

AGRICULTURE ENTREPRENEURSHIP AS A CONTRIBUTOR FOR SUSTAINABLE DEVELOPMENT

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Abstract

Economic development of each state is logically connected to the growth of business entities. However, on the last period, more and more focus for a sustainable economic development, different states from different regions and continents are paying attention of the rural development as well as to the entrepreneurship as a key factor for sustainable development.

Every country or region is different, so it is accepted to have different economic strategies, to get the best possible from different actions, using the very random resources available in nature. How is that possible to be achieved?

During this paper, we will try to confirm the contribution of agriculture entrepreneurship, as a key factor for sustainable development.

Keywords: entrepreneurship, agriculture, region, development, factor, state, etc.

Introduction

Each country faces different level of developments, transitioning from one system to another. The developments of the countries worldwide are often influenced by the strategic policies undertaken from the state leaders, their visions for predicting future development or their pursuit of self-interest. More than often the political development it is directly connected to the economic development of one country. On the other hand, we cannot consider a sustainable economic development without having sustainable political situation withing a certain country, as well as on the neighborhood or region.

Economic development as a crucial factor for development and competitive country is on the main focus of contemporary economic studies. Entrepreneurship plays a vital role in economic development.

Methods of research

The research is based on a combination of methods, including the collection and analysis of information, as well as using the current publications and statistical data from the State Statistical Bureau of North Macedonia. Relevant information is also gathered from the EU institutions websites and World Bank. So, this form of multidisciplinary data's and cross-comparing methods, represents a key segment for more relevant informations.

I. Economic development and entrepreneurship

Being an entrepreneur is essentially about sighting opportunities and creating value in marketplaces. Entrepreneurship is a concept that explains the process of converting an idea or vision into a new business or venture, or an expansion of an existing business or venture by individuals, a group of individuals, or an established company¹.

To understand the strong connection between economic development and entrepreneurship, we have to be able to understand the meaning of these two verry important words: development and entrepreneurship.

As in any other situation, the economist gives different type of definitions.

¹ <https://openeducationonline.com/magazine/what-does-agripreneurship-mean/>

Economic development, the process whereby simple, low-income national economies are transformed into modern industrial economies. Although the term is sometimes used as a synonym for economic growth, generally it is employed to describe a change in a country's economy involving qualitative as well as quantitative improvements.²

Economic development is a process of structural transformation with continuous technological innovation and industrial upgrading, which increase labor productivity, and accompanied improvements in infrastructure and institution, which reduce transaction costs.³

However, there are also economists and theoreticians that the concept of economic development does not connect only with the development of the business communities. They believe that there is a strongest connection between the business development, state institutions as well as certain social values. As for Fukuyama, Economic development presupposes not just the existence of formal institutions, but also certain norms or social values that promote exchange, savings, and investment. Thus, there is a cultural dimension to economic behavior.⁴

Economic development increases individual resources, reducing dependency on the extended family or group. This gives people opportunities and means to make choices enabling them to pursue autonomy and take personal responsibility.⁵

However, according to Bingxin Wu, (in *Consumption and Management*, 2011, Pages 145-161): "Economic development has its own rules. Once people know the natural law of economic development, the state has its countermeasures towards economic development. First is to conform to the natural development laws of economy and bring its positive functions into play; second is to conquer its negative effects through national power. This is because the superstructure of a country stands for the total economic base of the whole society, gross productivity and gross production relations, so it has the responsibility to do so. Therefore, the country is the only force which can coordinate the macro-consumption chain (the value chain) and ensure the coordinated and scientific development of close interlinks of the consumption chain."⁶

Entrepreneurs play a key role in any economy, using the skills and initiative necessary to anticipate needs and bringing good new ideas to market. Entrepreneurship that proves to be successful in taking on the risks of creating a startup is rewarded with profits, fame, and continued growth opportunities. Entrepreneurship that fails results in losses and less prevalence in the markets for those involved.⁷

