

Associating in Serbian agriculture: cooperatives and clusters

Drago Cvijanović¹, Svetlana Vukotić², Vuk Mirčetić²

¹ *Faculty of Hotel Management and Tourism, University of Kragujevac, Vrnjačka Banja, Serbia*

² *Faculty of Applied Management, Economics and Finance, University Business Academy in Novi Sad, Belgrade, Serbia*

Corresponding author: Drago Cvijanović, drago.cvijanovic@kg.ac.rs

Abstract

Agriculture is an essential branch of the economy, and ways to improve its contribution to the overall economy should be constantly sought. One of the ways and methods to achieve this is by associating in different forms. The main objective of the paper is to analyse the importance of different connection models and the need for the improvement of clustering in agriculture. However, there are different connection models, for more detailed consideration in this paper, cooperatives and clusters were chosen. The focus of the analysis is on Serbia because there are natural preconditions for the development of agricultural production as an economic activity. The interpretive content analysis of secondary sources was used in this article to achieve the paper's objective. The paper presents a theoretical analysis of the cooperatives and clusters in agriculture. The paper consulted a rich literature review. The research was conducted based on the analysis of available sources of literature. The motive of the research and analysis in this paper is the more profound understanding of the benefits brought by the association in clusters and cooperatives. The results of the analysis showed that cooperatives and farmer organisations can provide added value to agribusiness firms, which is a kind of benefit for everyone. The results of the analysis also showed that the clusters can combine local and global perspectives, which can be crucial for the development of agricultural activity in general, and, consequently, the entire economy. The conclusion could be combined for both types of mergers. By joining either in cooperatives or in clusters, resource strength is increased and synergistic effects are achieved that could not be achieved by individuals as members.

Key words: agriculture, associating, cooperatives, clusters, Serbia.

Introduction

The agricultural sector is of great importance in the economy of Serbia, because, among other things, agriculture has a comparative advantage that could bring benefits to Serbia given the favourable natural conditions. In response to environmental challenges, different organisational models for agricultural production have evolved, as well as different forms of associating, connecting and networking, which is, after all, a modern trend that also applies to agribusiness. The new concept of agricultural policy will be much easier to achieve if the principles of market and entrepreneurial behaviour are accepted in agriculture, both by small and medium-sized enterprises from this sector and by agricultural farms (Aničić et al., 2017). Full use of agricultural potential is possible if small agricultural producers are linked to markets to achieve higher income and other benefits (Zakić et al., 2014, 233).

Ashwini et al. (2020, 225) state that agribusiness incubators catalyse entrepreneurship development by facilitating technology and institutionalised services. Furthermore, Newell et al. (2021) point out that a possible means for accelerating the development of agricultural technologies and advancing the fourth agricultural revolution is through business accelerator and incubator (BAI) programs. Within incubator networks in developing countries, there are traditional intensive incubators, such as incubators for the development of cooperatives of impoverished people, incubators in agriculture along value chains that heal whole communities - villages, cyber parks developing socially necessary and ecological products, incubators for development and improvement of the business environment (Ahmetagić & Harmath, 2008, 38). Introducing social entrepreneurial incubators would solve social problems in society and improve the development of local communities. Applying such entrepreneurial incubation models would solve problems in agriculture and other branches of the economy in Serbia (Ožegović, 2012, 354). The existence of the incubator as a form of connection is inevitable and should certainly be mentioned, but further elaboration would require a different conception of the paper, both in scope and thematically. The subject of overview research in this paper is primarily cooperatives and clusters.

From the perspective of smallholder farmers, membership in cooperatives and farmer organisations offers many benefits and the possibility of inclusion in modern agricultural value chains. The association of individuals creates cooperatives, and in the broadest sense, they are seen as an instrument for realising their individual needs (Simonović et al., 2016). With the involvement of cooperatives and the modern requirements of the modern economy, it is possible to contribute to progress in rural areas and provide an incentive for rural development.

