



Sveriges lantbruksuniversitet
Swedish University of Agricultural Sciences

Department of Economics



The business plan as a decision making tool

- Case studies in the food processing sector in the Republic of Macedonia

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Credits: 30 hec

Level: A2E

Course title: Degree Project in Business Administration

Course code: EX0536

Faculty: Faculty of Natural Resources and Agricultural Sciences

Place of publication: Uppsala

Year of publication: 2013

Name of Series: Degree project/SLU, Department of Economics

No: 772

ISSN 1401-4084

Online publication: <http://stud.epsilon.slu.se>

Key words: Business Planning, Methods, Techniques, Effectiveness, Development,
Enterprises, SWOT, Republic of Macedonia



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About this publication

This master thesis has been produced within the International Master Program in Agribusiness (120 ECTS) with the financial assistance of the Swedish International Development Cooperation Agency, Sida, through the project UniCoop. The views herein shall not necessarily be taken to reflect the official opinion of Sida.

The master program leads to a double degree from two academic institutions: the Faculty of Agricultural Sciences and Food (FASF) at the University “Ss. Cyril and Methodius” (UKIM) in Skopje, Republic of Macedonia and the Swedish University of Agricultural Sciences (SLU) in Uppsala, Sweden. The master thesis is published at both universities, UKIM and SLU.

Магистерскиот труд е подготвен во рамките на Меѓународните студии по Агробизнис (120 ЕКТС) коишто се финансиски поддржани од СИДА. Не треба да се смета дека изнесените ставови во овој труд го искажуваат официјалното мислење на СИДА.

Магистерските студии водат кон двојна диплома од страна на две академски институции: Факултетот за земјоделски науки и храна - Скопје (ФЗНХ) при Универзитетот „Св. Кирил и Методиј“ во Скопје (УКИМ) и Шведскиот универзитет за земјоделски науки (СЛУ) во Упсала. Магистерскиот труд е објавен на двата универзитета, УКИМ и СЛУ.



Acknowledgements

In this occasion I would like to express my thanks to all of professors, staff and supporters of the BICA project, for having the opportunity to gain a double degree, one from each university - UKIM's diploma, a degree of Master of Agricultural Sciences with a major in Agroecology; and from SLU a degree of Master of Science in Business and Economics with a major in Business Administration.

Special thanks for my supervisors, Bo Öhlmer and Dragi Dimitrievski for their will and efforts to make the thesis more comprehensive and for sharing their knowledge and giving me support, encouragement, comments and suggestions which were essential for writing my thesis.

I also want to thank Professors Aleksandra Martinovska-Stojcheska and Cecilia Mark-Herbert for providing me with valuable information and advices during the study period and the thesis preparation.

Thanks to my fellow students from the BICA project, all professors and colleagues from the both departments, who supported me all along.

I want to thank to both companies Atlantik and Altra for providing me with the necessary information and data, and the transparency of their information.

And at last but not least, I am especially thankful to my family, girlfriend and closest friends for their understanding, patience, support and tolerance.

Thanks again to everybody!

Abstract

This master thesis presents a study on the impact of the business plan on the development of small and medium size enterprises in the food processing sector in the Republic of Macedonia and its importance in the modern competitive market environment. Among economists and entrepreneurs a widely spread opinion is that the greatest impact on economic development of a national economy are small and medium size enterprises. The successful development of small and medium size enterprises requires detailed analysis of the market structure, industry, product and competition. The most detailed analysis of the previously mentioned elements is provided by a business plan that should lead to clarification of some aspects unknown to the original understanding of the directions of the enterprise.

A business plan is important for entrepreneurs and managers because it allows them to more clearly understand what needs to be achieved, when they need to achieve these and how they can achieve them. For entrepreneurs the process of planning and thinking is as important as the final business plan. In order to develop an appropriate and sustainable business plan requires it to be developed in detail by the entrepreneur or manager of the company, using several types of business plans examples of similar businesses, and the corresponding expert support. When the business plan is developed that will adequately serve the entrepreneur and the enterprise as a kind of guide to meeting the objectives and contribute to the development of strategic thinking for the entrepreneur.

Апстракт

Овој магистерски труд преставува студија за влијанието на бизнис планот врз развојот на малите и средни претпријатија во претпријатијата од прехранбената преработувачка индустрија и неговата важност во рамките на современото конкурентско пазарно опкружување. Меѓу економистите и претприемачите широко е распространето мислењето дека најголемо влијание на економскиот развој на една национална економија имаат малите и средните претпријатија. За успешен развој на малите и средните претпријатија потребна е детална анализа на структурата на пазарот, индустријата, производот и конкуренцијата. Најдобра детална анализа на претходно споменатите елементи овозможува бизнис планот кој треба да доведе до разјаснување на некои непознати аспекти и до првично согледување на насоките на развој на претпријатието.

Бизнис планот има големо значење за претприемачите и менаџерите бидејќи им овозможува појасно да разберат што треба да постигнат, кога треба да го постигнат и како можат да го постигнат. За претприемачите самиот процес на планирање и размислување е исто толку значаен колку и самиот финален бизнис план. Со цел да се изработи соодветен и издржан бизнис план потребно е истиот да биде детално разработен од страна на претприемачот или менаџерот на претпријатието, притоа користејќи повеќе видови на примери бизнис планови на слични бизниси, како и соодветна експертска поддршка. Кога бизнис планот е соодветно изработен тој ќе му служи на претприемачот и на самото претпријатие како еден вид на водич до исполнување на целите и ќе придонесе за развој на стратешкото размислување кај претприемачот.

Abbreviations

AgBiz	Agriculture Business in Macedonia Project of USAID
Dc	decar
Denar	Macedonian currency
FAO	Food and Agricultural Organization of the United Nations
GM	gross margin
Ha	hectar
IFAD	International Found for Agricultural Development
IPARD	Instrument for Pre-Accession Assistance for RuralDevelopment
MAASP	Macedonian Agricultural Advisory Support Programme
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MKD	Macedonian denar
NARDS	National Agricultural and Rural Development Programme
NEA	National Extension Agency
SFARM	Support to Farmers Organization in R. Macedonia-Project by SIDA
SIDA	Swedish International Development Cooperative Agency
USAID	United States Agency for International Development
NBRM	National Bank of the Republic of Macedonia
WTO	World Trade Organization

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1. Introduction

The successful development of an enterprise requires a detailed analysis of market structure, industry, product and competition. A Business Plan is an official announcement of a set of business objectives, the explanation they are assumed to be achievable, and the plan for reaching these objectives. The Business Plan may also have information about the background of the company trying to reach these objectives.

1.1 Problem background

Every successful business requires preparation of a detailed business plan. There are several basic functions of a business plan such as analysis of business enterprise by collecting and processing information, creating strategy, securing support from stakeholders for the realization of business enterprise and function of the trigger for taking action. (Jensen & Marlene 2001)

Some business plans in the preparation phase are not completed and the lack of data in the business planning can deliver future problems in the enterprise. The most common problems are occurred in incomplete financial calculations, unrealistic projections, poor marketing plans and inability to sell your business plan to the Banks or Investors. The business plan as a decision-making tool should deliver strategy and promises of return on investment and it is not just set of financial figures. (OECD 2003)

1.2 Problem description

The government of Macedonia, after independence from SFR Yugoslavia in 1991, began to change their concept of central planned economy from the former Federation in to a free market economy. The policy was changed from central planning and control with a new economical reform. This transformation was based on implementation of the macro economy model related to the principles of the free market economy. These models were understandable and easy to implement:

- Remove of all price controls that were implemented by former the Federation;
- Promote of privatization with new legislation and stronger tax incentives;
- Privatization of state owned companies, include around 450 companies and 120 agro-combinats¹;
- Removing the free trade ban from the country borders;

Rapid inflation in Macedonia started with the independence from Yugoslavia 1991 and loosing the traditional markets in ex-Yugoslavian countries, and followed by changing the old currency Dinar with Denar in the up coming year. Also, the Greek embargo was in force in 1995 which followed the inflation of the currency (Kartalov, 1996). According to Macedonia's State Statistical Office (SSO, 1996), the inflation rate rose from 12 percent in 1991 up to 27 percent in 1995. The unemployment rate began to rise from 15 up to 30 percent and it is still is above 30 percent in 2010 (SSO, 2011).

The results from productivity of Macedonia economy occurred to give negative trend almost immediately when ex-Yugoslavian markets ceased. The biggest drop in the production was in the state owned industrial complex and chemical state own company and also in the agriculture sector especially in agro-combinats. Total production in Macedonia in 1991

¹ Agro-combinats were state-owned large-scale agricultural companies that were existing in the Yugoslavia

dropped by only 10 percent but in the following year had plummeted downward by 32 percent until 1995. In the year 1991 most of the state own farms (agro-combinats) were averaging 500 hectares in size, these agro-combinats were being liquidated because they were losing the markets and also millions of Denars from the state Treasury. The loans of the agri-combinats were increasing and they were near bankruptcy and survived only with the support of the government. A significant and positive aspect of transition was the resilience of private farms that not only survived but emerged as a social safety net for the unemployed. In the 1991, about 76 percent of total agricultural land, near 300.000 hectares, was owned by private farmers (www, World Bank, 2005). These were small size farms with an average of 2.4 hectares in size, without possibilities to get loans from the banks for production, and they were supporting many generations of farm families.

The government made simple and clear direction of the reforms and transition started by putting the accent on state firms that were not competitive and not productive in a market economy. Although in the micro level the model of transition to a market economy was neither clear nor simple. The process of transition for companies at the micro level was much disorganized. The Managers of the companies were exposed at a business risk from the free market economy. The state owned agro-combinats had previously contracted the needed level of production of state demand at fixed prices and furnished credit necessary for maximum production. Macedonian agriculture was vulnerable in the new surroundings where input costs were rising because of lack subsidies from the state budget and also the old contracts from the state own companies were not existing any more. (www, World Bank ,2005)

The competition from low cost foreign food imports lower the prices of domestic agricultural products (i.e., broilers from the U.S. and ultra pasteurized milk from Slovenia). Macedonia's export to the ex-Yugoslavian markets had been lost as war started in Bosnia, Croatia and Serbia. Macedonia as producer of food in the ex- Yugoslavia, had a surplus of food in a time of rapid and warranted economic adjustments in prices, interest rates, and international free trade. The companies from EU that are competitive made change of prices contributed to loss of production (i.e., dairy) but, also the domestic food surplus was high in the face of increased food imports. Macedonia, with its own significant tobacco production, fresh vegetables and wine started the exports and move the economy from collapse.

Agricultural holdings in other Ex-Yugoslavian countries rapidly accepted free market model and marketing and finance was their basic problem. On the other hand, Macedonian "marketing and finance problems" were not understood as the basics of reform and free markets rather than history from the old system that in final had collapsed (www, World Bank ,2005).

Some of the international donors and organizations were anticipating and supporting the reform of the Macedonian agricultural enterprises, farmers and other managers in learning and implementing of business plans.

1.3 Aim and delimitations

The aim of this study is to investigate how a business plan is used in order to attain corporate objectives. The food processing sector is one of the very important sectors of Macedonia's economy. The Macedonian policy is focused on the development of the small and medium size companies as one of its strategic priorities, and is ready to commit substantial support for trade and investment in the sector.

The main research questions based on the objectives presented in the paragraph of 1.3:

- What is a relevant business model plan of a Macedonian food processing company?
- What kind of comparison between Macedonian food processing companies can be conducted?
- What kind of improvement of used business models will improve competitiveness of companies in this sector at the EU market?

1.4 Outline

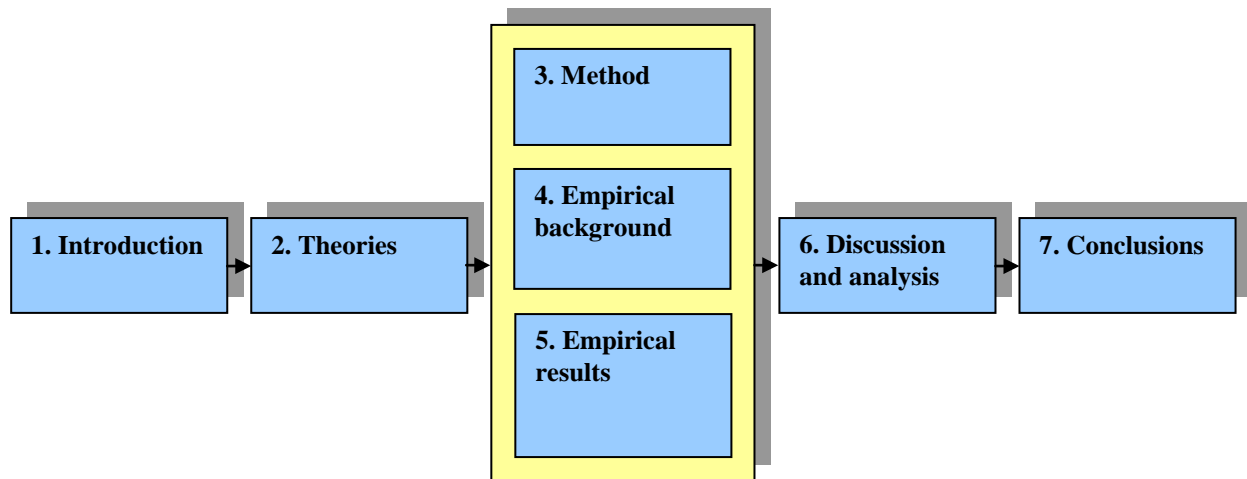


Figure 1. Illustration of the outline of the study

In the Figure 1 the illustration of the outline of the study is presented with all processes of the research for building the thesis. Firstly there is the Introduction part including the problem background and description, and what is the aim and delimitations. Afterwards is the part that explains the theoretical perspective that includes theory of business planning, marketing plan and key success factors. The following block is contained with three elements method, empirical background and empirical results. All elements are detailed explained and elaborated in the Chapters 3, 4 and 5. This block is followed by discussion and analyses of all data from the Case Studies and finalised by Conclusions of the findings and recommendations.

2 Theoretical perspective

To be competitive an enterprise on the free market must have a business model plan and business strategy in order to make profits and have sustainable growth. The basis of the literature search will focus from the Strategic Management course as well as from the applicable literature from the area of business planning, theories and techniques.

Additional articles, books and materials from Macedonian institutions will be considered, as well as statistical database from Republic of Macedonia, reports from the donor organisations, sector analyses articles from Macedonia etc.

2.1 Theory of Business Planning

Jain (2004) in this book explains to make planning is basically a process that is driven towards what is making today's decisions. Also the future decisions have to be boldly, quickly and economically with as little interruption to the business as possible.

