Developing a business plan for a new start-up: The case of pesticides and fertilizers store

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ABSTRACT

The current study examines the opportunity of starting a new small business for retailing pesticides and fertilizers. The global as well as the domestic market size and market potential of starting a business in crop protection products industry is huge. Therefore, due to creation of an effective and reliable business plan a new company – small retail store, was created. The costs and initial funds of starting a new business, the potential demands for the products, the customers’ needs, the government regulations and policies, and consumers’ preferences and attitudes were investigated. The above examination is necessary in order to create an effective business plan for starting a new business. The plan will describe the company, what the goal is, what needs be achieved, how to deal with competition and how to asses consumers.

The study and analysis and especially the survey performed are important for determining the opportunity developed and the marketing plan, which constitute critical parts of the business plan that enable the audience to understand the techniques and methods used to create, price, distribute and promote the products. The main implications arising from the particular project pertain to shedding light as to developing an effective start-up business plan for the purposes of particular venture, understanding and responding to the global and domestic market potential, acquiring required information, securing required resources and funds, who will provide these resources, legal issues etc.

The recommendations for AGRO GIGA regard market pesticides and fertilizers as products with high importance for the consumers. AGRO GIGA is recommended to market branded products and to provide special visible place for them in the store. The products should be marketed as expensive products, but with reduced priced compared to the competition, and the possibility of delayed payments has to be provided. The financial plan was created and the initial funds were estimated to 30,000 Euros and sales were projected to 75,000 Euros.
ACKNOLEDGEMENTS

First, I would like to express my sincere appreciation of my employer – FENI INDUSTRIES, especially to Mr. Konstantinos Daskalakis – CEO, Mr. Nikola Rizov – DGM, Mrs. Zorica Stavrova – Administration Manager and Mr. Gerasim Kujundziev – Maintenance Manager, for investing in my future knowledge and for giving me the opportunity to attend the Internation Hellenic University EMBA program.

In addition, I would like to express special thanks to my Supervisor Dr. Lida Kyrgidou for providing me her excellent expertise, instructions and guidelines during the research and dissertation development process. Also, Dr. Kyrgidou provided me proper materials and her feedback motivation was very useful during the dissertation preparation process.

Furthermore, I would like to express special thanks to my two brothers Goce and Goran Atanasovi both agricultural engineers, for providing me with their expertise in the field of agrochemicals and fertilizers and their use, as well as for providing information about the current and future competitors and how retail business is organized.

Finally, I would like to thank all the family, friends, colleagues, IHU and fellow students, who kept me motivated and inspired during the two year EMBA program. Without all these people this research paper would not have been possible.
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1 INTRODUCTION

We are living in a world where the agricultural industry appears extremely significant. Every country in the world faces many challenges in this sector in order to improve crop yields. Pesticides and fertilizers are essential input in agricultural production to control target pests and thus to achieve the goal, which is – improving crop yields.

In Tikvesh area, located near the city of Kavadarci, pesticides and fertilizers have been increasingly applied in the past few years. The area is characterized by intensive grape and peach cultivation, contributing a large portion to peach exports and wine production and wine exports. The area is characterized by the huge use of pesticides and fertilizers and thus it presents an opportunity for investment and new business start-up. Therefore, two brothers, both agricultural engineers with more than 8 years experience in the agricultural industry, have decided to start their own business – specialized store for pesticides and fertilizers as main products. The company will not deal with production, and it will only sell pesticides and fertilizers (domestic or imported, branded or not branded) and it will offer field expertise.

In order to better enter the market, the company needs a start-up business plan. The idea is to create and effective start-up business plan, which will gain profit for the company. In order to this, a lot of research has to be done, and a lot questions has to be answered. Before starting a new business, we need to know how the business is financed, what are the government regulations, who are the customers, what are the prices, how much is the potential demand for the products etc. A lot of academic literature – Baron and Shane 2008, Hughes 2004, Whittaker 2009, as well as academic journals and entrepreneurship web sites, will be reviewed in order to create a business start-up plan.

It is good to have a great idea and business opportunity, but if it is all in the head, then it’s hard to convince potential lenders and investors that we will use their funding well. And here the business plan comes in. The business plan describes who we are, what are we planning to achieve, how we are going to deal with risks involved, how we are going to deal with customers and competitors, how we are going to promote our products and services, and how we are going
to provide the returns anticipated. The plan should show our venture that we are committed, and that we have the required skills, expertise and self-confidence to make it all happen. It should be a concise and simple structured document and the last question is what to include in the plan?

The main research in the dissertation is designed by the concepts of the Robert A. Baron and Scott Shane book “Entrepreneurship: A Process Perspective”, and is focused on the customers’ needs and the creation of the effective business plan. The dissertation answers the questions about the preferred products, prices, and a consumer survey is performed in order to better enter the market, to understand customers’ needs and finally to create an effective business plan. This survey is performed in the area selected for the new business (Tikvesh area – the municipality of Rosoman) with random selected people – customers to answer the questionnaire.

The recommendations for AGRO GIGA are to market pesticides and fertilizers as products with high importance for the consumers. AGRO GIGA is recommended to market branded products and to provide special visible place for them in the store. The products should be marketed as expensive products, but with reduced priced compared to the competition, and the possibility of delayed payments has to be provided. The financial plan was created and the initial funds were estimated to 30,000 Euros and sales were projected to 75,000 Euros.

The study is focused on the creation of an effective business plan for a new start-up and it includes industry analysis, marketing section, competitors’ analysis, production section, location section, management section, financial section, risk factors, evaluation section and appendices with detailed financial information etc. Also, it will provide assistance in decision making process to new entrepreneurs on how to finance their start-up business and how to approach the market in order to create value and potential future growth for the company.

Finally, a financial plan will allow us to confirm that the idea to start a new business is feasible and profitable and it will guarantee good profits for the investors.
2 LITERATURE REVIEW

2.1 WHAT WE NEED TO KNOW BEFORE START OF A NEW BUSINESS?

The theoretical framework of the business plan consists of a review of the literature as well as empirical research that comprises the startup process. The approach of the thesis is a combination of empirical experience and concept-based thinking; issues discussed in business books have been reflected with the experience gained through the process of implementing the business idea.

A review of the literature focuses on literature sources that examine the indicators of likely business success; does create a business plan raise the chance of success of small businesses, and what are the benefits of planning as well as the problems planning confronts. Traditionally, it is taught that in order to build a successful company, people must invest their time in creating a business plan. However, there are people that claim against the paradigm of spending time on planning and predicting the future – Barringer & Ireland (2010). Regarding authors’ opinions, the experts in question suggest that the starting process of a new venture should begin with making mistakes in the field and learning from them. According to the experts, experiencing would ensure faster business development when entrepreneurs would receive real feedback in the field.

Starting a new – privately owned business is not just about having a vision or dream or a good idea. There are many more things to be done in order to make the dream come true or to turn the idea into successful business. Many people know they want to start a business, but they don’t know the steps they need to take. Some of the first steps of starting a new business are to get a viable idea and to provide the resources needed for starting a new company. Before describing the resources needed, entrepreneurs have to know that there is never a bad time to start a new business/company and to make the dream come true. It is known that the world suffered from the economic crisis in 2008 and many people wonder if they can start a business in such difficult times. Sometime, it can be very successful to launch a new business during the crisis, because in such times the business has a better chance to be noticed and the equipment needed can be bought for cheap. It’s more than obvious that starting a business in strong
economic times is easier because in such times people have money and they are looking ways to spend it.

After determining what we want to do, we have to describe the resources needed to start a new company. Baron and Shane (2008) consider that resources needed have to include information about markets, environmental and legal issues, human resources and financial resources. Furthermore, Baron and Shane(2008), explains the use of these resources by a formal business plan which is prepared for two reasons: to assist entrepreneurs to obtain financial support from investors and to help them create their specific goals and strategies for reaching them.

Market information is very important and it means determining the customers’ needs and finding a way to get the information needed. Information about potential markets is crucial in launching a new venture and it is best to obtain this information before getting started - Baron & Shane (2008). There are a lot ways of getting the information needed, but according to Baron and Shane (2008), direct and indirect techniques are most common. Direct techniques include customer surveys, perceptual mapping and focus groups or primary collected data and indirect or secondary collected data – data gathered by others. Our case will use both primary – customer survey, interviews and secondary data. Although, market information is very helpful it could not guarantee success to the new business, because it doesn’t always reveals who will use the new product or service offered.

