

THE IMPACT OF THE SHORT SUPPLY CHAIN ON THE COMPETITIVENESS OF THE AGRI-FOOD SECTOR

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Abstract

In this article the author tries to analyze the impact the short supply chain may have, in general, on the agri-food sector and especially on the local agri-food sector. The analysis has three concepts as central conceptual support: the urban-rural partnership, the short supply chain and the competitiveness in the agri-food sector. The author starting from the main features of the short supply chain tries to analyze the impact on the competitiveness in the agri-food sector. The urban-rural symbiosis can be more easily understood by the short chain supply, an instrument with multiple effects both for the urban and for the rural.

Keywords: *urban-rural partnership, short supply chain, competitiveness, agri-food sector, local agriculture*

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Introduction

In the strategy of food safety and security prepared by the Romanian Academy, through the Institute of Agricultural Economics for the period 2015-2035¹, it is estimated that Romania has a high food potential, at the horizon of the years 2030-2035, that can provide food for 38,5 mil. people, respectively a supply for export and for non-food consumption of agricultural raw materials of around 49-50 billion €. It is possible to achieve these performance parameters of the Romanian agriculture provided in the Strategy in two stages. The first stage, that is to be finalized at the end of the following year, the horizon 2015 – 2020, implies the full achievement of the European funds provided in the National Rural Development Programme (NRDP), a realistic and achievable aspect, in my opinion, taking into account the evolution of the programme and the support of the organization and the equipment of the agricultural territory, of the rural infrastructure from public and private internal financing.

The second stage the horizon 2020 – 2035 is founded on the negotiation and the achievement of the European supplementary funds (compared to the budgetary exercise 2014 – 2020) and the important increase of the national financial contribution in the modernization of the agricultural exploitations, the processing of the raw agricultural products and the increase of the weight of the Romanian agri-food products distributed by the co-operative networks. In this complex effort, an important role can be played by the short supply chain. Although Romania is currently at the beginning, the implementation of the short supply chains will be important and will play a key role in the urban-rural partnership. As I shall try to show in this

¹ Otiman, P.I. (coord.) (2014) – Strategia siguranței și securității alimentare a României 2015-2015, varianta a 2 a, Editura Academiei Române

article, under the umbrella of the urban-rural² partnership the short supply chain will be able to create a tight connection between the urban and the rural areas surrounding it, and in terms of the agri-food sector, it means the supply of the urban with local agri-food products, the effects of this approach are countless and mutually advantageous for the two areas of residence. We shall insist in this article on the main features of the short supply chain and how they reflect on the competitiveness of the agri-food sector.

This article analyses, from a multi-disciplinary perspective, mainly conceptual and methodological, both ways by which it can be taken the economic opportunities provided by the existence of the short supply chains and the role of the short chains in the development of a high competitiveness in the agri-food sector.

In the theoretical foundation of the article I shall start from the concepts that became classical, respectively, the urban-rural partnership, the short supply chain, the rural environment, the local agriculture, the agri-food sector, etc.

The urban-rural partnership is an instrument promoted by the European Union and accepted by all Member States. In the Official Journal of the European Union, C356/9 of 2013³, regarding the urban-local Partnership and governance, the Committee of the Regions shows that the urban-rural partnership is characterized by flexibility that is given by: the purpose of the partnership that can be given by one or more fields; the management of a project or integrated management of the functional area and the governance model chosen – bottom-up or top-down. These three features of the partnership are important in order to understand its utility and functionality. The establishment of an activity field or some fields is important for clarity and rigor of the approach⁴.

In my opinion, the agri-food sector field, eventually dome sub-fields established functionally is an inspired intervention. The establishment of the integrated management regards a system of analysis, with inter-conditioned elements, based both on horizontal and vertical competitiveness. The food sector lends itself to it. It can be thought from a systemic perspective with a horizontal or vertical structuring and that allows for a sufficient individualization in terms of strategy or practical action (the existence of a strategy in the agri-food field). The recourse to the governance has certain effects in the Romanian society. For the urban-rural partnership, the governance is a sort of management, transparent, responsible and predictable. The investors need to know the future potential, to see how they can get profit, clients, the beneficiaries want transparency and social responsibility.