Coke (2002) states that "A business plan is a consolidation document that defines the parameters of how a business operates. It communicates strategic direction as well as specific goals, methods of achieving the goals, and the management development activities needed to reach the vision. It is a master document that serves as an umbrella for all events taking place within the company". (p.45)

Suklev and Debarliev (2009) wrote that the business plan provides opportunities for owners of enterprises and includes the main factors for their success. The business plan covers all important aspects of business and the main factors affecting the operation and it is used for capital increase. Shuklev (2004) states that planning process is important at all levels of management, but it varies depending on the management level.

First Line Management	Middle Management	Top management
Planning	Planning	Planning
Organizing		
Directing	Organizing	Organizing
Controlling	Directing	Directing
	Controlling	
		Controlling

Figure 2 Management functions and levels, Source: Shuklev (2004)

Figure 2 presents the importance of the planning function as we go up the management ladder, i.e. planning is of essential importance for the top management.

Beierlein *et al.* (2008) conclude that the best argument for financing a business is the process of making a business plan, and this plan is important for the managers to follow it for achieving the financial objectives. Forecasting sales, making all necessary decisions to achieve objectives, making assessment of time and materials needed, and determining the cost of these things, keep the attention of managers focused on achieving financial targets.

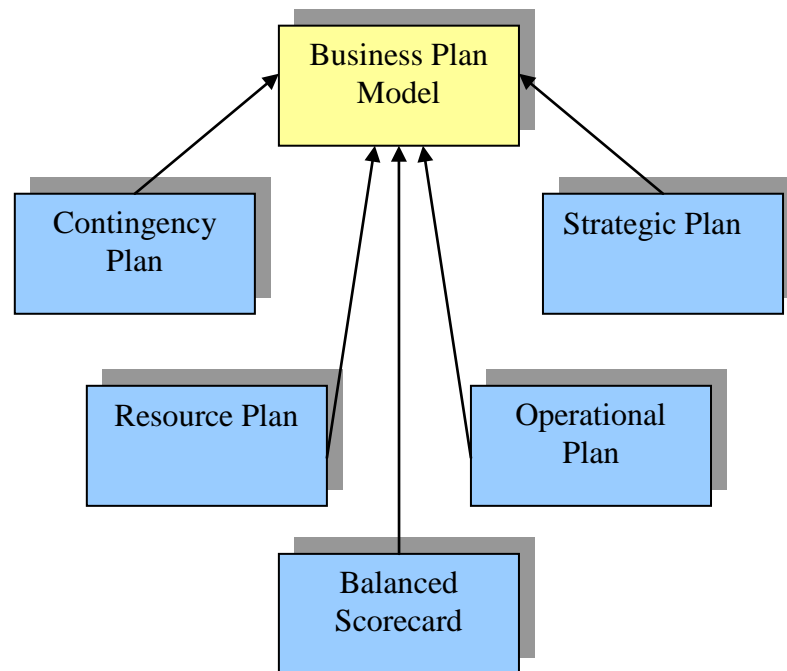


Figure 3 Business Plan Model, Source: Own version

In the Figure 3 the structure of the Business Plan Model is presented which is formed from these elements: Contingency Plan, Resource Plan, Balance Scorecard, Operational Plan and Strategic Plan. The further explanation of all the elements is following below.

2.1.1. Strategic Plan

Johnson *et al.* (2008) states that “Often strategy development is equated with formalised strategic planning systems. These may take the form of systematized, step-by-step, chronological procedures to develop or coordinate an organisations strategy”.(p. 342)

According to the study of Reading (2002) new rules have been have been formulated in the development of strategic business plan. The current distinctive capability will either be an organizational attribute or a strategic asset, sometimes it will be combination of both. Where companies do not have distinctive capability they must have a competitive strength of their business and survivability potential.

According to Porter (1996) there are three key principles underlie strategic positioning.

1. Strategy is the conception of an exceptional and important point where there are involved many different set of activities

2. Strategy requires you to make trade-offs in competing—to choose what not to do.
3. Strategy involves creating “fit” among a company’s activities.

Steiner (1997) wrote about that strategic planning is involved in to entire process of management, and it is not that different from the management process, also it can support management decision-making. The strategic planning is a function that every manager in the company has to implement all levels of the organization.

By Linda Pinson (2001) the elements for summary of the business are following:

- **Mission** - A mission statement is a brief (one or two sentences) description of the company’s fundamental purpose including, nature, values, and its work.
- **Business model** has to be unique and it is the method of doing business by which a company can generate revenue and sustain itself.
- **Strategy** - An overview of the company’s strategy—it’s short-term and long-term objectives and plans to realize those objectives. A strategy is a plan of action designed to achieve a particular goal that has been established.
- **Strategic relationships** - A mutually beneficial formal contractual alliance established between two or more organizations.
- **SWOT** - An analysis is an in-depth examination of key factors that are internal (strengths and weaknesses) and external (opportunities and threats) to a business.
 - Internal Factors. The examination of internal factors takes a close look at the organization, laying out core competencies and areas in which a business has a competitive advantage. It also looks at areas in which a business has a lack of certain strengths.
 - External Factors. An examination of external factors takes a look at the marketplace in which a business operates and helps to identify new areas in which the business can grow and niche markets that can be pursued, all which will ultimately lead to greater profits for the business. It also looks at changes and trends in the marketplace that may affect a company’s business operations.

2.1.2. Operational Plan

Coke, (2002) concludes that the operational plan is the dynamic component that brings the strategic plan to life. It is the first of ten years of the complete business plan and is developed simultaneously with the other four components. It defines how the company accomplishes its strategic intent on a daily or annual basis. It breaks down the strategic goals into objectives and tasks to make them more understandable and manageable. The operational plan also provides information to executives on how well the staffs carry out its functional activities. Along with the execution of functional activities comes the requirement for staff coordination. Work cannot be effective unless it is closely coordinated across staffs or functions

The operational plan also helps management teams to implement actions. Because it identifies the persons held accountable, the operational plan becomes a good benchmark for reporting processes of key programs and projects. This becomes the benchmark for performance measures of both the individual and the company.

An operational plan is consisted from these elements:

- **Production**

The production process in the processing companies carry out a process from a raw product and creating an item with added value.

Essential to the overall understanding of a production oriented business is an appreciation of how the company will process its products. One straight forward way of conveying such information is to examine this activity in terms of resources, processes, and output.

Resources may include manufacturing facilities, machinery, equipment, materials and related assets, and labour. Depending on their relative importance, attention might be focused on each of these elements and it is elaborated in 2.1.3 Resource plan.

What techniques and processes are going to be used in combining these resources, such as calibrating and packing; and the capability of the business in terms of production rates, critical constraints such as productive capacity, or quality assurance programs.

The operational plan might include a profile of the facility that will be used, including comments regarding size, location, and related specifications - clearance, loading docks, and proximity to other outlets such as railways and main roads.

- **Capacity and productivity**

Capacity and productivity measure of how much work your facilities, labor force, and equipment can handle and how many people it requires to produce the product.

- **Labour**

The number of employees required to produce the product and their usage. In this kind of business there are more seasonal workers than full time.

- **Quality Assurance**

The same standards have to be kept consistent and maintained with each product. Such activities include regular inspections throughout the production process, occasional testing or sampling of goods and annually renewing some of the international standards like ISO, GLOBALGAP etc.

- **Facilities**

The location of the company can prove a critical factor for the success. Usually for this kind of business the facilities are in rural area and the land costs are low. And also the facilities have to be close to the main roads or railways.

- **Distribution**

This Business relies on quality raw fruits/vegetable products. The relation with farmer has to be with contract in order to have quality products.

It's important to work at developing excellent relationships with farmers and distributors of the processed food. Also, not to be too dependent on just one supplier farmer or distributing company is very important. Sometimes the farmer can sell the products to other company if they offer higher prices during peak season.

2.1.3. Resource plan

According to Coke (2002) this plan begins with an analysis of the annual targets and the goals from the strategic plan. Normally these can be developed with the resources plan in conjunction with the operations plan since the two are so closely connected.

Al Coke (2002) defines the resource plan in ten categories including: Staffing Levels, Information Requirements, Technology, Tools and Equipment, Intellectual Capital, Time, Relationships, Image, Facilities and Financial.

- ❖ The number of people that will carry out the operational plan is called staffing levels
- ❖ Sorting through massive amounts of information to pick out the kernels of information we need the Information requirements.
- ❖ The technology that the company is using today can change in the future. There is need of calculation for the new one in time for replacement.
- ❖ Tools and Equipment have to be proper items on hand to properly do the job
- ❖ That organizational intelligence quotient (IQ) shows up when looking at an organization's accumulated knowledge
- ❖ The relationship between the employees is crucial to have a good team work

2.1.4. Contingency plan

In the book by Coke (2002) there are three types of contingency planning. The first is when objectives are not accomplished or are blocked somewhere in the execution. There has to be alternatives developed to eliminate the blockage. It is a fallback position. Another type of contingency planning is a big picture issue. This is a disaster plan for a business created crisis that could shut down your company for example, a labour strike in a plant that was not expected or anticipated that catches management unprepared. A contingency plan should address such occurrences. Natural disasters are a primary contingency that companies plan for. Like manmade situations, these occurrences can be predicted and planned for. The third type of contingency plan is developed from an internal view that examines incidents that could happen to your business and that would cause significant concern.

2.1.5. Balanced scorecard

By L. Daft (2008) companies are mostly focused on financial measures such as profit and return on investment to achieve performance. Usual approaches based on goal resource,

resource based, or internal process indicators all have something to offer, but each one just like singular reliance on financial numbers, tells only part of the story. These days, a new approach that balances a concern for various parts of the organization rather than focusing on one aspect has become popular. The balanced scorecard combines several indicators of effectiveness in to a single framework, balancing traditional financial measures relating to a company's critical success factors. These are the four effectiveness categories considered by the balanced scorecard.

- Financial: Profit , Return of Investment
- Internal Business Processes: Order ratio fulfilment, cost-per-order
- Learning and Growth: Continues process improvement, employee retention
- Customers: Customer satisfaction and loyalty

With each area of these four areas: effectiveness-financial performance customer service, internal business processes and the capacity for learning and growth, the managers will identify the key performance indicators that will be monitored in the company.

According to Kaplan & Norton, (1996) Balanced scorecard are more than a set of Key Success Factors, and it can be linked to a series of objectives and measures that are consistent and reinforced. This series of objectives and measures are part of the Key Success Factors of the company business planning.

Aaker (1994) explains that the Key Success Factors mean competitive skills of workers and managers and assets are very important for profitable company. A profitable company should have several key success factors, and be good at each factor. At the same time, companies should not only identify the success factors in the industry for the time being, but also forecast the key success factors for future. The opinions of Alazmi and Aairi (2003) were that if companies have a few outstanding results in some activities, then the competitive performance can be kept, and the activities are the so-called key success factors. Brotherton et al. (2002) considered that if enterprises would like to reach an overall goal, they need to development key success factors first. In a limited field, if there are satisfying results, then those variables, which could ensure profitable competitive performance, are key success factors.

From the consolidation of these scholars' opinions, key success factors are the primary points, which need to be put into consideration in industry analysis, and the profitable companies usually are advantageous in the domain of key success factors. Holding the competitive advantages in the industry is the key for long lasting business.

2.2 Marketing Plan

According to Jain (2004), a marketing plan is consisting of all features of a company strategy in the open market economy. In basis marketing plan is connected mainly with the description of target segments and the product, communication, channel, and pricing policies.

Marketing planning development in a same time has made increasing of complexity of companies. The first step was change from well organized enterprises with one product line and serve market in to large diversified firms serving many markets with many product lines.

This kind of companies are usually separated into product or market divisions, divisions may be separated into sectors, and all of them often further separated into product lines or market segments. This kind of shift is taking place gradually more than 20 years ago, “sales planning” was respectively replaced by “marketing planning” in most of these companies. Each manager set up a marketing plan for his product line or market segment. These were summarized all together into a general “marketing plan.” All divisional plans in run were summarized into a general corporate plan.

Cramer et al. (2000) has defined marketing as the performance of business activities that direct the flow of goods and services from producer to consumer or final user. In agricultural marketing the point of production is the basic source of supply. The marketing process begins at the point and continues until the consumer buys the product at the retail counter.

McKeever (1999) explains that marketing plan is covering areas ranging all the way from determining how the business fits into the national and local economies to decision about what colour your logo should be. Therefore there are several basic principles for modelling a marketing plan.

Many of the Macedonian companies don't use marketing plan as a business tool, the managers often understand the marketing as an advert on TV and radio. There is need of permanent education of top managers in the companies to understand the meaning of marketing as a part of the business plan in order to develop their business.

3 Method

The following diagram (*Figure 4*) illustrates the method approach that will be used in order to fulfil the aim of this study. The data was collected directly from the enterprises, reports of the donor organisation and other relevant source.

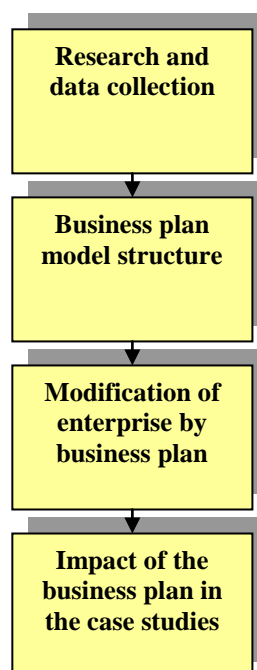


Figure 4 Illustration of the parts of method approaches, Source: Own version

3.1 Research and data collection

At a beginning of writing the thesis it was chosen to work with case studies of two companies instead of a survey of many companies. The business plan data was not possible to collect by conducting a survey of many companies, so because of this there were chosen 2 companies who gave the entire business plans for the purposes of my research. The chosen cases are particular Macedonian enterprises from food processing sector. The data will include historical outputs of the companies. In both case studies the business plans are presented in details. Data was gathered also from state statistical office of R. Macedonia and the annual project reports from the relevant international donors in the agriculture sector. Resources from Agro-stock market and other relevant resources were used to have more accrued data for the food prices.

The data from the case studies are analysed by comparing all elements in each business plan from the companies with each other and a relevant business plan model. This comparing will be valued and each element from the business plan will have a grade. On the end the sum of the grades from each business plan will present the appropriate business model for the Macedonian food-processing company.

