Cover motif: An artistic view of embroidery from a traditional Galicnik wedding dress. Galicnik extends on the falls of Mount Bistra some 110 km from the capital city of Skopje. Each year, in the beginning of July Galicnik hosts a traditional Macedonian wedding as a reminder of the past. The sound of drums and trumpets echoes through Mount Bistra and the valley of the river Radika, while each tradition and ritual is followed.

Guests dance dressed in traditional clothes and the bride's dress is decorated with traditional Galicnik motifs. The short black lines in it are rhythm; the red is shriek of zurla (traditional musical instrument) and the gold – joyous sparkle in the dancers’ eyes.
Macedonia is now one of the best locations in Europe in which to invest in the food processing industry. It offers:

1. A location at the crossroads of two major European transport corridors
2. A favorable climate for food production
3. Good access to markets
4. A strong tradition in agribusiness
5. Good investment opportunities
6. Highly competitive operating costs
7. A strong work ethic
8. Low corporate taxes

In short, it provides all of the ingredients to give potential investors in the sector the confidence that Macedonia makes an excellent choice for their investment.

1 | Favorable Location

Macedonia is at a crossroad of Europe with major pan-European transportation corridors intersecting it. The geographic location of the country enables access to regional markets where the quality of Macedonian food products is known and valued by consumers.

2 | Favorable Climate

The combination of Continental and Sub-Mediterranean climate, characterized by long, warm summers and short, not too severe winters, provides fertile soil and generally excellent conditions for production of a range of food products. Because of Macedonia’s particular climatic conditions, greenhouse producers are able to bring their production to European markets about six weeks earlier than their major competitors in Western Europe. A high proportion of sunny days throughout the production season enables them to reduce their energy costs and enhances their cost competitiveness. These greenhouse products are well accepted on European markets and command a premium price.
Macedonia has maintained very active trade with all the former Yugoslav Republics as well as with all the countries in the Balkan region. In addition, the country has a historical market presence in countries like Russia and Ukraine. International supermarket chains are rapidly building up a network of retail outlets in the region. As a consequence, there is increasing demand for very high quality (graded and packed) fresh and frozen products. This creates valuable investment opportunities in the fruits and vegetables value chain serving these countries. Macedonia is very well placed to access and serve these markets through post harvest handling, cold storage and distribution centers.

A substantial market for Macedonian food products exists in global ethnic markets with constantly growing communities from Eastern Europe and the Middle East. These consumers are looking for quality food products such as preserved fruits and vegetables produced under special recipes that meet their traditional taste requirements. Over the past five years Macedonian food processing companies have made successful entries to the US, Canadian and Australian markets in particular where there are concentrations of these ethnic groups.

Macedonia has a long and proud history in food processing and agribusiness is traditionally one of the strongest sectors of the Macedonian economy. The Government views its development as one of its strategic priorities and is ready to commit substantial support for trade and investment in the sector. Following independence in 1991, a substantial decline of the big state-owned processing factories resulted in a rapidly growing private food processing industry. The Macedonian food processing industry is now in a period of dynamic transition to modern technologies and equipment. New private companies are constantly improving production technologies, equipment, product lines, and quality of packaging, labeling, and marketing skills. This together with aggressive interventions in Western and global ethnic markets has allowed them to capture substantial and increasing market shares. Environmentally friendly production practices guarantee clean agribusiness products that are highly valued on the domestic and regional markets.
Foreign investment in agribusiness in some countries is targeted at the processing and distribution parts of the industry value chain in order to avoid the risks associated with primary production. However, the specific conditions of the sector in Macedonia provide opportunities for investors for integrated investment across the entire value chain. The country provides opportunities for investment not only in primary production but also in modern post harvest handling facilities, cold storage distribution centres and logistics centers.