Entrepreneurship is the act of creating a business or businesses while building and scaling it to generate a profit. The meaning of entrepreneurship involves an entrepreneur who takes action to make a change in the world. Whether startup entrepreneurs solve a problem that many struggle with each day, bring people together in a way no one has before, or build something revolutionary that advances society, they all have one thing in common: action.⁸

Agripreneurship, as a key figure in the economic progression of agrarian and developing societies, refers to entrepreneurship in agriculture. The concept of agricultural entrepreneurship was introduced to support farmers as well agricultural industries by improving the means of production and increasing market engagements. An agripreneur is an entrepreneur whose business is agriculture or agriculture related. A successful agripreneur needs to understand consistency, creative thinking, smart working, risk taking, communication, and finding market opportunities.⁹

² **Hla Myint** - Emeritus Professor of Economics, London School of Economics and Political Science, University of London. Author of *Economic Theory and the Underdeveloped Countries*. (<https://www.britannica.com/topic/economic-development> 19.03.2021)

³ Justin Yifu Lin- *Advances in the Theory and Practice of Smart Specialization*, 2017 (<https://www.sciencedirect.com/topics/economics-econometrics-and-finance/economic-development>)

⁴ F. Fukuyama - *International Encyclopedia of the Social & Behavioral Sciences*, 2001, Pages 3130-3134

⁵ Shalom H. Schwartz, in *Handbook of the Economics of Art and Culture*, Volume 2, 2014 Pages 547-586

⁶ Bingxin Wu - *Consumption and Management*, 2011, Pages 145-161.

⁷ Adam Hayes - <https://www.investopedia.com/terms/e/entrepreneur.asp> (19.03.2021)

⁸ Nicole Martins Ferreira - What is entrepreneurship? Entrepreneur definition and meaning (2 Sep, 2020) <https://www.oberlo.com/blog/what-is-entrepreneurship>

⁹ <https://openeducationonline.com/magazine/what-does-agripreneurship-mean/>

II. Agriculture evolution

The most significant development in eighteenth-century England that relates to the present enquiry was the Agricultural Revolution. The resulting changes in farming practices impacted on crop production, the biological characteristics of domesticated animals and eventually on human eating habits. These warrant consideration in some detail, with emphasis on the changes in animal husbandry. In medieval times, as in many developing countries today, sheep and cattle grazed on communal grasslands left in their natural state. As the lands were held jointly there was very little attempt either to avoid overgrazing or to effect improvements, for example by appropriate drainage.¹⁰ Modern growth economics has investigated extensively the forces driving the process, typically building on the theory of endogenous technological change (Romer 1990). Since at its core the theory has dynamic increasing returns, it identifies the size of the market in which firms operate as a, if not the, crucial factor determining incentives to innovate. A spectacular application of these ideas is the Unified Growth Theory of Galor and Weil (2000); see also Galor (2005, 2011). Models in this tradition produce an endogenous takeoff and a transition from stagnation to growth. Following these two influential branches of growth economics, and to place industry solidly at the forefront of the analysis, Peretto (2015) has developed an IO-based Schumpeterian growth model with endogenous takeoff in which firm size determines the incentives to innovate; see, e.g., Cohen and Klepper (1996a, b) and Laincz and Peretto (2006) for evidence on this channel. We use this model to formalize Nurkse's idea and then investigate the role that agriculture plays in shaping the growth path of the economy. This strikes us as a first-order question in light of studies like, among others, Lagakos and Waugh (2013) that document large and persistent productivity differences in agriculture across countries.¹¹

The current global economic crisis has led to the collapse of paradigms, the discussion of alternative road maps and the implementation of new proposals. For some, the global crisis is not only deep but also multidimensional, with economic, political, social and environmental facets. For others it is merely a temporary state of affairs and the world will soon return to the path of globalization and economic growth.¹²

The green revolution led to a particular way of conceiving and “doing” agriculture, understanding agricultural modernization and measuring sectoral performance, accompanied by a specific sectoral institutional framework.¹³