Another important thing to consider before starting a business refers to government regulations and how they affect new ventures. One the most important issue to understand is the taxation because it affects the profitability of all businesses. Another important issue for our case is the environmental regulations, for example regulations for handling toxic substances such as pesticides, regulations for storing these substances etc. Government regulations means understanding and following the government laws concerned to your business, such as laws and regulations concerning health, safety and race discrimination of employees. The government published a significant number of policies and special programs in order to attract new investments both domestic and foreign. A significant number of policies are published in order to encourage innovation and to help new entrepreneurs. All these are important issues for entrepreneurs because they present valuable resources for starting a new business. Entrepreneurs
must know how to interpret the information they get in order to avoid bad decisions, for example groupthink as source of information may lead to bad decision.

2.2 **Financial Resources for New Ventures: How to Get Them, How to Manage Them**

We have mentioned that just having a good idea is not enough to start your own business. Also, we might have a space for our new business, but we still don’t have the major resource for starting a business, which are the starting funds. Many techniques and many ways of raising money for a new venture are possible. Financing means managing funds in order to obtain financial benefit from the financial resources. After getting the money they has to be managed, and the best way of doing that is by preparing the three basic financial statements.

In their book, Baron and Shane (2008), explains that the financial statements are prepared based on forecasts of expenses, sales, income and other costs. Projections are used because the company cannot collect the historical data because of its short existence. These projections make investors to make them feel uncertain and to make difficult decisions because they don’t have all information entrepreneurs has. Therefore investors use solutions such as self-financing, contract provisions, syndication, specialization and localized investment. Furthermore, for Baron and Shane (2008), a key task for entrepreneurs is determining how much money they need for start-up. Some of the most important sources of capital for entrepreneurs are their own savings, their friends and family, angel investors, venture capitalists, corporations, banks, government programs etc. Julian Hills in his article “How to finance a start-up today” published online at entrepreneur.com notes that almost 80 percent of entrepreneurs get their money from bank loans, credit cards and lines of credit.

Equity investors such as angel investors and venture capitalists land their money in stages in order to avoid risks and to minimize entrepreneurs chance to take advantage of possible investor’s lack of information. Therefore, investors are asking high rates of return and they use the venture capital method to detect how much equity to ask for their investment.

Finally, a good entrepreneur is the one who can create and use good stories in his business plan and the one who will use excellent verbal and non-verbal communication skills. Creating a good business plan and making attention in the eyes of investors make them back
entrepreneurs. There will be always someone or something willing to finance great idea and new start-up businesses.

2.3 Writing an Effective Business Plan: Building a Roadmap to Success

When figured out the market possibility, the company founders started their business with implementing the idea of learning through experiments; the founders made leap-of-faith assumptions that required rigorous testing.

A common perception is that a new business should be planned prior establishing a start-up (Castrogiovanni 1996, 801). Writing the plan forces the founders to go through every aspect of their business and pay attention to its most important priorities and goals. (Barringer & Ireland, 2010) Planning pushes entrepreneurs to gather and analyze information, which enables entrepreneurs to quickly identify what they do not know, evaluate required tasks that can help solving problems and attain goals, identify risks and strategy, and projecting financial developments. (Delmar & Shane, 2003) Crafting a business plan also helps people to communicate the purposes, objectives, and activities of the business, which are a prerequisite to achieve a successful venture. (Gartner & Liao, 2009).

Many of the investors and potential funding sources require a business plan and very often face-to-face presentation of the plan by the entrepreneur. Furthermore, Baron and Shane (2008) explain that a formal business plan is useful for entrepreneurs because of doing it encourage them to create their tasks, goals and the ways of reaching them. At the beginning the plan should be simple, short and comprehensive.

Every business plan should be effective and it should contain the following components. It starts with an executive summary (2-3 pages) that provides a brief overview of what the new business is all about. The next section includes background information for the company, purpose and opportunity and it describes the business idea. Another section is the marketing part that describes the market, the need for the product or service, and why would anyone buy the product. The marketing plan also includes information about the competitors, how to overcome it, and pricing. Next sections of the business plan are: development, production and location section – where is the product in terms of development, how it will produced and where the
business will be located, management section – list of skills of new management team, financial section – information on current and projected financial state of the company, section for risk factors and how they can be avoided, evaluation section and appendices with detailed financial information.

It is very important to know what influences entrepreneurs’ decisions about new ventures. Baron and Shane state that entrepreneurs are not very good at identifying factors that affect their decisions and they are using a research method known as policy capturing that helps resolve this dilemma. According to the method the factors influence venture capitalists are: experience of the founding team, the number of competitors and their strength, latest market growth. All these factors should be considered in the entrepreneur’s business plan. We should notice that making an effective business plan is a time-consuming task and it is just part of the activities towards starting a new business.

An effective business plan is the one that will has an excellent and outstanding verbal presentation of the entrepreneur’s idea and his company. According to Baron and Shane entrepreneurs has to take steps such as careful selection of the content, avoiding technical language, showing enthusiasm, paying attention on basic aspects of the presentation etc.

Very often investors reject entrepreneurs and their ideas and plans. But, this rejection should be viewed by entrepreneurs as an opportunity to improve their verbal presentations and their business plans.

2.4 MARKETING IN A NEW VENTURE

The Marketing section is a very important part of the business plan for every entrepreneur. In order to launch a successful company, entrepreneurs must meet customer needs. They always try to solve a consumer issue that is not resolved or to offer new product or service to meet customer’s needs. Entrepreneurs promote their product or service by assessing customer preferences and by using different methods depending weather the market is already well established or it is new. For entrepreneurs is better to enter established market rather than new ones.
Baron and Shane (2008) points out conjoint analysis as a useful technique for designing products that will have big influence to potential customers and by doing it entrepreneurs create opportunities for their new business to be successful. Furthermore, they a saying that it is better to enter large and growing markets because it is easier to sell to these markets. It is very important for entrepreneurs to keep their product or service up to date, and to achieve this they need capital because there is a competitors that are always ready to improve their product.

According to the book Baron and Shane (2008) at the beginning entrepreneurs offer their product or service to just few adopters divided in five categories, and it is very difficult to change from on to another group of adopters in order to satisfy customers’ needs. It is very important to make products that meet the technical standards and this is often done by discounting the price of the product, making good relations with the producers and by entering the market quickly.

We all know that marketing often requires a large amount of money and it could be very time-consuming. But, it is not a case with entrepreneurs and they don’t need large amount of money to promote their product. Entrepreneurs are just trying to promote the right content and to find the right customers in the right time – the time they are most interested to make buying decisions. There are techniques such as direct and indirect marketing, and there is a great number of media, social networks, internet and newspapers to promote the new products. Sometimes it is useful to use nontraditional channels for ads, for example ads on screens in local movie theaters, ads on taxicabs, ads on local sports teams, ads on local buses and trucks etc. Donations to charity organizations are good to get publicity, and interviews in televisions, magazines and newspapers can be also beneficial for entrepreneurs.

2.5 STRATEGY: PLANNING FOR COMPETITIVE ADVANTAGE

It is well known that starting a business means making profit. But, the business that just satisfies the customers’ needs is not enough for entrepreneurs to make profit, the entrepreneur also needs a competitive advantage (Baron and Shane 2008). Baron and Shane (2008), reveals that entrepreneurs have to hide their ideas from the competitors in order to prevent it to be copied thus will reduce entrepreneur’s profit. This can be done in two ways: keep others from learning about the opportunity and by preventing others to exploit the opportunity the way they do. Furthermore Baron and Shane (2008) notice that sometimes entrepreneurs create barriers to
imitation of their ideas, make legal obstacles to imitation, and very often innovating to keep their products or services ahead of those offered by the competition.

There are many methods that entrepreneurs use as guidance for successful strategy. Many entrepreneurs make decisions based on in-depth information analysis. Therefore, in order to create an effective business plan they make clear goals, and they have a high level of trust among founders and the opportunities are developed by the market-based modes because they don’t cost a lot and because they provide advantages. Baron and Shane (2008) in their book revealed that market mechanisms are often used by entrepreneurs to discover potential opportunities and to minimize adverse selection and shrinking by employees. But, Baron and Shane (2008) are saying that when there are severe disclosure problems, when business ideas cannot be coded, and when there are other threats, hierarchical modes of exploitation may be preferable.

Very often new ventures are facing technical, market and competitive uncertainty. To manage these uncertainty entrepreneurs use three strategies: growth from a small scale, forming alliances and partnerships with established firms, and creating legitimacy for the opportunity and the new venture. Uncertainty and information asymmetry may lead entrepreneurs to self-finance and cause investors to limit the size of their investments in new ventures (Baron and Shane 2008).

Partnerships and alliances are formed in order to provide quick value chain and to obtain the necessary assets. The associations are often made with established brands and it is an opportunity for their new products and services. Baron and Shane (2008) in their book, also points that uncertainty and information asymmetry make it difficult for people to believe that new business ideas are appropriate and correct, leading entrepreneurs to take actions to demonstrate the legitimacy of their opportunities and business ideas (e.g., obtaining certification from reputable authorities).
3 METHODOLOGY

The study uses both the quantitative and qualitative survey design in order to provide assessment of the consumers’ preferences, attitudes and awareness of the agrochemical products and fertilizers. Both – primary and secondary data collection methods were used.

