Regional development based on clusters in agri-food sector. Case of association „Cluster agro-food-ind Napoca”

Arion, Felix

University of Agricultural Sciences and Veterinary Medicine Cluj-Napoca

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REGIONAL DEVELOPMENT BASED ON CLUSTERS IN AGRI-FOOD SECTOR. CASE OF ASSOCIATION „CLUSTER AGRO-FOOD-IND NAPOCA"

FELIX ARION[1], IULIA MUREŞAN

Abstract: *The paper has as main objective to observe the factors that encourage and/or restrict the development of clusters associative forms, especially on the agrifood sector. The study was focused on investigating the activity sector of an agrifood cluster in Cluj county, created as a complex swot analysis based on of relevant local, regional and national databases and official studies. The primary data were correlated focusing on the multifactorial role of associative form, which cluster is, could play for developing local and regional economy, mainly on its specific domain of activity. the results clearly revealed the importance of a cluster on the field, but, in the same time, exposed the difficulties that is has to confront in order not only to significantly contribute to the improvement of social and economic results of its members and of local and regional economy, but to stay on the business. It can be concluded that the added value which cluster can offer to its members is mainly based on gaining their trust on its ability to act as a convergence pole among them and with the third parts. the multiplier and multifunctional effect generated by cluster's activity has the potential to lead not only to obtain immediate benefits for its members, but, also, to gain collaborative relationships that will facilitate the access to the labor market and, implicitly, the access to exchange of good practices, critical for acquiring practical skills necessary for the future development of the agri-food sector.*

Key words: *cluster, Cluj County, cooperation, agrifood development*

INTRODUCTION

The sector where the Association "Cluster Ind Agro-Food-Napoca" is acting is, probably, one of the most sensitive areas in the Romanian economy, as results of the complex national and European factors that, directly and indirectly, affect it. As noted in the document "The National Strategic Framework for Sustainable Development of the Agrifood Sector and Rural Area in the Period 2014-2020-2030 - Rural National Strategic Framework [5], prepared by the Presidential Commission for Public Policies for Development in Romania, the agrifood sector is currently facing in Romania major challenges whose solutions require a concentrated effort not only at the central level, but also regionally and locally. The development of modern agriculture is seen as the main element around which it has to be created the overview of the rural area, focusing, primarily, on providing a balanced diet for the population and on producing raw materials necessary for non-agricultural activities. Since the rural economy, generally, and agriculture, particularly, is a huge market for upstream and downstream industries, its development contributes to the progress of non-agricultural industries and agriculture-related sectors.

It can be observed the highly bipolarity phenomenon of the agricultural structures; the agricultural exploitations under 2 hectares representing almost three quarters of the total farms, but only 13 % of the surface; while agricultural exploitations over 100 hectares represents only 0.3 % in number, but almost half of the agricultural area of the country [2]. In these circumstances, despite the remarkable agricultural potential (Romania being the sixth among EU's countries on arable land on inhabitant), it fails to ensure its food security, due to modest agricultural productions, highly dependent on environmental factors. Another priority of the Rural National Strategic Framework [5] is to increase the quality of agricultural raw materials and their level of processing since the imports of food products increased from year to year due to shortage of supply from domestic production and of their disadvantages compared to imported similar products. The disadvantages of domestic food industry are due to the lack of strong quality Romanian recognized local brands and the lack of integration on the value chain of producers, processors, middlemen and traders.

In the Northwest Region, "Regional Development Plan for 2014 - 2020" [6] brings at regional level the analysis of the National Strategic Rural, on field of agriculture and food. The document notes that agricultural production in semi-subsistence agricultural exploitations is

[1] Associate Prof. Dr. Felix Arion, Lector Dr. Iulia Mureşan, University of Agricultural Sciences and Veterinary Medicine Cluj-Napoca, 3-5 Manastur St., Cluj-Napoca 400372, Romania, e-mail: felixarion@usamvcluj.ro

experiencing barriers to trade, as agri-food processing sector are hesitant to buy from a large number of small producers, as that process would involve high transaction costs and an inhomogeneous level of the quality of the purchased raw material.