Serbia is essentially an agricultural country, and improving the state of cooperatives is vital for the national economy and rural areas. It can rightly be argued that relatively few clusters related to the agricultural and food sector have been covered in the literature, although Ping and Waldemar (2011) state that the agricultural cluster represents a trend of modern agricultural development. These authors also elaborate that agricultural clusters are of great importance for promoting the growth of the regional economy, improving competitiveness, improving the specialisation of agricultural production and increasing farmers' income. When it comes to the specific contribution of the cluster to the improvement of the competitiveness of rural areas and their constant development, the role in the creation of new jobs and the development of entrepreneurship is particularly important, both in the field of primary agriculture and in other sectors of the rural economy. It should not be overlooked that clusters attract financial resources and new members to rural areas (Mitrović & Mitrović, 2020, 257).

The process of popularising the cluster concept is still present because clusters result in themselves (Bianchi, 2005), eliminating many weaknesses that unconnected members or entities cannot overcome, mainly because more problems are caused by their isolation and not size. Nevertheless, clustering in agriculture in Serbia is not at a satisfactory level of development. The main problem is the lack of awareness among producers about the need for associating to achieve synergistic effects in product placement, more innovative production methods, better organisation and the like (Džanković-Jerebičanin, 2014, 118).

Besides desk research and literature review, a comparative analysis was used with the interpretative method approach. The vital role in creating connections between different sources is found in the interpretive method approach, and such approaches should be held to their standards (Schwartz-Shea & Yanow, 2006). The main data sources are national statistics databases and ministries of agriculture's data. An analysis of numerous respectful studies on related topics was performed, and attitudes about implementing cooperative principles in practice were systematised. Accordingly, the method of analysis and synthesis was applied, i.e. based on the existing secondary data and previous research, certain conclusions were drawn. In addition, the interpretive research method is more flexible and holistic because it implies the liberalisation of traditional content analysis coding rules (Ahuvia, 2001).

The paper is designed to consider two key thematic entities, cooperatives as a form of association in agriculture and clusters, which are also a form of association in agribusiness. In addition, the paper conceptually consists of introductory and concluding considerations, as usual.

The article can be useful to the professional and scientific public interested in this issue.

Agricultural cooperatives as a form of associating - generally observed and with a long tradition in Serbia

According to the International Cooperative Alliance (ICA), a cooperative is an autonomous association of people voluntarily associated with meeting mutual economic, social and cultural needs and aspirations through a joint and democratically controlled enterprise (ICA, 1996). Coltrain et al. (2000) define a cooperative as a business operated primarily to benefit members through marketing transactions and the distribution of earnings from these transactions. According to Vorley et al. (2009), collective action is an important strategy to increase small farmers' participation in emerging modern markets and create sustained commercial flows of high-quality products. Osterberg and Nilsson (2009) point out that it is natural for members to wish that the cooperatives are successful businesses and that they are run in the members' interests. Slightly less than three million cooperatives are operating worldwide, with more than one billion cooperative members (Knežević, 2021, 60).

The cooperative, as a form of agricultural production organisation, is considered one of the best instruments of self-protection for small farmers mainly due to its self-help concept and member's participation (Stojanović & Rokvić-Knežević, 2021, 226). The environment constantly changes and puts intense pressure on cooperatives to change themselves to survive and become more effective and efficient. Agricultural cooperatives perform entrepreneur functions, and Schoonhoven and Romanelli (2001) underline many new directions that explore the idea that entrepreneurship emerges as a function of collective actions. Due to numerous changes in the business environment in the last few decades, different forms of cooperatives have emerged compared to the traditional model. According to Rokvić and Brković (2020) developed new types of cooperatives have evolved that differ on the issues of open membership, member shares, degree of responsibility, outsourcing opportunities, decision-making, and revenue sharing.