For example, Macedonia produces a substantial volume of high quality fresh fruits and vegetables that are exported with little added value to processing facilities in neighboring countries such as Bulgaria, Serbia and Greece. There are investment opportunities to bring modern and efficient processing facilities closer to the inputs thus providing economies of scale and higher value added products.

Macedonia is an official EU candidate country and its EU Accession Process will involve substantial investment support funds and technical assistance dedicated to the agribusiness sector. This adds a further attractive dimension to the variety of investment opportunities for future investors in this sector.

All sub-sectors within the Macedonian agribusiness sector offer opportunities for successful partnerships with local companies. However, taking into account consistency of availability or raw materials, existing processing capacity, degree of export orientation and experience in technology and know how, a number of specific sub-sectors are considered most attractive for investment, particularly vegetables, fruit, winemaking and the dairy sector.

**Vegetables**

Vegetables are the most important sub-sector within Macedonian agriculture. Over 750,000 tons of vegetables are produced on a total area of about 60,000 hectares. The land area devoted to vegetables and output has been growing steadily in recent years. Macedonia is a net exporter of processed and preserved vegetables, particularly processed peppers and other preserved vegetables such as gherkins, cucumbers and mushrooms.

Currently, the most significant vegetable production is that of tomatoes, peppers, cabbage, melons and watermelons as well as cucumbers and root plants such as potatoes:
These crops have traditionally been produced in Macedonia, along with other garden vegetables such as beans, onions, garlic, leeks, green peas, string beans, cauliflower, lettuce and eggplants. Recently, agricultural producers have introduced new types of non-traditional vegetables, such as broccoli, Brussels sprouts, Chinese cabbage and asparagus.

**Fruit**

Fruit production in Macedonia is mainly concentrated in areas about 300 to 800 meters above sea level in the western part of the country. Due to different altitudes, there are many different microclimate areas with special climatic conditions suitable for fruit production. Over 150,000 tons of fruit are produced on an area of about 15,000 hectares on some 7.6 million fruit trees, about half of which are apple trees:
Enterprises engaged in fruit production mainly produce top-quality fruit, with an average area under orchard of about 30 ha.

**Winemaking**

Macedonia’s combination of wonderful climate of sunny days and soil conditions comparable to some areas in Italy, France and Spain results in excellent ripe and healthy grapes for quality winemaking. It enables the country to produce some unique varieties such as Smederevka and Vranec that account for 80% of total grape production. A further 18 well-known international varieties such as Cabernet Sauvignon and Chardonnay are used to produce wines that are always uniquely Macedonian and abound in concentrated fruit and aroma.

Even though Macedonia has a long and distinguished history of winemaking, its rich and varied growth potential is only in recent years beginning to be realized and this provides investment opportunities for direct investment or for joint ventures with local wine producers. Over the past five years there has been investment in over twenty new small and medium sized wineries. This represents a radical transition from previous predominantly cheap bulk wine export to high quality more expensive bottled wines. Market demand for wines of “new origin” in international markets combined with Macedonia’s traditional strengths in winemaking provides a real opportunity for development of a Macedonian brand.
Dairy Products

Macedonia has a longstanding tradition in livestock breeding and its milk and dairy products enjoy duty free access into EU markets. The production of milk and dairy products is the one of most developed agricultural sub-sectors in the country. The Macedonian dairy sector went through substantial modernization over the past five years. Now there are modern small and medium sized plants that operate with good equipment, have developed a competitive product line and produce high quality dairy products with good packaging and labeling.

The domestic market is characterized by very high demand for quality dairy products based on traditional consumer preferences. The most famous processed products are soft white cheese, yellow cheese, sour milk, whey, quark and yoghurt.