MATERIAL AND METHOD

The territory where the cluster activates is, currently, mainly, but not exclusively, focused on Cluj County, where its members run their businesses. Anyway, the intention of the cluster is to develop in space according both to administrative modernization of Romania and to the European associative trends, so gradually expand its activity in the territory of the North-West region, to national level and, finally, to be part of associative structures as transnational clusters.

The cluster was created as a complex associative form in order to support the development of agro-industrial sector for increasing the competitiveness of the association as an entity, as well as of its every member, both on the national and international market, based on a common development strategy.

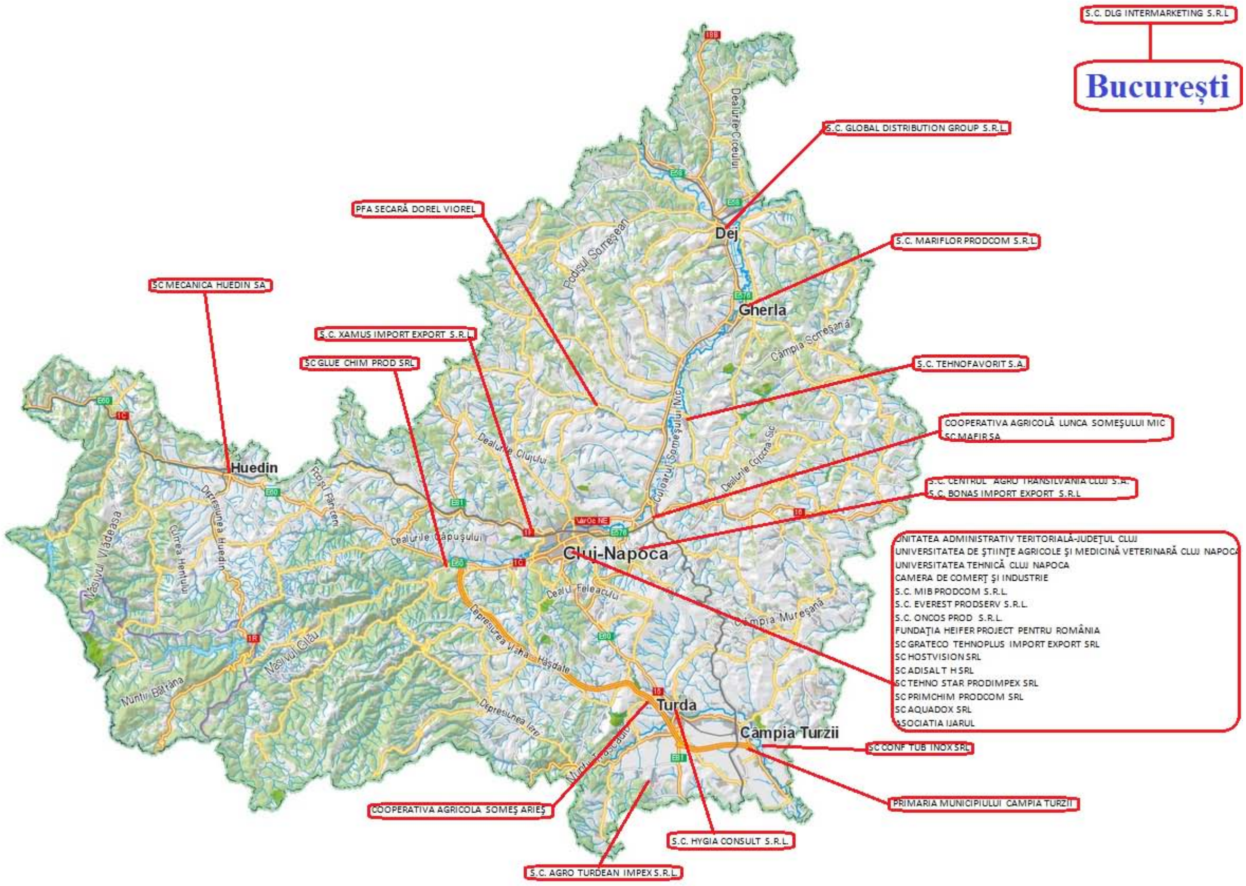

Figure 1. Area distribution of the members of the Cluster
Source: internal documents of Cluster

