

INTENSIVE APPLE ORCHARDS

BUSINESS OVERVIEW	
Description of the Business	2
Major demographic, economic, social and cultural Factors	2
Major Players	2
Trends in the Industry	2
Government Regulations	2
THE MARKET	
Market Segment	3
Pricing and Distribution	3
Market trends	3
THE COMPETITION	
Competitors and type of competition	4
Competitive advantage	4
SALES & MARKETING PLAN	
Customers	5
Advertising & promotion	5
Pricing	5
OPERATING PLAN	
See powerpoint presentation	6
ACTION PLAN	
Action plan & timetable	7
APPENDIX: FINANCIAL PLAN	
.....	9

INTENSIVE APPLE ORCHARDS

Section 1

Business Overview

Legal name: Mr Najafli

Trading name: _____

Business address: Kachmaz – Quba, Azerbaijan

Phone: _____

Fax: ▶ _____

E-mail: jeyhunn@gmail.com

Description of the Business

To create an intensive apple orchard systems in the Guba-Xhachmas region of the Republic of Azerbaijan, in order to serve demand for apples in key target export markets of Russia, Kazakhstan and the UAE.

Major demographic, economic, social and cultural factors in target markets

Russia is the largest importer of apples in the world. Despite the economic crisis, devaluation of the ruble, and negative income growth, the import of apples in 2014 were over 1 million tonnes, worth US\$620 Million.

Fruit remains popular with Russian consumers, but they are buying less exotic fruits and pears. Consumers are spending their food budgets on more affordable and necessary products. As a result, fruit imports from Europe and the Southern Hemisphere are declining, while imports from the Commonwealth of Independent States (CIS) are increasing. Domestic fruit production is limited.

Demand for Apples in the UAE is increasing, and has been met by imports. In 2014, US\$292 Million of Apples and Pears were imported.

Major Players

In Russia, the main apple producers are in Krasnodarskiy Kray, Linetskaya, and Volgogradskaya Oblast. They are developing new orchards according to new “intensive garden” technology, but at a low replacement rate of 2% compared to the world average of 10%.

In the UAE, demand is met exclusively by imports.

Trends in the Industry

Consumer habits are changing. The consumers in Russia and Kazakhstan have are looking for lower price apples. Production of apples in the key market of Russia is low, and insufficient to meet domestic demand. The Russian

INTENSIVE APPLE ORCHARDS

Section 1

Business Overview

apple industry is largely outdated and inefficient, due to a lack of affordable credit for operating costs, and the absence of storage facilities and packing technology.

In the UAE, the market for apples has been met by imports from France and Italy. But the reduction in the growth of the UAE, has encouraged distributors to look for apples with lower transportation costs, in the region.

Government Regulation

The Russian Federation only allows apples to enter the country with permission from the Veterinary and Phytosanitary Surveillance Service (VPSS) in the form of an import permit.

Importers apply to VPSS for this permit prior to the shipment and it is not uncommon for it to take more than a month to be processed;. The Apples must be accompanied by a sanitary-epidemiological certificate issued by the Federal Service for Consumer Rights and Human Well-Being.

THE MARKET

Market Segment

In Russia, Kazakhstan and the UAE, the target consumer is the Urban Consumer. Rural consumer tend to eat locally grown apples. The main centres for demand are Moscow, St Petersburg, Kazan (Russia), Astana and Almaty (Kazakhstan), and Dubai and Abu Dhabi (UAE).

Pricing and Distribution

Russian consumers prefer to buy fruits at markets rather than in retail stores because they believe the prices are lower and the product is fresher. In Russia, 65 percent of all fruit is sold through wholesale markets

Market Trends

Urban consumers in Russia, Kazakhstan and UAE are seeking healthier lifestyles and new products. Diets are changing as consumers choose more fresh and dried fruit as a substitute for other snacks.

The Russian Government has launched an advertising and education campaign to discourage drinking alcohol, smoking, and overeating. The number of people quitting smoking, beginning exercise and eating healthier foods is rising.

INTENSIVE APPLE ORCHARDS

Section 1

Business Overview

THE COMPETITION

Competitors and type of Competition

The import of premium apples from France, Italy and Belgium into Russia has declined, as the Russian consumer has become more price sensitive. This supply has been replaced by produce grown in the CIS countries of Azerbaijan, Uzbekistan, Moldova, Ukraine, Tajikistan, and Kyrgyzstan. These are popular with Russian consumers due to historic distribution channels that date back to Soviet times when these were the only sources of fruits for Russians.

In the UAE, the main competitors are Italian and French apples.

Competitive Advantage

Azerbaijani Apples have the advantage of being well known to the Russian consumer, since the Soviet times. Their high content of the mineral, iron, is considered to give health benefits. Moreover, since the devaluation of the Manat, they are more price competitive.

In the UAE, Azerbaijani Apples have the advantage of being closer than French and Italian competitors, and should be fresher and at lower cost.

INTENSIVE APPLE ORCHARDS

Section 2

Sales and Marketing Plan

Customers (Target Distributors)

Potential Russian Distributors.

- X5 Retail Company
 - Auchan
 - Magnat
 - Metro Group Russia
 - Lenta
 - Kopeyka
 - O'Key
 - Dixie
 - Sedmoy Continent
 - Victoria, GC
-

Potential UAE Distributors

- Floral Fruit LLC
 - Kibsons International
 - Al Bakrawe
-

Promotion

As we intend to promote the Apples through an well known distribution networks. We will appoint an Agent in market, to identify suitable retails outlets for the apples. This will focus on the health benefits of azerbaijani apples. For example, the content of Iron in the apples.

