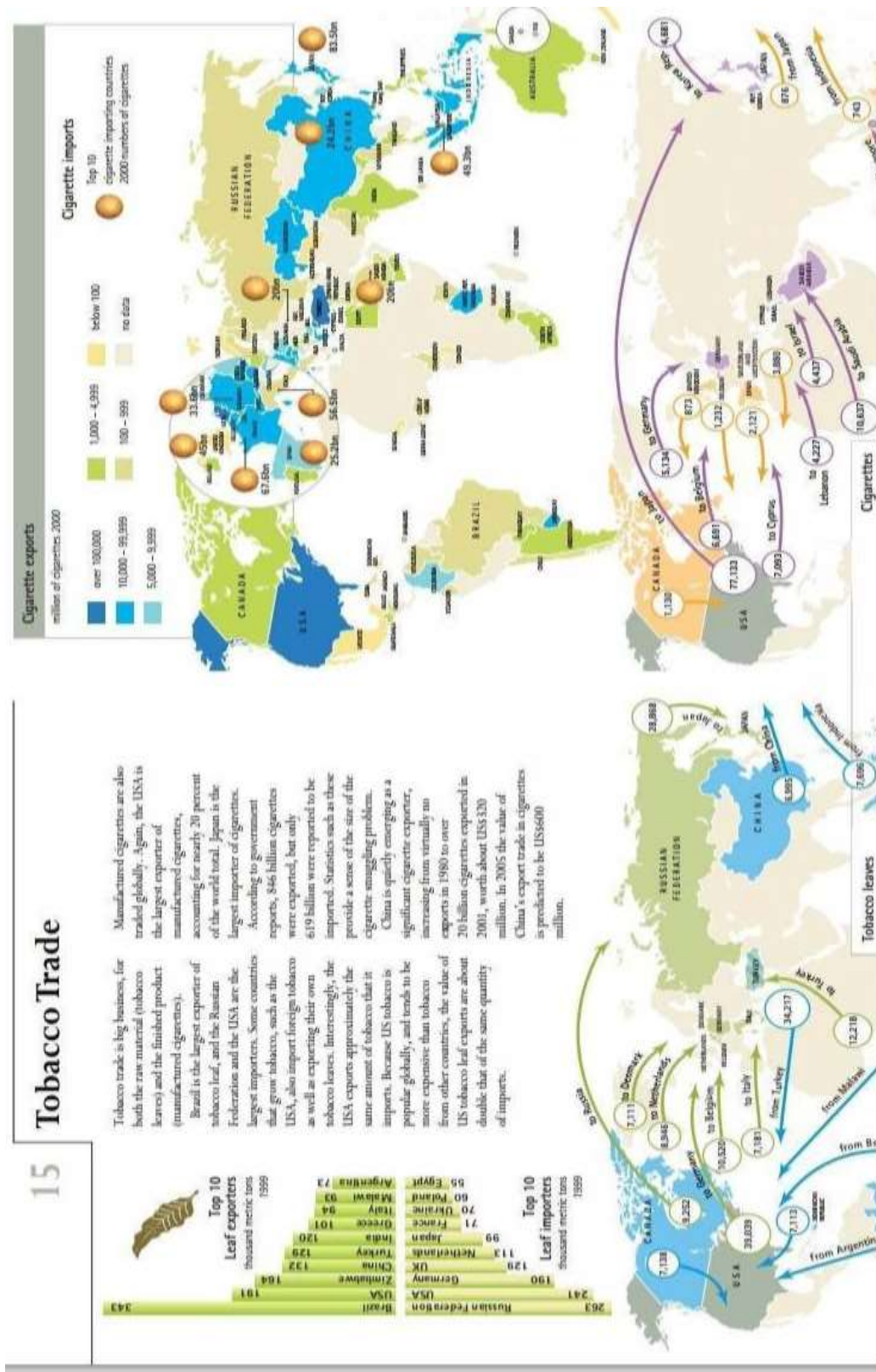
The profitability of companies in the tobacco industry in Germany has been very volatile, indicating that the tobacco market is highly sensitive. Factors that affect the economic performance of the firms include the rate of construction of new production facilities, the operating rates of existing facilities, market conditions in the grain and raw material markets Germany, and therefore also the tobacco prices, cannot be influenced by any single producer or any exporting companies. The tobacco industry operates in a global market, where only companies that manage to increase productivity can prosper in the face of global competition. It can also be concluded that Incoterms and other trade regulations must be considered as well as payment methods when doing trade. The risk involved and cost is very important. Inco terms determine the critical point of the transfer of the risks of the seller to the buyer in the process forwarding of the tobacco (risks of loss, deterioration, robbery) allow the person who supports these risks to make arrangements in particular in term of insurance. They safeguard distribution between the seller and the buyer, the logistic and administrative expenses at the various stages of the process and define who is responsible for packaging, marking, operations of handling, loading and unloading of the tobacco or the potting and the discharge of the containers as well as the operations of inspection. Therefore the above contract is according to the FOB conditions.

