

Review Article

Different Ways of Financing Agriculture Extension

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Abstract

Recently a variety of ways to finance extension has emerged mainly as a result of the tendency to privatize government services and the increasing role, commercial companies play in agricultural research and extension. In many countries the extension service is either provided or funded by the Ministry of Agriculture. The government-funded extension is likely to focus its activities on public good activities which the market place is unlikely to provide. Decisions on the privatization of agricultural extension are often based on very limited knowledge about the consequences of such a change. There is more experience of privatization in industrial countries than in developing countries. But of course, Extension administrators may have to consider whether the recommendations of a consultant from an industrial country are really valid in their situation.

Introduction

In most countries agricultural extension has long been provided by a government service paid for by taxpayers. More recently a variety of ways to finance extension has emerged mainly as a result of the tendency to privatize government services and the increasing role commercial companies play in agricultural research and extension. This raises the question: What are the implications of the ways in which agricultural extension organizations are financed regarding the service that is provided to farmers? This paper addresses this question by focusing on the principles underlying decisions relating to optimal funding sources for extension. Since very little research has been carried out on this

question and whatever little available has turned out to be scanty. This paper presents a conceptual framework that can be used in analyzing these implications and to show that decisions regarding how extension is financed have important implications for farmers and for the development of national agriculture.

Factors influenced by the ways in which an extension organization is financed

Box given below lists the major ways in which extension organizations can be financed. The mechanisms through which an extension organization is financed can affect the decisions

made by the extension organization relating to:

- Goals;
- Target groups;
- Extension methods used;
- Extension messages;
- Internal organization;
- Cooperation with other organizations promoting agricultural development.

Decisions that are made regarding these issues carry with them a number of implications for the ways

in which extension supports farmers. Economists make a distinction between public and private goods. Everybody can benefit from the public goods, i.e. it is not exclusively or excludibly available to those who have paid for it and for public goods it is still possible for others to use the goods after it has been used by someone – this is usually the case with information. In contrast, only one person or organization benefits from a private good. Extension is usually somewhere in between a public and a private goods, but how close it is to either depends on the situation (Beynon et al., 1998).

Extension organizations can be financed by:

1. A government service paid by tax payers;
2. A government service paid by a levy on certain agricultural products;
3. A commercial company selling inputs to farmers and/or buying their products, which in relationship with its customers also uses extension;
4. A farmers' association which pays extension from its membership fees;
5. A farmers' association which is subsidized by the government;
6. A non-governmental organization (NGO) which is financed by donations from inside or outside the country and/or by commercial companies for public relations purposes;
7. An NGO which is financed by subsidies from or contracts with the government;
8. A consulting firm which charges a fee from the farmers, who are its customers;
9. A publishing firm which sells agricultural journals or other publications to farmers;
10. Different combinations of the above. For example, it is possible for a government to pay the salaries of extension agents, whilst most of the operational expenses are covered by a farmers' association, or for a commercially-oriented cooperative or input-supply company to send a farm journal to its members/customers.

What kind of farmer decision-making is the extension organization trying to influence? This might include:

- Adoption of technologies;
- Management of technologies;
- Optimal use of resources by a farmer;
- Change in farming systems;
- Changes in the supply of inputs/credit and the marketing of products;
- Transfer of the farm to the next generation;
- Changing from farming to another occupation;
- Collective decision-making on resource use and on the way farmers try to influence government policies (van den Ban, 1998).

In several developing countries, e.g. India, extension mainly places attention on the adoption of innovations, while in many former communist countries most attention is on investment and marketing decisions. Farmers all over the world may need support with the whole range of decisions. Is decision-making within the extension program centralized or decentralized? To whom are extension agents accountable? (Edwards and Hulme, 1996) These factors are inter-related; for instance information on a decision to adopt a technology is less excludable than information on the transfer of the farm to the next generation.

Why do different actors finance agricultural extension?

Actors who finance an agricultural extension

organization do so because they see it as a method to reach their own goals. Since the goals of different actors in an agricultural knowledge and information system (AKIS) are different, so are their reasons for investing in extension.