Pricing

Since devaluation, the pricing of azerbaijani apples has become more competitive. In Russia, a kilo of Apples from France and Italy cost about US\$ 5, compared to about US\$2 from Moldova. The Azerbaijani apples would retail to the consumer, between these prices.

INTENSIVE APPLE ORCHARDS

Section 3

Operating Plan

See Powerpoint Presentation "Establishment of Intensive Apple Orchard System".

INTENSIVE APPLE ORCHARDS

Section 4

Action Plan

Expenses on establishment of 20 ha intensive apple orchard system.

in Azerbaijani manats

№	Product, service name.	Quantity	Price	Total
				1 604 000,00
1	Territory	20	5000	100000
2	Plowing the soil 1 ha.=250 AZN	20	250	5000
3	Disking the soil 1 ha.=100AZN	20	100	2000
4	Soil harrowing 1 ha=100AZN	20	100	2000
5	Identification of the seedings sizes on the soil 1 ha.	20	150	3 000,00
6	Purchase of seedings in France 2250*20=45000	64000	9	576 000,00
7	Delivery of the seedings from France by the road transport in containers. (It is possible to deliver about 10000 seedings in 1 container)	1	49 000,00	49 000,00
8	Customs clearance: 1 truck 17000 AZN. The price of 1 tree = 1,7 AZN	45000	1,7	76 500,00
9	Planting of the seedings in 1 ha. 1 seeding = 0,80 cents (AZN).	45000	0,8	36 000,00
10	Manufacture of the concrete poles (destined to support trees). 1 pole =20 AZN	7000	20	140 000,00
11	Purchase of wires. 12500 meters of wire needed for 1 ha. 1 hank = 625 meters.	400	85	34 000,00
12	Burying of the concrete poles into the earth and binding the wires on the poles (to support trees).	7000	7	49 000,00
13	Creation of irrigation system.	20	5 000,00	100 000,00
14	Anchors-(to mount the wires to poles).	1000	16	16 000,00
15	Steel hawsers for mounting the wires 7-8 meter steel hawsers.	1000	8	8 000,00
16	Reservoir for irrigation system	1	12000	12 000,00
17	Administrative building. Costruction of warehouse and garage.	1	120000	120 000,00
18	Purchase of tanks, filters, pipes and fittings. Works on the joining to the water supply system	1	25000	25 000,00
19	Purchase of tractors	1	45000	45000
20	Drug sprayer unit	1	6500	6500

INTENSIVE APPLE ORCHARDS

Section 4

Human Resources Plan

21	Herbicide sprayer unit	1	6000	6000
22	Purchase of the trailers for pallets, packing, fruit collection and etc.	1	38000	38000
23	Transformer	1	5500	5500
24	Controller	1	4500	4500
25	Statement of work, documentation, assembling and operating expenses	1	50000	50000
26	Truck	1	35000	35000
27	Fencing the territory	20	2000	40000
28	Other unforeseen expences.	20	1 000,00	20000

INTENSIVE APPLE ORCHARDS

Appendix

Financial Plan

	Years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
The type of the fruits planned to plant												
Apples	20 hectares											
Production forecast (tons)			200	320	700	800	1100	1400	1600	1650	1650	
			200	320	700	800	1100	1400	1600	1650	1650	
Price for the 1 ton of the apples - 1 kg=0,80 AZN	800 AZN	160000	256000	560000	640000	880000	1E+06	1280000	1320000	1320000		
Lowest planned price 1 kg=0,60 AZN	600 AZN	120000	192000	420000	480000	660000	840000	960000	990000	990000		
Price difference became 0,6 cents (AZN) per kg during recent years.												
		139000	154200	171200	179200	193200	202200	208200	210200	210200		
Medicines		20000	30000	35000	40000	40000	40000	40000	40000	40000		
Salary of French experts		21000	21000	21000	21000	21000	21000	21000	21000	21000		
Manager 1 person		18000	18000	18000	18000	18000	18000	18000	18000	18000		
Accountant 1 person		8400	8400	8400	8400	8400	8400	8400	8400	8400		
Agronomist 1 person		4800	4800	4800	4800	4800	4800	4800	4800	4800		
Tractor driver 1 person		4800	4800	4800	4800	4800	4800	4800	4800	4800		
Irrigation system monitoring worker 1 person		4800	4800	4800	4800	4800	4800	4800	4800	4800		
Workman 5 persons		28800	28800	28800	28800	28800	28800	28800	28800	28800		
Seasonal workers 10 persons (fruit picking)		3000	6400	14000	16000	22000	28000	32000	33000	33000		
Fuel		8400	9000	11000	12000	15000	18000	20000	21000	21000		
Ofis		3600	3600	3600	3600	3600	3600	3600	3600	3600		
Electric etc.		8400	9600	12000	12000	12000	12000	12000	12000	12000		
Repairing, amortization etc		5000	5000	5000	5000	10000	10000	10000	10000	10000		
Price of the fruits - if 1 kg=0,8 AZN	800 Profit	21000	101800	388800	460800	686800	917800	1071800	1109800	1109800		
Price of the fruits - if 1 kg =0,6 AZN olsa	600 Profit	-19000	37800	248800	300800	466800	637800	751800	779800	779800		