3.2 Structure of Business plan model

Based on the literature review and the application in the donors projects, the most common business plan structure in the Macedonian food sector is the following:

- Summary- explains in short the project with the final costs for the investment
- Introduction of the company
 - General information about the company
- Components of the strategy plan
 - Philosophy- Mission and vision of the company
 - Key Success Factors to have profitable business
 - Development goals or what is the strategy and the objectives to be achieved
 - Team that will manage the business to run
 - SWOT analysis
- Marketing plan
 - Products that are going to be delivered on the market
 - Market analyses in Macedonia of export and import of fruits and vegetables.
 - Competitiveness with other companies with the similar production of fruits and vegetables
 - Market prices, sale forecasts

In the further analyses of the case studies, the differences between the business plans of the case study companies and the model business plan are going to be compared. These differences will be elaborated and it will point out the advantages and disadvantages of these plans, and the conclusions are going to be developed according to this analysis.

3.3 Evaluation of the business plans

The list of characteristics of the business plan model that is recommended by the theory stated above and the case studies from the two food-processing are the following:

- Strategic Plan begins with a description of the business and its products and/or services. The remainder of this plan is devoted to administrative setup, or how the business is put together in order to function in an efficient and cost-effective manner.
- Operational Plan is the first of ten years of the complete business plan and is developed simultaneously with the other four components. Contingency Plan can be manmade situations, like when objectives are not accomplished or are blocked somewhere in the execution.
- Resource Plan can be defined as a process of identification of the companies in short and long term objectives, and creating and monitoring specific strategies that the company wants to achieve.
- Balance Scorecard combines several indicators of effectiveness into a single framework, balancing traditional financial measures relating to a company's critical success factors.
- Contingency plan is a method to identify what can go wrong in implementing the business plan. The contingency events should be prepared with plans, strategies and approaches for avoiding them.
- Marketing plan describes an advertising and marketing effort for the coming year for the company, and it includes a statement of the marketing situation, a discussion of target markets and company positioning and a description of the marketing mix that the company intend to use to reach the marketing goals.

From this list and according to the implementation of each characteristic of the business plan, it is feasible to make the grading system in order to get the performance of the company. This grading system is evaluating each subject from the characteristics of the business plan. The subjects are the following (as mentioned previously):

- Summary of the business plan
- General information about the company
- Mission and Vision of the company
- Key Success Factors to have profitable business
- Team that will manage the business to run
- SWOT analysis
- Products
- Marketing plan and Market analyses in Macedonia of export and import of fruits and vegetables.
- Competitiveness with other companies with similar production of fruits and vegetables
- Sale forecasts

The evaluation of the business plan is based upon completeness of all subjects, the data in the business plan have to be solid and presented in a way that can easily followed by the company managers and also reviewed by banks if the company is making new investment.

In APPENDIX 3, the subjects that are usually in a Business plan for food-processing companies in Macedonia are listed. The evaluation is presented by a grading methodology

that represents completeness and quality of the data of all subjects in the pattern described in the appendix.

The value of grades of each sector is from 10 to 1. In the Figure 5 and 6 the results of the grades are graphically presented for each company.

3.4 Estimation of impact

In this study there is going to be made estimation of impact of a business plan to the two case study companies Atlantik and Altra. The estimation considers the date and forecasts what will happen without a business plan. Simulation of the company performance without business planning is based on assumptions from data about historical production gathered from the enterprises.

Methods, steps and theory for this study are:

- Defining the business plan and it's structure
- Method of data collecting is case studies of Macedonian companies in food processing industry. The data will include historical outputs of the company.

3.4.1 Production function

The production functions are similar in different food processing enterprises and the budget data are based on the production functions. The production function can be defined as the relationship between the used variable inputs and the output.

In order to determine the level of variable X_1 for the profit maximizing, we maximize the profit function (Debertin 1986):

$$\Pi = P_y \times Y - P_{x_1} \times X_1 - FC$$

Where,

Π - Profit

P_y - price of output Y

P_{x_1} - price of input X_1

FC - fixed costs

Assuming that

P_{x_1} and P_y are constant, in order to obtain maximization of the profit we differentiate with respect to X_1

$$\frac{\partial \Pi}{\partial X_1} = \frac{\partial Y}{\partial X_1} \times P_y - P_{x_1} \geq 0$$

From the formula above follows

$$VMP = \frac{\partial Y}{\partial X_1} \times P_y$$

$$MFC = P_{x_1}$$

Whereas,

VMP - value of the marginal product

MFC - marginal factor cost

The value of the marginal product (VMP) is defined as the increased value of output as a result of an additional unit of X, taking into consideration that P_y is constant market price “Whereas the marginal factor cost (MFC) is defined as increase in input costs resulting from the purchase of additional unit of input” (Debertin, 1986 p.286).

From the above it follows that the profit is maximized when the value of the marginal product (VMP) is greater or equal to the marginal factor cost or:

$$VMP \geq MFC$$

The possible combinations of two variable inputs, which can be used to produce the same output level is identified as isoquant.

$$X_1 = g(X_2 | Y^0, X_3, \dots, X_n)$$

Whereas X_1 and X_2 are the variable inputs, Y_0 is the output level and X_3 through X_n are the fixed amounts of other factors.

With this theory the managers of the case study companies can develop an estimation of additional incomes and costs of changes in order to identify bottlenecks. For the managers of the companies identifying and fixing bottlenecks are very important. Bottlenecks can cause a many problems in terms of lost revenue, dissatisfied customers, wasted time, poor-quality products or services, and high stress in team members. In processing industry bottlenecks can occur in calibrating and packing of the agriculture products, but also in transport of the goods. Namely, sometimes the calibrator can be stuck or there is some malfunction in the processing line system. Also problems occur with the delivery of the products in the market, many time distributors wait to deliver the products in the market for several hours, because there is no time coordination between producers and supermarkets.

This analysis will be focused on the empirical part of the companies; the companies have developed business plans and the data from these business plans will be used for further analyses and comparison with the relevant business plan and between each other.

These processing companies can be taken as representative cases regarding business plan for the most companies in Macedonia in the sector of fruit and vegetables processing. The characteristics are identified, but the grades offer results just for those cases. The analyses will be elaborated further more in the Empirical study and the conclusions will be based using this method.

3.5 Conclusion about modification of business plan

The indicators from analyses of the business plans of the enterprises in the case study, may show a need of some modifications of the current business plans. These modifications are needed to improve the enterprise performances in order to be competitive with their products. The modifications are generally in the forecast part of the business plan where the figures usually have to be more real. The estimation of impact of a business plan to the two case studies has to be focused on the bottlenecks of the companies in order to improve the profit and lower the costs.

4 Background of the empirical study

4.1 Projects improving the business that were founded by international donors in R. Macedonia

International donors have implemented projects for establishment of Farmer associations and Business entities related to agriculture production. In the phases of the establishment of the business entities promotion of the business planning was part of the program. The experiences of these projects are of relevance for the thesis.

One of the first projects was SFARM-Support to Farmers Associations in R. Macedonia founded by SIDA-Swedish International Development Cooperative Agency. One of the project objectives understood rose among stakeholders about the relative competitiveness of agricultural sub-sectors, as well as shared conclusions about the efficiency of input and marketing chains in selected sub-sectors, (SFARM Report 2009). This project was divided in 3 Phases in the period of 9 years; the second Phase or SFARM 2 was related to business development.

Within the framework of the activities in Output Area 1 a number of measures have been undertaken to identify the sub-sectors that have potentials for development and competitiveness. This process has started with basic training for project staff (Business Development Unit and Policy and Strategy Unit). The two units then visited relevant institutions, organisations and donors and collected appropriate materials from them. An information campaign has been organised across 19 regions in Macedonia about project activities, focusing on the support offered to farmer groups through the Business Programme (SFARM, Report 2009).

Around 40 sub-sectors have been identified, out of which 27 have been selected and overviews have been developed for each of them. When the overviews were completed, forums were organised with key stakeholders, which helped to get input from all relevant actors in the respective sub-sectors.

During the project life 3 Business Programme cycles were launched. The process of grants distribution was not simple and was carried out in several steps:

- Development of application forms;
- Receiving of applications;
- Development of selection criteria and their modification in the second and third cycle to respond to circumstances;
- Short list for each business cycle;
- Establishment of a Selection Committee consisting of external and internal members. The Committee made final decisions on the selection of agricultural associations suitable for financial support based on the selection criteria;
- Technical support for selected groups – this started with training in business idea development and when careful selection of well developed business ideas was made, training in business plan development was provided.

The second objective was Enhanced economic cooperation and sustainable enterprise development among farmers (SFARM, Report 2009).

Business Program

Through a very complex process of selection businesses ideas, the project has supported groups of farmers (between 10 and 20) to start their own businesses in order to show that farmer business co-operation is not only possible but even desired if small-scale individual farmers are to compete on domestic and foreign markets in the context of ever-growing globalization trends.

SFARM 2 has supported the formation of 17 farmer-owned business entities, out of which 14 are co-operatives and 3 are limited liability companies owned by Farmers Associations. The project support consisted of training for Farmers Associations members, business plan development, company registration, financial support for business start-up, assistance in governance and management for members/owners/managers as well as advice on financial management (SFARM, Report 2009).

Business School

The project has organized two business schools with 27 and 20 participants, respectively. Participants were managers of all supported business entities through the SFARM Business Program as well as other representatives of other FAs. The school has taught participants business plan development, business forms of farmer cooperation with an accent on co-operatives, financial management, etc.

The second business school has been organized in cooperation with the Entrepreneurship School from Leksand², Sweden, and involved a study trip to Sweden whereby the participants visited the school as well as a number of companies from the agro-food sector.

Other activities undertaken by project staff involved numerous presentations on the co-operative model given to groups of farmers (approximately 40), analyses on legislation pertinent to agri business as well as the production of a manual on co-operatives covering topics such as co-operatives and supply chains, financial work of co-operatives, feasibility studies, governance and management for co-operatives, etc. (Report, SFARM, 2009)

USAID completed the project design for the Macedonia Competitiveness Activity (MCA) in 2001-2002 during a period of poor economic performance and political and social instability. At this time, the small and medium-sized business community in Macedonia was largely unfamiliar with competitiveness and had very limited experience working together to advance the interests of their firms, industry sectors and the private sector as a whole. USAID through MCA set out to change this. MCA's mission was to build the competitiveness of Macedonian enterprises in domestic, regional and global markets (USAID Report 2005).

Business plans were developed for development and support of 5 tourism cluster companies looking to pursue specialized customer segments using new sales and marketing channels. Additional level of effort (LOE) was provided to support the competition and application process of Tourism Cluster Member Business plan competition. In the Business Plan competition 5 cluster members or groups of cluster members won free consulting support to improve business plans. Cluster members learned about the importance of the business plan and practiced its development. Part of MCA's mission was to broadly introduce competitiveness concepts in Macedonia. MCA's Public Education Department coordinated and led efforts to educate the public and raise the level of national dialogue on competitiveness through a four-year campaign around the need to "Choose Prosperity." The approach was action-oriented and intended to change both awareness/understanding and behaviour (USAID Report 2005).

² Part of Uppsala University

One of the project activities was Wine and Tourism to be launched. They are a winning economic development combination in other wine producing countries, and the Tourism Cluster and wine-makers are exploring the opportunities for Macedonia. Feasibility studies and business planning are underway to develop a “wine road” connecting wineries and overnight accommodations in two key wine regions of the country. A Wine Road Foundation was established in early 2006 to manage the project (USAID Report 2005).

Another USAID program is Business without Borders, the goal is to accelerate economic growth in south-western Macedonia by facilitating the start-up of new enterprises; the growth and competitiveness of existing micro, small and medium enterprises (MSMEs); job creation and employment opportunities for the young, vulnerable and unemployed; and improving the regional framework of MSME development through the activities of the Business Startup Center Bitola (BSC-Bitola), its business incubator, and local & regional partners in public, private, civil-society and academic sectors. The project consists of three components corresponding to the three objectives: Business Startup & Support, Business Incubator Development & Sustainability, and Regional Cooperation in Economic Development.

Component 1 provides support to entrepreneurs, existing MSMEs and unemployed citizens through a portfolio of assistance aimed at starting and registering innovative new microenterprises, supporting the growth of existing MSMEs, and bridging the gap between job-seekers and employers. MSME and human resource development activities include i) business plan writing course; ii) business plan competition; iii) MSME training portfolio; iv) human resource development services; v) credit facility loan guarantee fund; vi) MSME consulting services; and vii) Technology-Transfer Toolbox, a set of development tools specifically targeting technology development and transfer.

Of 97 MSME clients, 47 are new enterprises registered through the Business Plan Writing & Business Plan Competition activities. 238 business plans developed by providing training and skills to entrepreneurs and MSEs. (USAID, Report, 2010)

Table 1 Number of participants trained for Business Planning, Source: Own version

Project /Organization	SFARM/SIDA		USAID/MCA		USAID/BSC		GTZ	
Activity	No. Workshops	No. Participants	No. Workshops	No. Participants	No. Workshops	No. Participants	No. Workshops	No. Participants
Business Planning	15	65	24	130	17	97	35	300
Marketing Planning	15	53	24	130	17	97	35	300
Market Research	15	28	/	/	17	97	/	/
Total	45	146	48	260	51	291	70	600

From these projects funded by the foreign donors we can learn that only with training of the managers of the food processing companies can bring higher profits and better competitiveness of the companies. It is important that the trainings is fully understood by the managers and presented by more regional experts. In addition managers have to be more motivated to continue with further development of their knowledge.

4.2 Food Processing Industry in Macedonia

Macedonian food processing industry has potential for growth and development but need more solid contracting with farmers that will work according to the contract and fulfill the terms. Managers of the factories for processing fruit and vegetable say farmers often do not have a strategy where they will sell their products - the green markets or in factories. The

managers of food processing industry say that it is impossible to plan a production of non-contractual basis or on ad hoc products. If there is an organized production, managers can conclude agreements with farmers, there will be stable production and very often the plants will operate at full capacity. Managers of the food processors enterprises complain that they don't have enough money. Their industry was among the most heavily indebted in banks. Costs have increased, and they are not competitive, and therefore they will lose markets.

Being aware that technology regressed, food processing enterprises are hoping for European funds for modernization of their production lines with the IPARD programme. Despite the problems, Managers are optimistic that they will achieve higher growth in exports of processed fruits and vegetables. Food processing enterprises in Macedonia are relatively small and there is a need of investment in equipment. Government is subsidizing the primary fruit and vegetable production and many of these products are exported as fresh products. On the other hand Macedonia is importing processed food that was originated from our agriculture production and has been processed in other countries. In conclusion we are paying extra money for our products instead of processing them in Macedonia. (USAID, 2010).