Government

The government will finance agricultural extension in the four cases and the same is mentioned below.

Situations in which a government should invest in agricultural extension:

- i. When the general public benefits more from extension than the individual participants;
- ii. For a type of extension which can be done better or cheaper by the government than by others;
- iii. When government agricultural development programs can be made more effective if they are combined with extension;
- iv. When necessary public benefits are not sufficiently provided by private enterprise.

Commercial companies

Commercial companies, including farmers' cooperatives, try to make a profit through trade. They will invest in extension only if they are convinced that this will promote their trade. It is usually in the interests of both the company and their customers that their products are used well. In the long term, a cooperative or commercial company will only make a profit if it is able to respond to the needs of the market. This may make it necessary to teach farmers how to produce the products for which there is a market demand. In order to be able to guarantee the quality of such produce, the marketing company aims to control the whole chain from the producer to consumer, because at each link in this chain something might happen which reduces the quality of the product.

In commercially-oriented agricultural production it is in the interests of both banks and some commercial companies that farmers are successful. The probability that a farmer is able to repay a loan from a bank depends on whether or not the loan has been invested for a good return without too much risk. It can also be in the interest of input supply companies for their customers to earn well.

Farmers' associations

Large and influential farmers' associations perform two main roles: (i) they try to influence

collective decisions by the government and others in such a way that the interests of their members are taken into account; and (ii) they support their members in fields for which they have specialized knowledge.

Farmers' associations cannot only play a useful role by employing extension agents but also by putting pressure on research and extension organizations to work in a more demand-driven and client-oriented way (Collion and Rondot, 1998). However, one difficulty might be that the farmers representing the association are themselves relatively well educated and resource rich and may not fully understand the problems of resource-poor farmers with a low level of education.

Consultancy and accounting firms

Consultants who advise farmers for a fee have existed in many countries for a long time including India. They have been able to compete with the free advice given by government extension services because they visited their customers more frequently, providing services which an educational agency could not provide and they had more specialized knowledge of specific farming systems. This last point has become more important with the increasing specialization among farmers; to some extent private veterinarians have also been working in this way.

With the privatization of government extension organizations the market for consultancy services has increased rapidly. In several countries the government extension organization has been transformed into a commercial consultancy firm and the transformation required a change in attitudes of the staff members. Consultancy firms do business in the field of agriculture because they see a possibility to make a profit by advising farmers on particular issues. Farmers are most willing to pay for a tailor-made service, e.g. to help them to make decisions regarding investments and other issues for which they have limited experience. Large farmers are better able to pay the necessary consultancy fee than small farmers. Consultancy firms may also enter areas related to agriculture, particularly if they see possibilities.

Non-governmental organizations

It is difficult to generalize about NGOs because they display a wide range of variation in their aims and motivations.

- An NGO can be a religious related organization, which aims to improve the welfare of poor

people.

- An NGO can also be a group of entrepreneurs who earn their living by distributing grants from the government or from foreign donors to poor people.
- Another NGO might consist of a group of individuals who for political reasons want to increase the power of low status people.

There are many a reasons why extension services might be provided through NGOs and not through government, is to avoid working through an inefficient government bureaucracy. Compared to government extension agents, NGO staffs are also often better trained to support group formation among farmers. These groups can play an important role in agricultural development. On the other hand, staff members of several NGOs lack the technical competence needed to advise farmers on how they can increase their productivity. Thus, a collective effort will bring an overall development among the farmers.

Some implications of the way agricultural extension is financed

There has been little research into the implications of the way extension is financed for the way extension is given or for the way the extension organizations operate.

Flow of knowledge

The main feature of successful government agricultural extension organizations is the free flow of knowledge between researchers in different disciplines, extension agents and farmers. This made it possible to develop solutions for farmers' problems by integrating knowledge from different sources. Although the extension organization usually lacked the staff to contact more than half of the farmers on a regular basis, local opinion leaders were often able to influence other farmers by way of example and through discussions with colleagues. Farmers who have paid for information and advice are less inclined to share this knowledge freely with their colleagues. This 'commoditization' of knowledge may also reduce the consultants' access to farmers' experience and the freedom to use this information to help other farmers.

