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Agricultural Diversification: A Strategic Factor for Growth

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Abstract

Agricultural policies in the past have witnessed a series of iterative changes following the economic reforms during 1990's that marked a significant departure from the past. The problems associated with buffer stock management and degradation of natural resources in some regions has triggered a debate to redefine agricultural policies. As a remedial measure, it has been suggested that India should diversify its agriculture and get a foothold in the world market. The diversified and accelerated agricultural growth would enhance the food security by improving the purchasing power of the poor in the perplexing situation of shrinkage in agricultural holdings, declining new investments in agriculture and increasing degradation of natural resources. Hence, diversification is an integral part of the process of structural transformation of an economy which can be facilitated by technological breakthrough, by changes in consumer demand, government policy, trade arrangements, and by development of irrigation, roads, and other infrastructures.

Introduction

Agriculture is the pre-dominant economic line of work of the rural communities in India, and plays a vital role in the socio-economic development of these communities. The agriculture sector in India is enormously significant in spite of its declining share in GDP. This declining trend in agriculture led the government to reframe the policy of agriculture to address the problems faced by the agriculture sector in the arena of economic liberalization. A rejuvenating and profitable agriculture is associated with the diversification in agriculture sectors (Timmer, 2005). Diversification is an unavoidable part of economy in the process of structural transformation from the primary to the secondary or any other sector of the economy which is determined by various macro and micro-ecological factors and is more justified in developing countries to reduce the costs on external inputs, avoid heavy mechanization, release the burdens of over production and cropping intensity in agriculturally advanced pockets or locations, raise stability, productivity and personal share of income in agriculturally backward and marginal areas. It emphasizes a judicious combination of some new technological innovations with the traditional wisdom or knowledge of ancient communities. Furthermore, it affects varying nature of risks, opportunities and feasibilities of enhanced socio-economic and agro-economic security. From a narrow point of view, agricultural diversification implies increasing the variety of agricultural commodities produced at the farm level. But a broader view suggests that agricultural diversification is a process of a gradual movement out of subsistence food crops (particularly staple foods) towards diversified market-oriented crops that

have a larger potential for returns to land. At the conceptual plane diversification of agriculture could be classified into the following three categories: (1) Shift of resources from farm to non-farm activities; (2) Shift of resources within agriculture from less profitable crop or enterprise to more profitable crop or enterprise and (3) Use of resources in diverse but complimentary activities (Vyas, 1996).

What is Agricultural Diversification?

Agricultural diversification is the process where conventional agriculture is transformed into a dynamic and commercial sector by shifting the traditional agricultural product mix to high standard products that has a remarkable potential in stimulating production rate and is one of the essential components of economic growth. It can be regarded as the re-allocation of farm's productive resources, such as land, labour, capital, equipment and technology to other products and, particularly in richer countries, to non-farming activities such as restaurants and shops. Agricultural diversification involves the movement of resources from low value commodities to high value ones which focuses particularly on horticultural, dairy, poultry and fisheries sectors. In the context of developing countries, diversification primarily involves a substitution of one crop or other agricultural product for another, or an increase in the number of enterprises, or activities, carried out by a particular farm, whereas, in developed countries, it is related more to the development of activities on the farm that do not involve agricultural production. The process of diversification is related to either a change in cropping pattern or adoption of allied activities like animal husbandry, poultry farming, fisheries, agro-forestry, dairy etc. by the farmers instead of just growing of food crops in their farm. Nevertheless, the agricultural diversification is supported by a number of factors which include a change in technology, consumer demand, trade or government policy, and by transportation, irrigation, climate change and, other infrastructure development.

Categories of Agricultural Diversification

Horizontal Diversification

It refers to the multiple cropping, *i.e.* growing more than one crop to broaden the base of agriculture. This is very useful, especially in case of farmers who are in possession of small holdings as they can earn more by increasing the cropping intensity.

Vertical Diversification

It relates to the integration of industrialization along with multiple cropping. When the farmer goes a step further to invest in enterprises like agro-forestry, dry land horticulture, aromatic plants, livestock, he can earn more.