The methodology used for obtaining the results consists in a sensitive selection of the most representative source of information related to the sector of and the region studied, starting from national level to regional and, finally, to local level. The study of the documents and the databases was completed by face-to-face discussions with all members of the cluster and visits to each of the community of Cluj to implement a survey for observing the perceptions of authorities, of the representatives of the agribusiness companies and of the individuals. All information was consolidated in a SWOT Analysis which, after all, offered an internal and external overview of the social and economic framework. For each weaknesses and threats there were analyzed the possible ways of counterstrike them.

RESULTS AND DISCUSSIONS

As any other entity, the cluster is confronting with diverse factors that influence its activity, some of the depending on them, and others are just affecting it in diverse way, with no possibility of adjusting them. The strengths of the cluster are, at the moment, mainly consequences of individual acts of each member, as the entity itself is not yet mature to direct them into the same direction. But the positive facts should be mentioned.

The cluster is a consortium of institutions, universities and companies acting in various industries, having some common interests; all of them having expertise and experience in agrifood sector. In that way, the cluster is a strategic alliance of local and regional entities created and managed to achieve collective positive results in economic activity. As a new entity, with no recognized brand (in fact the brand “AgroTransilvania Cluster” is in process of registering at Romanian State Office for Invention and Trademark – OSIM), the cluster benefits from the transfer of positive image transferred from individual members, reported, after all to consumers, business partners and the general public as a distinctive and strong locally identity.

The cluster is clearly positioned on the market it has the intention to bring together the distinct interests of the members to solve specific problems in order to improve the agrifood sector based on innovation. It can be said that the cluster is focused on continuous adaptation to the market and consumers. As a long-term strategic alliances with institutions as public administration, education and research, the cluster binges together a highly qualified and experienced team able to conduct studies and to implement development and investments projects, based on a positive attitude in solving the cluster’s and its members’ struggles. Finally, the process of strategic decision making is transparent, based on its members’ consultation with in the strategic decision-making.

The main weakness is the fact that each individual members and the cluster, as entity, have insufficient information, knowledge and skills in terms of practical running of a cluster. For improving this fact, there are to be taken some actions as are the involvement of each cluster’s members, along with the ones on the executive management team, in specific activities, according to the specific skills of each member. Another weak point consists in the fact that there is only a limited experience of cluster’s members in raising funds for specific projects. So, there have to be run actions in direction of training of involving them, under the coordination of the cluster, in the practical process of applying and implementing of specific projects.

One important issues that is seen to be a shortage for the cluster is the age short (only several months – still being in the early life cycle of the cluster) since the cluster has been set up and operate, and thus the lack of positive interference among the members. For improving this, it can be used, mainly, the executive management team experience in related activities until they accumulate enough experience. Relatively low coverage of the sector through its 32 members, especially regarding agricultural production sector, which is represented, on the territory by a large number of farmers it is another weak point. Promoting a positive image of the cluster as positive example for attracting new members is an action to be realized. In fact, since its establishment, in just several months, the member number increased from 20 to 32 and there are other applications are in the process of evaluation.

Related to the above mention affirmation, there can be observed the insufficient coverage of the food value chain, particularly in respect of some inputs for agriculture and food, but also in terms of opening to final consumers [3]. Obviously, the cluster has to attract new members, especially in sensitive areas, fact that was implemented since the beginning; the cluster has expanded into related, productive sectors, providing inputs and services for agricultural sector.

The increase number of members leads to a slowdown in decision-making process through consultation and opinion requests of all members of the cluster. Actions for improvement are seen to be the continuous and transparent information to cluster members so the time of their meetings to be reduced by decreasing the time required for understanding the subject to be discussed and approached.