In the specialty literature, the concepts of urban and rural, as well as the connection between them were analyzed from different perspectives: as component parts of the national economy – Schaeffer P., Loveridge S., Weiler, S., 2014; within the economic and globalization restructure – Shucksmith M., Cameron S., Merridew T., Pichler F., 2009; the current of the counter-urbanization – Artmann J., Huttenloher C., Kawka R., Scholze J., 2012; from the perspective of the interdependence which makes impossible a conceptual differentiation – Bengs C., Zonneveld W., 2002, Tacoli C.,1998; as quasi-natural connections – Artmann J., Huttenloher C., Kawka R., Scholze J., 2012; the perspective of the dependency of urban –

² *** Națiunile Unite (2010), Cities and their rural surroundings. The urban-rural interface, UN-Water Decade Programme on Advocacy and Communication, media brief

³ Jurnalul Oficial al Uniunii Europene, C356/9 (2013), privind Parteneriatul urban-local și guvernanta

⁴ *** OECD (2013), Rural-Urban partnerships: an integrated approach to economic development, OECD Publishing

(Bengs C., Schmidt-Thomé K., 2006; the analysis through the flows perspective – Bulderberga Z., 2014.

This multitude of approaches will allow to fathom the functional problematics of the urban-rural partnership, needed in the analysis of the impact of a model regarding the short supply chain.

The think tank of the Romanian Academy, the Assessment of the National Economy State, in the paper *Competitiveness of Agriculture and the Accession to the EU*⁵, proposes the analysis of several levels of competitiveness as a whole. A concept initially emerged as a concern at microsocial level (firm level) can be analyzed also from the macrosocial perspective (intersectoral competition in economy) or even at the country level. We must say that today the problem of competitiveness covers many aspects, starting from focusing on competitiveness (on quality, on price, on product, on volume, etc.) and ending with indicators by which it can be measured. The role of the article is not to analyze the structure of the concept of competitiveness, that is why I will relate it directly to the fundamental law of capitalist society – obtaining a profit.

An entity is competitive if it manages to sell the products at a market-accepted price, to cover its costs and to make a profit. These are the basic conditions of competitiveness analysis and must manifest in the long term. As the authors of the study show, we can say that, on a more general level, competitiveness is the ability to be above the market competition, by the technological level and the volume of sales. As Porter says, to have a competitive advantage. In this context, the most appropriate sense of competitiveness is competitiveness by quality, to highlight the fact that, in terms of quality, the company's products are superior or similar to those of competing firms. I think this indicator is very important and for the domain analyzed in the article – the agri-food sector, probably the most important outcome indicator by which the analysis competitiveness of the agri-food sector can be done.

Also, at the country level, the notion of competitiveness can take on different meanings. For a country, the general objective pursued is to increase the standard of living and welfare of its citizens.

In terms of agriculture (agri-food sector) the authors show that competitiveness will be based on three important aspects in the dynamics of rural development. The agri-food sector will be competitive, first and foremost, as it will become important as cross-sectoral productivity within the national economy. Last year, agriculture approached 5 percent of GDP. Even if it is not compared to the industry, somewhere at 25 percent of the gross domestic product, the agri-food sector will play an increasingly important role in Romania's competitiveness as a country, especially at the level of the quality indicator.

In the Strategy for the development of the agri-food sector in the medium and long term, prepared by the Minister of Agriculture⁶, it is stipulated that in order to improve the competitiveness, the following must be taken into account: the products with regional specificity (19.5%), the improvement of the agri-food chain – mainly through associations and market organizations (14.1%) and agricultural intensification, paying special attention to the animal husbandry (10.6%). These three directions of action will play an important role over the next 10 years in the competitiveness of the agri-food sector

⁵ Dr. Luminița CHIVU, dr. Constantin CIUTACU, dr. Valeriu IOAN FRANC, dr. Marin CONSTANTIN, *Competitivitatea Agriculturii și Integrarea în UE*, Academia Română, Grupul de reflecție – Evaluarea Stării Economiei naționale.

⁶ *Strategia de Dezvoltare a Sectorului Agroalimentar*, Ministerul Agriculturii și Dezvoltării Rurale pe termen mediu și lung, 2014.

