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## EXPECTATIONS FROM AGRICULTURAL EXTENSION FOR DIVERSIFICATION OF RURAL ECONOMY

### SUMMARY

Rural development activities are focused on activities contributing to agricultural, economic, social and cultural development of rural areas. One of the main objectives of these activities is to improve potential sources of rural areas. Thus, diversifying economic activity is targeted to increase the level of welfare. Diversification of the rural economy by reducing farmers' dependence on agriculture is to create alternative employment and income opportunities. In this study, first definition of diversification of the rural economy was determined. Then alternative activities in rural areas were examined. After that, expectations for successful rural diversification were evaluated. And then contributions of agricultural extension for rural diversification were examined.

**Keywords:** rural diversification, agricultural extension, rural extension.

### INTRODUCTION

An economy may be subdivided in two sub-economies: rural and urban, on the basis of the size of the settlement and the type of economic activities undertaken by the inhabitants. Rural economy is defined by the predominance of agricultural activities. That is to say, agriculture and allied activities are the mainstay of the people living in rural areas. Apart from agriculture, in the rural economy manufacturing and services are also prevalent to some extent (Pal and Biswas, 2014). Agriculture has during the 20th century been losing its economic importance in Europe and rural areas have long been characterised by depopulation. All over Europe farming steadily employs less people and most rural areas are suffering from lack of employment and population decrease. The ageing of the population that is a worrying issue in most countries is often particularly observed in rural areas (Herslund, 2007). Thus rural diversification is important for farmers and sustainability of rural life.

There is no single definition of rural diversification (Herslund, 2007):

- Rural diversification can be defined as economic development of non-agricultural activities or a livelihood which has multiple, part-time components (Start, 2014).

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- Diversification can be defined as "enterprise utilization of farm resources in non-agricultural purposes with commercial goal" (Dekic and Jovanovic, 2009).

- "Any activity, excluding mainstream agriculture and external employment by members of the farm family, which makes use of farm assets to generate additional income" (DEFRA, 2007).

Diversification of economic activities enables addressing numerous issues in rural areas. Therefore, the following advantages are gained by means of diversification:

- It enables the employment of unemployed workforce in rural areas. This mostly refers to female population that can find jobs in some non-agricultural activities.

- By supplementing basic source of income with the additional one, one reduces the risk of exclusive dependence on agricultural incomes.

- By diversifying activities, one creates conditions to better utilize comparative advantages of the rural area.

- Important contribution of diversification of activities is stimulation of overall economic growth in rural areas, as well as improvement in the quality of living, and quality of products and services in rural areas (Dekic and Jovanovic, 2009).

## MATERIAL AND METHODS

In the literature there has been a wide range of different systems in classifying sources of income (Schwarze and Zeller, 2005). Figure 1 provides a framework that considers the issue of farm household diversification by differentiating between activities in terms of resources (factors of production), location (on-farm or off-farm) and output (agricultural or non-agricultural) (OECD, 2009).

Table 1: Different concepts about rural diversification

Concept	References
Rural diversification	Herslund, 2007; Turnock, 1999; Njegac and Toskic, 1999
Non-farm income diversification	Barrett et al., 2001; Escobal, 2001; Malek and Usami, 2009
Income diversification	Schwarze and Zeller, 2005; Ahmed, 2012; Abdulai and CroleRees, 2001; Teshome and Edriss, 2013; Girish, 2013
Off-farm income diversification	Babatunde and Qaim, 2009; Tasie et al., 2012
Diversification of rural economy	Shtaltovna, 2007; Girish, 2014; Orboi, 2012
Farm household diversification	Donosa and Donosa, 2011; OECD, 2009
Rural non-farm economy	Davis, 2003; Coppard, 2001; van den Berg and Kumbi, 2006
Livelihood diversification	Adepoju and Obayelu, 2013; Ellis, 1999; Ellis and Allison, 2004

		FACTORS OF PRODUCTION		
		LAND	LABOUR	CAPITAL
L O C A T I O N	On-Farm	Within agriculture, including specialty crops, organic and biomass production	Agriculture-related, e.g. direct sales and contracting (fencing, crop harvesting, etc.)	Agriculture-related, e.g. processing of farm products including cheese,
		Other, e.g. forestry, wind-turbine, recreation, and aquaculture	Other, e.g. handicraft, farm tourism, contracting (snow clearing, etc.),	Other, e.g. biomass energy generation, wood processing
	Off-Farm	Agriculture, e.g. land rented to other farmers for agricultural	Agriculture-related, e.g. employment on another farm	Agriculture, e.g. purchase of additional farmland
		Other, e.g. land rented to others for forestry, wind turbine	Other, e.g. school teacher, nurse, government official	Other, e.g. investment income, pensions

Figure 1: A framework for classifying farm household income diversification activities.  
Source: OECD, 2009.