Most of the secondary data were collected from internet and from entrepreneurial web pages, journals, research papers and databases. IHU databases were used to collect data for the market analysis section and most of the data were used to compare the profits and growth rates of global market leaders such as BAYER, BASF and SYNGENTA. Since the country lacks data, journals, articles and research papers for the agrochemical industry, global market trends were used in order to analyze and compare the potential market size and market growth. Global market trends and analysis were performed and the results were implemented for the domestic market. The only local source of reliable information for the domestic market was the State Statistical Office. But, once more, these data were not enough to perform good analysis and to create good research paper – business plan.

Primary data method was used to collect most of the information. As a primary data method, a consumer survey was used. The survey was performed as questionnaire and 54 participants – local farmers, answered the survey. The participants were randomly selected from a list of 324 registered individual local farmers. Every 6th person was selected and a sample of 46 mails and 8 females was obtained. All participants were from the place called Rosoman, near the city of Kavadarci. Rosoman was selected because the store and the new business will be placed there. The questionnaire was given to the participants in person and all 54 participants agreed to answer the questions within 5 days.

The measurements of the primary data collected are given in percentage and absolute numbers, for example 15 participants out of 54 or 28 per cent answered that prefer branded products. Every question of the survey is scored separately.

The outcome of the research methods used is: identification of customers’ preferred products and creation of an effective business plan for the first three years. Research analysis are providing assistance in decision making process to new entrepreneurs on how to finance their
start-up business and how to approach the market in order to create value and potential future growth for the company.

The questions used in the questionnaire were divided into three parts: the first part contained questions about the respondent and the household characteristics, the second part were questions about the size of and the ownership of the property, the production and sales, and the total income for the year 2013, and the third and the most important part were questions about the use of pesticides and fertilizers, where to buy them, what type (branded or not branded) to buy, when to apply them, what method of payment is preferable, customers’ awareness of the risks, awareness of the safety issues and what are the most important criteria when buying pesticides. Since the country data are insufficient, most of the questions were adjusted according the surveys carried out in the Republic of Ireland – Pesticide Usage Survey published by the government of Ireland in 2007, and by the surveys designed and supervised by World Bank team, conducted in Vietnam and Bangladesh in 2003.
4 DATA ANALYSIS AND DISCUSSION OF RESULTS

This section provides an analysis and explanations of the developed business plan for the establishment of a new retail store for pesticides and fertilizers in Tikvesh area near the city of Kavadarci. Details of the plan are presented in this section, beginning with the company background information and industry analysis. The plan also includes marketing section, competitors’ analysis, production and location section, management section, financial section, risk factors, evaluation section and appendices with detailed financial information etc. Also, it will provide assistance in decision making process to new entrepreneurs on how to finance their start-up business and how to approach the market in order to create value and potential future growth for the company.

4.1 COMPANY BACKGROUND

AGRO GIGA DOO is a local retail store formed in March 2013 and located in Tikvesh area in small place called Rosoman, near the city of Kavadarci. The company was established by two brothers, both agricultural engineers with more than 8 years experience in the same industry. The company’s primary goal is to sell pesticides and fertilizers to the local citizens and to the citizens of the city of Kavadarci. The company also offers services such as field expertise in order to improve the crop protection and production by the local farmers. Target consumers of the company are local farmers and private peach and grape producers which are the dominant group willing to use and willing to buy the product and service offered. The company is not dealing with manufacturing and it only sells pesticides and fertilizers, branded or not branded, domestic or imported.

Furthermore, the company rents a local store in order to satisfy the customers’ needs and to provide assistance during choosing, using and implementing the proper crop protection program in the adequate time. The owners are also employees and they are offering their expertise in every time and every place. The store is open all day from 06:00 am until 08:00pm during spring and summer times and from 07:00 until 15:00 during winter time. The company offers imported products from branded crop protection producers such as BAYER, BASF, SYNGENTA etc as well as not branded, cheap and cost effective products from developing countries, for instance China.
4.2 **Industry Analysis and Market Trends**

Agrochemicals and pesticides present significant part of the agricultural sector. Agro-industry plays an important role in the country economy.

Agrochemicals are used in a wide variety of products and play an important role in the world economy. They are constituents of materials, are used in preparations and products and are embedded in complex physical systems. While agrochemicals are a significant contributor to national economies, agrochemicals management through their life cycle is important in order to reduce and avoid the possible risks to human health and the environment, together with their identified costs, and to gain excellent benefits for humans. Growth in agrochemicals production and use has slowed in many of the developed countries that previously had a significant role in the market, while it has increased rapidly in a number of developing countries and transition economies. These countries have great influence on the global economy and on the global growth in production and use of these agrochemicals and fertilizers.

The global chemicals industry has grown rapidly over the past several decades. During the last ten years in, this expansion has been driven primarily by rapid growth in developing countries and countries with economies in transition. The global chemicals industry has grown steadily over the past several decades. Chemical industry data cited by OECD indicate that global chemical industry output was valued at US$ 171 billion in 1970. In 2010, industry sources valued global output at US$ 4.12 trillion.

A variety of global economic forces influence changes in chemical production, use and disposal over time. Chemical use is influenced both by countries’ domestic needs, and by global trade. Factors influencing the location of chemical use in manufacturing include proximity to raw materials, proximity to final markets, labor costs, and a range of other factors.

Agricultural chemicals include pesticides and fertilizers. Some classification systems include them within the category of specialty chemicals.

According to CropLife International, an industry association, the total value of the global agricultural pesticide market (including herbicides, insecticides, fungicides and others) was nearly US$ 38 billion in 2009. Herbicides accounted for the largest proportion of the global
market, as shown in Table 1. An industry research firm, the Freedonia Group, projects that this market will continue to grow, reaching US$ 52 billion by 2014. In 2009, North America accounted for the largest percentage of global pesticide expenditure, followed closely by the Asia/Pacific region (27 and 24 per cent, respectively). Significant per cent of global pest expenditures (19 and 17) are accounted by Central and South America and Western Europe.

Looking forward to 2014, analysts predict that the most rapid growth in pesticide expenditure will occur in Central and South America. Pesticide consumption in Africa and the Middle East is also expected to grow rapidly, although total consumption in the region will continue to be small compared to that in other regions.

**Table 1: Global Pesticide Markets**

<table>
<thead>
<tr>
<th></th>
<th>Global sales in 2009 (million US$)</th>
<th>Percentage of total global pesticide sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Herbicides</td>
<td>$17,527</td>
<td>46%</td>
</tr>
<tr>
<td>Insecticides</td>
<td>$9,411</td>
<td>25%</td>
</tr>
<tr>
<td>Fungicides</td>
<td>$9,726</td>
<td>26%</td>
</tr>
<tr>
<td>Other</td>
<td>$1,196</td>
<td>3%</td>
</tr>
</tbody>
</table>


Herbicides account for the largest percentage of expenditure on pesticides worldwide, due primarily to large expenditure in developed countries and countries with transition economies. Still, their use in these countries is increasing rapidly as well. The global market in herbicides is highly concentrated with a handful of multinational companies accounting for the vast majority of herbicide sales. Adoption of herbicides in developing countries is often associated with a package of agricultural inputs including fertilizers and insecticides. In some countries, herbicide use has been influenced significantly by the adoption of genetically modified crops that are designed to be grown in combination with specific herbicides. Ten major groups of herbicides are identified based on chemical composition. Some of the most important are: amides, arsenicals, carboxylic acids and derivatives, heterocyclic nitrogen herbicides, organophosphates, urea herbicides, and other herbicides. Sometimes, an insignificant number of chemicals are also used as herbicides. Herbicides have a range of types of action, including selective and nonselective activity.
Important classes of insecticides include chlorinated hydrocarbons (organochlorines), carbamates, organophosphates and synthetic pyrethroids. Examples of organochlorine insecticides include DDT, aldrin, dieldrin, toxaphene, chlordane, heptachlor, lindane, endosulfan and dicofol. One of the factors driving change in insecticide markets over time is the development of insect resistance to specific chemicals. A factor influencing over-all insecticide use rates is the fact that some pyrethroid insecticides are effective at lower volumes than the chemicals they frequently replace. Some uses of organochlorine insecticides persist; this is a trend of significant concern even at low volumes, due to the long persistence of these chemicals in the environment.

