

**A Study in Eliminating the 3.87% Variance of Philip Morris
Philippines Manufacturing Inc. in the Inventory of the Raw
Material Tobacco**

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CHAPTER I

INTRODUCTION

BACKGROUND OF THE STUDY

Philip Morris Manufacturing Inc. (PMMI) was established last January 2003 and is located at First Philippine Industrial Park (FPIP) Sto. Tomas Batangas. PMMI manufactures quality of cigarettes such as: Marlboro Lights, Marlboro Red, Marlboro Menthol, Philip Morris Menthol, etc. The company is international company that supplies all the regions in the Philippines and around Asia like Thailand, China, Singapore and even United States of America. PMMI operates with 3 shifts of operation thru Monday to Sunday. The main customer of these products is the Adult ones.

The main and most important raw material of PMPMI is Tobacco Leaf. Tobacco Leaf is produced by different countries like Belgium, United States of America, Thailand, Brazil, and Northern Part of Luzon, Philippines, etc. For some instances there are chances that the company becomes short for their main raw material which is Tobacco Leaf. The PMPMI has 2 main warehouse the Infeed and Offsite warehouse. Infeed warehouse is located inside the Company and has capacity of 1,500 sq. meters can fill up Hundreds of Cartons.

The Offsite warehouse is located at Subic, Pampanga and has capacity of 3,000 sq. meters and can fill up of Thousands of Cartons. 80% of the Tobacco Leaf is imported, the Burley, Oriental and Bright Leaf.

Shortage of raw material in PMPMI warehouse (Infeed) happens when the 3 different things encountered; bad climate, this cause a delayed delivering to the 2 warehouse. The Crops has different enemy, one of the enemy of Tobacco leaf, is the Tobacco Beetle and Moth (Pest) and Manpower occurrence.

Therefore this study is to eliminate the 5.30% Material Shortage due to the delay of delivering Tobacco Leaf to Philip Morris Manufacturing Inc. that result to Php **P10, 166,640.00** semi annually.

STATEMENT OF THE PROBLEM

Philip Morris Manufacturing Inc. is experiencing 3.87% raw material shortage that results to an opportunity loss of Php 10,166,640.00 semi annually in the warehouse (infeed) on Tobacco Processing (TP).

OBJECTIVE OF THE STUDY

General Objective:

To eliminate the 3.87% material shortage in the warehouse (infeed) that results to a profit loss of Php 10,166,640.00 semi annually.

Specific Objective:

- * To learn the different process and system of Warehousing
- * To give possible solution to the company's problem
- * To determine the root causes of having an inventory problem

SIGNIFICANCE OF THE STUDY

To the Students:

The significance of this study to the students is to easily understand the procedure on hoe the inventory process is done. They get an idea on what problem they might encounter in the Industry. This study may serve as reference and guide for a similar study. Also, it may give a background about certain companies that are manufacturing different cigarettes around the world.

To the company:

The significance of this study to the company is that they could be able to improve their process in the inventory and be able to minimize and analyze the problem that they are encountering in their company and for the upcoming future.

To the readers:

The significance of this study to the readers is that they could be able to use this study as a basis for future studies that they may conduct. It can be also a review data when encountering an inventory process problem

SCOPE AND LIMITATIONS

This study will only focus on the inventory of raw materials of the main product is Tobacco Leaf that is essential in Philip Morris Manufacturing Inc. in producing and manufacturing of Cigarettes. This study will only cover the month of May 2008 – October 2008 in inventory process.

Methodology

The Author gathered data by:

Interview:

The researcher interviewed the manager of the Community Relations, Mr. Felizardo Mercado and asking some questions regarding with their relations on the farmers based on their inventories of Tobacco. He also discuss all the problems in terms of communicating the farmers in times trouble like problems when rainy seasons. He also gives the date that will see the source of the company's problem like shortage of Raw materials and the Tobacco Pest.

Research:

Gathered data by researching internet services to visit company website and look for some related literatures about the product. The author also acquired some information about Philip Morris Philippines Manufacturing Inc. with the help of Ms. Rizza Quimio and also the benchmark in the previous practicum studies in the Industrial Department to see some format and structure of the study.

Data Gathered

The author personally ask Mr. Mercado and some Engineers on the Production Department and also Mr. Llamzon, HR Manager ,for the data needed studythe existing layout of the Infeed warehouse, 6 months Summary data (May – October) to be able to complete the problem statement to this study.

DEFINITION OF TERMS

Burley Leaf – is a robust type of tobacco and is not sensitive to heat. It gives and takes moisture rapidly and it has high moisture absorption propensity. (*Company profile*)

Cigarette – is a product consumed through smoking and manufactured out of cured and finely cut tobacco leaves and reconstituted tobacco, often combined with other additives, then rolled or stuffed into a paper-wrapped cylinder (generally less than 120 mm in length and 10 mm in diameter).

Flue – cured Leaf – excessive heat will influence the taste. (*Company profile*)

Hallucinogenic Drugs – Hallucinogens or psychedelic drugs affect a person's senses and affect sight, sound, touch, smell etc. Some of the stronger drugs can significantly influence the user's thinking and self-awareness.

Marlboro Lights – a cigarette which contain a smaller volume of chemicals of tobacco.

Marlboro Red- a cigarette which contain a higher volume of chemicals of tobacco.

Marlboro Menthol – a cigarette which is like Marlboro Lights with a volume of Menthol Flavor of tobacco.

Oriental Leaf – is very rich in natural oil. It therefore does not absorb moisture very fast and it is very sensitive to heat. (*Company profile*)

Tobacco - is an agricultural product, recognized as an addictive drug, processed from the fresh leaves of plants in the genus *Nicotina*.