4.3 Investment In The food Processing Sector

Many of the food processing enterprises are equipped with old and out dated machines and also they lack some of the essential equipment in order to fulfil the EU standards. On the other hand if the enterprise wants to be competitive on EU Market they have to fulfil the required standards, but also have cheap and high quality product. In order to fulfil the criteria required by the EU market the food processing enterprises usually invest in the following equipment:

- Equipment for the cooling, refrigeration and freezing,
- Equipment storage (constructions for pallets) and weighing (scales)
- Equipment for handling, loading and unloading (forklifts)
- Equipment for quality control in the adoption of products (thermometers to infrared rays)
- Control the process of storing fruits and vegetables
- Computer equipment, software management and control of the process of pre-cooling and storage,
- Installation of water systems and storm water sewer system,
- Equipment cleaning station of waste water

To make these investments the food processing enterprises must develop a business plan that will enable them a source of financing. The business plans are submitted to the commercial banks but also to the IPARD Agency to get an investment grant of 50% to the eligible costs. Finally, after the investment the product price margin will be hopefully higher and the profits increased.

5 Empirical Results

The empirical study, as the theory above reveals; elaborate the relevant business model for Macedonian food process enterprises that can be analyzed with two types of comparisons. Firstly, a comparison between the business plans carried out by the case study enterprises and relevant business model. Secondly, a comparison between the business plans carried out by the case study enterprises and what they would like to do in hindsight if they had time. Subsequently each comparison is followed by comments from the case study enterprises

about reasons for the differences and discussion of business model plan and the behavior drawing on additional behavioral studies.

The theory above explains the business model of the enterprises that can be referred to as a relevant business model for the Macedonian food processing enterprises. In each business plan of the case study enterprises there is a budget for the following items: purchase and sales of raw products, planned profit for processing of agricultural products by installed capacity and structure of planned total income.

In this chapter, two enterprises will be analyzed separately according to the theory explained in Chapter 2.

5.2 Case study 1, The Company Atlantik

The company Atlantik has developed a business plan for investment and increasing of the profits and the scope of work. This business plan structure has been compared with the business model plan for Macedonian food processing sector.

In the following the results of the comparison of each point in the business plan are given.

- ❖ In the summary of the business plan company Atlantik was supposed to give more accrued data in order to have overview of the investment figures and key activities.
- ❖ Introduction of the company
 - In the section general information about the company, Atlantik gave full description and scope of work
 - In the section for Philosophy- Mission and vision of the company, Atlantik didn't give any of the those important guides for the future of the company
 - For the key success Factors to have profitable business, Atlantik is giving quite solid factors that indicate the type of business they will do
 - The strategy and the objectives to be achieved are well explained and also the forecasts for the upcoming 5 years are giving promising results.
 - The Management and the workers are not defined in details, which is a tread for functioning of the company
 - The SWOT analysis is lacking in this business plan which is a big disadvantage for making a decision by the Banks for loan approvals
- ❖ Marketing plan
 - The products that are going to be delivered on the market are well evaluated and described with figures for quantities in tons and selling price
 - The analyses of the Macedonian Market for export and import of fruits and vegetables are well developed and gives full perspectives of the planned business.
 - The competition analysis is not done which can be a problem in the future development of the market
 - Market prices are realistic and give good bases for the sale forecasts in upcoming years.

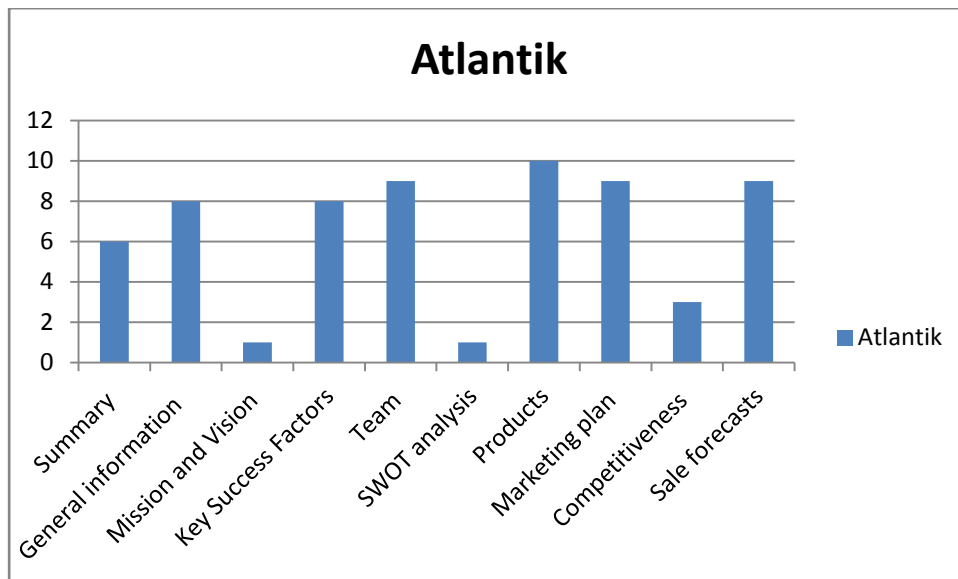


Figure 5 grading the main subjects of the business plan model of Atlantik,

Explanation of the figure labels:

- Summary of the business plan
- General information about the company
- Mission and Vision of the company
- Key Success Factors to have profitable business
- Team that will manage the business to run
- SWOT analysis
- Products
- Marketing plan and Market analyses in Macedonia of export and import of fruits and vegetables.
- Competitiveness with other companies with the similar production of fruits and vegetables
- Sale forecasts

From the figures above it is evident that this company has very good analysis of Key Success Factors, goals, products and market and overall average grade of 6.36 out of 10. This business plan is solid made but still there is need of improvement.

5.3 Case study 2, Company Altra

The company Altra is already implementing previous business plan but this old plan is adjusted and updated. Altra is also increasing the scope of the business and the size.

In the following the results of the comparison of each point in the business plan are given.

- ❖ The summary of the business plan company is well structured and gives accrued data in order to have short look of the investment figures and key activities. The Banks and also IPARD will have much easy approach in evaluating approval of subsidies to this investment.
- ❖ Introduction of the company
 - In the section general information about the company, Altra gave full description and scope of work

- In the section for Philosophy- Mission and vision of the company, Altra explains how the company is moving towards, which is a good indicator for the future of the company
 - For the key success Factors, Altra is not giving many details, but it is assumed that their previous work will continue in line
 - The strategy and the objectives to be achieved are well explained and also the forecasts for the upcoming 5 years are giving promising results.
 - Organization of Management and the Workers in the company are well structured with each position explained the scope of work.
 - The SWOT analysis can be defined more, in order to be more consistent with investment program.
- ❖ Marketing plan
- The products that are going to be delivered on the market are well evaluated and described with figures for quantities in tons and selling price
 - The analysis for Macedonian Market for export and import of fruits and vegetables is well developed and gives full perspectives of the planned business.
 - The competition analysis is not done which can be a problem in the future development of the market
 - Market prices are realistic and give good bases for the sale forecasts in upcoming years.

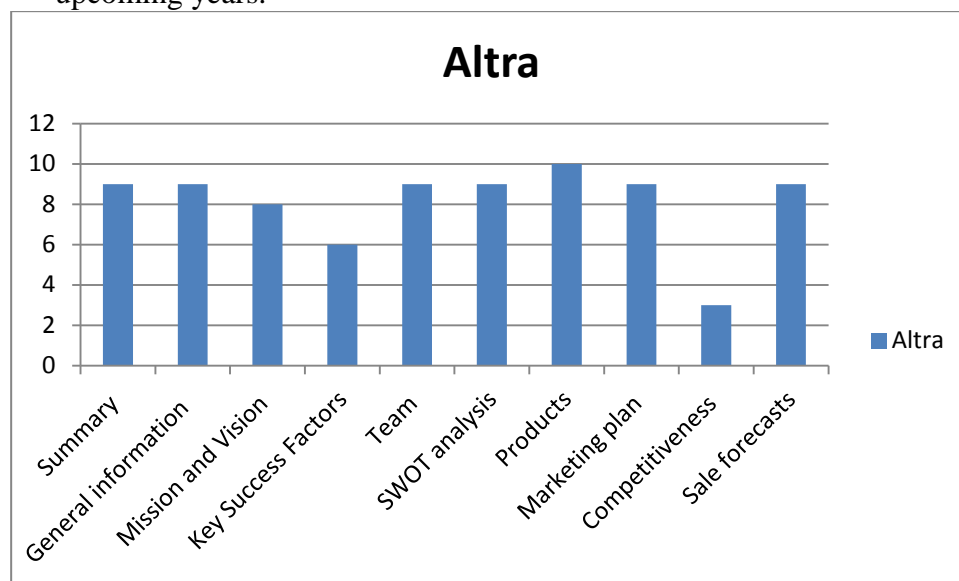


Figure 6 grading the main subjects of business plan model of Altra, Source: Own version

From the figures above it is evident that this company has very good analyses of all subjects and overall average grade of 8 out of 10. This business plan is well developed, and it is close to the standards of the proposed business model. However, in both business plans the subject of Competitiveness is not well developed which is a weak point of some Macedonian companies.

5.3 Purchase and sales of raw products-comparison between two cases

In the case study companies, the first and most important step is the purchase of the inputs, because the inputs have variety of size and quality of raw vegetables and fruits brought directly from farmers' without any kind of standards. In addition the purchase price is

negotiable with each farmer and depends on the quality of the products. The following table gives comparison of the income of the main agriculture products in the companies Atlantic and Altra.

Table 2 Gross margin comparison of Atlantic and Altra by products, Own version

Company Products	Atlantic Per ton in euro	Altra Per ton in euro	Comparison Difference in euro
Tomato	129,9	170,0	-40,1
Cucumber	197,1	170,0	27,1
Carrot	38,4	170,0	-131,6
Kiwi	70,9	n/a	n/a
Apple	251,7	200,0	51,7
Cabbage	271,5	n/a	n/a
Lettuce	23,7	n/a	n/a
Onion	124,1	110,0	14,1
Potato	154,5	n/a	n/a
Water Melon	203,9	n/a	n/a
Paprika mild	165,5	300,0	-134,5

In this Table it is noticed that Altra has higher prices with approximately 25% compared to Atlantic for most of the products. The reason is better management and storage (cooling facility) for vegetables and fruits for longer period than Atlantic. Therefore Altra can store and sell the products when the selling prices are high and gain more profit. Altra has invested in cooling facility with help of loans from the banks and succeed to implement the business plan.

5.4 Planned Profit for Processing of Agricultural Products by Installed Capacity-comparison between two cases

Both case study companies have to calculate and forecast the Scale of processing by the installed capacity in order to have review of the sale potential and need of eventual future investment possibilities and in the up-coming years.

Table 3 Ratio of installed capacity and profit in 2009 without investment, Source: Own version

Company	Number of employees (seasonal)	Installed capacity (tons)	Gross Profit (euro)	Capacity effectiveness (euro/ton)
Atlantik	5	1200	51,778	43,1
Altra	30	6000	539,134	89,8

From this table it is evident that the capacity of installed capacity and gross profit is much smaller in Atlantik 43,1 euro/ton compared to company Altra 89 euro/ton. The reason of this big difference in profit per ton is the equipment that is installed in Altra.

Namely, the company Altra had 4000 tons capacity of cooling facility in 2009 and that gives more added values to the products.

In 2009 both of the companies are preparing business plans to increase their size and profit. In the Business plan of the company Atlantik the main investment are equipment for the cooling, refrigeration and freezing. And the total amount of installed capacity in Atlantik will become 2700 tons.

In the business plan of Altra the main investment is in production of own raw material (vegetables) and in cooling, refrigeration and freezing. The installed total capacity will be 8500 tons in booth cooling space and regular storage place.

In the Table below there are the forecasts for 2010 with implemented investments according to the Business Plan.

Table 4 The ratio of installed capacity and profit in 2010 with business plan, Source: Own version

	Number of employees (seasonal)	Installed capacity (tons)	Gross Profit (euro)	Capacity effectiveness (euro/ton)
Company				
Atlantik	10 (10)	2700	102,935	38,4
Altra	40 (40)	8500	357,336	42,4

On this table is evident that Atlantik is decreasing the profit per ton to 38,4 euro and Altra have decreased the profit from 2009 to 42 euro per ton. This is because the credit loans that has to be returned and that these loans have high interest rate (see p.25). This profit will change in the following years, presented in the following Table.

Table 5 The ratio of installed capacity and profit in 2011 with business plan, Source: Own version

	Number of employees (seasonal)	Installed capacity (tons)	Gross Profit (euro)	Capacity effectiveness (euro/ton)
Company				
Atlantik	10 (10)	2700	130,443	48,3
Altra	40 (40)	8500	260,000	30,5

In the Table 5 Compared from the previous years the Atlantic is gaining more profit per ton 48,3 and the company Altra is decreasing profit per ton to 30,5. The business plan of Altra is evidently not giving any positive economic values to the company despite the high grades which is illustrated further in the Figure 7 and 8.

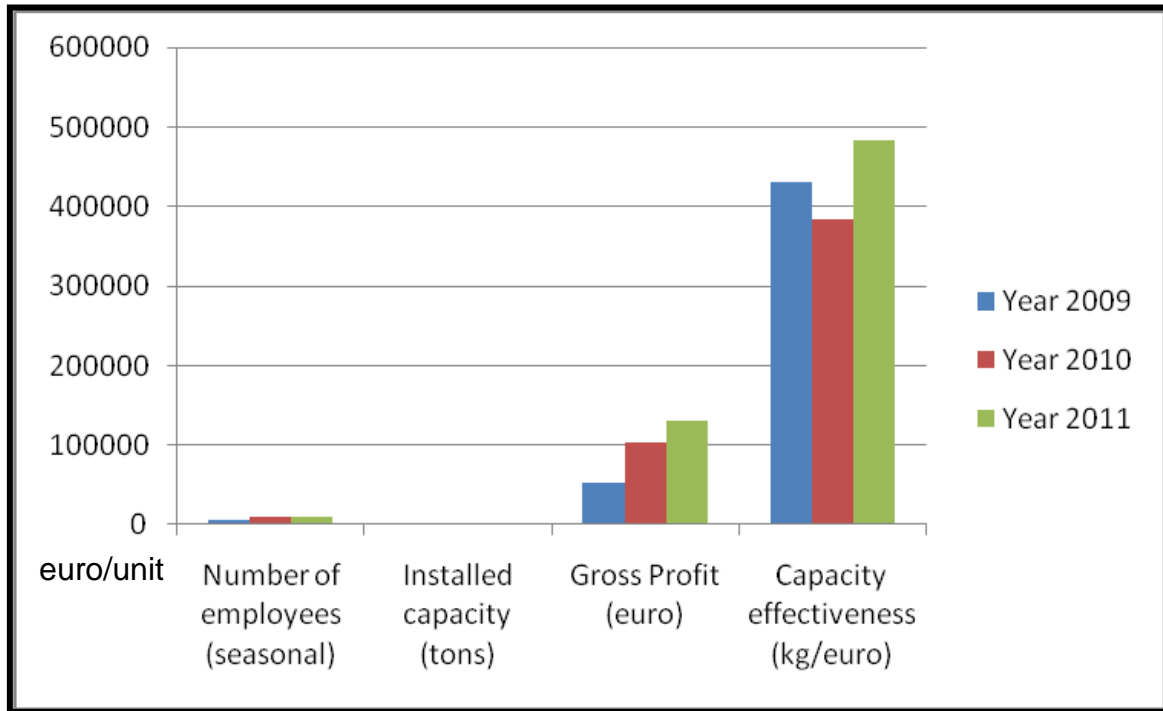


Figure 7 The performance of company Atlantik with the implementation of the business plan,

Figure 7 graphically presents how the gross profit in the company Atlantik is increasing in the 3 years period of time.