Fungicides include both inorganic compounds such as sulfur and copper compounds, and a variety of organic compounds; the principal categories of organic compounds used as fungicides are anilines/anilides, dithiocarbamates, halogenated compounds and heterocyclic nitrogen compounds. Fungicides are used in a variety of agricultural applications, including cultivation of peanuts, cotton and a variety of fruit and vegetable crops.

There are three major categories of fertilizers: those providing crops with nitrogen, phosphate and potassium. The FAO, in collaboration with industry associations and others, reviewed global fertilizer markets in 2010, and developed forecasts of expected trends in these markets over the period 2010-2014.

As shown in Table 2, in 2009, East Asia was the largest consumer of all three classes of fertilizers, accounting for 41 per cent of global nitrogen consumption, 37 per cent of global phosphate consumption, and 31 per cent of global potash consumption. South Asia was the next largest, accounting for 19, 22, and 17 per cent of global consumption of the three fertilizer types, respectively.
Table 2: Global Distribution of Fertilizer Consumption

<table>
<thead>
<tr>
<th>Region</th>
<th>Nitrogen (thousand metric tonnes N)</th>
<th>%</th>
<th>Phosphate (thousand metric tonnes P&lt;sub&gt;2&lt;/sub&gt;O&lt;sub&gt;5&lt;/sub&gt;)</th>
<th>%</th>
<th>Potassium (potash) (thousand metric tonnes K&lt;sub&gt;2&lt;/sub&gt;O)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>2,809</td>
<td>3%</td>
<td>901</td>
<td>2%</td>
<td>412</td>
<td>2%</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>12,988</td>
<td>13%</td>
<td>4,068</td>
<td>11%</td>
<td>3,579</td>
<td>16%</td>
</tr>
<tr>
<td>Central &amp; South America &amp; Caribbean</td>
<td>6,154</td>
<td>6%</td>
<td>4,651</td>
<td>13%</td>
<td>3,984</td>
<td>17%</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Asia</td>
<td>3,164</td>
<td>3%</td>
<td>1,336</td>
<td>4%</td>
<td>290</td>
<td>1%</td>
</tr>
<tr>
<td>South Asia</td>
<td>19,758</td>
<td>19%</td>
<td>8,021</td>
<td>22%</td>
<td>3,818</td>
<td>17%</td>
</tr>
<tr>
<td>East Asia</td>
<td>41,496</td>
<td>41%</td>
<td>13,652</td>
<td>37%</td>
<td>7,090</td>
<td>31%</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Europe</td>
<td>2,574</td>
<td>3%</td>
<td>860</td>
<td>2%</td>
<td>630</td>
<td>3%</td>
</tr>
<tr>
<td>West Europe</td>
<td>7,737</td>
<td>8%</td>
<td>1,535</td>
<td>4%</td>
<td>1,784</td>
<td>8%</td>
</tr>
<tr>
<td>East Europe &amp; Central Asia</td>
<td>3,824</td>
<td>4%</td>
<td>1,025</td>
<td>3%</td>
<td>1,203</td>
<td>5%</td>
</tr>
<tr>
<td>Oceania</td>
<td>1,160</td>
<td>1%</td>
<td>903</td>
<td>2%</td>
<td>254</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>101,664</td>
<td>1%</td>
<td>36,952</td>
<td>2%</td>
<td>23,044</td>
<td>1%</td>
</tr>
</tbody>
</table>


FAO also developed estimates of likely trends in fertilizer consumption in the period 2009 to 2014. FAO estimated that world consumption of fertilizer would grow 2.6 per cent per year in the period 2010 to 2014. As shown in Table 3, the highest rates of growth are expected in Latin America, Eastern Europe and Central Asia, Africa and Central Europe (4.6, 3.8, 3.6, and 3.5 per cent, respectively, compound annual growth rates).

Globally, one of the largest consumers of pesticides is Europe, and it owes large portion of the cultivated land area. By the end of 2003, Europe accounted for over 30% of the global demand for agrochemicals and fertilizers. On the other hand, having an efficient regulatory framework adopted by REACH resulted with slow and steady declines in the use of conventional crop protection products.

Although the European market is dominated by Western Europe, which accounted for over 70% of the total market, expansion from this area is predicted to be performed slowly in the near future. Strongest economies such as Germany, France, Italy, and U.K. are the largest consumers of crop protection products, accounting for over 50% of the total demand in Western Europe.

Some studies reported 639.4 KT (Figure 1) of agrochemicals with active volume in 2011 and these numbers are expected to reach 741.95 KT by 2018 in the European market, in terms of
active ingredient volume was estimated at 639.4 KT in 2011 and by 2018 it is expected to reach 741.95 KT. Revenues are expected to be higher than volume, and it owes to increase the costs of agrochemical, pesticides in particular. One of the biggest components for the pesticides companies is the registration and development of an active ingredient. Currently, the expenses of innovation and registration is about $200 million, and it accounts it is a 25% increase from 2000.

Figure 1: European Crop Protection Chemicals Market Revenue, by types, 2012

![European Crop Protection Chemicals Market Revenue, by types, 2012](image)

Source: MarketsandMarkets Analysis

Table 3 is showing the expected growth in total fertilizer demand globally. Latin America is expected to have highest growth of 4.6 per cent and Western Europe region is expected to have the lowest growth rate of 1.4 per cent. The expected growth rate for the selected area – East Europe is 3.8 per cent, and it is significant growth with great potentials for the future.

Table 3: Expected Growth in Total Fertilizer Demand

<table>
<thead>
<tr>
<th>Region</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>2.6%</td>
</tr>
<tr>
<td>Africa</td>
<td>3.6%</td>
</tr>
<tr>
<td>America</td>
<td>3.0%</td>
</tr>
<tr>
<td>North America</td>
<td>1.8%</td>
</tr>
<tr>
<td>Latin America</td>
<td>4.0%</td>
</tr>
<tr>
<td>Asia</td>
<td>2.4%</td>
</tr>
<tr>
<td>West Asia</td>
<td>2.2%</td>
</tr>
<tr>
<td>South Asia</td>
<td>3.3%</td>
</tr>
<tr>
<td>East Asia</td>
<td>1.9%</td>
</tr>
<tr>
<td>Europe</td>
<td>3.5%</td>
</tr>
<tr>
<td>Central Europe</td>
<td>3.5%</td>
</tr>
<tr>
<td>West Europe</td>
<td>1.4%</td>
</tr>
<tr>
<td>East Europe &amp; Central Asia</td>
<td>3.8%</td>
</tr>
<tr>
<td>Oceania</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

The crop protection products and the agricultural sector are playing an important role in country’s economy. Almost half of the land in the country is pasture land and 40 percent arable land, and the other land is characterized with meadows and traditional crops. The country is characterized with small farm units privately owned with an average size of 1.4 hectares, although some larger agricultural companies also lease land from the state. The largest share of agricultural output (28 per cent) are vegetables and horticultural products, followed by wine which represents about seven percent of agricultural output (70 percent privatization) and pig production with 40 per cent of total meat production is significant. The most important industrial crop is tobacco, and the domestic varieties are characterized with specific and special oriental quality.

One of the fastest growing industries in the country is the agribusiness industry and the increase in the last three years is over 10 percent.

Agrochemicals as part of the agricultural industry, with the inclusion of hunting, forestry, and fishing, are the third biggest sector by participation in the GDP, regarding the services and industry. Including the processing industry, the percentage would increase up to 16%. Trade exchange with agricultural-food products in 2010 amounted to more than €955 million. EU-27 is the most important trade partner of the country. In the agriculture sector in the past five years, nearly €30 million of foreign capital has been invested, with average monthly salary of €320. The country developed strong educational system consisting 7 faculties specializing in the agriculture field and these facilities supported the agriculture sector. Furthermore, in 10 cities throughout the country, secondary schools with agricultural branches are operating.

Regarding the amount of pesticides used in the agricultural regions in the country, there are no exact data available and the most reliable data for the actual use of agrochemicals is the import of pesticides and fertilizers. Figure 4 shows strong trend in the import of pesticides. Also, this trend is visible in the import of fertilizers, but with strongest fluctuations, as it is shown in figure 5. The import of agrochemicals by categories as import of insecticides, import of fungicides, import of herbicides and the import of other agrochemicals are given in the appendices (see appendix 2, 3, 4, 5 and 6).
Agrochemicals as a crop protection products play an important role for farmers around the globe in controlling the pests and diseases affecting our food supply. If the use of agrochemicals is carefully selected, farmers can improve agricultural productivity, can contribute to food security, and, in many developing areas, incomes and revenues can be increased.
It is well known that consumers expect to choose what kind of food to consume. It is better to supply fresh and quality foods, that satisfies the basic nutritional needs and rather than buying cheap and not healthy food. Agrochemicals and fertilizers can ensure that the fruits and vegetables that reach consumer markets and plates meet these high standards and will satisfy the environmental standards.

