

DETERMINANTS OF FARM HOUSEHOLD DIVERSIFICATION

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Abstract

A characteristic of farm households that participate in non-agricultural activities, whether on- or off-farm, is their heterogeneity. Thus any analysis of the factors enhancing/limiting diversification has to take into account both the farmer who has chosen alternative ways of using the available resources, the household where the next generation chooses to follow a career outside farming (whether for reasons of lack of opportunity in the family farm business, as a transitional option as part of a strategy for intergenerational transfer, or for other motives of a social or economic nature), and the businessman or wealthy individual who has bought a farm for financial or environmental or social reasons. While the main policy interest is in those families already in agriculture that use diversification as a reaction to the longer-term trends to which agriculture is exposed and to economic shocks, in particular those resulting from policy reform, the presence of other forms of diversified households should not be forgotten. The literature on agricultural adjustment suggests that at the farm household level the main factors affecting change and adaptation, of which diversification forms a part, are as follows: human capital characteristics, the nature of the farm and farm business, the external environment. These three general headings are used to discuss the evidence regarding the factors explaining farm household diversification patterns. It should be noted that not all the factors listed under the three headings were found in the reviews nor did all the reviews necessarily distinguish or prioritize the most important factors.

Key words: rural economy, farm household, diversification

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