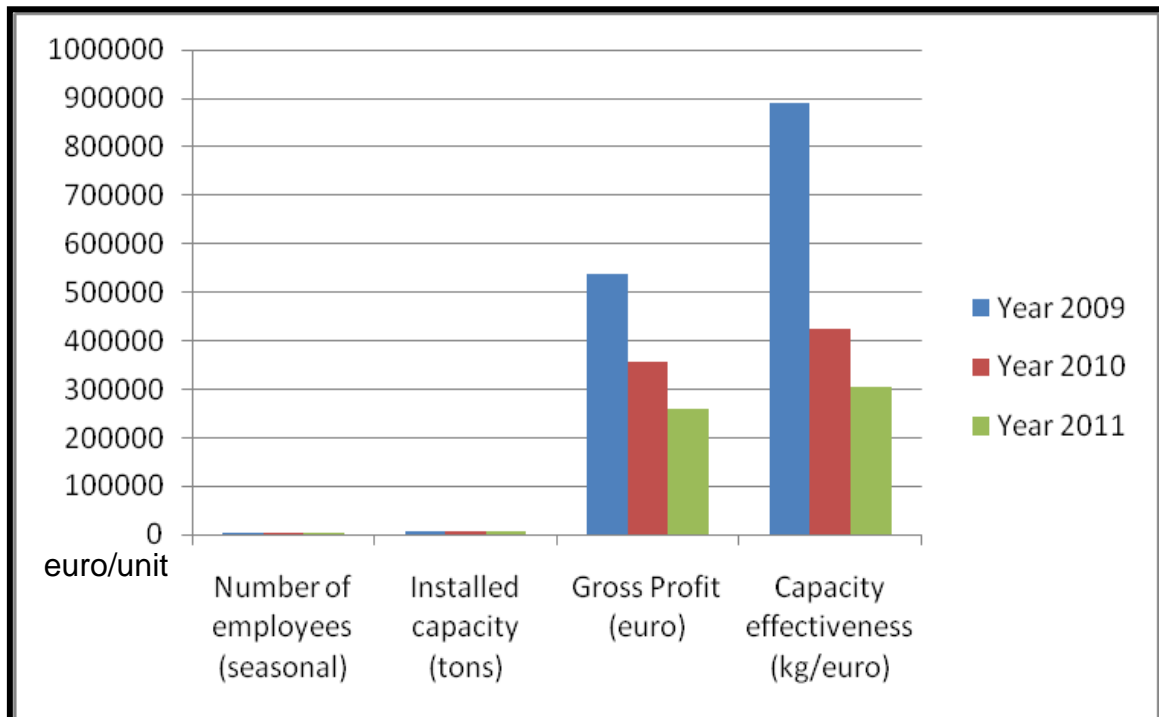


Figure 8 The performance of company Altra with the implementation of the business plan,

Figure 8 graphically presented how the Gross Profit in the company Altra is decreasing in the 3 years period of time. This indicates that the business plan for the following years is not giving positive results but in a longer period of time it is going to have positive trends. The

reason of this trend at the beginning of the business plan is the credit loans from the commercial Banks. The loan is with 7% interest rate, which is very high for this type of industry, and it takes 10 years to be returned. After the first years the company Altra with the own production of vegetables will increase the profit with 15% annually each year.

6. Analysis

6.1 Comparison of two case study food processing companies in Macedonia

The analysis is made by comparing these two case study companies and also with the relevant business model in all points of the business plan model. From the figures above it is evident that company Atlantik has very good parts in Key Success Factors, Goals, Products and Market and overall average grade is 6.36 out of 10. This business plan is solid but still there is need of improvement. The company Altra, has very good part in all subjects and the overall average grade is 8 out of 10. This business plan is well developed, and it is close to the standards of the proposed business model. However, it is evident that in both business plans the subject of Competitiveness is not well developed which is a weak point of Macedonian companies.

6.1.1 Discussion of the gross margin difference

Comparing and analyzing the business plans of Atlantik and Altra we can see that there is a difference in the gross margins. Atlantik has a solid business plan with grade 6.3 prepared for the IPARD programme in Macedonia. This business plan has to be well developed because of the high criteria of the IPARD Agency for approving of 50% grant to the investment.

In the Table 2 from the Chapter “Purchase and sales of raw products” Atlantik has less gross margin compared to Altra, but only in the first year before the implementation of the business investment. On the other hand Altra has developed business plan 2 years before Atlantik and the purpose of this business plan was to apply for loan from the Banks. On the other hand the business plan is not so crucial for the loan approval criteria for the Altra company, because the bank would secure more by requiring mortgage of the company as a collateral to the loan.

After implementation of the business plan the gross margin is increasing in Atlantik because of the installment of new equipment for cooling and packing of the fresh products. The company has more added values to the products and the products are more attractive to the consumers. At the same time, Atlantik has low financial costs in the first years because of the 50% grant from the IPARD Agency.

6.2 Predicted results for the next nine years in the case companies

The total value of the investment of the company Atlantik is the amount of EUR 496.000 of which 85.12% or EUR 325.000 investments in equipment, and 11.56% or 171.000 investments in construction of the projected object. The remaining 3.32 % of the investment represents costs associated with the investment - for preparation of project documentation, business plan and feasibility study.

The investment itself has a positive net present value (greater than 0), which means that the project today and after the discounted value worth EUR 105.000 and according to the

economic definition of net present value, the project should be executed. The investment is expected to give positive economic benefit in the form of rate of return on investment and positive cash flow. Given the fact that the IRR is almost 14.5% (greater than 6% predicted) - means that the company will have a return on their invested assets which is higher than in a deposit in a bank (where you would get the maximum interest rate 8% on Denar Term of deposit in 1 year). Return on investment - full return on invested funds is around 4 years, suggesting the feasibility of a project, and the period of return on invested assets, and present cost-effectiveness, profitability and ROI of the project.

The balance sheet of the company Altra is projected for 10 years. The total inventory will be maintained at 110 days. The average time of recovery is conservatively adapted to 140 days. Liquidity is satisfactory in all the years of design. Funding for the planned investment activities will be performed by its own means of accumulation, and possibly credit financing in the form of donations from the IPARD Programme. There is not specified what kind of investment will be done In the summary of the business plan, but in the Investment forecast 2010-2020 the company will invest around EUR 150.000 each year. The company has Also obligation to return the previous loans, and it is not eligible to get needed loans from the Banks.

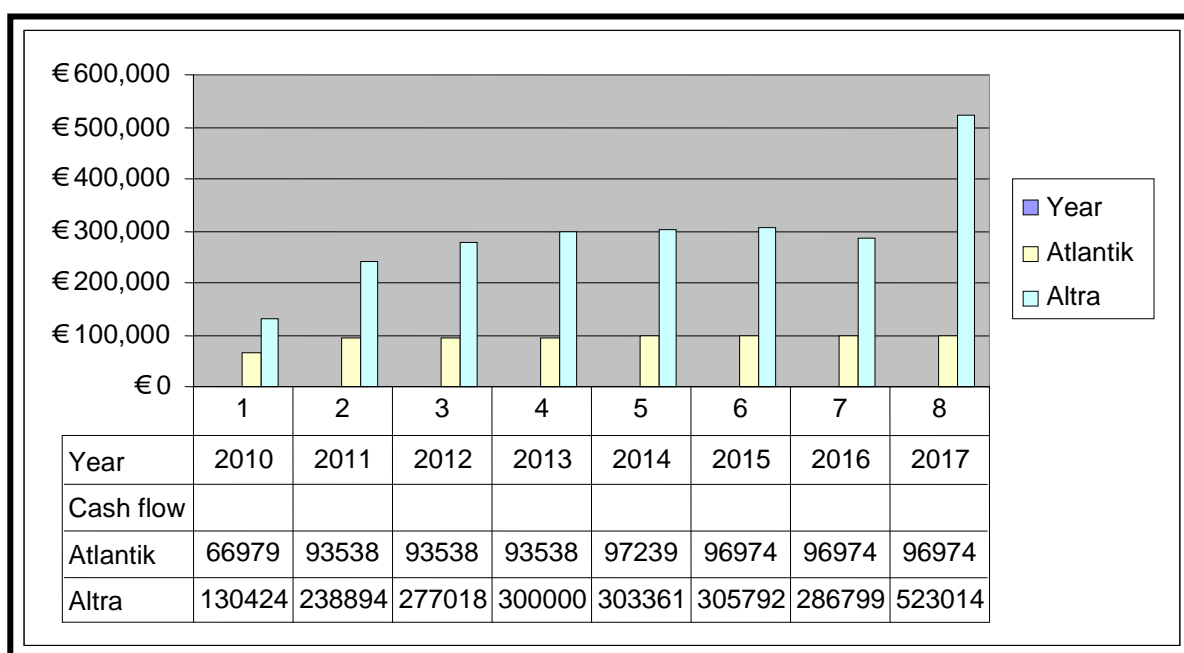


Figure 9 Cash flow predictions of the two companies,

Figure 9 shows the prediction of the cash flow of both of the companies from year 2010 till year 2017. For the company Atlantik the business plan is programmed by the year 2014 because of the IPARD program, and up to this year the company will be monitored and also the financial indicators will be followed. In this Figure 9 is noticed that the Atlantik have more constant cash flow in the period of 7 years which give output of a company that have steady development and low risks. On the other hand Altra is gaining more profit comparing with Atlantik and in the last year it is almost doubling the profits. The fluctuation may indicate high risk in future investments for the company Altra comparing with the steady profits of the company Atlantik.

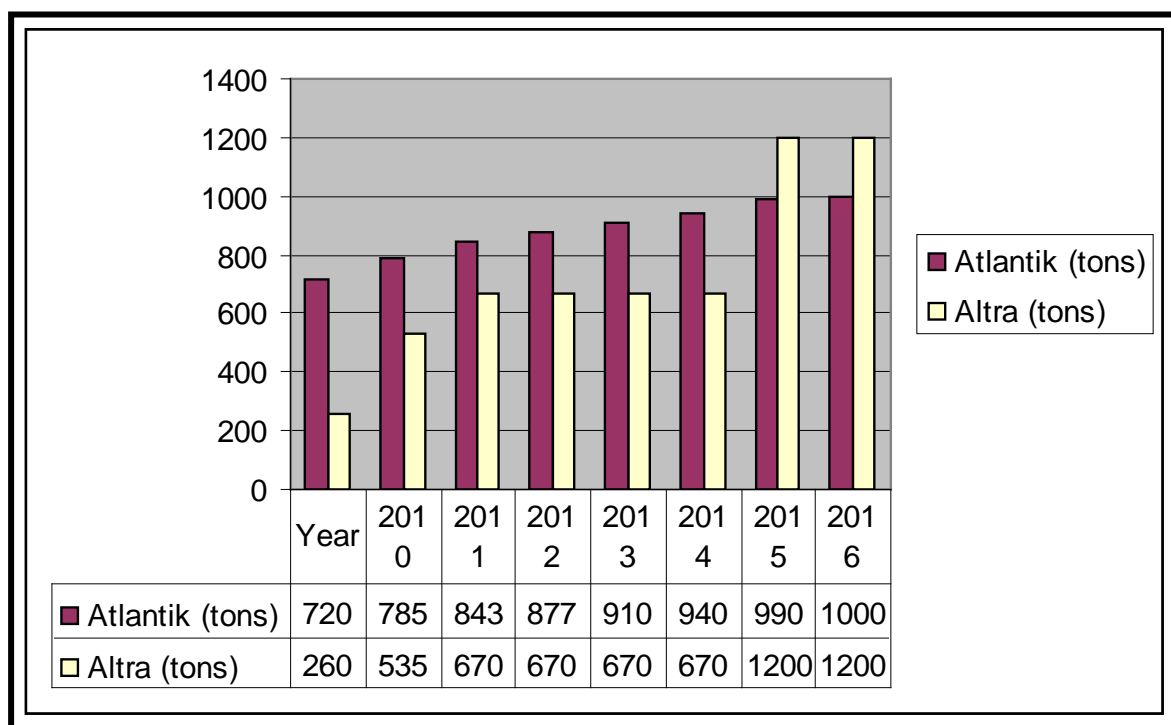


Figure 10 Production in tons prediction of the two companies

The production in tones of the both companies is shown in the Figure 10 above. Here it is noticeable that Atlantik have constant increase of production in tones in the following years. On the other hand the company Altra have smaller production up to year 2014 compared with the company Atlantic, but in the next two years is almost doubling the production in tons. This also indicates the increasing of the sales of Altra, which could be compared to the installed capacity of 8.000 tones Altra has an opportunity in increasing the production per year because of the installed capacity.