According to CropLife International – global federation that represents the plant science industry, for over sixty years, modern crop protection products have protected our global food supply from pests that can destroy farmers’ livelihoods.

The increasing production, use and disposal of chemicals have significant implications for the environment and human health. Effects on ecosystem resources include contamination of air, water, and soil, with adverse impacts on food sources and wildlife as well as human health effects. As the health of populations in developing and countries in economic transition are increasingly affected by disease risk factors associated with industrialization, the burden of disease and disability associated with exposure to toxic chemicals in these regions is likely to continue to climb. In this context, it is necessary to consider policy approaches to ensure that chemicals are produced and used in ways that minimize impacts on health and the environment. Many countries have developed a range of legal, economic, technical and voluntary instruments and approaches for managing chemicals.

4.3 BUILDING A MANAGEMENT TEAM

It is discussed and explained that just having a good idea is not enough for starting a successful new business. To keep the business running and operating effectively a strong and effective management team is necessary. It is well known that it is impossible to be a founder of a new business, a chief executive and a chief financial officer at the same time and it is not possible to perform all these tasks at once. Therefore, the need for a group of skilled experts who will run the business has been identified. At these days, many people owning small retail stores, try to do as much as possible by themselves in order to save money, and very often it is performed at the beginning. But, it is proved that as the business grows the need for a team also grows, because the owner will find out that he would not be able to run the operations, sales and marketing at the same time. When it comes to this point, it means that the time for hiring or
bringing skilled managers had come. First, entrepreneurs have to assess what kind of skills and talents do they need, and they have to be ready to give them the authority and freedom to make decisions for the business.

At the beginning, AGRO GIGA as a new company decided to have a small team consisted of experts in agricultural industry, expert in operations and expert in sales and marketing. This team will manage the critical areas in the business. Before constructing the team, a lot of colleagues from previous employment, senior experts, and owners of the same retail stores, family members, were asked for their opinions in order to determine what kind of a team members to hire. Both brothers will be included in the team as professionals in their field of expertise and both will have responsibilities no matter their relationship. They will be appointed to these positions because they own the skills, not because they are brothers. There are many cases of entrepreneurs in the world who are hiring their own bosses because they know their skills lie elsewhere in the firm. Sales, operations and field expertise will be the most important problems at the beginning and these managers will have to deal with the problems and the team will have to provide the basic of the company: to organize the sales of pesticides and fertilizers, to find the best location for the store, and to organize field expertise to all customers, and to promote the company, the products and the services they offer. The production process is not important because the company will not deal with productions.

Furthermore, accounting section will be performed by other specialized company. This part is given to this company because it will be cost effective for the first year and not so expensive for the years to come because of the special discount provided by the owner of the this company. This decision is made because it was calculated that hiring an accountant will be more expensive rather than giving it to others – accounting firm.

In addition, as the company grows in the years to come, the company will hire one person who will develop a web site, or maybe it will hire a computer science student with excellent qualities who will develop a web site, make the marketing campaign visible on the web and promote the products and services. Finally, after 2-3 years of operations it will promote the possibility for online payment and online sales. The web designer will have the responsibilities of publishing the crop protection programs created by the experts – agricultural engineers. Hiring
a skilled, almost graduated computer science student will be much more cost effective rather than hiring professional experts.

Finally, as the company expands within the next 3 years to more than one store, a few more skilled professionals will be hired in order to improve the quality of the service offered. These people will be experts in their field – agricultural engineers, because the law does not allow other than agricultural engineer to work in this kind of stores. These new employed experts and all other employees will be provided with proper training, by visiting the conferences and events organized by the importers, distributors and academic experts.

After, constructing the management team it is proposed to start thinking of developing a strategic plan. This plan includes the creation of mission and vision of the company, as well as setting the goals for stable growth. The trust in the team is very important and it ensures good management decisions. The company’s strategic goal is growing to more than one store, thus the establishment of a good team is an essential input for starting a new business.

4.4 PRODUCTION, THE PRODUCTS AND LOCATION

The company is not dealing with production, so there is no need for new inventions for this kind of products such as pesticides and fertilizers. The management team will follow the big producers, such as BAYER, BASF and SYNGENTA new products and recommendations and the only task is to make them valuable and useful in consumers’ eyes. Investments in new technologies are not necessary, and it is enough to have a special place for branded products.

The consumer survey conducted in Rosoman in Tikvesh area, near the city of Kavadarci, provided an answer to one of the most important question: What kind of products are consumed more – branded or not branded, imported or not imported? The survey was conducted to small number of people aged between 20 and 65 – exactly 54 people (Rosoman has approximately 3000 population together with local villages), randomly selected and they were asked questions about pesticides and fertilizers use (see appendix 1). These people who filled the questionnaire are all existing and potential customers. Considering the part of the questionnaire for branded or not branded pesticides and fertilizers, the results were significant: Even though most of the respondents were not employed, with middle incomes, we found that consumers prefer more
branded rather than not branded products – 39 respondents out of 54 (72 per cent), answered they prefer branded products. Almost the same was the situation with the question considering consumers’ preferences for imported or domestic products. First, we have to mention that there is small number of local crop protection products produced in the country. So, the results were expected, and there were 43 out of 54 respondents or almost 80 per cent who answered that imported products are more preferred rather than domestic ones.

After performing the survey, the company stared focusing on making good relations and signing contracts with local distributors of branded products. At the beginning a company experienced difficulties in supplying the start-up products because the lack of funds. This was resolved with the help of a company called AGROPIN – BAER Germany distributor, who supplied significant quantities (amounted 20,000 Euros) of branded products and giving the opportunity to pay for the products within the next three years. Details of the other financial constructions are provided in the financial section in the following text.

Another important question that needs answer is: Where to locate the selected business – retail store for pesticides and fertilizers? The analysis of the new business ideas has been provided, the products to deal with are selected, a management team is constructed and the time to select the location of the new business has come. After careful consideration of the possible locations – the entrepreneurs had to choose between the city of Kavadarci and the municipality of Rosoman. Rosoman was selected as a place to run/open the store. It was selected because it is the largest place for peach production in the country. It is a small place, but over 90 per cent of the population are local farmers and are dealing with production of peaches and grapes.

The new venture location is a local place in Rosoman, which has operated as a retail store for pesticides and fertilizers in the past few years. It will be a rented place, but with well established reputation as a retailer for branded pesticides. Since, the previous owners had financial problems and decided to close the retail stores they owned (they had over 20 stores) and to focus only to the production of pesticides – not branded Chinese, the new owners – both brothers have decided to locate their business at this location. They selected this location because they have already worked about 8 years for the previous owners, and because they are aware that this is a profitable business, and they have the skills and experience required for running this
kind of a business. A lot of efforts were made to fill the store with goods, with other branded and not branded products, to make consumers’ to realize the importance of the products and to make them buy. Also, plans for future development are considered such as opening a second store in the city Kavadarci if the stable growth of the company is provided.

4.5 **THE MARKETING PLAN**

The marketing plan describes the market – described in the previous sections, the need for the product or service, and why would anyone buy the product. The marketing plan also includes information about the competitors, promotions, and pricing. An effective marketing plan includes analysis of the consumer behavior, consumers’ preferences and needs and their attitudes towards the products and services offered. The consumer survey is performed in order to make proper segmentation, positioning and promotion of the products and services offered, as well as understanding consumers’ needs. An analysis of macro and micro environments that influence the development of successful marketing plan are also provided.

4.5.1 **Political Factors**

The country as a part of a very turbulent region is itself a subject of noticeable political influence in every aspect of the economy. Political decisions seriously affect the businesses on the market. As a small economy, the country’s exports and imports account to large percentage of the GDP and international political decisions, affect traders and producers. The other side of the coin is the Foreign Direct Investments (FDI) aspect, which varies year to year depending on the political situation in the country and the level of political stability perceived by foreign investors. However, there is no direct political influence on retailing pesticides and fertilizers. The country is trying as much as possible to reduce the political risks.

An important notion is the political competition between the major parties spanning to business circles and affecting the agrochemicals business, especially the import and distribution business. It is common for a company to be perceived as a sympathizer of a certain political option, which can cause resistance for business from companies – sympathizers of other political opinion. These are strong factors for business, thus retailing business companies have to be very precautious in their line of work. The country is not EU member, thus the major market for this industry is the domestic market.
4.5.2 Economical Factors

The country is still in the phase of economical transition and its economy is still defined as a transition economy. In the 5 years, there is no country that didn’t suffer the economic recession from 2008. It still suffers from one of the highest rates of unemployment in Europe (31.4% in 2011 according to the state statistical office). However, still there is small economical development and there is a great opportunities for the crop protection products and fertilizers.