Two models of diversification of business activities in rural economy are widely accepted in literature:

1) Demand-pull. This model is characteristic for rural areas with higher development and where local population uses new development chances and opportunities.

2) Distress-push. Diversification of business activities in the framework of this model is done in relatively poor rural areas when local population is forced to find employment outside of farms (Dekic and Jovanovic, 2009).

## RESULTS AND DISCUSSION

### *Expectations for Successful Rural Diversification*

Many factors influence the diversification of farm households into non-agricultural activities, including government intervention. If governments want to foster diversification, they would need to make sure that policies in place, whether sectoral or broad, do not put unintended obstacles in the way of such diversification. Providing the services needed to foster business in rural areas, such as telephone and internet coverage, training and information, will also help to create an environment conducive to diversification (OECD, 2009).

Successful diversification of rural livelihoods requires investment in human capital. This includes encouraging entrepreneurship, especially among women and young people, and building the capacity of individual enterprises through training programmes (ILO, 2008).

Promoting a stronger non-farm economy needs to be many-sided. Policies must include investments in infrastructure and old production facilities but must also help people obtain new skills and contacts outside the area. In order to encourage diversification, policies and programmes must work to extend the “action space” for exploiting new opportunities. Support for on-farm activities needs to be accompanied by education and mobilisation of local people (Herslund, 2007).

Key barriers to farm diversification include validity of market research, capacity to develop a considered business case, quality of business skills and training. Generally, availability of appropriately skilled personnel, and regulatory controls (including but not limited to planning), lack of access to broadband and lack of specialist business advice. Access to finance was also identified as a potential barrier (DEFRA, 2007).

### ***Agricultural Extension for Rural Diversification***

Extension, in general terms, is a function that can be applied to various areas of society (Rivera et al., 2001). Agricultural extension services transfer agricultural knowledge, encourage the adoption of new farming technologies and communicate the results of research and experiments to researchers and farmers. This service has been defined as a system of non-formal education for adults in rural areas which is based on relevant content derived from agricultural, social and communication research synthesised into a body of concepts, principles and operational procedures (Hendriks and Green, 1999).

Agricultural extension encompasses:

- individual and group counselling/training for farmers to spread new techniques and inputs or ensure more effective use of existing ones
- assistance to farmers in the adaptation of research results to local conditions (including physical, social, and economic characteristics of the area)
- applied research for the development of better farming techniques (including tests of new methods and inputs in actual farmer fields), and
- gathering information on farmers' problems, successful and unsuccessful farming practices, and the results of the use of new techniques (Berger et al., 1984). When agricultural extension is combined with rural extension goals, the extension function ranges even more widely in its purpose (Rivera et al., 2001). There are various kinds of rural extension topics. Rural extension provides farmers plenty services from investment decisions for non-agricultural areas to farmers' health. In a sense, rural extension service is not an institution which only provides information about agriculture; it is an institution helping farmers about the issues related with each person living in rural areas. When viewed from this aspect, rural extension services have considerable importance in terms of development of non-agricultural activities in rural areas.

- First, awareness-raising studies about non-agricultural activities should be presented to people living in rural areas, and they must be encouraged about non-agricultural activities.

- Farmers must be informed about the types of non-agricultural activities and potential of the region.

- General business administration programs must be organized for the farmers.
- Entrepreneurship and rural entrepreneurship programs must be held.
- Extension programs must be prepared in order to increase problem-solving skills of farmers.
- Farmers should attend to leadership programs.
- Farmers should be informed about the alternative non-agricultural activities which are proper to the region.
- Marketing extension programs for regional handmade products should be applied.
- Extension programs for rural tourism should be applied.
- Home economics extension programs for the women must be done.
- Special trainings and educational programs for the rural youth should be held to provide continuity of the regional products.
- Young people of rural areas should be supported to stay at rural areas and continue non-agricultural activities here instead of immigrating to the urban areas.

### CONCLUSIONS

Proper conditions are needed for the farmers to conduct non-agricultural activities at rural areas. First, farmers who invest in non-agricultural fields in rural areas should be financially encouraged. Farmers should have sufficient funds. They should also have business administration and entrepreneurship knowledge. Beside, farmers should have foresight. Extension services can provide significant services at this step. Extension services help farmers about the investment alternatives. They can offer farmers consulting services about business administration and entrepreneurship.

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