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Perspective

Agriculture and Economic Development

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PERSPECTIVE

Agricultural economics is the study of how farming allocates, distributes, and uses the resources it uses as well as the commodities it produces. A constant level of farm surplus is one of the wellsprings of technical and commercial expansion; hence agricultural economics plays a role in development economics. In general, average salaries are low when a major portion of a country's population relies on agriculture for their living. That does not imply that a country is poor because the majority of its people work in agriculture; rather, it is more accurate to state that a country is impoverished because the majority of its people must rely on agriculture for a living.

Agriculture's relative importance decreases as a country's economy develops. The major cause for this was established by German statistician Ernst Engel in the nineteenth century, who discovered that as earnings rise, the proportion of income spent on food decreases. For example, if a family's income increased by 100%, the amount they spent on food would likely increase by 60%. If food costs had previously accounted for 50% of the budget, they would now account for only 40% of the budget following the increase. As a result, a smaller proportion of society's total resources are required to produce the amount of food desired by the people as earnings rise.

That fact would have astonished most economists in the early nineteenth century, who anticipated that the continent's ability to feed its rising population would be constrained by the limited quantity of land in inhabited areas. Their concern was based on the so-called rule of diminishing returns, which states that increasing the amount of labour and capital applied to a constant piece of land results in a less-than-proportional rise in food output under certain conditions. That idea is sound, but the classical economists underestimated the extent to which the status of the arts and production methods would change. Some of the changes took place in agriculture, while others occurred in other areas of the economy but had a significant impact on food supply.

Looking back at the history of the more developed countries, it is clear that agriculture has played a significant role in their development. For starters, if development is to take place, agriculture must be able to generate enough food to support the rising non-agricultural labour force. Food is more important for survival than the services provided by merchants, bankers, or industries, therefore an economy cannot transition to these activities unless food is available for barter or sale in sufficient numbers to sustain individuals who engage in them.

A country does not generally grow industrially until its farm areas can supply its towns with food in exchange for the goods of their factories, unless food can be obtained through international trade. A expanding labour force is also required for economic progress. The majority of the employees required in an agricultural country must come from the rural population. As a result, agriculture must not only provide a surplus of food for cities, but also be able to produce the higher amount of food with a reduced labour force. It might do it by replacing human power with animal power or gradually introducing labour-saving equipment.

Agriculture, to the extent that it generates a surplus that can be converted into finances to buy industrial equipment, create roads, and provide public services, can also be a source of capital for industrial development. For these reasons, a country wishing to improve its economy could do well to give agriculture a high priority. Agriculture may be made far more productive with the correct investment in irrigation systems, research, fertilisers, pesticides, and herbicides, as demonstrated in emerging countries.

Many breakthroughs in applied science, however, do not necessitate large sums of money, though it may be necessary to expand marketing and transportation systems to ensure that farm produce reaches the entire population. One problem with prioritising agriculture is that much of the rise in farm output and income increases are concentrated in a few locations rather than spreading across the country. Farmers who remain are unable to produce more and, as a result, are at a disadvantage when agricultural prices fall. There is no simple solution to this problem, but developing countries must be conscious of it; economic progress is inextricably linked to lingering backwardness, as it has been in the past.

As the economy develops, a considerable section of the farm labour population will be forced to move away from agriculture and into other occupations. Of course, as agriculture gets more mechanised, a tremendous rise in output per worker allows for this fundamental shift in the labour force. Several factors have contributed to the growth in output. Because more fertiliser and machinery may be used per worker when land is plentiful, output per worker is likely to be higher.

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