Secondly, the agri-food sector will have to regain the internal market segments that have been occupied by agricultural and food products from other countries. This will be an interesting battle and it can be won regionally or locally. It can be won by quality, bio, certified products. The initiative of AFIR – the Agency for Rural Investment Financing – to launch the Certified Food Products Catalogue is a real success. A simple application that puts you in touch with the network of quality producers in the agri-food field. The Romanian market is invaded by foreign products. Following the scandal of the double standard where the big distribution chains were involved, the domestic producers should be more courageous and get more involved in order to win the profile market.

Thirdly, the agri-food sector should reach market segments from the European Union and other neighboring countries (CEFTA) or farther. The conquest of niche domains in the agri-food sector should be the beginning. Competitiveness in the agri-food sector has a long way to go. Beyond quality, there is a need for a strategy from the Government or the associations of the big producers, for the campaigns in order to bring the Romanian consumer to the local producers. Important steps have been taken. Consistent with the rationale of the article I will try to analyse some aspects of the impact of the short supply chain on the competitiveness of the agri-food sector.

Short supply chains of various products mean the sale from a producer to a consumer through the smallest number of intermediaries. Although it has – as a strategic and actionable approach – a relatively short history, it is successful in most EU countries. In 2011, the Committee of the Regions, through a forward-looking opinion, promoted the idea of these local schemes as an opportunity to capitalize on the local potential and a way to improve the image of lesser known regions or communities⁷. This approach has been complemented by other regional approaches, for example, so that at least in the food sector, the short supply chain is following the rural development by putting the producer face to face with the final consumer in front, giving them the possibility to establish functional relations between them, relations that can develop and generate other projects. The short supply chain can be seen as a franchise with enormous potential and multiple possibilities for implementation. An ideal type of short supply chain comprising its main characteristics or features is the basis of the analysis I will perform.

Subsequently the European Commission, through the adopted policies, emphasized the promotion of agricultural products⁸, the Union having a culinary heritage of great diversity that must be harnessed.

The impact of the short chain on the competitiveness of the agri-food sector

The short chain mechanism offers a multitude of facilities that will be analyzed in relation to the Romanian specificity of these local food systems, characterized by the fact that both production and processing as well as marketing and consumption take place in a small geographical area. It should be noted that the impact that the article promotes refers rather to the micro-social perspective, in which the small or medium-sized producer not only meets a market but can subsequently develop it.

The purpose of the short supply chains is focused, among other things, on:

⁷ *** PLUREL (Peri-urban Land Use Relationships – Strategies and Sustainability Assessment Tools for Urban-Rural Linkages), <http://www.plurel.net/Project-4.aspx>;

⁸ *** (2011), Agenda teritorială a Uniunii Europene 2020. Spre o Europă inteligentă, durabilă și favorabilă incluziunii, compusă din regiuni diverse, http://www.minind.ro/cctc_2014_2020/dse/Agenda_teritoriala_a_UE_2020.pdf;

- **facilitating the interaction between producers and consumers**, by the fact that they can see each other face to face, the consumer being able to verify the origin of the products. Small number of intermediaries means lower costs, higher prices for producers and lower prices for consumers. The horizontal cooperation producers-consumers can take various forms. Even closed social networks can be built in the sense that the producer produces only for certain consumers. They can even initially help producers with money for them to diversify their production or to grow it. It is equally important the possibility for the beneficiary to see the manufacturer, to follow, if he wishes the technological process in order to ensure about the quality of the products. These possibilities will develop the producer-consumer interaction and other opportunities can be exploited further. Third party reduction is very important in this scheme, on the principle, fewer links, less costs.
- **promoting trust between partners**. Production can be diversified or increased; it can enter other markets, consumers guaranteeing for producers. Direct selling stalls or outdoor markets are social or professional inclusion tools for producers, sellers or consumers. Cultural or psychological aspects can complement the purely economic aspects. Confidence between producer and consumer can lead to other similar projects. The consumer surpasses his status as a final beneficiary and can become an agent of the manufacturer, recommending him on other markets, or helping him to build other markets. This approach may not have a major impact from the macrosocial perspective (although it may sometimes be a cause at this level) but for the microsocal analysis the approach promotes a multidirectional dynamism whose impact is sometimes difficult to quantify. The family grocery store where everyone gets to know each other, the restaurant in small communities are spaces where a local culture is promoted, ideas or community projects are settled. The short chain can bring the urban consumer to the rural community, in the middle of the action, and the rural producer will be known by many more urban consumers, who will also visit the rural community. This progressive interaction will lead to the growth of networks, to their division into networks that will grow and divide in turn. It is a two-way cultural, social and economic invasion.
- **the rapid targeting of the product from the producer to the consumer** with the concrete indication of the intermediaries, the products arrive much faster on the table of consumers, more fresh, tasty and healthy. For the agri-food sector, the speed of movement is very important taking into account the guarantee of the products. Beyond freshness and quality, one must not overlook the fact that fewer and fewer products end up being consumed and the losses will be lower. The problem of agri-food products that are discarded because they expired is major, it is more acute within families, where they buy much more than they consume and also for the producers who are obliged to bear part of the losses, which they include in the price of the future products and thus an unprofitable spiral is being created. One of the great advantages of the short chain is the short time between producer and consumer.
- **it provides the manufacturer a food sovereignty** – by the fact that he can impose and maintain his products for a longer time. The fact that the manufacturer manages to build a network gives them the opportunity to operate with forecasts. Having an insured market, he can make an action plan for a longer period and it guarantees his independence in production. Also, depending on the demand he can make certain changes in production which helps him on the long run. This sovereignty will be doubled by a better management of the working time, the working periods, which can lead to lower consumer prices.
- **it provides a higher quality of the products**, the consumers having the possibility to check during the production process. Beyond the traditional measures by which a producer