Some members, mainly SMEs, have limited resources and skills and only a short-term business vision in the direction of survival. Actions for improvement include: integrating strategy to find each of them the distinct place and role on the cluster and increasing the resource efficiency by integrating them into a value chain. The staff on the second management level of the cluster has insufficient experience to replace the short time vacancy of the higher position management. In order to improve that, it is necessary their gradually involvement into the decision-making process and delegation of authority to them, so they will obtain, through personal experience, the required skills.

Having a single contact point for the large number of people involved into the activity of the cluster, while they are specialized for different actions, it could be a problem in term of connected them in time. As a possible action to solve this problem is the use of the premises cluster members as points of information and organizing a permanent organizational business headquarter.

The cluster could benefits, in the same time, by the opportunities that can be used as in its advantage. The main opportunity is seen to be the proximity of Cluj-Napoca city, with its large number of local consumers (over 300,000 inhabitants) [2], to whom are added the significant number of people who are into the city for a limited period (students, business people, visitors etc.).

Another significant opportunity is the high potential of future development of agrifood sector in Cluj County, which is, at the moment, underutilized compared to the results that may be obtained with a proper use. Positive long-term prospects for business development in the agrifood sector at local, regional, national and international level are generated by progressively increasing consumption of agricultural products, especially in Europe and Asia. Overall, the constant and sustained increasing of global consumer trends and developments in the food market makes possible for local food businesses to create a medium and long term strategy. The above mentioned trends are to be completed by the existence of opportunities related to food security, necessity of availability of products, of their specific taste, of their durability, combined with the current trend of increasing the visibility and traceability of products to enhance the attractiveness of local and/or traditional products will generate an increase in demand for food products.

There can be expected an increase of the efficiency of cluster members through joint work as a team through direct address of a wider range and variety of consumers, as the more efficient use of resources currently used by cluster members through their integration into the value chain will reduce the cost per produced unit [4]. Another possible positive effect resides from the more efficient use of unexploited resources (including labor) by joint development opportunities, as are the possibility of accessing funds to finance the development of businesses that are only associative forms.

Finally, the shift of the Common Agricultural Policy for the period 2004-2014, by increasing the interest in environmental measures, it makes more difficult to meet the requirements for accessing funds for small entities, compared with the larger associative structures [5]. And, it is worth to be mentioned that, apart from this cluster, there are no other similar associations to the food group active in the region [1]. Threats of the cluster include lack of adequate infrastructure in the agrifood sector, which is unable to ensure a balanced internal structure of cluster in terms of universities, research institutes, government agencies, SMEs, manufacturers and retails. Actions to counter includes, mainly, the development of complete and integrated networking and promoting it towards stakeholders and the general public towards participation in events profile.

The insufficient knowledge of actors in agriculture and agrifood sector in the area, mainly due to aggressive land fragmentation generates the instability's production both qualitatively and quantitatively. Actions which need to be done included the study “A chance for every farmer", already implemented, for identifying the sector opportunities and the specific possibilities of the utilization of the available resources towards developing productive associative forms. The fierce and unfair competition on the Romanian market due to the multinational companies [5] on the agrifood sector, especially in terms of policy and sales price, is another important threat. There are actions to be done, which include the integration the cluster members as deep as possible to the value chain, in order to reduce production costs and to raise funds for development.

Low negotiation power of the cluster's members comparing with the large retail networks, especially supermarkets and hypermarkets level, impose the development of a brand promoted at local and regional level, to be known and appreciated by consumers and thus asked by stores and consumers. As an alternative, there will be create specialized stores with local and traditional produce qualitative certified by the cluster.

The lack of up-to-dated production technologies of the cluster's member's lead to higher production costs. Actions to be done are seen to be the share the human, financial and capital resources to attract major investments, and in that way, to ensure added value to the products of the members of the cluster. The agrifood sector and, implicitly the cluster members, suffer from a shortage of skilled and experienced technology [5]. Actions to be done: homogenization of the practical requirements to those offered by universities and specialized schools, and to facilitate the access to the jobs provided by the cluster members to the graduates from the partner universities.

