

# Latin America – Public Agricultural Advisory Services

**A Quest for Relevance**

**Matthew A. McMahon**

# Outline of Presentation

- Context
- Historical Summary of Agricultural Advisory Services
- Reforms – the past twenty years
- Building on the reforms
- Looking towards the future – an unfinished agenda

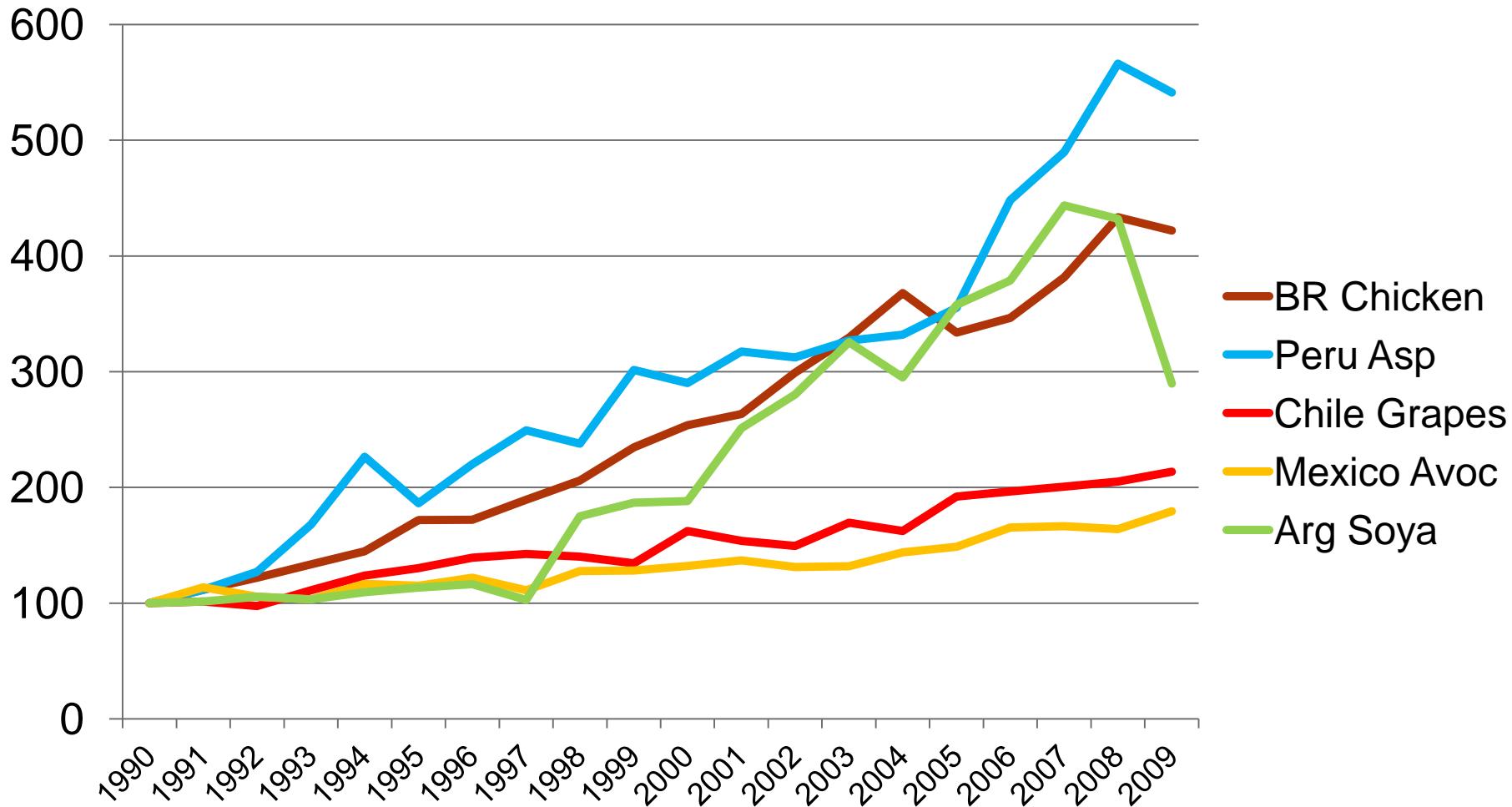
# Context – increasing diversity

- Many success stories in agriculture – technology spill-ins
- Increasing openness to trade
- Increasing differentiation in investment levels in R&D
- Increasing differentiation of producers
- TFP - steady