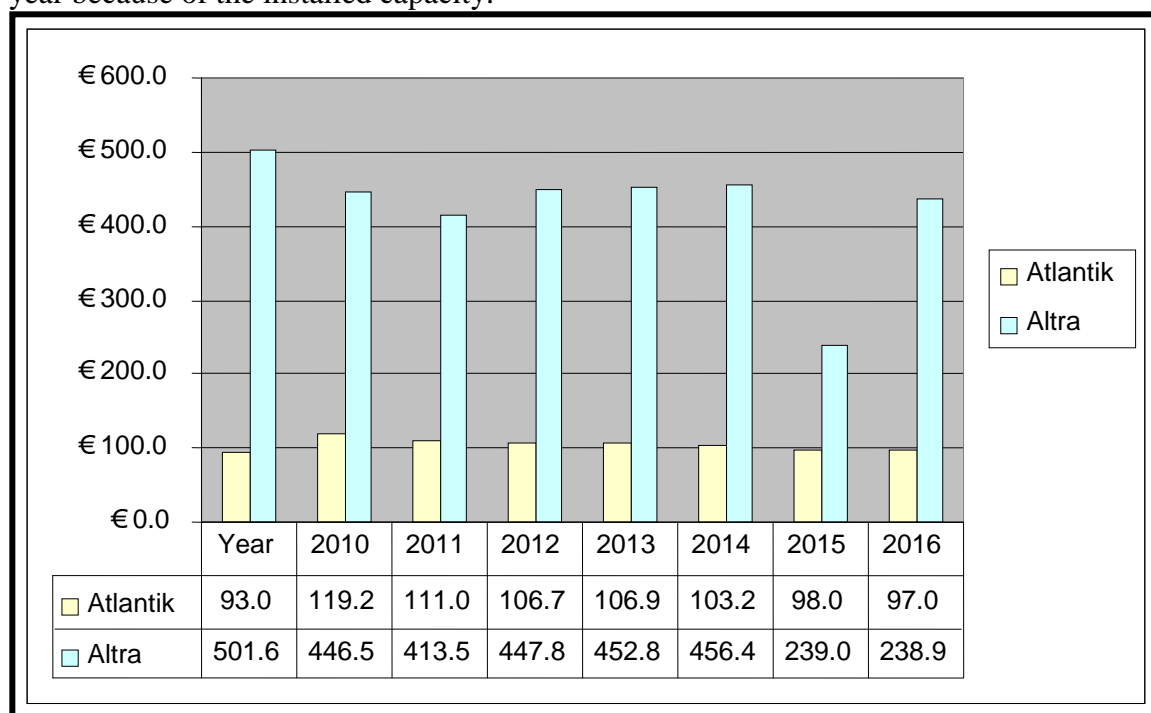


Figure 11 Cash flow predictions for the two companies

Figure 11 presents the ratio between cash flow and produced tons per year for the both companies. It is noticeable that the company Altra is making more profit per ton. This is due to the installation of more equipment in this company compared with Atlantik. Therefore the products are kept longer period of time and sold when the prices are higher.

7. Discussions and Conclusions

The last chapter of this thesis refers to the research question presented in the introductory part of the study. The goal of this thesis is to perceive the importance of how the knowledge for preparing business plan and implementing it in the company can improve the competitiveness of Macedonian food processing companies. Two case study companies and their business plans are compared with each other and with a proper model plan adapted to the Macedonian business climate.

The main objectives of this thesis are following:

- What is a relevant business model for a Macedonian food processing company?
- What kind of relevant comparison between Macedonian food processing companies can be conducted?
- What kind of improvement of used business models will improve competitiveness of companies in this sector at the EU market?

7.1 Comparison between companies and the relevant business model

In this chapter the companies were compared in each section of their business plans to the relevant business model. The evaluation was given to all sections; the results from it are good indicates how the business plan is implemented in the company and their prospective.

The main differences between Altra and Atlantik are the following:

- In the summary of the business plan Altra have 9 points and Atlantik 6 points
- In the Mission and Vision of the company Altra have 8 points and Atlantik 1 point
- In the SWOT analysis of the plan Altra have 9 points and Atlantik 1 point

The company Altra has an overall higher grade 8/10 compare 6,3/10 from the company Atlantik. In this analysis the business plan of the company Altra was older than the business plan of Atlantik, and by this it has been further developed and has more elements that were taking in consideration compared to Atlantik.

7.1.1 Planned Profit for Processing of Agricultural Products by Installed Capacity

It is evident that of installed capacity and profit is much smaller in Atlantik (43,1 euro/ton) compared to company Altra (89 euro/ton). The reason of this big difference in profit per ton is the equipment that is installed in Altra. Altra is a more older company than Atlantik and has made more investment in assets compared to Atlantik,

In the business plan of Altra the main investment is in production of own raw material (vegetables) and cooling, refrigeration and freezing. The installed total capacity is 8500 tons booth cooling space and regular storage place.

In the Table 5 Compared from the previous years Atlantik is gaining more profit per ton 48,3 and the company Altra is only gaining profit per ton 30,5. The business plan of Altra is evidently not giving enough positive economic values to the company and therefore there is need for making further improvement of the business model for the upcoming years. However, the explanation is probably differences in financial costs.

The Gross Profit in the company Altra is decreasing in the 3 years period of time. This indicates that the business plan for the following years is not giving positive results but in a longer period of time it is going to have positive trends. The reason of this trend is financial; at the beginning of the business plan is the credit loans from the bank is with 7% interest rate, which is very high for this type of industry, and it takes 10 years to be returned. After first years the company will increase the profit with 15% annually each year because of the own production of vegetables.

7.2 The possible scenarios and prediction for the following year

The companies have developed a business plan with strategy, for the upcoming years. The first company Altra has made a better business plan which is not too optimistic and has fine

leads to be successful in the future. In addition, the future of this company is connected with the commercial banks in Macedonia, and so far the banks are not giving suitable loans for small size companies and therefore the companies are afraid to take a loan and make brave investments. On the other hand Atlantik has a business plan that in short term is not very successful but in the long run they predicted increasing profits. This business plan is solid but needs improvements according to grading.

First of all they have loans to be paid back and to take another loan to continue invest in their business. Also this company is connected to the Banks and if they get in a position for taking a cheaper loan in the future they can somehow succeed in fulfillment of the business strategy in the long term. Altra needs better programming of the return period of the loans and also possible grant from the IPARD programme with 50% of the planned investment. The business plan of Atlantik was on the other hand based for IPARD programme for investment in agriculture and with the grant of 50 % they will have more stable profits in the future.

7.3 The business model for a Macedonian food processing company

The purpose of this thesis is to emphasize the importance of business plan in the Macedonian food processing companies. In the theory above, the model of the business model plan was elaborated and it was made a business model relevant for a Macedonian food processing company. The model was adapted to the Macedonian financial conditions. Also the knowledge for preparing business plans was upgraded with several donor projects and now days the managers of such companies are aware of this.

Given that the General Managers need to plan ahead, defining and following up the key success factors can be seen as one of the most important management decisions. Coordinating the actions and making plans in order to fulfill the goals of the company strategy is part of the key success factors.

The business plan used in this thesis has been valuable in the analysis of the case companies, and can be recommended as relevant for Macedonian food processing companies.

The model can also be a basis when comparing the management capacity and performance of such companies.

According to the annual reports of several different agriculture and other projects implemented by USAID, GTZ, SIDA and SNV in Macedonia, quite large number of farmers and other interested bodies were trained in business planning. The total number of organized workshops in period of 10 years is 210. Total number of participants of these workshops is around 1300. This number gives us optimistic expectations in the future development of the Macedonian companies. These workshops are planned to be continued un-formally also in the center for long life learning and other ongoing projects. Using relevant business plan model will improve the competitiveness.

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Appendices

APENDIX 1 Case study Atlantik LLC

ATLANTIK Company Ltd was established in Skopje 22.03.2000 year. Manager and owner of the company is 33 year young entrepreneur who has significant work experience activities which today are concerned organization.

The primary activity of the Atlantik Ltd Skopje is wholesale of fruit and vegetables which is also a priority activity of 46.31, with many years working with partners from Turkey, Kosovo, Albania, Serbia, Croatia, Bosnia and Herzegovina and other countries.

Atlantik currently working with more than 100 customers (suppliers, customers and Farmers). The activity carried Atlantik Ltd has permission to execute the trade in food and has implemented system for managing food safety HACCP. At present activities in terms of purchase and sale of fruit and vegetables carried out in a rented facility located on the street. Velko Vlahovic 11 in Skopje.

Atlantik Ltd currently employs five (5) employees employed, and after the implementation of investment plan this number can reach up to 10 regular employees with additional 10 seasonal employees.

After making market research and forecasting of future trends in order to developed market for agricultural products (fruits and vegetables) in the coming years is concluded that agricultural products in recent years, total exports of R. Macedonia participated in approximately 15% to 19%. The overall production of agricultural products around 60% to 70% are exported to markets in Europe and the Balkans. This trend of export of agricultural products is expected to maintain and develop in future years.

Only agricultural products have a continuing and positive balance in trade of the Republic of Macedonia and other countries.

Table 2 Trade of agriculture products in R. Macedonia

Year		Total trade (industry and agriculture)	Trade of agricultural and food products	Part of agricultural products in total trade %
2002	Export	1,178.3	228.0	19.3%
	Import	2,106.0	319.3	15.2%
	Balance	-927.6	-91.3	9.8%
2003	Export	1,207.1	214.4	17.8%
	Import	2,038.2	298.4	14.6%
	Balance	-831.1	-84.0	10.1%
2004	Export	1,345.9	213.6	15.9%
	Import	2,354.0	338.3	14.4%
	Balance	-1,008.1	-124.8	12.4%
2005	Export	1,643.5	278.6	17.0%
	Import	2,601.0	348.1	13.4%
	Balance	-957.5	-69.5	7.3%
2006	Export	1,906.2	318.0	16.7%
	Import	2,987.7	367.4	12.3%
	Balance	-1,081.5	-49.4	4.6%
2007	Export	2,446.4	346.6	14.2%
	Import	3,795.0	461.5	12.2%
	Balance	-1,348.6	-114.9	8.5%

Source (SSO, 2009)

Outstanding export-oriented agricultural sector is the production of vegetables and fruit, which is intended to subject investment company Atlantic.

As weakest links in the entire chain from primary production to sale of agricultural products to end consumers are identified:

- Agreements and organized production and purchase of agricultural products.
- The storage of vegetables and fruit in controlled atmosphere (temperature and humidity) in order to maintain the quality and safety of products that extended period.
- Adding extra value by taking adequate marketing activities of agricultural products placed

The decision on investment the company has brought on the following indicators:

- steadily increasing workload in recent years the organization and the increased demands of customers (especially abroad) and the inability of the Atlantic to meet buyers from problems related to the capacity of the existing facility is also rented and in which current activities are performed
- Summary of the above mentioned market research and its strengths and weaknesses.
- The need for technological improvement process of buying and selling that is impossible to realize in a facility that performs current activities.
- The need for selling fruit and vegetables with added value through adequate marketing activities (selection, packaging and modern storage) the same.
- comply with the rigorous standards of the European Union in the field of food safety and environmental protection and
- The need to align products with market standards ISO 9001 and 14001, GLOBALGAP, HACCP, which is often set as a visa to enter the Macedonian fruit and vegetable markets in Europe.

In 2009, Atlantic LLC in the direction of realization of its strategy to increase and develop their own capacity for purchase and sale of vegetables and fruits, with their own funds purchased from the ground in co Vizbegovo 9.970m², with the plot number 349 which according to the received construction permits from the competent institutions are planned to be built redeemed centre for fruits and vegetables. Part of the building has already started (phase carbine) to the whereabouts and activities completed.

In the next phase which is the subject of the request for financial support from the IPARD in the form of grant amounting to 50% of the approved cost plan equipping centre for storing fruits and vegetables to its release.

The investment includes:

- Equipment for the cooling, refrigeration and freezing,
- Equipment storage (reglalni constructions for pallets) and weighing (scales)
- Equipment for handling, loading and unloading (forklifts)
- Equipment for quality control in the adoption of products (thermometers to infrared rays)
- Control the process of storing fruits and vegetables
- Computer equipment, software management and control of the process of pre-cooling and storage,
- Installation of water systems and storm water sewer system,
- Equipment cleaning station of waste water
- Final earth works

ATLANTIC DOOEL the past has used his work credit funds, and also a state with no credit exposure 03/08/2010 by any commercial bank in Macedonia and has investments

funded by other grant funds that would impede or compromise the durability of economic investment and operation of the organization.

The company believes that investment in new facility will be able to raise the quality of its operations and products and to raise their competition advantage that can adequately meet the demands of its customers.

Features of the planned product

- Description of product / service planned to offer.
The company plans purchased from primary agricultural products from farmers Macedonia, selects and packs to store the temperature regime and sells fresh, primarily on foreign markets.
- Characteristics of the finished product.
The end product is a table of Atlantic fresh fruits and vegetables intended for end consumers.
- Quality of the product.
Atlantic in his work so far to apply HACCP principles for food safety which will certainly apply in his new capacity to offer quality and reliable product to their customers.
In further work Atlantic intends to implement other international standards in its operations as follows:
 - ISO 9001:2008 Management System Quality
 - ISO14001: 2005 management system environment
- win-win strategy with suppliers
At its suppliers, which are the primary farmers, Atlantic is ready to help with the introduction of GobaGap (system for good agricultural practice) as a proven system to produce safe and quality agricultural products, which Atlantic would get more product with added value and facilitated the classification of western European markets and farmers with a higher final product cost and higher subsidies for it.

The strategic orientation of the company's performance in foreign markets to continue through companies or wholesalers who already know and have experience with this particular market and actively working in the field, making the assessment is that an extension of this strategy costs and possible losses would be refined to a minimum.

Fruits and vegetables that will be subject to redemption are intended for export or for foreign markets, including:

a) Foreign market

Turkey - distributors of fruit and vegetables

Serbia - distributors of fruit and vegetables

Kosovo - distributors of fruit and vegetables

At this point, and although the project is not provided, however, the possibility of selling fruit and vegetables to the domestic supermarket chains is not excluded as an option for even greater utilization of capacity.

With buyers from abroad Atlantic more years and has business cooperation agreements for the sale for the next period.

Table 3 Planned purchase of raw material and sales of products

No.	Products	Unit	Domestic Market		Foreign Market	
			Quantity	Price/MKD	Quantity	Price/MKD
1	Tomato	kg	369.000	19,59	369.000	27.58
2	Cucumber	kg	61.000	23,84	61.000	35.96
3	Carrot	kg	12.000	24,09	12.000	26.45
4	Kiwi	kg	20.000	31,21	20.000	35.57
5	Apple	kg	801.000	13,03	801.000	28.51
6	Cabbage	kg	199.000	18,66	199.000	35.36
7	Lettuce	kg	10.000	24,09	10.000	25.55
8	Onion	kg	180.000	10,00	180.000	17.63
9	Potato	kg	120.000	10,00	120.000	10.50
10	Water Melon	kg	110.000	8,00	110.000	20.54
11	Paprika mild	kg	8.000	28,00	8.000	38.18
12	Transport	Tour	100	18.500,00	/	/
13	Packaging	Piece	160.000	28,00	/	/
14	Electricity	Month	12	100.000,00	/	/
15	Tel/Internet	Month	12	50.000,00	/	/
16	Water	Month	12	9.000,00	/	/
17	Accounting	Month	12	11.800,00	/	/
18	Marketing	Campaign	3	350.000,00	/	/
19	Implementation (ISO, HACCP, GLOBALGAP ...)	1	1	500.000,00	/	/

Raw material base are products that are purchased subject to further sales of the company will be purchase from individuals and legal entities in Macedonia.