The high pressure of national and European government agencies for the "food safety" and issues related to hygiene and health of the consumer takes to the necessity to anticipate new policy measures through studies and to take care of the changes from time the transition period to their practical application. Conservative attitude towards the agrifood sector to the innovative technologies and to the requirements of development and implementation them (certifying ISO, HACCP etc.) forces the clusters to promote to the business partners the need of the quality certification and the advantages for the future collaboration.

The media campaign on obesity, diabetes and other diseases related to the consumption of food affects the image of the agrifood sector, mainly of the new and unknown products for the customers. It is required to promote the own trademark brand, associated with an image of quality and food safety. The possible exacerbations of competition with other associative forms associative like the cluster, or other form, it to be expected during the next period of time, so cluster has to develop skills and experience that provides a comparative advantage to any newly new create structures.

The cluster members are aware of the weaknesses and threats, especially of the importance and of the need to eliminate and counter their effects. For every weakness and each threat of the cluster were analyzed and identified the opportunities to overcome them and the act in direction of underline and to take advantage based on the strengths of cluster. Finally, it can be said that there are prerequisites not only to survive but also the harmonious development of the cluster on the short, medium and long term.

CONCLUSIONS

The development vision of the cluster has as central starting point the purpose and the general objective of the Statute and the Charter of the Association "Cluster Agro-Food-Ind Napoca" which consists in sustaining the development of the agribusiness sector and the competitiveness of the association on one hand, and of each member on the other hand, either on the national and on international markets.

Based on those above mentioned and according to the vision of the cluster development, it aims to become a center of the harmonious development of the centralized food sector, a strategic reference entity of professional and institutional field, recognized and appreciated for the quality of its work and results, by the business and institutional environment. In the view, the Association "Cluster Agro-Food-Ind Napoca" will become an active and viable business partner for the actors from the agrifood sector and a model of best practices for associative entities.

As conclusions, cluster intends to create and to develop a sustainable marketing food chain for local and localized products. The setup and the proper functioning of this integrated marketing chain is considered vital for the reduction of the cost production and brings a comparative advantages over the competition in the market of food products. Also, it will ensure a steady market for agricultural products in the territory where the cluster acts. The marketing chain is intended to be complete by integrating the suppliers of the raw materials, of the equipment, of the services and of the information for the farmers, on one hand, and of the agricultural producer and food processing companies (specific to the food industry), on the other hand.

Other fact which is desired to be included into the marketing food chain, is represented by the storage, sorting and refrigeration structures and the specialized entities in the field of middling the food products to final consumers (sores, households, restaurants, hotels, public and private institutions). A marketing chain will have the desired positive results only if all stakeholders accept the fact that a common strategy is needed to be adopted on long term, which take precedence over the individual interests or on the strategies on the short term.

The cluster assumes, at the same time, as a strategic objective, the integration of the small producers into the associative forms. The current profile of the farmers in particular, and also of the majority of companies of the food industry from the rural areas, reveals their excessive fragmentation, sometimes up to the level that ensures only the survival of the entity, with devastating effects on the average yields and on the social and economic decisions. The reduce number of small enterprises on the marketing chain imposes to adapt strategic plans to attract them in different associations (producers associations, marketing organizations, technologies and other forms of associations) which assure them the competitive advantage. The cluster's members are aware that they assumed very sensitive and difficult goals, whose achievement requires time. They also realize that their achievements depend directly on the success and on the positive image of the cluster and on the example it offers. So, even from the beginning, they want to integrate the known producers that can act as opinion leaders in the area they run their activities.

The strategic objectives of the cluster include as well, the efficient use of local resources. This objective is generated by the mediocre results obtain in the agrifood sector, caused by the inefficient administration or no appropriate use of the resources. All the strategic objectives mentioned above should be supplemented by a strategic integrator objective: attracting investors and investment funds to support the financial effort required to develop of the territory where the cluster runs its activity. The cluster takes effort to seek various funding sources and potential investors – specific for the cluster needs – and takes the necessary steps to attract them.

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