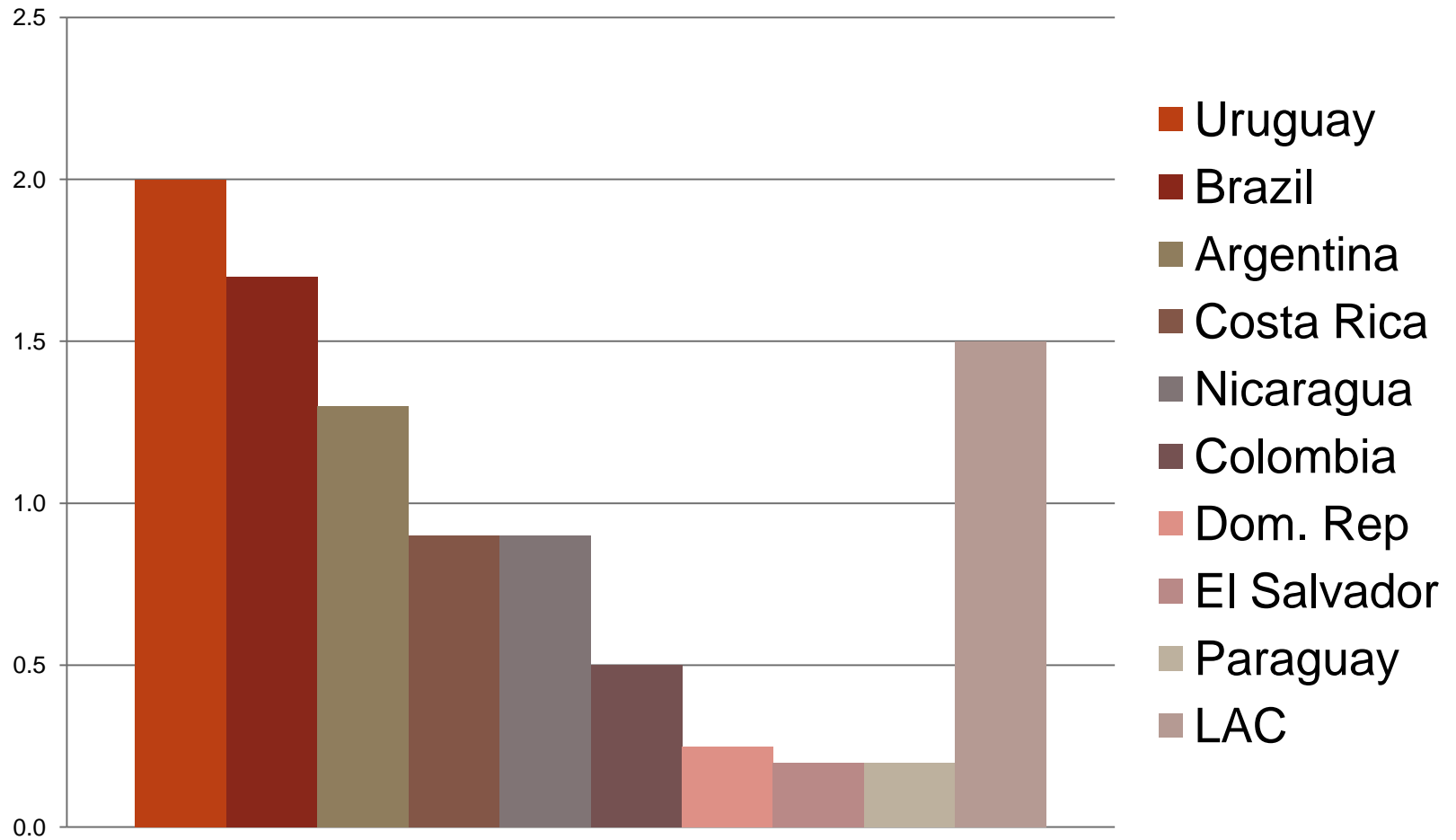
# Success stories

- Mostly export commodities
  - Soybeans in Southern Cone Countries
  - Fruit and Wine in Chile
  - Cut flowers – Colombia, Ecuador
  - Fruit and Vegetables – Mexico, Peru
  - Chicken Production – across the continent
- Large role of spill-ins
- Important private sector participation in adaptation
- Strategic role of public sector in some cases