The supply of agricultural products is carried out directly by primary producers without intermediaries and without unnecessary hoops in the chain of commerce who Burden final entry price, and thus Atlantic achieved a better price for both the organization and the primary farmers. Company past and in the future and will seek to sign contracts with individual farmers who agree to produce specifications Mon Atlantic and sold / marketed their products with adequate quality in the company's purchasing center.

In agreement with the individual farmers are given advance quantities and prices to better planning and organization on both sides.

Materials for its ongoing operations as the company's past and future purchases of Macedonian companies, which would sign agreements on cooperation. The company will strive to be an active player in the Macedonian economy and through its cooperation with Macedonian companies to contribute to the overall development of society at large.

Table 3 - Planned scale for processing of agricultural products by installed capacity

No.	Type of Product	Unit	Annual installed capacity	Annual production	Type of raw material	Unit	Quantity per unit of raw product
	A	B	C	D	E	F	G
1	Fresh fruits and vegetables	kg	2.700.000	1.890.000	Fresh fruits and vegetables	kg	1
					Transport	tour	1/20.000kg
					Package	piece	0.118
					Electricity	MKD/kg	~0,635
					Water	MKD/kg	~0.057

Costs which affect the direct cost (transport, packaging, El. Energy, water) to the final product is calculated using an internal methodology which takes into account the planned annual production in terms of quantity or amount of individual item costs per unit product. Other types of expenses: accounting, marketing, consulting services and telephone and Internet are not subject to calculation because they are indirect costs that affect the cost of the product.

Annual production is represented at 70% utilization of annual installed capacity. Represented annual production is generally based on signed contracts for the sale of fresh fruits and vegetables for the first year since the release of capacity to work. In further work is planned to reach the average level of 90% of installed capacity.

Table 5 Structure of planned total income

A. Structure of the planned total income					B. Planned total inflow on the basis of income per month per year represented in%												
Item	Unit	Quantity	Price per unit	Total	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Total revenues from sales in foreign markets Kosovo, Serbia, Turkey																	
Tomato	Kg	369.000	27,58	10.177.020	0%	5%	0%	0%	0%	23%	8%	8%	12%	0%	25%	19%	100%
Cucumber	Kg	61.000	35,96	2.193.560	0%	24%	24%	25%	7%	0%	0%	0%	10%	10%	0%	0%	100%

Paprika mild	Water Melon	Patato	Onion	Letuce	Cabbage	Apple	Kiwi	Carrot
Kg	Kg	Kg	Kg	Kg	Kg	Kg	Kg	Kg
8.000	199.000	110.000	120.000	180.000	10.000	801.000	20.000	12.000
38,18	20,54	10,50	17,63	25,55	35,36	28,51	35,57	26,45
305.440	4.087.460	1.155.000	2.115.600	4.599.000	353.600	22.836.510	711.400	317.400
0%	18%	0%	0%	0%	0%	11%	0%	0%
0%	6%	0%	0%	0%	0%	5%	0%	0%
0%	0%	0%	0%	33%	25%	16%	0%	0%
0%	22%	0%	25%	67%	75%	17%	0%	0%
0%	20%	34%	75%	0%	0%	23%	0%	0%
38%	0%	50%	0%	0%	0%	15%	0%	0%
0%	10%	8%	0%	0%	0%	0%	0%	0%
0%	10%	8%	0%	0%	0%	0%	0%	50%
0%	0%	0%	0%	0%	0%	0%	0%	0%
62%	0%	0%	0%	0%	0%	2%	0%	0%
0%	11%	0%	0%	0%	0%	6%	100%	0%
0%	3%	0%	0%	0%	0%	5%	0%	50%
100%	100%	100%	100%	100%	100%	100%	100%	100%

Total annual revenues are projected to amount of 48.8 million MKD and all will be realized through the sale of 11 types of finished products - fruits and vegetables. The structure of income (the most significant income) shows that 46.7% or cca 23 million MKD revenues accounted for apple product, 21% or 10 million MKD Product tomatoes, 9.4% or 4.6 million MKD onion, 8, 3% or 4 million MKD cabbage, and other 7.2 million MKD or 14.6% of the remaining 7 products.

APENDIX 2 Case study ALTRA LCC

Company information

ALTRA is privately owned company, with the core business of cold processing of fruit and vegetables, including: sorting, grading, packing and storing of fresh fruits and vegetables, as well as processing of fruit and vegetables by freezing. Currently, Altra has 40 full time employees and is moving from small towards medium sized company. In addition, the company regularly employs additional number of seasonal workers (40), especially during production peaks (production season). The company is managed by professional management team capable to meet all strategic and operational business aspects relevant to successful operation of the company.

The company is located on a territory of 20.000 m², out of which 8.000 m² is under roof area – 7.000 m² being used for storing and processing purposes. The size of the facility allows good lay out and planning of storing and processing activities.

In order to secure enough raw materials needed for processing purposes, Altra has insisted on promoting and establishing contract farming. Currently, the company has established long-term cooperation with approximately 500 farmers – suppliers of fresh produce.

Production capacity of Altra for frozen fruits and vegetables is around 2.000 tons annually. Current capacity utilization is around 30% or 600 tons of finished products per year.

Half of the capacity for storing fresh and frozen products is rented on a long-term basis to one major client - company which is food products supplier to NATO forces in the region. The utilization of the remaining half is approximately 60%.

MISSION:

Our mission is to become recognizable suppliers of high-quality products in the frozen fruits and vegetables sector. In our operations we will utilize most efficient and effective operations processes. Our competitive advantage is the loyalty and dedication of our employees.

We will differ from the others through our dedication to quality products and services and our flexibility and ability to positively reply to changes.

Key Success Factors

1. Production and delivery of high quality products;
2. Continuous market research activities and improvement of our services to satisfy customers' demand;
3. Introduction of new products in the mix in order to increase sales volume;
4. Development of pricing strategies which are competitive, while at the same time achieving the desired level of profit;
5. Qualified labour;

6. Continuous training activities for our employees.

Development Goals

SWOT Analysis

Strengths

- Image of high quality products and services;
- Location close to the source of raw materials;
- Educated and competent management team;
- Continuous investment activities in equipment.

Weaknesses

- Age of equipment and storing facilities;
- Marketing activities – market research, new products design.

Opportunities

- Completing the modernization cycle;
- New products and services;
- Sales to export markets;
- Strategic partnerships.

Threads

Marketing Plan

Products

The products and services of Altra can in general be grouped as follows:

- Storing services at different temperature conditions (0C -18C);
- Processing and storing services at different temperature conditions (0C-18C);
- Own production (purchase of raw materials, processing and storing and different temperature conditions).

The first group of services include manipulation (loading and off-loading) and storing of different types of fruit and vegetables. Depending on whether the product is fresh or frozen, two main types of storing are used: -18C for frozen products and 0C for fresh products. Most dominant type of product are grapes, which in this group participates up to 67%.

The second group of processing and storing services includes the so called „lon” arrangement, i.e. for the client certain processing operations are carried out (cleaning, sorting, cutting etc.), then followed by deep freezing, packaging and storing at appropriate temperature conditions.

In the last two years, the management of Altra intensively works on the development of own products which would be sold on the export markets. The main products are several types of vegetables, such as peppers, leak, onions etc.

All three groups of products/services are destined for the local and for the export markets. The customers are wholesale trading companies and processing companies.

Market Analysis

Sector Grapes

The grapes are one of the main agricultural products that are exported from Macedonia. The main markets for the Macedonian grapes are the neighbouring and the countries in the region.

Most of the Macedonian table grapes is traditionally exported to the regional markets, especially in Serbia. In 2007, out of 12,6 thousand tons of exported table grapes, 8,7 thousand tons (or 69%) were exported to Serbia (with Kosovo) with a value of 3,3 million Euros. This means that the average export price for Serbian market was 0.39 Euros per 1 kg. The highest average prices were achieved when the table grapes were exported to Switzerland (0.63 Euros per 1 kg.) and Denmark (0.66 Euro per 1 kg.) but the exported quantities were very small, mainly due to the fact the traditionally packed table grapes were not suitable to meet the strict requirements on particular markets. Details related to the export of table grapes in 2007 per country including the average prices that were achieved per kg. of grapes are provided in the following table.

Prices and Sales Forecast

For the requirements of the financial projections, average prices were considered. The management of Altra believes that the sales forecast is realistic and within the market trends.

Table Revenues (storing)

Product/Service	UM	FORECAST		
		2009	2010	2011
Storing of fresh goods (grapes)	kg	2000.000,0	2000.000,0	2000.000,0
Unit price	E/kg	0,022	0,022	0,022
Number of months		3,0	3,0	3,0
Total	E	130.800,0	130.800,0	130.800,0
Storing of fresh goods (vegetables)	kg	100.000,0	150.000,0	150.000,0
Unit price	E/kg	0,017	0,017	0,017
Number of months		1	1	1
Total	E	1.700,0	2.550,0	2.550,0
Storing of whole peppers	kg	150.000,0	200.000,0	200.000,0
Unit price	E/kg	0,030	0,030	0,030
Number of months		6	6	6
Unit price for storing	E/kg	0,024	0,024	0,024
Total	E	26.100,0	34.800,0	34.800,0
Storing grapes after three months	kg	600.000,0	600.000,0	600.000,0
Unit price	E/kg	0,023	0,023	0,023
Number of months		2,0	2,0	2,0
Total	E	27.960,0	27.960,0	27.960,0
Storing other frozen goods (meat)	kg	200.000,0	250.000,0	250.000,0
Unit price	E/kg	0,022	0,022	0,022
Number of months		7,0	7,0	7,0
Total	E	30.800,0	38.500,0	38.500,0
IRO FROZEN	kg	200.000,0	200.000,0	200.000,0
Unit price	E/kg	0,110	0,110	0,110
Number of months		1,0	1,0	1,0
Total	E	22.000,0	22.000,0	22.000,0
Other revenues (loading/offloading)		11.093,0	11.093,0	11.093,0
TOTAL REVENUES	E	250.453	267.703	267.703
Total quantity	kg	3.250.000	3.400.000	3.400.000

Table 7 Revenues (processing and storing)

Product/Service	UM	FORECAST		
		2009	2010	2011
Processing and storing of sour cherries	kg	22.700,0	30.000,0	35.000,0
Unit price (1 month storing)	E/kg	0,20	0,20	0,20
Number of additional months for storing		5	5,00	5,00
Unit price for storing	E/kg	0,025	0,03	0,03
Total	E	7.377,5	9.750,0	11.375,0
Processing and storing of peppers	kg	8.700,0	20.000,0	25.000,0
Unit price (1 month storing)	E/kg	0,18	0,18	0,18
Number of additional months for storing		3	3	3
Unit price for storing	E/kg	0,025	0,025	0,025
Total	E	2.218,5	5.100,0	6.375,0
Processing and storing of leak, onions	kg	43.300,0	60.000,0	70.000,0
Unit price (1 month storing)	E/kg	0,11	0,11	0,11
Number of additional months for storing		3	3	3
Unit price for storing	E/kg	0,025	0,025	0,025
Total	E	8.010,5	11.100,0	12.950,0
Wild fruits	kg	29.610,0	30.000,0	30.000,0
Unit price	E/kg	0,100	0,100	0,100
Number of months		5,0	5,0	5,0
Total	E	14.805,0	15.000,0	15.000,0
Processing and storing of plums	kg	80.360,0	100.000,0	100.000,0
Unit price	E/kg	0,200	0,200	0,200
Number of months		1,0	1,0	1,0
Total	E	16.072,0	20.000,0	20.000,0
Other		0,0	0,0	0,0
TOTAL REVENUES	E	48.484	60.950	65.700
Total Quantity	kg	184.670	240.000	260.000

Financial trend analysis

The company shows positive financial trend in the past period.

Table Profit and Lost statement

	2005	2006	2007	2008
Revenues				
1 Domestic market	259.111	429.115	344.250	331.616
2 Export	271.187	341.617	348.898	293.374
3 Other	15.543	162.984	79.597	78.576
Total revenues	545.842	933.716	772.746	703.567
Costs of goods sold				
- Traded goods	84.664	251.529	39.668	39.418
- Raw materials	32.998	37.657	99.121	49.783
- Other variable cost (energy)	53.467	73.302	76.674	75.252
Total costs of goods sold	171.129	362.488	215.463	164.453
GROSS PROFIT	374.713	571.228	557.283	539.114
Fixed costs				
- Maintenance + small inventory	19.011	2.440	4.665	2.973
- Wages + employees related expenses	96.455	93.704	103.107	114.721
- Communications and transport	11.492	12.434	8.883	10.326
- Other production related services	37.579	45.171	52.551	59.311
- Travel	6.835	3.252	13.124	17.109
- Depreciation	42.350	47.280	60.571	62.789
- Insurance	1.870	5.610	5.205	3.712
- Other	21.704	29.628	7.972	6.942
- Bank fees	34.752	15.955	22.292	31.996
- Unwritten-off value of fixed assets	0	149.741	74.865	0
- Interest and other financing expenses	75.579	136.055	96.625	128.499
Total fixed costs	347.627	541.270	449.861	438.378
PROFIT BEFORE TAX	27.086	29.958	107.422	100.736
Taxes	0	0	12.891	5.143
NET PROFIT FROM BUSINESS	27.086	29.958	94.531	95.592

The balance sheet trend analysis shows an average level of inventory - 60 days; the average number of days in receivables is 60 days. The assets turnover is 0.04.

Table Balance Sheet

ASSETS				
	2005	2006	2007	2008
Cash and Bank Account	980	3.398	10.633	8.765
Accounts Receivable	180.863	152.170	129.568	239.938
Goods and Raw Materials	83.490	98.121	95.870	122.713
Other	0	5.220	5.220	5.203
Fixed Assets	1.469.320	1.652.655	1.625.435	1.700.479
TOTAL ASSETS	1.734.653	1.911.564	1.866.727	2.077.098

LIABILITIES AND EQUITY				
	2005	2006	2007	2008
Accounts Payable	322.943	377.143	321.396	286.185
Short+Long Term Fin. Liabilities	1.301.138	1.382.302	1.266.329	1.436.691
Other Liabilities	24.702	31.398	63.751	44.447
Equity and Ret. Earnings	85.869	120.721	215.253	309.774
TOTAL L&E	1.734.653	1.911.565	1.866.728	2.077.098

Altra purchased the cooling plant in 2004 with a loan in the amount of 1.2 million Euro. It is a long-term loan due to be paid back by 2015. The obligations to this loan are paid back regularly. To finance the operations, the company also uses short-term loans, which are also regularly paid back. The company shows positive profitability in view of Return on Sales (13.68% for 2008), Return on Assets (5% in 2008) and Return on Equity (37% in 2008).