The risk is not only incurred by the buyer and seller but also the banks involved in the contract. Once the contract is approved by both parties then the banks are involved in payments. The cost involved is also included when pricing the tobacco.

However, it can also be suggested supply of tobacco in Germany should also increase as the demand increases, hence increasing productivity in agriculture and food production. Subsidies should be offered to local producers but also limited to encourage imports from other international tobacco producers; this will increase competition and high quality of tobacco. The higher the quality of tobacco supplied the higher the production of food in India. Also, the government and department of tobacco should inspect the quality of tobacco imported and test if it does not damage the soil, if it is not harmful even to the health of the farmers. Marking and labelling should be done and written in a language that the local farmers understand and they should be instructed on how to apply it and the negative effects on their health. Thus health and safety principles must be taken into consideration.

APPENDIX A

Tobacco trade: main actual facts



APENDIX B

Incoterms 2010 quick reference chart

	Rules for any mode or modes of transport						Rules for sea and inland waterway transport				
	EXW Ex Works	FCA Free Carrier	CPT Carriage Paid To	CIP Carriage & Insurance Paid To	DAT Delivered at Terminal	DAP Delivered at Place	DDP Delivered Duty Paid	FAS Free Alongside Ship	FOB Free on Board	CFR Cost & Freight	CIF Cost, Insurance & Freight
SERVICES	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays
	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
	1	1	1	1	1	1	1	1	1	1	1
	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
	Buyer	2	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Marine Insurance	3	3	3	Seller	3	3	3	3	3	3	Seller
Unload Main Carrier Charges	Buyer	Buyer	4	4	Seller	Seller	Seller	Buyer	Buyer	4	4
Destination Terminal Charges	Buyer	Buyer	4	4	4	Seller	Seller	Buyer	Buyer	4	4
Nominato On-Carrier Security Information Requirements	Buyer	Buyer	5	5	5	5	Seller	Buyer	Buyer	Buyer	Buyer
Customs Broker Clearance Fees	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Duty, Customs Fees, Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Delivery to Buyer Destination	Buyer	Buyer	5	5	5	5	Seller	Buyer	Buyer	Buyer	Buyer
Delivering Carrier Unloading	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer

Notes:

- 1 – Incoterms® 2010 do not deal with the parties' obligations for stowage within a container and therefore, where relevant, the parties should deal with this in the sales contract.
- 2 – FCA Seller's Facility – Buyer pays inland freight; other FCA qualifiers. Seller arranges and loads pre-carriage carrier and pays inland freight to the "F" delivery place.
- 3 – Incoterms® 2010 does not obligate the buyer nor must the seller to insure the goods, therefore this issue be addressed elsewhere in the sales contract.
- 4 – Charges paid by Buyer or Seller depending on contract of carriage.
- 5 – Charges paid by Seller if through Bill of Lading or door-to-door rate to Buyer's destination.

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