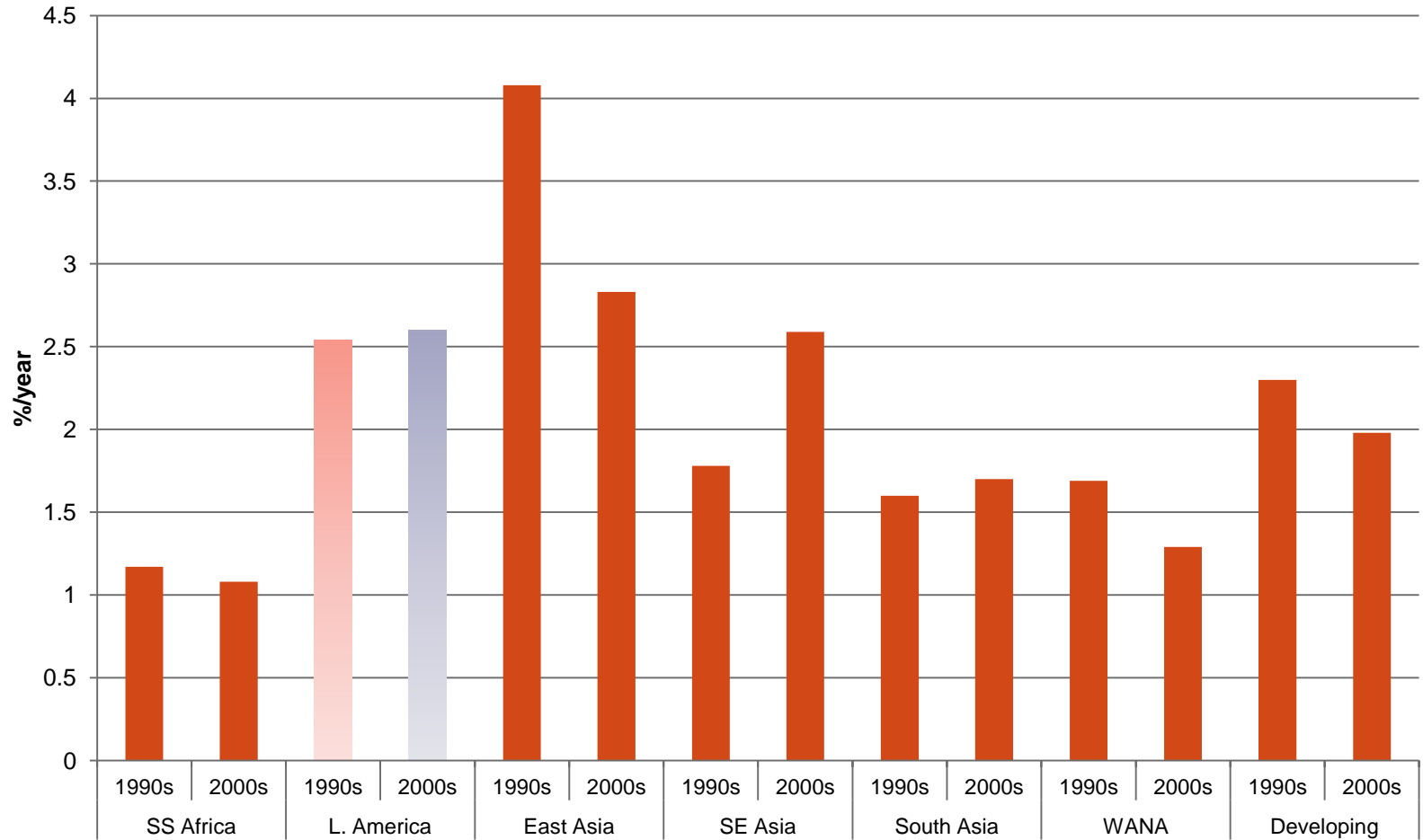
# Trade Driven Production Increases 1990-09



