

**FROM AGRICULTURAL EXTENSION SERVICE
TO ADVISORY GROUP :**

**LESSONS TO BE LEARNED FROM THE
PRIVATISATION OF EXTENSION IN THE
NETHERLANDS**

1. Starting point

DLV, the Dutch Extension Service

- Founded 100 years ago
- Part of a formal, government managed agricultural knowledge system involving research, extension and education

Situation in late 19th and early 20th century:

- Small, technologically backward farms
- Low productivity and competitiveness

Two possible strategies:

- Protection of agricultural sector: tariffs, subsidies, etc.
- Development of agricultural sector through research, extension and training

DLV in the late 20th century:

- Double function: advice to farmers and implementation of government policy
- Conflicting roles, due to growing conflict between farmer's objectives and government objectives:

Government	Farmers
Limit production (to decrease surpluses and cost of subsidies)	Increase production (to maximise incomes)
Investment in environmental measures	Minimise non-productive investments / costs

2. Main factors leading to privatisation:

- global trend toward privatisation
- low impact of extension programs (due to policy goals being given priority over farmers goals)
- high costs for government and hence, tax payers
- poor motivation of staff due to conflicting roles and lack of financial incentives
- consequently, lack of job satisfaction

Plan for privatisation: gradual transition
from public/non-profit to private/commercial

Ten years (1992 – 2002) to arrive at:

- 20% contribution through direct payment for advice
- 30% contribution through levies farmer organisations
- 50% contribution in the form of government subsidy

What happened:

- no 30% contribution of farmer organisations
- by 1996, 60% of turn-over directly financed by farmers through payment for farm advice; in 1999 80%
- contribution of government decreased rapidly to 15% in 1999
- since 1995 no lump-sum subsidies: government only pays for execution of specified projects / programs

Shift from free to paid extension: gradual

Strategy: growing range of products offered for full price:

- Farm-business plans for farm development (future)
- Farm-business analyses, leading to recommendations for improvements in present situation
- Livestock: construction plans and supervision
- Glasshouse agriculture: crop protection
- General advice / supervision contracts (i.e., three to five visits during crop season, or six to eight per year)

Ministry of Agriculture also becomes a client:

Product development and sale aimed at MoA's needs, such as environment–farm analysis (partly paid by farmer)

Overall: standardization and specialisation as result of product approach. More profitable, therefore pressure to specialize. However, for getting new clients:

- general advice / supervision is important starting point: generalists call in specialised advice
- reduction of number of generalists makes acquisition more difficult

The situation of DLV 8 years after initiating privatisation:

- Annual turn-over of over \$ 40.000.000
- Increased specialisation: multi-sectoral regional units first replaced by sector teams of specialists, then by business units / product groups
- Internationalisation: globally active
- Creation of new companies for expansion in fields related to agriculture (construction, real estate, meteo, food quality systems, countryside)
- DLV's scope is broadening in terms of: clients, activities and expertise
- Services for total agribusiness (suppliers, producers, wholesalers, processors and retailers)
- Government has become a client

Present structure of DLV :

- Shareholders
- (Non-executive) Board
- Chief Executive Officer
- Supporting units (Public accounts, Personnel, Planning and Control, Financial Administration)
- Business units
- Subsidiaries
- Participations / joint ventures

Business units:

- Plant production (Glasshouse Vegetables, Cut flowers, Decorative plants, Mushrooms, Strawberries, Fruits, Trees, Bulbs, Mechanisation, Biological Agriculture, Crop protection, Arable agriculture and vegetables)
- Animal production (Cattle, Pigs, Poultry)
- Chain management (Vegetables and fruits – fresh, Vegetables and fruits – processing, Flowers and plants, Meat / Fish / Eggs, Dairy)
- Construction, technology and environment (Energy, Construction)
- Countryside (regional planning, nature, recreation, soil and water)

Companies and interests - selection:

- DLV Agriconsult - international
- International Dairy Consultants
- DLV Meteo
- DLV Construction Advice (Netherlands, Germany, Belgium))
- DLV P and O
- DLV Real Estate
- Foundation for Innovation
- Etc.

4. Types of advice

- Advice dealing with clients' needs in day-to-day operation
- Increase in economic advice, tactical and strategic planning
- Increase in individual contact: one-on-one advice
- Advice more oriented towards complete production chain
- Advice more market-oriented: adaptation to increasing influence of retailers

Types of advice (continued)

- Advice in other sectors than primary agricultural production:
 - Economic / financial
 - Construction
 - Nature management
 - Recreation
 - Accessing subsidies
 - Meteo
 - Real estate
- Technical advice increasingly specialised

5. Positive results of privatisation for clients:

Increased satisfaction on the part of farmers for the delivered services, due to:

- Strong orientation on the farmer: needs-driven advice
- Increased quality of advice through specialisation
- Increased range of advice through expansion into new areas
- Tailor-made advice, adapted to the individual farm: individual contacts account for 50% of all business

6. Positive results – institutional

- Individual and group performance is monitored in terms of quality, turn-over, loss and acquisition of clients, and client satisfaction
- Increased accountability of farm advisors towards farmers as well as the organisation
- Consequently, staff orientation towards quality, efficiency and effectiveness increased
- Salaries and job satisfaction are higher, bonuses are given
- The government (MoA) has become a client
- Reduction in overhead costs of up to 50%

7. Difficulties / problems

- Government's financial promises not kept (consequence of successful operation)
- Implementation of change has at times been painful: part of the original staff has been replaced
- Increased competition and less co-operation with other actors in agricultural knowledge system
- Independent position sometimes causes tensions with departments in MoA
- Limited profitability of advisory services for primary production

8. Lessons to be learned:

- Farmers are willing to pay for advice if they see added value
- Privatisation implies a change in culture:
 - client orientation
 - accountability
 - efficiency
 - commercial thinking

Lessons to be learned – continued

- Privatisation should be gradual: the organisation should be given time for transformation
- Clients should also be given the time to get used to payment for services: start with low, highly subsidised fees, gradually raise fees / reduce subsidies
- Flexibility in culture and structure is required to adapt to changing circumstances
- Clear contract terms should be established between government and privatising organisation
- Individuals should be allowed room for initiative and action
- Performance monitoring is important to ensure quality and efficiency
- Need to grow and expand: new advisory and other products

9. Relevant lessons for poorer countries and extension for small and medium farmers

Main problems in government extension:

Ineffectiveness and inefficiency

Due to:

- Lack of client orientation
- Lack of accountability

To improve performance, creating accountability towards farmers as well as organisation is a key factor

Greater accountability towards farmers can be created through farmers paying for services

Resource-poor farmers:

- Payment can remain limited to a contribution to operational costs
- Group approaches can reduce costs for individual farmer further

Organisational change:

Management must facilitate through:

- Management by objectives
- Promoting changes in attitude
- Introducing performance monitoring
- Providing incentives
- Providing training
- Fostering product development: knowledge and skills

Training of extension staff in:

- Client orientation
- Market orientation
- Communication - empathy
- Analytical and problem-solving skills
- Salesmanship
- Technical skills

10. Support from DLV Agriconsult

Provides management advice and training for restructuring and reorienting extension, so as to increase:

- Client-orientation
- Market orientation
- Accountability
- Effectiveness
- Efficiency

Also, advice is given on:

- Design and introduction of cost recovery mechanisms
- Partial or total privatisation

Advice and training are adapted to:

- Institutional conditions
- Type(s) of clientele: types of farmers
- Agro-ecological / geographical setting