Macedonia’s friendly and non-polluted agricultural environment makes it an attractive location for investment. The country is producing more milk than it has the capacity to process. There are opportunities for further integrated investment that will provide milk and processing capacities for goat and sheep cheese production that can meet the very high demand for these products on international markets. These opportunities for investment are now beginning to be taken up. For example, in December, 2006 the foundation stone was laid close to Skopje for a new Swedish €15m milk processing facility called ‘Swedmilk Makedonija’. The new facility will purchase milk from 5,000 local farmers, process up to 250 tons of milk per day to manufacture liquid dairy products such as milk, yoghurt, probiotic yoghurts and flavored milk and yoghurts and employ 100 people.

“We are investing in Macedonia because we see clear business opportunities and strong potential for development of the milk industry. Our ambition is to become a leading competitor in the dairy products market, and we will pursue that goal in line with the highest EU quality standards” – Roger Oscarson, Director General Swedmilk Makedonija at the ceremony

6 Highly Competitive Operating Costs

Macedonia is amongst the lowest cost producers in the region and offers an abundant, cost competitive labor force, most especially in rural agricultural areas. The average gross monthly salary is €370, out of which €220 is net salary, and the remaining €150 is for payroll taxes.
A Strong Work Ethic

Macedonia’s strong work ethic and excellent industrial relations record makes for an efficient, productive and cost effective workforce. The country’s qualified labor force in agriculture is a reflection in part of its historical experience and knowledge of the proper technologies for modern food production.

Low Corporate Taxes

Macedonia has recently become a tax heaven in Europe. The Government has introduced a flat tax of 10% for corporate and personal income throughout the country, with a special incentive of a ten-year tax holiday in the country’s free economic zones (TIDZs) with no property taxes and no VAT or Excise Duties payable for 10 years.

A Government Highly Supportive of FDI

Macedonia’s new Government was elected in the Summer of 2006 with a mandate that includes making the attraction of foreign direct investment (FDI) a top priority. For inward investors there is an open door to two young and dynamic special Cabinet Ministers whose sole responsibility is the attraction of FDI. In addition, a new Agency, Invest Macedonia, has been established as the primary government agency responsible for winning new investment projects for Macedonia and for supporting the expansion of the existing base of overseas companies in the country.

Invest Macedonia is committed to providing a professional service and a timely response to current and prospective foreign investors in Macedonia. The Agency assists investors to objectively evaluate Macedonia as a location for their investment project. It works with National and Local Governmental authorities to expedite approvals, where necessary, to enable a fast start-up of operations. Because “time is money”, the Government has introduced a one-stop-shop system that enables investors to register their businesses within 3 days.
It is Time to Invest in Macedonia

Companies assessing Macedonia as a location now will have first-mover advantage.

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<td>LOWEST FLAT TAX ON INCOME</td>
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<td>FAST COMPANY REGISTRATION</td>
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INVEST MACEDONIA SERVICES

Invest Macedonia is the primary Government Institution supporting foreign investment in the Republic of Macedonia. Our mission is to win new investment projects into Macedonia and support the expansion of the existing base of overseas companies in the country.

Our Message to Foreign Investors:

» We will assist you in every way we can to help you to objectively evaluate Macedonia as a location for your investment project. We will work with you to understand your objectives and arrange an appropriate itinerary for you to visit Macedonia to address all of the issues that are important to you for the success of your project.
» Should you decide to locate in Macedonia, we will work on your behalf with National and Local Governmental authorities to expedite approvals, where necessary, to enable a fast start-up of your operations.
» Should you wish to partner with a local Macedonian company, we will help you to find suitable partners within the country with whom you can open an exploratory dialogue.
» As your operation grows in Macedonia, we will continue to work closely with you to understand your requirements to grow faster and work to ensure that Macedonia can fulfill your business needs to facilitate that growth.
» We are committed to providing you with an efficient and professional service and we will provide a timely response in all our dealings with you.
» We are fully aware of your need for confidentiality and we assure you that all sensitive commercial information regarding your company and project will be treated by our staff with the utmost confidentiality at all times.
» We will conform at all times to the highest standards of business ethics and we will not make promises to you that we cannot deliver.

Please visit our website www.investinmacedonia.com for further information.