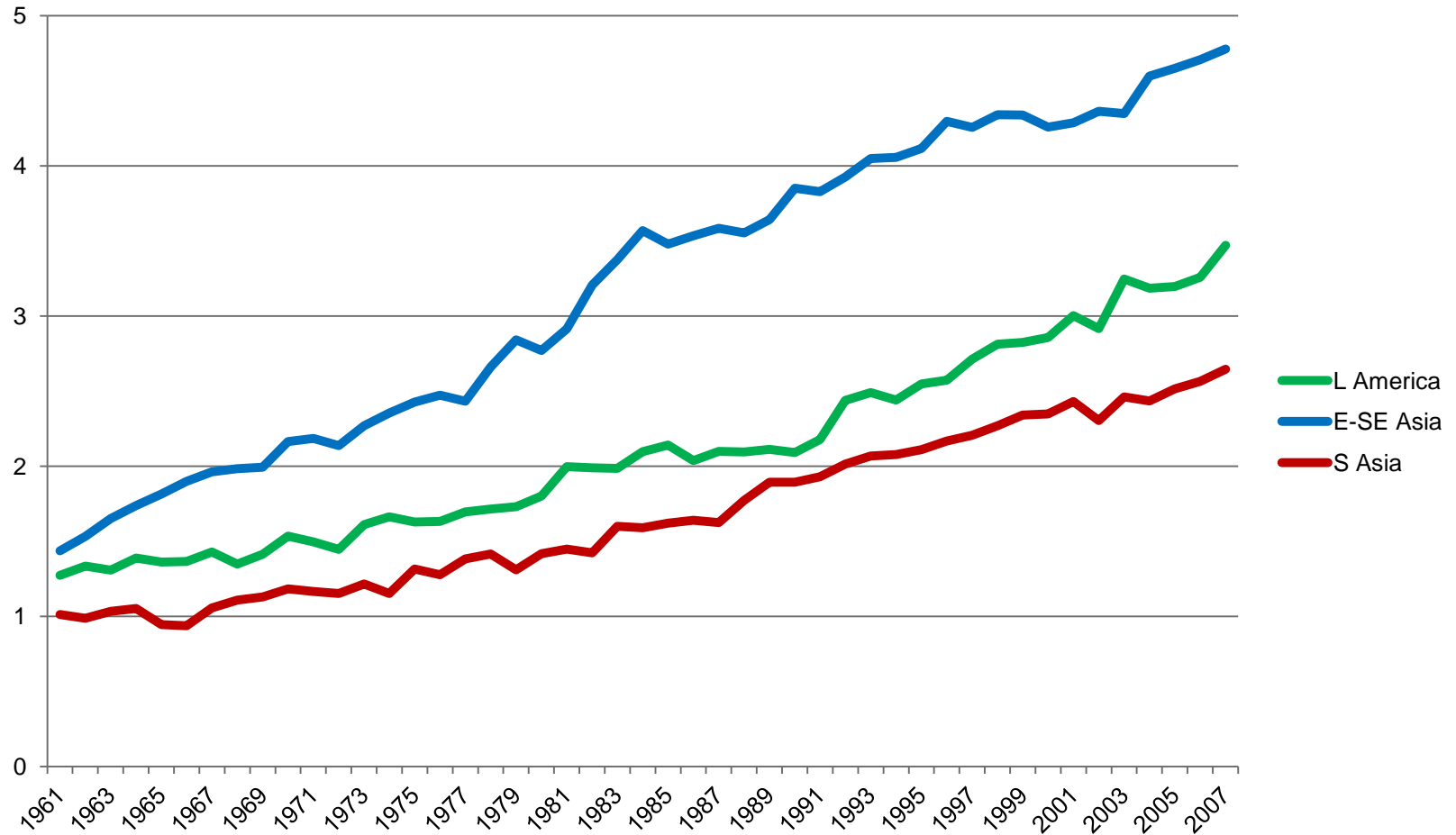
# R&D Intensity - %AgGDP



# Total Factor Productivity - Steady



# Cereal Yields (mt/ha) 1961-2007





# Increasing Differentiation of Producers

- Agriculture is divided into:
  - a capital intensive commercial sector,
  - a smallholder sector with ties to the market especially the internal market, and
  - a subsistence sector that produces for household consumption and relies on outside activities for a large part of its income.
- In the case of Mexico these sub-sectors are estimated to make up 15%, 35% and 50% respectively
- In terms of production these figures would be reversed.
- Each of these sub-sectors has different information and technology as well as social and economic needs.

# Agricultural Advisory Services - Historical Perspective

- Early 1900s – demonstration farms
- Point 4 Programs – 1949 – emphasis on spill-in of technology
  - Limited results – need for local knowledge – soils, climate etc.
- Establishment of public research institutes – emphasis on basic staples, natural resources
- National extension services – technology driven, top down approach

# Reforms of the 1990s

- Nearly every country in the continent embarked on institutional reform in the ag. sector
- Bold reforms for agricultural extension; agenda consisted of:
  - Disbandment of national extension systems i.e. Mexico, Brazil, Chile et al.
  - Enhanced client participation
  - Decentralization
  - Outsourcing
  - Cofinancing

# Context of the Reforms

- Debt crisis of the 1980s
- Structural adjustment – cutting government expenditures
- Reorganization of extension agencies from within – unsuccessful
- Realistic option was to consider new modes of operation

# Examples of Reforms - Mexico

- Disbandment of national extension service – 25,000 employees
- Incentives for the creation of a market for private extension (outsourcing)
- This is paid for through public assistance programs for farmers – TA an integral part of subsidy programs
- 8000 private contractors (2010)

# Examples of Reform - Venezuela

- Decentralized to municipal level – 135 municipalities out of 180
- Governed by Civil Associations for Extension – beneficiaries, municipality state
- Executed by private agents
- Cofinancing – federal-state-municipality-beneficiary – still 85% federal
- CAEs important local forum