English agriculture was both distinctive and more productive than that found in other European countries. In 1815 about two-thirds of the active population was still employed in agriculture in most countries, but in England the figure was only 55 per cent in 1700 and less than 25 per cent in 1851.² Between these two dates the numbers employed in farming remained stable at about 1.5 million, although total population grew from five to almost seventeen millions.³ Farm labor was also more productive. Crafts has estimated that, whereas in England in 1840 there was no sectorial gap between agriculture and the rest of its economy, the European 'norm' at similar levels of per capita income was for farm labor productivity to be only half as productive as the rest of the economy.⁴ Although wheat yields perhaps were not significantly higher in England than elsewhere in northern Europe (Allen, 1988: 117; Allen and O'Grada, 1988), table 3.1 suggests that labour productivity was at least a third greater in the early nineteenth century. Recent estimates by Allen show labor productivity in English agriculture in 1600 as being similar to other countries but, with the exception of the Netherlands, the experience over the next couple of centuries was very different (Allen, 2000: figure 1).

¹⁰ R E Prothero, *The pioneers and progress of English farming*, London, Longmans Green, 1888, p. 6. *Ibid.*, p. 50.

¹¹ Angus C. Chu Pietro F. Peretto Xilin Wan: *Agricultural Revolution and Industrialization*; University of Liverpool, Duke University, Fudan University, May 2020, MPRA Paper No. 101224, posted 19 Jun 2020 02:57 UTC, <https://mpra.ub.uni-muenchen.de/101224/>

¹² *ComunIlca online – Inter American institute for cooperation in agriculture* ISSN 1992-4933, Year 7 | January - July 2011.

¹³ Arturo Barrer - *New realities, new paradigms: the new agricultural revolution* (*ComunIlca online – Inter American institute for cooperation in agriculture* ISSN 1992-4933, Year 7 | January - July 2011.)

Therefore even if growth was slow over the period 1680-1815, English agriculture performed considerably better than most other European countries.¹⁴

On the other hand, “there are great opportunities for Swedish farmers to increase their production capacity and market share. Swedish agricultural market share of the domestic market has declined from 75% to 50% in 20 years (Landsbyggsdepartementet, 2012). Primary production in agriculture is in the food sector in Sweden approximately 30 billion SEK (Jordbruksverket, 2011b) compared with, for example, Denmark, which has about as much arable land as Sweden with a primary production of about 75 billion SEK. So there is a potential for strong growth in the agricultural sector in Sweden. In addition, there are significant opportunities for export. Food production in the world will need to increase by 70% by 2050 under future scenarios based on e.g. population growth and production (FAO, 2009; Öborn et al., 2011). Several areas of the world will find it difficult to increase their production capacity due to negative climate impact while Sweden climatically is expected to have a favorable position with warmer climate and more rainfall. In addition, Sweden has farms where the environment is focused to a large extent, on high food safety and a unique animal welfare (LRF, 2009)”¹⁵

Country (or area)	Labour force	Agriculture
China *	816,200,000	26.1%
India *	520,200,000	47%
European Union *	228,400,000	4.7%
United States *	153,400,000	0.7%

Agriculture remains a big employer within the EU; about 9.7 million people work in agriculture. People working in agriculture accounted for about 4.2 % of total employment in the EU in 2016 (see Figure 1), corresponding to 9.7 million persons. Agriculture is a particularly big employer in Romania, accounting for just less than one in every four persons (23.0 %) employed in the country, as well as in Bulgaria (17.5 % of total employment), Greece (10.7 %) and Poland (10.1 %).¹⁶