maintains quality, the fact that direct beneficiaries can verify when they want the production process will lead to increased measures by the manufacturer. The facility provided by this tool also prevents any unfair practices that some manufacturers try in order to significantly reduce certain unprofessional intentions. There are situations when the manufacturer can meet and negotiate certain products with the beneficiaries, that he wants to produce, explaining their benefits to their customers.

- **it provides the sustainable support of the rural economy.** The systematic development of short chains will have effects on the rural economy. More people will be able to be employed, the income obtained by them will return through services in the economic circuit laying the foundations of a sustainable and stable economy. The interconditioning will cause the economy to grow by developing some tertiary sectors, some locally specific, which **will strengthen the power of the community both in economic and social terms.**
- **the strengthening the local food market**, both in terms of product diversity and quantity, as well as the necessary logistics space – direct sale stalls or outdoor markets. The creation of these chains will lead to the consolidation of the local market. At one point they will diversify and develop progressively. The power of example will be important for new projects and all these vectors converge towards the systemic development of the market, both in terms of quantity and quality.
- **facilitating relations between different rural sectors** – for example agricultural, tourism, food, cultural-historical at the level of a region or community. The development of the agri-food sector market will lead to intersectional competitiveness by the fact that other types of projects in the community can be developed. Cross-sectoral projects may appear, other opportunities may be invested in, the local community may identify with a brand, new activities may develop or may increase the quality of existing ones.
- **creation of new jobs in agriculture**, food production and related sectors. Any development leads to a new demand for labor force, making the community stronger through the income that its members can get.
- **increasing social cohesion** and community spirit by promoting local, authentic, traditional, original, seasonal, sustainable products. Communities can be reborn, traditional activities can be rediscovered, tourists or people interested can be attracted by the potential of the area. The short supply chain can be a magnet that will lead to connecting the community to other opportunities.

These aims, resulting from the documentation and study of the main theories and paradigms used in the field, will be validated/invalidated by the doctoral research, after which other such aims can be identified. To all of them I will attach a number of analysis indicators and I will research, through the structured questionnaire and focus groups, how they are organized on the national local market and the impact they have on the development of the short chain system.

Conclusions

The short supply chain is an instrument that can lead to the microsocial development of the communities or the macrosocial development of the regions. The advantages that this instrument brings must be related to urban-local partnership. Both concepts have been promoted at EU level and have slowly become a reality also in our country. The impact on the agri-food sector's competitiveness is obvious, its effects being multiple and being directly related to the characteristics of the short chain. In this article I analyzed the direct producer-consumer connection, the shortening of the road from production to consumption, the

increase of quality, the construction of a cooperation based on trust. I consider the impact to be decisive, at least in the first phase at the micro-social level, allowing communities to develop, the food sector becoming an important cause of modernization and economic, social and cultural growth of communities.

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