# Examples of Reforms - Chile

- Chile was one of the first countries to introduce public funding and private delivery of agricultural technical assistance, a major institutional development.
- Part of a broader support program oriented exclusively to enhancing the productivity of small, family farms – includes lending
- Definition of small farm families has remained unchanged over the decades – 12 has. *riego basico*
- Extension privatized with voucher system – graduation - many adjustments over time – maintained support

# Examples of Reform - Colombia

- Decentralization – responsibility delegated to the municipality
- Executed by municipal extensionists
- Focused on small farmers
- Increased number of extensionists – over 3000
- Number of municipalities and farmers reached increased dramatically – 700 municipalities – 300,000 farmers



# Examples of Reform - Peru

- Assumption that agricultural advisory services are a private good
- Creation of the market needs support initially
- Focused on small farmers, indigenous groups and women
- Projects were of a 3-yr. duration and co-financed with beneficiaries
- Awarded on the basis of a business plan
- Private sector implementation

# Present situation – Public Advisory Services

- No return to centralized structures
- Support to commercial farmers – reduced or none-advisory services seen more as a private good
- Clearer focus on objective population
  - Small and medium farmers with potential and subsistence farmers
- Several Models in place – no one ideal – very fluid – tendency towards local control
  - Private sector led central government programs – Municipal extension –private sector implementation – State extension
- Impact evaluation – scarce or none

# Reform Considerations – Looking to the Future

- When planning a reform of the extension service countries need to consider the following issues;
  - Identifying objectives and target population,
  - Improving quality of service and quality control, accountability with greater local participation,
  - Strengthening local capacity both private and public
  - Strengthening institutional integration across the innovation system.
  - Realistic financing levels

# Agricultural Advisory Services - A Dual Approach

- A two-pronged approach to agricultural extension is needed to adequately respond to the goals of poverty alleviation and productivity.
- A program would be oriented toward subsistence farmers
  - an approach based on household welfare including education resulting in labor mobility.
- A program focused on increasing productivity and competitiveness
  - focus on small and medium farmers that are already operating or have the potential to incorporate themselves into productive chains - focused on organized farmers.

# Advisory Services – Improving Quality

- Improving impact evaluation
  - Implementation by properly accredited private agents
- Constant upgrading of skills of advisory agents
  - Outsourcing – service firms need support and career path opportunities dedicated contracts for extension that include support for career development;

# Advisory Services Strengthening Institutional Integration

- Countries have many or all of the components of an innovation system
  - but lacks the level of institutional interaction, collaboration and feedback loops that are characteristic of effective innovation systems.
  - these linkages should be established and maintained between research institutions, private sector firms and farmers

# Realistic financing levels

- Since there are limited resources the system should be based on the following principles:
  - focused on organized farmers with emphasis on working with lead farmers;
  - graduation of farmers from the system as they become more integrated into the productive chains and acquire skills to manage their own technology and information needs.
  - Rational expectations for cofinancing

# Most Important Lesson - Institutional Innovation

- Institutional experimentation is a permanent aspect of innovation
- Adopting new ways of organization and management in innovation
- Promotion of institutionally dynamic setting in which organizations and systems permanently learn from their experiences and adjust to changing circumstances



# Chile – constant evolution – principles maintained

- 1978: radical change; staff drastically cut (5000 to 1500); extension privatized with voucher system.
- 1983: vouchers ended, replaced by program INDAP contracts with private extension services based on “modules,” or collections of small farmers. Extension providers paid directly by INDAP.
- 1990: program changed, expanded to recognize farmer diversity, poorer regions emphasized, allowing local participation.
- 1997: “demand driven” emphasis, local groups more control over projects and eligible service providers; established co-payments by farmers.
- 2001-2007: advisory services consolidated a single Farm Advisory Service (SAT), expanded role to include production, post-production and agro-processing, management, livestock, quality control, rural tourism, and environmental management. Private provision remained the basis.
- 2008: adjustments to size and type of assisted farm groups (40 to 70 producers) and to subsidy level. Longer-term project commitments renewed (to 3 years).

# Why is it so difficult?

- Do we create unwarranted expectations?
  - Short time horizons
  - Lag times in adoption
  - Unfavorable policies
- Undefined Objectives
  - Not all farmers need extension
  - Some innovations are adopted without or limited extension
  - Not all farmers are innovators
  - For some farmers there is no economically viable future in agriculture
  - Agriculture is not the answer for all rural problems
- Lack of impact evaluation
- Have we not identified the institutional components? – lack of institutional innovation
- No general theory on how to do it – a lot of alternatives