Agriculture, forestry and fishing had a share in the structure of GDP of 9.7% in 2009 and 10.1% in 2010. The External debt stocks; total (DOD; US dollar) was last reported at 5804145000 in 2010, according to a World Bank report published in 2012, unemployment Rate in the country remained unchanged at 30.60 percent in the fourth quarter of 2012 from 30.60 percent in the third quarter of 2012. Unemployment Rate in the country is reported by the State Statistical Office. Wages in the country decreased to 30644 MKD in February of 2013 from 31090 MKD in January of 2013. Wages were reported by the State Statistical Office.

These factors are forcing consumers to cut on spending and thus to buy products. As a result, agrochemicals consumption level of the buyers who suffer from relatively strong financial constraints might be reduced.

4.5.3 Socio – Demographic factors:

State Statistical Office in their report Macedonia in Figures 2012, reports that the country has population of 2 059 794, which is 17 853 or 0.9% more compared with 2006, and 21 143 or 1% more compared with 2001. Regarding the age structure, the population is increasingly
ageing. In the period 2001-2011, the participation of the young population (age group 0-14) in the total population decreased from 21.5% to 17.2%, whereas the participation of the old population (age group 65 and over) increased from 10.5% to 11.8% and the rest is in the age group 15-65.

The age structure in the country is given in the table 4 and the largest age group is 25-54 (43.8%):

Table 4: Country Age Structure

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 years</td>
<td>17.9%</td>
<td>(193,507)</td>
<td>(180,157)</td>
</tr>
<tr>
<td>15-24 years</td>
<td>14.3%</td>
<td>(154,084)</td>
<td>(144,908)</td>
</tr>
<tr>
<td>25-54 years</td>
<td>43.8%</td>
<td>(463,282)</td>
<td>(450,261)</td>
</tr>
<tr>
<td>55-64 years</td>
<td>11.9%</td>
<td>(121,097)</td>
<td>(127,742)</td>
</tr>
<tr>
<td>65 years and over</td>
<td>12.1%</td>
<td>(108,324)</td>
<td>(143,809)</td>
</tr>
</tbody>
</table>

Source: [http://www.indexmundi.com/macedonia/demographics_profile.html](http://www.indexmundi.com/macedonia/demographics_profile.html)

The report also reveals the territorial distribution of the population in the country and shows significant disproportion. 57.8% of the population live in the cities (there are 34 cities in the country), the highest concentration being in the capital (20.5%). A large part of the rural settlements (the total number of settlements is 1 728) are completely depopulated (141 settlements) or have extremely small number of inhabitants, and in the near future, as a result of the unfavorable age structure (old population), will have no population. However, in a small number of rural settlements, the concentration of the population is very large. The life expectancy of total population is 75.58 (male 73.03 and female 78.33). In the sphere of education, the situation varies according to the level of education and the number people in primary and lower secondary education has decreased during the years, as well as the total number of students. In the school year 2011/2012, the number of enrolled students is lower by 18.9% compared with 2001/2002. In upper secondary education, the number of enrolled students in 2011/2012, compared with 2001/2002, was higher by 0.5%. Health expenditures are 3.2% of GDP.
4.5.4 Technological Factors

Whereas the overall technological development of a market today may not directly concern pesticides and fertilizers retailers, many aspects of the usage of modern technology affect the work of the producers and consumers decision making. Most of crop protection varieties and fertilizers are not produced in our country instead they are imported from EU countries. It is necessary for AGRO GIGA to maintain good relationship with producers in order to meet consumers’ needs.

In order to satisfy consumers needs, to reduce production costs and to reduce product price, new technologies has to be implemented in order to increase the seasonable use of the product. Using these recommendations consumers will be able to pay lower price and to buy even more pesticides and fertilizers. Also, the packing system has to be improved and the number of distributors and distribution time has to be increased. Another technological factor is that domestic companies does not have access to electronic databases of trade information, an integrated system for tracking and analysis of trends in agrochemicals markets, does not exist.

4.5.5 Legal Factors

Legal factors include standardization of the production and imports of the products and implementation of the Low on quality of agriculture products (published at Official Gazette of the Republic of Macedonia no 140/2010 by the government) and Low on agriculture and rural development (published at Official Gazette of the Republic of Macedonia no 49/2010 by the government), which means using new varieties and classifications of the varieties. The ISO quality standard has to be implemented in retail section. European pesticides health claims are already implemented. Meeting and implementing these criteria will increase consumption of crop protection products. In addition to this, the Rulebook on Agriculture Market Information system (published at Official Gazette of the Republic of Macedonia no 79/2010 by the government) collects the market data for agriculture markets for key products. All these factors influence consumer behavior and consumer buying decisions.
Finally, taxation policy is very important factor for the success of the tomato. The country has one of the best taxation systems (lowest tax rate of 10%) in Europe which provide opportunities for FDI’s.

4.5.6 Competition

The competition comes from other local retailers offering similar and very often the same products. It also comes from the major distributors and importers which are going around the law and offer and sell products cheap from their distribution vans. Recently, this situation have been significantly improved, thus the major competitors remains local stores.

The major competitors of AGRO GIGA are:

- ADO 95, local retail store and peach distribution centre
- Agrotomil
- Tim expert DOO
- Zemjodelskadapteka Stefan
- Nat Komerc

Most of these competitors don’t even have a legal retail store. They are selling the products from their distribution centre, and most of them don’t have an expert. They are using the situation of buying the local farmers peach production and offering them compensation with pesticides and fertilizers for 10-20 per cent higher prices, instead of paying them.

Because the competition has shifted from individual company level towards “chain competition” the strengthening of market links is a must. AGRO GIGA must be able to deliver and market the product in order to meet consumers’ needs (what they want and when they want) and must be flexible enough to adjust to changing markets. Domestic retailers in general lack these skills, but as the competition comes they are adjusting their marketing strategy towards consumers’ preferences.

4.5.7 Market Segmentation and Positioning

The market segmentation should be done by satisfying the consumers’ needs. AGRO GIGA’S segmentation can be based on demographics, product usage, geography, lifestyle, and
many other characteristics and needs. In order to have an effective segmentation, we must consider the AMISH approach. It means that segments must be accessible, measurable, identifiable, sustainable and homogeneous. The segmentation of the market will be done according to the demographics, and the most attractive category is the age group 15 – 65.

Another segment could be identified through awareness approach. In this segment we can observe two categories: unaware and aware. These are consumers which are aware for the health benefits of the product. The survey conducted, revealed that 67 per cent of the respondents are aware of the existence of the product and the other 33 per cent not aware.

Finally, if we consider the product as high involvement, the segmentation approach is based on income. In this approach we can identify families with mid and high income in age group 30-65.

After segmentation we have to choose which segment to target and how we will position the product on the selected target market. Based on the market segmentation analysis best segments and potential buyers to target are consumers in age group between 15-65, with high and middle level income class and elderly people over 55 who are aware of the product benefits. Therefore, the target market will be consumers in age group 15-65 with characteristics mentioned above. These segments are accessible, measurable, identifiable, sustainable and homogeneous and it is expected to have stable growth rate.

The pesticides and fertilizers will be positioned as high involving products, considering the fact they are not every day usage products. The survey conducted that consumers have high importance of the products, they are aware about the brand and they are aware of the health effects of the product. So, the products offered will consider all health and environmental law, procedures and policies.

4.5.8 The Marketing Mix

The marketing mix involves information about product, price, distribution channels and promotion strategies. Because we are talking about entrepreneurial business plan and we talked about productions and locations in the section above, we are going to make short cover for
pricing and promotions. The marketing mix and marketing strategies could and will be developed in details in the years to come, after seeing the results from the first year.

**Price:** Pricing of a product depends on a lot of different variables and hence it is constantly updated. Major consideration in pricing is the costing of the product, the advertising and marketing expenses, any price fluctuations in the market, distribution costs etc. Many of these factors can change separately. Thus, the pricing has to be such that it can bear the brunt of changes for a certain period of time. However, if all these variables change, then the pricing of a product has to be increased and decreased accordingly.

Consumers buy these products on different prices because a lot of factors influence the price. AGRO GIGA will market pesticides and fertilizers as high expensive products with high importance for consumers. The survey conducted revealed that 38 out of 54 respondents or 70 per cent are willing to buy expensive products. But, the survey also revealed that 47 out of 54 or 87 per cent are not able to pay in cash for the products. These consumers will buy the products, but they prefer delayed payments – payments after they get their money from their product buyers.

In contrast of the competition, which price the product higher for delayed payment, AGRO GIGA will make possible this kind of payments, but will sell the products on lower prices. AGRO GIGA will try to decrease the prices by reducing costs. By determining the price, similar products prices have to be taken into considerations.