Agriculture sector in North Macedonia

Agribusiness is one of North Macedonia’s most promising sectors. Agribusiness (including agriculture, forestry, and fisheries) accounted for 8.6 percent of GDP (2020 data), 11.6 percent of total trade, and 14 percent of the total number of persons employed in the country (2019 data). Exports of agricultural and food products in 2021 constituted 9.6 percent of North Macedonia’s total exports. The top markets for agriculture and food products are the EU (50.6 percent of total exports) and CEFTA countries (32 percent). The main export products from North Macedonia are tobacco (20 percent of agriculture exports), biscuits and waffles (10 percent), canned vegetables (9.5 percent), wine (9 percent), and fresh vegetables (8 percent). The EU also provides 47.5 percent of North Macedonia’s total agriculture imports, with the United Kingdom providing

¹⁴ <https://core.ac.uk/download/pdf/30041617.pdf>

¹⁵ Agricultural business model innovation in Swedish food production- Pia Ulvenblad, Maya Hoveskog(DRUID Society Conference 2014, CBS, Copenhagen, June 16-18), https://www.researchgate.net/publication/265054111_Agricultural_business_model_innovation_in_Swedish_food_production

¹⁶https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Farmers_and_the_agricultural_labour_force_-_statistics#Agriculture_remains_a_big_employer_within_the_EU.3B_about_9.7_million_people_work_in_agriculture

another 17.6 percent. The main imported products are chocolates and confectionary (9 percent), sunflower oil (4.9 percent), meat (poultry 5 percent, pork 3.5 percent, beef 3.1 percent), cheese, processed foods, and wheat and flour.¹⁷

North Macedonia Agriculture Market					
	2017	2018	2019	2020	2021
Total Local Production	n/a	n/a			
Total Exports	ml\$ 630.56	ml\$ 613.43	ml\$ 696	ml\$ 647	ml\$ 700
Total Imports	ml% 905	ml\$ 890	ml\$ 933	ml\$ 894	bl\$ 1.05
Imports from the US	8.6 ml\$	9.4ml\$	10.8 ml\$	15.3 ml\$	10.8 ml\$
Total Market Size	n/a	n/a			18
Exchange Rates	50	50.4	55	50	55

However, even that the main goal of the Ministry of Agriculture of North Macedonia, several years have strongly supported the agriculture sector either with direct subsidies or with financing the investment projects of the farmers, the results are not so promising. This refers to the permanent decrease of the agriculture production in almost all the sub sectors.

Most farm managers in the EU only have practical experience; this was the case for seven in every ten (68.3 %) of them in 2016. Less than one in ten (9.1 %) farm managers had full agricultural training, and the rest (22.6 %) had basic agricultural training. In some Member States, the level of agricultural training among farm managers was particularly low; in Romania and Greece only 0.4 % and 0.6 % of farm managers respectively had full agricultural training, the overwhelming majority (96.7 % and 93.2 % respectively) having only practical experience. Only a few Member States had relatively high proportions of farm managers with full agricultural training; these were Luxembourg (52.5 %), Czechia (38.7 %), France (34.9 %) and Latvia (31.3 %). As the number of farms in the EU has declined, so has the number of farmers and those employed in agriculture; the share of people employed in agriculture fell from 5.7 % of total EU employment in 2005 to 4.4 % in 2016.¹⁹

¹⁷ <https://www.trade.gov/country-commercial-guides/north-macedonia-agricultural-sectors>

¹⁸ <https://www.trade.gov/country-commercial-guides/north-macedonia-agricultural-sectors>

¹⁹ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Farmers_and_the_agricultural_labour_force_-_statistics#Very_few_farm_managers_in_the_EU_have_full_agricultural_training

Employment in agriculture, 2016

(% of total employment)