Pro-forma Income Statement

The analysis of the pro-forma income statement forecast shows positive results. The operating and net profits are positive in all years under consideration.

The relative analysis of the net profit shows decrease, which is a result of the increase in the depreciation as a result of the investment activities planned for the next period.

Table No. Income Statement

	FORECAST		
	2009	2010	2011
SALES			
Products + services	852.280	1.163.653	1.625.403
Other revenues			
Total	852.280	1.163.653	1.625.403
COSTS			
Operations	352.555	516.448	794.215
Marketing and Sales	52.350	52.350	52.350
Administration	27.250	27.250	27.250
Depreciation	62.789	125.688	221.338
Total Costs	494.944	721.736	1.095.153
OPERATIONS PROFIT	357.336	441.917	530.250
OTHER REVENUES/EXPENSES			
Interests and other financing income			
Extraordinary income			
Interests and other financing expenses	111.462	127.906	128.265
Extraordinary expenses			
Total other	-111.462	-127.906	-128.265
Profit before taxes	245.874	314.011	401.985
Tax %	10%	10%	10%
Tax	24.587	31.401	40.198
Net profit	221.287	282.609	361.786

Table 9 Cash flow forecasts 2010-2020

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash from operational activities											
Income-Loss	137.744	214.535	215.001	211.923	202.341	203.828	392.239	386.422	376.239	371.705	370.066
Amortization	77.494	79.294	81.994	87.394	100.294	101.194	128.594	135.494	147.494	153.494	155.494
Change of current assets											
Requirements	6.616	-53.018	-623	0	0	0	-128.493	0	0	0	0
Other Requirements	0	0	0	0	0	0	0	0	0	0	0
In stock	-18.516	-37.555	0	0	0	0	-113.189	0	0	0	0
Change in current liabilities											
Short term loans	9.872	0	0	0	0	0	0	0	0	0	0
Commitment to suppliers	-84.447	34.765	-19.870	143	158	173	1.300	210	231	-49.746	279
Other commitments	1.661	872	516	541	568	596	6.348	888	932	979	1.027
Commitments to unpaid .inv	0	0	0	0	0	0	0	0	0	0	0
Cash Flow	130.424	238.894	277.018	300.001	303.361	305.792	286.799	523.014	524.896	476.432	526.867

Table 10 Investments

															(Евра)
#	Опис	кол	е/м	ед. цена	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Земјиште и згради															
1	Реновирање - (градежни работи) - комори: 11	1	пар	45.000		45.000									
2	Реновирање - (градежни работи) - комори: 5	1	пар	45.000		45.000									
3	Реновирање - (градежни работи) - комори: 7, 13 и 14	3	пар	45.000			135.000								
4	Реновирање на влез (утоварно-истоварни рампи)				150.000										
5	Нов градежен објект (производен погон со магацин)	500	м2	500				150.000	100.000						
6	Реновирање - (градежни работи) - комори: 1, 2, 3, 4	4	пар	45.000					45.000	45.000	45.000	45.000			
7	Дополнителни градежни работи (машинска сала)	500	м2	150							75.000				
8	Друго											50.000	100.000	50.000	100.000
Вкупно земјиште и згради					150.000	90.000	135.000	150.000	145.000	45.000	120.000	95.000	100.000	50.000	100.000
Машини и опрема															
1	Систем водоснабдување														
2	Ремонт на испарувачи	4	пар	7.000		28.000									
3	Предтунелно ладење (нов тунел)					30.000						250.000			
4	Испарувачи	2	пар	12.000					24.000						
5	Процесиращка опрема за нов погон									100.000					
6	Друго												50.000	100.000	50.000
7															
Вкупно машини и опрема					0	58.000	0	0	24.000	100.000	0	250.000	50.000	100.000	50.000
Друго															
1															
2															
Вкупно друго					0	0	0	0	0	0	0	0	0	0	0
S Вкупно					150.000	148.000	135.000	150.000	169.000	145.000	120.000	345.000	150.000	150.000	150.000

Table 11 Expenses

	%	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Year													
Operating costs (euro)													
Assets		137.488	158.236	196.880	196.880	196.880	196.880	196.880	196.880	196.880	196.880	196.880	196.880
Energy	9,6%	83.882	89.434	102.980	102.980	102.980	102.980	102.980	102.980	102.980	102.980	102.980	102.980
Inputs		56.747	73.598	84.746	84.877	84.877	84.877	84.877	111.894	111.894	111.894	111.894	111.894
Transports	1,5%	10.664	13.689	15.762	15.762	15.762	15.762	15.762	15.762	15.762	15.762	15.762	15.762
Maintenance	0,10%	233	913	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051
Salaries		97.465	97.465	102.336	107.455	112.827	118.469	124.392	186.588	195.918	205.714	215.999	226.791
Seasonal Workers		0	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000
Other		1.500	2.153	2.616	2.621	2.621	2.621	2.621	3.744	3.744	3.744	3.744	3.744
Amortization		69.129	77.494	79.294	81.994	87.394	100.294	101.194	128.594	135.494	147.494	153.494	155.494
Total		457.107	527.981	600.667	608.621	619.394	637.935	644.758	762.494	778.723	800.519	816.805	829.600
Marketing and Sales (euro)													
Salaries		20.885	20.885	25.062	25.062	25.062	25.062	25.062	32.581	32.581	32.581	32.581	32.581
Advertisement		10.000	15.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000
Telephones		8.400	8.820	8.820	8.820	8.820	8.820	8.820	8.820	8.820	8.820	8.820	8.820
Transport		4.800	4.800	5.280	5.808	6.389	7.028	7.730	8.503	9.354	10.289	11.318	12.451
Office materials		1.000	1.000	1.000	1.000	1.000	1.000	1.000	2.000	2.000	2.000	2.000	2.000
Other		5.000	10.000	10.000	10.000	10.000	10.000	10.000	15.000	15.000	15.000	15.000	15.000
Total		50.085	60.505	70.162	70.690	71.271	71.910	72.613	86.904	87.755	88.690	89.719	90.851
Administration													
Salaries		20.885	21.930	23.026	24.177	25.386	26.655	27.988	29.388	30.857	32.400	34.020	35.721
Insurance		5.500	5.500	5.500	5.500	5.500	5.500	5.500	7.000	7.000	7.000	7.000	7.000
Consulting		2.000	3.000	3.000	3.000	3.000	3.000	3.000	5.000	5.000	5.000	5.000	5.000
Telephone		600	600	600	600	600	600	600	600	600	600	600	600
Other		5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000
Total		33.985	36.030	37.126	38.277	39.486	40.755	42.088	46.988	48.457	50.000	51.620	53.321
TOTAL		541.178	624.516	707.956	717.588	730.151	750.600	759.459	896.386	914.935	939.209	958.144	973.771

APENDIX 3 Grading methodology for the business plans

Grading criteria

Table 1

Subject from the characteristics of the business plan	Subject 1	Subject 2	Subject 3	Subject 4	Subject 5
Grade	Summary of the business plan	General information about the company	Mission and vision of the company	Key Success Factors	Team
10	The summary is well organized and written. It covers all the subjects in the business plan. And if all the subject are well defined afterwards than the summary will be whole and complete.	All data of the company is correct and containing all the important facts for the company. The plan is written in business understanding language, and format of the business plan is tidy and easy to review	The company has well stated mission and vision. Explaining what the company wants to be, or how it wants the world in which it operates to be. Also characterize the fundamental purpose of the company, and in a few words describing why it exists and what it does to achieve its vision.	Key Success factors are well determinate in the business plan, including: - production and delivery of high quality products - lower overhead cost - market research activities and improvement of products - new products order to increase sales volume	The team structure is well defined in the entire organization. There is well allocation of responsibilities for different functions and processes.
9	The summary is organized and written. It covers all the subjects in the business plan. And if all the subject are well defined afterwards than the summary will be whole and complete.	Everything above is same but the plan is not that easy to review.	The vision and mission are stated but they are not very well explained. For example why the company exist is not written.	Key Success factors are well determinate in the business plan. Only one is missing of the factor is missing	The team structure is defined in the entire organization. There is some allocation of responsibilities for different functions and processes.
8	The summary is organized and not that well written. It	Everything else is ok but the plan is not that tidy and easy to	For example the purpose of the company is not stated.	Key Success factors are well determinate in the business	The team structure is generally established.

	covers all the subjects in the business plan. And if all the subject are well defined afterwards than the summary will be whole and complete.	review.		plan. Only two are missing.	There is only little allocation of responsibilities .
7	The summary is organized and not that well written. Some of the subjects are missing.	Everything else is ok but language in heavy to understand and the plan is not that tidy and easy to review.	The vision and mission are stated but they are not very well explained. The purpose and why the company exist company is not that well described	Key Success factors is not that well determinate in the business plan. Only three are missing.	The team structure is well established. There are not many allocations of responsibilities .
6	The summary is not that well written. Many of the subjects are missing.	Everything else is ok but it is bad written and difficult to understand and the plan is not that tidy and easy to review.	The company does not have clear objectives about the future.	Key Success factors are not well determinate and more than three are missing.	The team structure is not very well established. The responsibilities are not defined correctly.
5	The summary is not that well written. Only couple of subjects are written.	Everything else is ok but the plan is bad written and difficult to understand and the plan is not that tidy and easy to review.	The vision is not well stated.	All key factors are not well written but they are completed.	The team structure is not established. There is no allocation of responsibilities .
4	The summary is not that well written. Only couple of subjects is written.	Everything else is ok but the plan is bad written and difficult to understand and the plan is not that tidy and easy to review.	The mission is not well stated.	One of the factors are missing and they are not well written.	The team structure is just to general and not established. There is no allocation of responsibilities .
3	The summary is not well written and only few subjects are	The data of the company is not correct and the plan is bad	Both the vision and mission are not well written	Two of the factors are missing and the other are	The team structure not very well written.

	written.	written		not well written	There is no allocation of responsibilities .
2	The summary is not well written and only one subject is written	The data is missing and the plan is bad written	Vision or Mision is missing	Three of the factors are missing and the the rest is notr well written	There is lack of information for the team structure.
1	There is no summary.	There is insufficient data for the company	Both Vision and Mission are missing	There are no Key Success Factors	There is no team structure

Table 2

Subject from the characteristics of the business plan	Subject 6	Subject 7	Subject 8	Subject 9	Subject 10
Grade	SWOT analyses	Products	Marketing plan and Market analyses	Competiveness	Forecasts
10	SWOT Analysis is well prepared and including all four elements: -Strengths -Weaknesses -Opportunities -Threads	The products that are produced from the company are with high quality and standards. And well packet for transport and sales.	Marketing plan and analyses are well completed with: -Assumption for potential market is well build, -There is Research, Explore, Explain for each of market segments -Segment Description -Needs and Requirements -Distribution Channels	Competitiveness with other companies with the similar production of fruits and vegetables that are in the country or in the region. The company has long experience in this business sector, the products are well known locally and in the region with high quality.	Sales forecasts factors that are completed in the company: -The degree of accuracy (low risks) -The availability of data and information (good sales information) -The time horizon that the sales forecast is intended to cover (sales in next 5 years). -The position of the products in its life cycle (shorter period).
9	SWOT Analysis is well prepared	The products that are	There is lack of Assumption for	The company has not that long	Sales forecasts factors that are

	and including all four elements: -In the Strengths there are missing some elements -Weaknesses -Opportunities -Threads	produced from the company are with good quality and standards. And well packet for transport and sales.	potential market, -There is Research, Explore, Explain for each of market segments -Segment Description -Needs and Requirements -Distribution Channels	experience in this business sector, the products are well known locally and in the region with high quality.	completed in the company: -The degree of accuracy (medium risks are accrued)
8	SWOT Analysis is well prepared and including all four elements: -In the Strengths there are missing some elements -In the Weaknesses there are missing some elements -Opportunities -Threads	The products that are produced from the company are with good quality and there is lack of standards. And well packet for transport and sales.	There is lack of Assumption for potential market, And also There is lack of Explanation for each of market segments	The company have very short experience in this business sector, and the products are new.	Sales forecasts factors that are completed in the company: -The degree of accuracy (high risks) -The availability of data and information (not enough sales information)
7	SWOT Analysis is not well prepared and includes all four elements: -In the Strengths there are missing some elements -In the Weaknesses there are missing some elements -in the Opportunities there are missing some elements. -Threads	The products that are produced from the company are with good quality and there is lack of standards. And package is not good for transport and sales.	Marketing plan and analyses are not completed with:Distribution Channels	The company does not have experience in this business sector, and the products are new.	Sales forecasts factors that are completed in the company: -The degree of accuracy (high risks) -The availability of data and information (not enough sales information) -Time horizon is too short

6	SWOT Analysis is not well prepared and including all four elements: -In the Strengths there are missing some elements -In the Weaknesses there are missing some elements -in the Opportunities there are missing some elements. -in the Threads there are missing some elements.	The products that are produced are with out of standards. And package is not good for transport and sales.	Marketing plan and analyses are not completed with: Needs and Requirements ,Distribution Channels.	The company does not have experience in this business sector, and the products are new. But there are insufficient details about their products.	Sales forecasts factors that are completed in the company: -The degree of accuracy (high risks) -The availability of data and information (not enough sales information) -Time horizont is too short -Product life time is longer
5	SWOT Analysis is not well prepared and including all four elements but all of them are not well explained	The products that are produced are not calibrated and with out standards.	Marketing plan and analyses are not completed with: Needs and Requirements and Distribution Channels and explanation of market segments	The company have very short experience in this business sector, and the products are new. But there are only few details about their products.	Sales forecasts factors that are not completed in the company: -lack of degree of accuracy
4	There is one element mising	The products that are produced are with out of standards. And package is not good for transport and sales.	The analyses is poorly written and difficult to implement in business plan	The company does not have experience in this business sector, and the products are new. But there are no sufficient details about their products.	Sales forecasts factors that are not completed in the company: -lack of degree of accuracy -there are no information about sales)
3	There are two elements missing	The products are not well defined how they will be managed. There is no Manual for this.	Many of the segments are missing from the analyses (if some of them are mising)	The company does not have experience in this business sector, and the products are new. Also	Sales forecasts factors that are not completed in the company: -lack of degree

				there are no details about their products.	of accuracy -there are no information about sales) -there is no time horizontal
2	There are three elements missing	The are missing parts for the product details.	Marketing plan and analyses are just mention that are existing	The company have not enough available data about the competition	Sales forecasts factors are not well described
1	There is not SWOT analyses	There are no product details.	There is no Marketing plan and analyses	The company have not available data about the competition	There is no information about sales forecasts