**Promotion:** The promotion of the new business is very important for every entrepreneur. There are many methods and promotions are the key marketing tools for communication with potential customers. Some of the most important are advertisements and sales promotions and to implement an effective strategy we have to understand consumers buying decision process and their perceptions of the situation. The main promotion strategies includes: media strategies – print or broadcast, strategies which will reveal the message or who will spread the words for the new players on the market etc.

Considering pesticides and fertilizers as high involvement products, the media used for promotion of the business will be printed media such as newspapers, rather than broadcast
media. Newspapers are used for ads, because these are consumers that pay more attention and spent more time on these types of media.

The message is a strategy which covers the appeal, content, spokesperson, number of points, and repetition characteristics. All these attributes will be covered just for high involvement product as we agreed in the text above. A celebrity person, such a famous local singer or a famous local sports man or expert, can be used in this type of ads. The content of the ads is going to have a lot of information. The ads will not be repeated so often and they should be more comparative, ads will mention the competition and the budget for the ads will be seasonal.

4.6 **Financial Plan**

The financial section provides information on current and projected financial state of the company. Break–even analysis were done in order to forecast the sales in the second and third year of the operations. For the start-up operations, investments are necessary to rent a place and for purchasing equipment for the store. Funds for building a separate place for fertilizers and funds for purchasing pesticides from distributors are necessary, so the initial funds were estimated to 30,000 Euros. Sales for the first year were also projected to 75,000 Euros.

The financial plan includes the initial projected financial statements: balance sheet, income statement and cash flow statement. These are presented in the appendix section (see appendix 7, 8, and 9), and the projections are for stable growth of 5 per cent per year and 20 per cent of profit.

It is estimated that the initial investment is going to be 30,000 Euros. The financial construction will be: 10,000 Euros own assets, 15,000 Euros in products provided by the previous employer AGROPIN, 5,000 Euros bank loan and the rest 5,000 will be provided by venture capitalists 2,500 and 2,500 by angel investors. The bank loan is necessary to buy the equipment and for building the cage – separate place for the fertilizers.

After providing the initial investment, the returned cash flows will be invested in improving the “image” of the store and for expanding the business with new store in place called Gradsko, near Rosoman.
At the end of the year the evaluation of the business plan will be made, and it will be reviewed and maybe even go public and use the returns to get high share price allowing investors to cash out their investment. We may sell part of shares and there is option to be acquired by HEMOMAK or MAGAN MAK, who are considered as major market players.

5 LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

The study explored many aspects of the entrepreneurship literature, and it contributes by taking into consideration many themes of the Baron (2008) and Hughes (2004) books, as well as many articles from journals and websites. It is an additional study and it informs the audience about the basic concepts of the theory. Baron (2008) reveals that there are many unsuccessful startups involving a lot failed ideas. But, the study shows that this is one of the few ideas which can be successful and from which the literature can be expanded, and it is successful because of the good background market analysis before starting the business. The study improves already existing theoretical knowledge and it shows the new entrepreneurs where to focus their strengths and where to shift their attention. It helps entrepreneurs to focus on the resources and to on the pricing of the product and service offered.

Although, the study is focused on only one industry – agrochemicals and agriculture industry, future research could be conducted in other and in same industry, but in other geographic regions. The limitations could come mostly from the legislation procedures and policies. For example, it can take months to receive the certificate for selling pesticides, and the problem is weather to work and risk to be penalized or to wait for the certificate. The research was difficult to make because of the low number of residents and only small number of local farmers. Rosoman is small agricultural area and the restrictions were to obtain the predicted number of local farmers during interviews. Furthermore, most of the people interviewed were uneducated persons, but with the help of experts – both founders, the problem was overcome. Finally, people were not aware of the significance of the survey and the major problem was to convince them to answer the questionnaire.
6 CONCLUSIONS AND RECOMMENDATIONS

The study attempted to answer the most important question of how to start a new small business – retail store in the agrochemicals industry. Analyzing global potential market size and market trends in the agrochemicals industry resulted with discovering great business opportunities and significant market potential for doing business. A key constraint appeared to be the lack of information – it was very difficult to obtain data for the domestic use of agrochemicals, data for the domestic market size and market trends, so the possibilities of mistakes in projections are possible. In depth analysis of the research questions was performed, according to the supporting literature. The study revealed that it is not good to be afraid of starting a new business, but entrepreneurs have to be careful because they are starting a business in a transition economy, a time of global economic crisis and great number of constraints such as legal issues. The government frequent changes of laws, policies and procedures affects market trends and opportunities.

Market information data helped determining customers’ needs and preferences of buying branded products rather than not branded, and finding a way of getting the information needed. The survey performed on the random selected participants helped resolving these issues. The study reveals the ways of getting the resources needed for starting a small retail store for pesticides and fertilizers and direct technique used provided the answer of these questions – how to finance the business, how to get the funds, who will provide the funds, what are the legal issues etc.

All of this research resulted with writing an effective business plan for a new start-up, which demonstrates how a recognized opportunity will be converted into a successful company, and how this company will operate. It encourages new entrepreneurs to create tasks and goals for the future, and to create way of how to reach them. An effective marketing strategy provides answers of how and where to market the crop protection products.

The recommendations for AGRO GIGA are to market pesticides and fertilizers as products with high importance for the consumers. Another recommendation is to locate the store in Rosoman, an area characterized by the intensive peach and grape cultivation, and an area with
a huge use of pesticides and fertilizers. The team was created and at the beginning it will consist of two persons – both experts in their field.

Due to a primary data collection and the results, AGRO GIGA is recommended to market branded products and to provide special visible place for them in the store. The products should be marketed as expensive products, but with reduced priced compared to the competition, and the possibility of delayed payments has to be provided. Newspapers are recommended marketing media and celebrities are recommended spokesperson.

Finally, a comprehensive research was performed in order to create an effective and feasible financial plan. Initial funds were estimated to 30,000 Euros and sales were projected to 75,000 Euros. At the end of year 3 and during the period, an evaluation and corrections of the plan will be performed.

AGRO GIGA is recommended to continue to invest in future in research which will provide information and analysis of possibilities and opportunities for expanding the business with second store in the place called Gradsko, near Rosoman.

Several studies and reports have been conducted in the selected industry of agrochemicals and agriculture. The study could be compared to related studies about business plans for a new startup company. The study of Bettina Bergstrom (2012) and her business plan for a startup company VRDA in Helsinki is very similar to this study. Both studies, are talking about the company with two co-founders. The study major findings are about the benefits of pre-planning process for successful startup of a new venture. The results suggested few methods for successful planning of a new business startup plan. The difference in this study is the approach entrepreneur use in achieving their goals. The business plan is written during the process of establishment of the new venture and the matter discussed in this study describes the experience gained during the process. Thus, it contributes to literature by taking into considerations real data and real experience. The literature section discusses the benefits of the planning, but the results of the both methods theoretical and empirical, revealed weather to make the plan or not. It contributes to existing knowledge by expanding the ways of thinking about starting a new business. It is always good to try to implement and to make real the one good idea. Although, it is not always successful when starting a new venture, it is recommended to try to make the dream come true.
7. REFERENCES

1. Robert A. Baron, Scott A. Shane (2008) *Entrepreneurship A Process Perspective*


11. Sascha Kraus, J. P. CoenRigtering, Mathew Hughes, Vincent Hosman (2011) Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands


17. UNEP, SAICM Project, Implementation of the good agricultural practices in the Republic of Macedonia


22. Pallavika Barthakur, Noor Fridoos Yahar, December 2012, *Designing a Model to Evaluate the Performance of Distribution Channel Members of Agrochemical Sector*, published online at: [http://icbr.net/0112.4](http://icbr.net/0112.4)


34. http://www.entrepreneur.com/blog/222627


8. APPENDICES

Appendix 1: Survey – Rosoman pesticides and fertilizers use

PART 1: RESPONDENT AND HOUSEHOLD CHARACTERISTICS

1. Gender
   1. □ Male  2. □ Female

2. Age
   Years _______

3. What is the highest education level you have completed?
   __________________________________________

4. How many years you are staying in Rosoman? ________ years.

5. How long have you been working as an individual farmer? ________ years.

PART 2: PROPERTY AND CROP CHARACTERISTICS

6. What is the size of your land?
   a) Total production land ________ ha.
      In which:
   b) Peaches ________ ha.
   c) Grapes ________ ha.
   d) Other land ________ ha.