Knowledge management

The system of research-extension linkage is an important factor influencing the success of an extension organization. In several government

extension organizations there is a well established system of subject-matter specialists who keep field workers informed about relevant new developments in research and inform researchers about the problems and experiences of farmers. It can be difficult to organize this linkage in a consulting firm. Competition may make it difficult to bring consultants from different firms together. An advantage of extension by commercial companies is that they are able to realize an integration of communication of new knowledge, input supply, marketing and credit supply.

Goals and accountability

The goals an extension organization tries to achieve are related to whom the staff of the organization feel accountable. In a government organization, the feel of accountability varies based on the rankings of the officials. Alternatively, an extension agent may feel accountable to their farmers since it is the farmers who influence their status in the community. In many developing countries extension staff tends not to feel accountable to farmers since farmers often have a low status in society. An important reason for governments to privatize their agricultural extension service has been that they have felt that they lack the budget to finance a large agricultural extension service. Therefore they have delegated this responsibility to organizations which raise their own budgets. Everyone occasionally makes mistakes, and the same is true of extension agents. If a farmer follows incorrect advice from an extension agent, he or she may lose a lot of money. Is the extension organization liable for these consequences or do the farmers have to pay for this loss?

Extension methods and approaches

Many extension scientists are now convinced that it is no longer desirable to use a transfer of technology approach in which the extension administrators decide on the targets to be realized by the field-level extension agents. A more participatory approach is instead preferred, in which farmers decide which changes are desirable and what kinds of support are needed from extension to realize these changes (Roling and de Jong, 1999; Haug, 1999). A participatory approach requires that the extension organization becomes a learning organization with the ability to discover which changes are desirable in each specific situation. It is easier to adopt a participatory approach or a farmer-led extension system within an NGO or a farmers' association than

in a government extension organization.

One problem with a participatory approach can be that some farmers expect their extension agent to provide services for them (i.e. how to solve a problem), whereas the extension agent sees himself as an adult educator, whose role is to encourage farmers to develop solutions for themselves. For a consultant who needs the fees from his customers to earn a living, it can be more difficult to realize this educational role than for a government extension officer, who will not be financially penalized if he refuses to perform a service role. A farmer can put pressure on the extension agent of a commercial company to provide free services by threatening not to buy the company's products any longer.

Target groups

Many of the poorest people in the world are small farmers with a low level of productivity. Although agricultural research and extension ought to be able to offer opportunities to increase their productivity and hence their income, these poor farmers do not constitute an attractive target group. The target group with which an extension organization works depends partly on decisions made by the organization but also on decisions made by farmers. It is evident that extension from a consultancy is mainly useful in helping a farmer to solve a specific problem rather than a problem which is faced by many farmers.

Management of the extension organization

In commercial companies and in consulting firms profit is an important criterion for management decisions. Staff members are not paid according to their age or level of education, as was often the case in government organizations, but according to the contribution they make to realize this profit. It has also been suggested that the cost of extension might be reduced by replacing personal contact between farmers and extension agents by mass media or by information and communication technology (van den Ban and Hawkins, 1996).

Conclusions

In many countries the extension service is either provided or funded by the Ministry of Agriculture. Other organizations such as commercial companies or NGOs may be involved both in providing and funding extension services and farmers themselves

may also help to finance these services. Although it is hard to defend public funding of agricultural extension if the benefit is only for the farmers who use this service, there are many situations where the public at large also profits from the extension services, e.g. by lower prices for their food or a reduction in environmental problems brought about by a change in production.

The government-funded extension is likely to focus its activities on public good activities which the market place is unlikely to provide. Such activities include 'broad' rather than 'specific' technology transfer, dissemination of environmental and resource technology, and human resource development. Decisions on the privatization of agricultural extension are often based on very limited knowledge about the consequences of such a change. There is more experience of privatization in industrial countries than in developing countries. Extension administrators in developing countries should make use of this experience in their decisions. But of course, they may also have to consider whether the recommendations of a consultant from an industrial country are really valid in their situation.

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