These two types of diversification go a long way in increasing productivity and production of crops and help the farmers to increase their incomes and improve their livelihood.

Drivers of Agricultural Diversification

Opportunities

- **Changing consumer demand:** People are shifting their diet from staples to greater content of animal products *viz.* meat, eggs, and dairy etc. and also fruits and vegetables as consumers in developing countries have become richer, hence, food consumption patterns have also changed noticeably.
- **Changing demographics:** Rapid urbanization and industrialization in developing countries affect consumption patterns which require adaptation to new farming techniques to meet higher demand as a smaller number of farmers has to supply a larger number of consumers.
- **Export potential:** The farmers in developing countries have gained significant success through diversification that can meet export market demand.
- **Value addition:** The practice of consumers to devote less and less time to food preparation is currently becoming widespread in developing as well as developed countries, hence, they increasingly require ready prepared meals and labour saving packaging which provides the opportunity to the farmers to diversify into value addition, particularly in countries where supermarkets play a major role in retailing.
- **Changing marketing opportunities:** The government policies should be modified in such a way that the farmers can link up to the markets directly which can emerge new diversification possibilities.
- **Improving nutrition:** Diversification of monoculture of conventional staple food crops may facilitate nutritional benefits for farmers in developing countries.

Threats

- **Urbanization:** Rapid expansion of cities imposes a burden on land resources and diminishing the value of land holdings of the farmers. Therefore, the farmers close to urban areas are forced to generate higher income from the same land by diversifying into high value crops than merely growing basic staples.
- **Risk:** Agricultural diversification is a logical response to both the risks from bad weather and from fluctuating prices which are hampering the livelihoods of the cultivators. Moreover, it can manage price fluctuations, on the assumption that not all products will suffer low prices at the same time.
- **External threats:** Exports dependent farmers are subjected to the risks of changes in the markets, not because of variability in consumer demand but because of policy alterations.
- **Domestic policy threats:** Agricultural production is very often undertaken as a consequence of government subsidies,

rather than because it is inherently profitable. The reduction/removal of those direct or indirect subsidies may have a major impact on farmers and provide a significant incentive for diversification.

- **Climate change:** Climate change *i.e.* alterations in temperature, rainfall, length of growing season, availability of water etc. can modify the types of crops that can be grown which initiate diversification as a response to this hazard.

Need of Agricultural Diversification

The necessity of agricultural diversification is witnessed after Green Revolution due to fluctuation in price due to demand and supply equation under the WTO regulation for market. In this regard, diversification is proved to be a good shock absorber in the ups and downs of the market value of farm products which may ensure economic stability for the farming families (Singh *et al.*, 2009). Agriculture diversification is necessary due to some factors, which are stated below:

- To mitigate the adverse food situation.
- Ensure constant flow of income or stabilise income over seasons.
- Generate employment opportunities.
- Alleviate hunger, malnutrition and poverty.
- Mitigate ill effects of unusual weather.
- Increase the income of the small and marginal farmers.
- Shift consumption pattern.
- Improve food security.
- Nutrient recycling.
- Improve productivity of scarce resources.
- Promote export.
- Improve environmental sustainability.

Conclusion

The process of agricultural diversification is triggered by the availability of improved rural infrastructure, rapid technological advancements in agricultural production, and changing food demand patterns. Hence, this process of diversification towards high value crops is likely to accelerate agricultural growth and usher in a new era of rural entrepreneurship and generate employment opportunities. Diversification of agriculture being a strategy would open up opportunities, to a large extent, for value addition in agriculture and will also lead to better crop planning and improve the earning opportunities in the farm community. From this discussion it is clear that diversification means not only to produce more than one crop, but to involve the entire rural economy and broadening the income sources. Agro-climatic conditions, resource endowments and infrastructural facilities at the regional level within a country may affect the level of diversification. Many economists advocate agricultural diversification as a tool of risk management and a strategy that involves doing more than one activity at any given time, mitigating price risks and production risks of falling output.

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