7. Do you own this land?      1. □ YES    2. □ NO

8. Please provide information about your last year (2013) production in the following table:

<table>
<thead>
<tr>
<th>Type of crop</th>
<th>Land cultivated (ha)</th>
<th>Production (tons)</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Quantity sold (tons)</td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Did you borrow money for crop production in season 2013? 1. □ YES    2. □ NO

10. What is your crop production total income for the season 2013? ________ EUR.
PART 3: PESTICIDES AND FERTILIZERS USE IN PEACH AND GRAPE

Name of participant: ______________________

Do you use pesticides and fertilizers in your farm? 1. ☐ YES 2. ☐ NO
If yes continue the survey (Question 11)

11. Who decides which pesticides and fertilizers to buy?
   a. ☐ The respondent
   b. Other family member: ______________________

12. Do you buy pesticides and fertilizers from one or many retailers?
   1. ☐ One 2. ☐ Many

13. What kind of pesticides and fertilizers do you buy?
   1. ☐ Branded 2. ☐ Not Branded

14. What do you prefer more, imported or domestic pesticides and fertilizers?
   1. ☐ Imported 2. ☐ Domestic

15. Do you always buy same brands or you regularly change brands?
   1. ☐ Always the same brand 2. ☐ Change regularly  3. ☐ Change sometimes
      If change, then ask the following question:

      14.1. What is the reason you change brands?
       a) ☐ The new brand of other company is better
       b) ☐ The old brand is no more effective to pests
       c) ☐ Recommendations from retailers, experts or agricultural officials
       d) ☐ Others (please specify) ______________________

16. Who is responsible of deciding when to apply pesticides or fertilizers?
   1. ☐ The respondent
   2. ☐ The other family member?

17. Please specify what method of payment of buying pesticides you prefer:
   1. ☐ Cash payment 2. ☐ Payment later on agreed date
   3. ☐ Payment after harvesting 4. ☐ Other

18. When you purchase pesticides and fertilizers do you read the labels?
   1. ☐ YES 2. ☐ NO
19. On a scale 1-5, how much risk do you think you are exposed to while using pesticides and fertilizers?
   1. □ No risk at all
   2. □ Small or medium risk
   3. □ A large amount of risk
   4. □ Dangerous and very toxic risk
   5. □ I don’t know

20. Have you used any training on applying pesticides and fertilizers?
    1. □ YES  2. □ NO

21. When purchasing pesticides and fertilizers are you supplied with information on pesticides and fertilizers, describing safety issues or procedures?
    1. □ YES  2. □ NO  *If YES state the source of information: ____________________*

22. When you buy pesticides do you know which of them are legal to use?
    1. □ YES  2. □ NO

23. When you buy pesticides and fertilizers, please indicate the degree of importance of each of the following criteria:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Very important</th>
<th>Important</th>
<th>Not so important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices of the products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency of the products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The easiness to manipulate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expert explanations of how to use</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The legality of use</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Appendix 2: Import of agrochemicals in the Republic of Macedonia (kg or I), 2007**


**Appendix 3: Import of insecticides, 2002-2007**

Appendix 4: Import of fungicides, 2002-2007


Appendix 5: Import of herbicides, 2002-2007

Appendix 6: Import of others agrochemicals, 2002-2007


Appendix 7: Balance Sheet

<table>
<thead>
<tr>
<th>BALANCE SHEET</th>
<th>Initial Investment:</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>1,000</td>
<td>4,275</td>
<td>4,650</td>
<td>8,225</td>
<td>9,300</td>
<td>16,975</td>
</tr>
<tr>
<td>Inventories</td>
<td>20,000</td>
<td>20,000</td>
<td>22,000</td>
<td>27,000</td>
<td>28,000</td>
<td>32,000</td>
</tr>
<tr>
<td>Adjust/rebuild storage place</td>
<td>4,000</td>
<td>4,000</td>
<td>8,000</td>
<td>12,000</td>
<td>16,000</td>
<td>16,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>10,000</td>
<td>10,000</td>
<td>15,500</td>
<td>22,500</td>
<td>32,500</td>
<td>32,500</td>
</tr>
<tr>
<td>Installation</td>
<td>3,000</td>
<td>3,000</td>
<td>5,000</td>
<td>7,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Computers</td>
<td>2,000</td>
<td>2,000</td>
<td>3,500</td>
<td>5,500</td>
<td>7,500</td>
<td>7,500</td>
</tr>
<tr>
<td>Furniture</td>
<td>5,000</td>
<td>5,000</td>
<td>7,000</td>
<td>10,000</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,400</td>
<td>2,350</td>
<td>3,450</td>
<td>4,850</td>
<td>4,850</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>35,000</td>
<td>36,875</td>
<td>47,800</td>
<td>66,275</td>
<td>80,950</td>
<td>92,625</td>
</tr>
</tbody>
</table>

Liabilities

<table>
<thead>
<tr>
<th></th>
<th>Initial Investment:</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Loan from Banks</td>
<td>5,000</td>
<td>5,000</td>
<td>10,000</td>
<td>17,000</td>
<td>17,000</td>
<td>17,000</td>
</tr>
<tr>
<td>Shareholders equity</td>
<td>15,000</td>
<td>16,875</td>
<td>22,575</td>
<td>33,425</td>
<td>47,075</td>
<td>56,325</td>
</tr>
<tr>
<td>Accounts payables</td>
<td>15,000</td>
<td>15,000</td>
<td>15,225</td>
<td>15,850</td>
<td>16,875</td>
<td>19,300</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>35,000</td>
<td>36,875</td>
<td>47,800</td>
<td>66,275</td>
<td>80,950</td>
<td>92,625</td>
</tr>
</tbody>
</table>
### Appendix 8: Income Statement

#### INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Sales</td>
<td>75,000</td>
<td>150,000</td>
<td>300,000</td>
<td>450,000</td>
<td>450,000</td>
</tr>
<tr>
<td>Distribution and other sales cost</td>
<td>1,000</td>
<td>1,500</td>
<td>3,000</td>
<td>4,500</td>
<td>9,000</td>
</tr>
<tr>
<td>Net Revenues</td>
<td>74,000</td>
<td>148,500</td>
<td>297,000</td>
<td>445,500</td>
<td>441,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>48,825</td>
<td>97,500</td>
<td>195,000</td>
<td>292,500</td>
<td>292,500</td>
</tr>
<tr>
<td>Salaries</td>
<td>19,200</td>
<td>38,400</td>
<td>76,800</td>
<td>115,200</td>
<td>115,200</td>
</tr>
<tr>
<td>Advertise and Promotion costs</td>
<td>1,000</td>
<td>2,000</td>
<td>5,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Rent store</td>
<td>1,200</td>
<td>3,000</td>
<td>6,000</td>
<td>9,000</td>
<td>7,500</td>
</tr>
<tr>
<td>Amortization and Depreciation</td>
<td>1,400</td>
<td>1,400</td>
<td>2,350</td>
<td>3,450</td>
<td>4,850</td>
</tr>
<tr>
<td>Interest Expenes</td>
<td>500</td>
<td>500</td>
<td>1,000</td>
<td>1,700</td>
<td>1,700</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>72,125</td>
<td>142,800</td>
<td>286,150</td>
<td>431,850</td>
<td>431,750</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>1,875</td>
<td>5,700</td>
<td>10,850</td>
<td>13,650</td>
<td>9,250</td>
</tr>
</tbody>
</table>

### Appendix 9: Cash Flow Statement

#### CASH FLOW

<table>
<thead>
<tr>
<th>Cash Flow from Operating Activities</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>1,875</td>
<td>5,700</td>
<td>10,850</td>
<td>13,650</td>
<td>9,250</td>
</tr>
<tr>
<td>Change in Inventories</td>
<td>-20,000</td>
<td>0</td>
<td>-2,000</td>
<td>-5,000</td>
<td>-1,000</td>
</tr>
<tr>
<td>Change in Accounts payables</td>
<td>15,000</td>
<td>0</td>
<td>-225</td>
<td>-625</td>
<td>-1,025</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,400</td>
<td>1,400</td>
<td>2,350</td>
<td>3,450</td>
<td>4,850</td>
</tr>
<tr>
<td><strong>Net Cash from Operating Activities</strong></td>
<td>-5,000</td>
<td>3,275</td>
<td>4,875</td>
<td>7,575</td>
<td>15,075</td>
</tr>
</tbody>
</table>

#### Cash Flow from Investing and Financial Activities

| Share capital                      | 15,000 |
| Bank Loans                         | 5,000  | 0      | 5,000  | 7,000  | 0      |
| Investment Buildings               | -4,000 | 0      | -4,000 | -4,000 | 0      |
| Investment Equipment               | -10,000| 0      | -5,500 | -7,000 | -10,000|
| **Net Cash from Investing Activities** | 6,000  | 0      | -4,500 | -4,000 | -14,000|

#### Net Cash (increase / decrease)

| 1,000                             | 3,275  | 375    | 3,575  | 1,075  |

#### Cash at end of period

| 1,000                             | 4,275  | 4,650  | 8,225  | 9,300  | 16,975 |