Serbia is a country with a rich cooperative history and tradition (Cooperative Union of Serbia, 2020) and primarily agricultural cooperatives. After some time, other types of cooperatives are formed, not only agricultural ones. Classifications of types of cooperatives may depend on many factors, such as activity, capital, i.e. ownership, etc.

In the first half of the 19th century, Serbia had its first cooperative in Bački Petrovac and the first Serbian union of agricultural cooperatives, with headquarters first in Smederevo and then Belgrade. Due to unfavourable and specific circumstances, the development of cooperatives in Serbia took a changing course. Serbia has resources in rural areas that can significantly develop

rural areas, contributing to rural development (Mihajlović & Pejčić, 2005). Through cooperatives, rural areas in Serbia can improve living standards and increase employment.

The cooperative organisation has proven to be a sustainable, accepted and successful form of agricultural production development, a pathway to exit and survive on the market, capital penetration in the activities of small farmers, as well as differentiation and individual growth of some of them (Maričić, 2009). Agricultural cooperatives offer the benefits of collective strength, help increase the income of their members, increase their bargaining power with other participants in the value chain, provide essential services, expand the market for their products as well as achieve a better price for farmers, help them acquire better entrepreneurial, marketing and other skills. A study conducted by Zakić et al. (2013) indicated the awareness of cooperative members that appropriate knowledge and skills are required for various administrative and professional tasks, which implies the need to hire appropriate personnel. In addition to benefits to their members - farmers- cooperatives benefit the local (rural) community and consumers (Rodriguez, 2011; Food and Agriculture Organization, 2012).

Cooperatives and other farmer organisations represent one of the essential mechanisms for the involvement of small farmers because they are formed with the motivation of mutual benefits and expectations of collective action among members (Hong & Sporleder, 2007). However, this does not mean that cooperatives and farmers' organisations will be guaranteed success even though they offer the benefits of collective strength. Many cooperatives and farmers' organisations with economic and market objectives have poor results due to internal factors (Garnewska et al., 2011; Elbehri, 2013).

When it comes to Serbia, according to the data of the Strategy for the Development of Agricultural Cooperatives in the Republic of Serbia (2011), the agricultural cooperative is, according to the indicators for 2010, dominant in the overall cooperatives of Serbia, not only according to the participation in the total number of cooperatives but also according to the number (6,292) and the participation (79.6%) of cooperative workers in agriculture in the total number of employees in all types of cooperatives, as well as the fact that they achieved 59 billion dinars or 86% of the total income of cooperatives in Serbia.

Furthermore, according to the data of the Cooperative Union of Serbia, in 2017, 2,600 cooperatives of all types were registered, of which 1,548 were agricultural. According to the data of the Agency for Economic Registers in the Republic of Serbia, 1,568 agricultural cooperatives are active, of which about 1,100 submit financial reports. Of the total number, a third can be seen as inactive cooperatives.

It is characteristic for the period from 2016 until 2020 that the number of newly formed

cooperatives exceeded by 462 the closed ones. The majority are traditional agricultural cooperatives (1,293), while the penetration of others is somewhat slower. From 2015 to 2020, 1100 agricultural cooperatives were formed, according to the data of the Cooperative Union of Serbia. In any case, these indicators show that certain developments exist and that agricultural cooperatives in Serbia have a perspective.

Cluster association in agribusiness as a contribution to the economic development of Serbia

By building network structures and horizontal and vertical connections, the cluster members relativise their shortcomings and emphasise their strengths, thereby achieving market competitiveness. This type of connection enables its members to find a way to business success in mutuality of experience and modernity. The advantage of small companies is their flexibility. However, at the same time, what is an advantage can become a disadvantage. Small companies can adapt faster, which is encouraged by fewer employees, who, on the other hand, can have better interaction and a more direct relationship with the owner. When it comes to a small team, people identify more easily with the company and are more ready to help realise its goals, vision and mission.

