

KClusterEconTrend.doc (VISION FOR IL AG logo?)

Development trend dovetails with ag plan ideas

**BY KAY SHIPMAN**

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An economic development trend incorporates several ideas that surfaced at a recent Vision for Illinois Agriculture meeting, and Illinois will serve as a test case to study the trend.

Known as a "cluster," the trend involves locating related industry, suppliers, research, and educational institutions near each other so they benefit not only from the closeness, and also have opportunity for interaction.

It's not a new idea, but it has gained importance for state economic growth in today's business climate, Chris Hayter, the National Governors Association's (NGA) director of economic development, told **FarmWeek**.

"The new take is that knowledge and learning is even more important today" with rapid technology changes and research discoveries, Hayter explained. "The exchange of knowledge is easier when they are closer together.

"Agriculture is a great example. There are advances every day in agriculture," he added.

Recently, NGA released a study "Cluster-Based Strategies for Growing State Economies" that is available

online at

{[www.nga.org/Files/pdf/0702INNOVATIONCLUSTERS.PDF](http://www.nga.org/Files/pdf/0702INNOVATIONCLUSTERS.PDF)}. NGA

selected Illinois to test the application of cluster strategies.

The state plans to study how it applies to ag biotechnology, according to the Department of Commerce and Economic Opportunity.

A cluster helps an industry gain innovations not only through closeness, but also because of the mix of industry sectors and their sizes.

Hayter used the computer industry to illustrate his point:

IBM used to control most of the nation's computer market. The corporation began to outsource computer components with former start-up companies, Microsoft Corp. and Intel Corp. Those smaller companies, in turn, focused their efforts primarily on improving their components.

"As a result of Microsoft and Intel focusing on "smaller things, the whole computer industry benefited, and now those are value-added components," Hayter said.

"In farming today, it could be the smaller organic farmer who figures out how to do something more efficiently."

The state has a role to play in providing balance and involving both large corporations who have the staff and resources, as well as smaller innovators who don't, he said.

"It is very important to link learning and smaller entrepreneurs," Hayter noted. "The challenge is the way these institutions have evolved doesn't help small enterprises.

"A question I would ask is what level of service is provided to the community?" he continued. "How well is a system working to get information from a laboratory and into the hands of the users?"

Hayter explained NGA will help states examine their policies related to business cluster and test the application of the economic development theory.

"There is a real need for an entity to pull together the idea," Hayter said. "The real challenge is: What do we do next?"

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