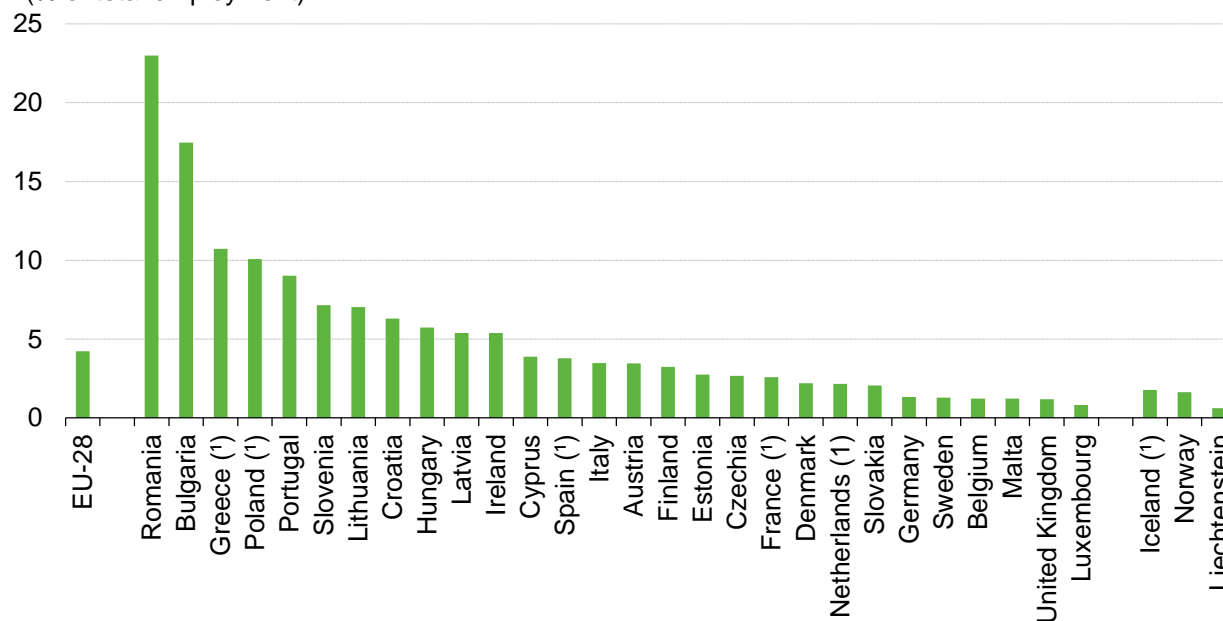


Figure 1: Female farm managers, EU-28, 2005-2016, (% of all farm managers
Source: Eurostat (ef_m_farmang)

Unemployment rate has decreased during the last 10 years, from more than 30% to 14.5% on September 2022.²⁰ Total number of the agriculture economies in North Macedonia is 170,885 by the middle of 2022. Based on the statistical data's, the average size of the agriculture economies is around 1.7ha per farmer. This, compared to the EU member states, is very small size and as such very unproductive. For a productive entrepreneurship activity, the farmers in Macedonia need to have a least 5ha per farmer or no less than 10 cows. Everything that is under this criteria's is just a waste of time.

Conclusions

Agriculture sector remains one of the primary drivers of economic development, especially in developing countries. During the first phase of development, member countries aspiring to join the EU initiated reforms in agricultural sector. Their main goal was to enable domestic farmers to thrive in the larger EU market.. These reforms included enlargement of the individual agriculture land, merging the small pieces of land in larger and more productive surfaces, supporting new business entities, like agriculture cooperatives, that drastically has supported and made more easy the life of farmers and farming activities. Productive supply chain mechanism, from production of goods and services to the delivery on the market. This has remained with sustainable agriculture companies within the EU countries as well, the number of small farmers with small land and small amount of production has decreased, but the number of big farmers with large lands and bigger number of animals has increased, that has made sustainable the production of foods. To increase productivity, must have clear strategies that will lead economic development, based on the comparative advantages.

²⁰ <https://www.stat.gov.mk/PrikaziSooptenie.aspx?rbtxt=98>

Strong focus on motivation new generations to start and develop their business ideas in Agri sector, by direct financial and technical support during the first phase of the life time of business (1-3 years).

Support of the new generations from the secondary school on professional development and entrepreneurs skills.

North Macedonia needs to focus mainly on the comparative advantages related to its geographical position. The high technologic development it is not the case, but the agrarian sector its more than possible.

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