On the other hand, this hypersensitivity makes them vulnerable regarding costs, for example. Moreover, small firms are often in a dependent, vassal position related to large companies. In overcoming all these shortcomings in managing individual small and medium enterprises, cluster mergers help. There are different theoretical approaches to clustering. Some emphasise its structure and characteristics, others economic impact and the need for clustering. However, it is certainly indisputable that organisations joined in clusters have better interactions and exchanges of information, knowledge, and experiences, producing synergic effects (Mirčetić et al., 2019).

Cluster development policy must not be based on a single strategy applicable in all situations. The experiences of developed countries have shown that the "one size fits all" approach in the formulation, and implementation of policies and programs is ineffective (Vukotić et al., 2013). Regarding Serbia, however, it is safe to say that the results achieved by implementing policies based on business clusters do not correspond to the expectations and potential for economic development associated with clusters (Pandurević, 2012).

Clusters can be initiators of agricultural development (Bell & Giuliani, 2007; Džanković-Jerebičanin, 2014; Kilelu et al., 2017; Paraušić & Domazet, 2018). All agricultural stakeholders have a chance to depreciate or completely overcome the problems mentioned earlier by using examples of good practices or joining agricultural clusters.

The goal of establishing agro clusters in Serbia can be understood and somewhat generalised through the vision of one of the agro clusters, Agro Cluster of Eastern Serbia: "to establish the preconditions for improving and innovating current agricultural technology, food processing, logistics, agritourism, and building new business capabilities for cluster members." Also, the vision of the agro cluster of Eastern Serbia is to establish its own local and regional markets and to expand them into the European and world markets of agricultural products, quality foods, and rural tourism (Vukotić & Mirčetić, 2020). Paraušić et al. (2007) point out that in Serbia, the formation of agro clusters is based on the aspiration for better positioning in the market, not on the country's assistance.

According to the research conducted by Vukotić and Mirčetić (2020), 41 agricultural clusters were established in Serbia, and according to the regional distribution, most of them are in Belgrade and its surroundings (9), followed by South Bačka (7), and Šumadija and Western Serbia (6), while in other regional parts of Serbia, five or less agricultural clusters were established.

Conclusion

The primary objective of all cooperatives is the welfare of their members by improving their economic, social and cultural position. Cooperatives are essential for the country's economy and contribute to developing rural and underdeveloped areas. The cooperative raises the level and quality of life in the countryside by maintaining and increasing production and employing people in administrative and commercial jobs. Also, the existence of agricultural cooperatives is only justified if it benefits its members and improves overall agricultural production.

At the same time, the intensification of associating is a modern trend, and even though, for example, agricultural cooperatives have a long tradition in Serbia, there is always room and need for improvements and advancements. Serbia is a country with a long cooperative tradition. Support for associating in cooperatives and using their advantages, following the example of countries where cooperatives are developed, is one of the bases of conducting a successful economic policy, and in Serbia, there are all the necessary prerequisites for this.

Cluster networking represents an outstanding contribution to increasing the resource strength of various levels, from logistics, marketing, knowledge transfer, opening new markets, increasing exports, attracting investments and many other activities that give synergistic effects in this exchange. The significant popularisation of clusters with wide application in the developed business world is still actual. It can be rightly argued that relatively little research is

conducted relating to the agricultural and food sectors. However, for the agricultural cluster, this in no way diminishes their importance, and research should undoubtedly be intensified, and their implementation in practice should be strengthened.

The cluster brings together organizations, institutions, and associations dealing with activities in various fields of economy and agriculture of Serbia. Given that clusters represent the most favourable form of integration and inclusion for poorly developed local agricultural holdings, cooperatives, micro, small and medium-sized enterprises, entrepreneurial shops and business associations, it can have wider repercussions in agriculture and the economy in general in Serbia. Ultimately, joining agro clusters in Serbia can affect local and regional development, finding new markets, introducing innovations, better access to financial resources, and introducing quality standards and employment.

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