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# Privatization of Agriculture in India

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**ABSTRACT**

Public extension services have come under severe criticism in the recent times due to its inability to provide extension services in time. Public extension has been constrained by various factors. Privatization has emerged as an alternative to public extension in providing quality extension services. A study was carried out to analyze the privatization of agricultural extension services in terms of the preferences of three categories of farmer i.e. small, medium and large for various forms of privatization, the constraints perceived by the farmers in case they opt for privatization and the impact of the privatization on the agricultural extension services. While majority of the farmers preferred franchisee and vouchers as an alternative to public extension services. High charges, exploitation of the farmers, supply of substandard technology due to lack of regulatory mechanism were the major constraints perceived by all the three categories of farmers. As far as perceived impact of the privatization is concerned, more than90% of the farmers believe that privatization will result in timely delivery of extension services, help in bringing accountability and will increase the professionalism among the extension staff.

## Privatization

The definition of privatization goes as follows:" the incidence or process of transferring ownership of a business, enterprise, agency or public service from the public sector (government) to the private sector (business)" (www.en.wikipedia.org). In other words, it means the transfer of any government function to the private sector.

Like many issues, privatization has two sides. The number one question that continues to linger is, "Is privatization good or bad?" The individuals whom are for privatization state that once a company is privatize, it will be conducted with more regard to its users. This includes citizens, individuals, consumers due to the fact that it is in the market, and will fail if it is not competitive, and also the incentive for privatizing is to save money and to use that money for other good use (www.en.wikipedia.org). Those whom are against it, argue that because they rightly see that in the free market foreigners will compete for ownership of privatized activities and also they state that privatization has been accompanied by corruption scandals, environmental violations and a torrent of customer complaints.

## Privatization in depth

Privatization is also known as denationalization and disinvestment. All three terms define it as a situation where the government decides to transfer control of a government and thus public owned, resource to the private business sector, either partially or totally. There are times at which the government continues to exert a certain amount of control over the industry or service. The history of privatization dates back from Ancient Greece, when governments contracted out almost everything to the private sector in which private individuals and companies performed the majority of services including tax collection, army supplies, religious sacrifices and construction(www.en.wikipedia.org).

Privatization contains three methods. They are known as share issue privatization (SIP), asset sale privatization and voucher privatization. SIP is basically selling shares on the stock market and known to be the most common type of privatization. Share issues can broaden and deepen domestic capital markets, boosting liquidity and potentially economic growth, but if the capital markets are insufficiently developed it may be difficult to find enough buyers and transaction costs may be higher. For this particular reason, many governments elect for listings in the most developed and liquid markets. Asset sale privatization is selling an entire organization or part of it to a strategic investor, usually by auction(www.wordiq.com). Second is Asset sales occur more commonly in developing countries as a result of higher political and currency risk deterring foreign investors. Lastly voucher privatization is known as distributing shares of ownership to all citizens, usually for free or at a very low price. Voucher privatization has mainly occurred in the transition economies such as the Czech Republic and Slovakia.

**Controversies with privatization**

There are a lot of arguments that cover this issue and there are a lot of pros and cons regarding it. In the US, people point to problems encountered when certain industries have been privatized. When utility companies were privatized, problems began to occur, and higher prices have been noted. There's consideration of privatizing various industries: education, public transportation, social security, and a slew of others. Some people, especially on the left side of the political spectrum, feel that other industries in the private sector should be nationalized. Creating a national health plan has been proposed for several decades. In some countries, medical care is nationalized, and has both problems and benefits. In a nationalized health care plan, no one does without basic health care, access to immunizations, or emergency room services when needed. Funding for such a plan is largely through increased taxes, but people don't pay additional money to health insurance companies. People from the nationalized health plans say that one of the biggest problems is that people may have to wait for several months to several years for elective surgeries. Yet, privatized health plans, especially large ones, may have so many members that the same wait time exists; thus, this criticism may not be applicable.

Privatization continues to be a matter of much debate, especially in the US where, choice, and free market economies are valued. Some politicians tend to favour many of the current government services or industries, while other politicians support nationalizing several of the industries currently runs in the private sector.

**Pros about privatization**

Privatization policies were implemented throughout the world, as both left and right leaning governments alike undertook a policy of privatization governments engaged in privatization in an effort to keep down the size of government and generate revenues (www.wordiq.com). Some of the pros of privatizations are as follows, "Proponents of privatization believe that private market factors can more efficiently deliver many goods or service than governments due to free market competition" In general, it is argued that over time this will lead to lower prices, improved quality, more choices, less corruption, less red tape, and quicker delivery.

One of the reason people want to privatize is Corruption. A monopolized function is prone to corruption; decisions are made primarily for political reasons, personal gain of the decision-maker, rather than economic ones. Corruption during the privatization process – however – can result in significant under pricing of the asset. This allows for more immediate and efficient corrupt transfer of value – not just from ongoing cash flow, but from the entire lifetime of the asset stream. Often such transfers are difficult to reverse.

Another reason people want privatization is accountability. Managers of privately owned companies are accountable to their owners/shareholders and to the consumer and can only exist and thrive where needs are met. Managers of publicly owned companies are required to be more accountable to the broader community and to political stakeholder. This can reduce their ability to directly and specifically serve the needs of their customers, and can bias investment decisions away from otherwise profitable areas.

Profit is the third pro. Corporations exist to generate profits for their shareholders. "Private companies make a profit by enticing consumers to buy their products in preference to their competitors' (or by increasing primary demand for their products, or by reducing costs)" (www.wordiq.com). Private corporations typically profit more if they serve the needs of their clients well. Corporations of different sizes may target different market niches in order to focus on marginal groups and satisfy their demand. A company with good corporate governance will therefore be incentivized to meet the needs of its customers efficiently.

Lastly, government run industries cost more because they have larger bureaucracies. They leave people with little choice in the market place. Governments should not be in the business of controlling industries or services since this gives them too much control over the people.

**Cons about privatization**

There are also many of people that are against privatization. Their reasons for this include, disputing the claims concerning the alleged lack of incentive for governments to ensure that the enterprises they own are well run, on the basis of the idea that governments are proxy owners answerable to the people. A government which runs nationalized enterprises poorly will most likely lose public support and votes, while a government which runs those enterprises well will gain public support and votes (www.groupsrus.com). Therefore, democratic governments do have an incentive to maximize efficiency in nationalized companies, due to the pressure of future elections.

Secondly, opponents of certain privatizations believe certain parts of the social terrain should remain closed to market forces in order to protect them from the unpredictability and ruthlessness of the market such as private prisons, basic health care, and basic education. Another view sees some of the utilities by which government provides benefit to society at large as indirect and difficult to measure or unable to produce a profit, such as defence. Still another is that natural monopolies are by definition not subject to competition and better administrated by the state

"Some would also point out that privatizing certain functions of government might hamper coordination, and charge firms with specialized and limited capabilities to perform functions which they are not suited for. In rebuilding a war torn nation's infrastructure, for example, a private firm would, in order to provide security, either have to hire security, which would be both necessarily limited and complicate their functions, or coordinate with government, which, due to a lack of command structure shared between firm and government, might be difficult"(www.groupsrus.com). A government agency, on the other hand, would have the entire military of a nation to draw upon for security, whose chain of command is clearly defined.

Private companies often face a conflict between profitability and service levels, and could over-react to short-term events. A state-owned company might have a longer-term view, and thus be less likely to cut back on maintenance or staff costs, training etc, to stem short term losses. Many private companies have downsized while making record profits (www.groupsrus.com).

Another reason may include that privatized industry is most concerned with profit, so while initial benefits to the consumer may occur, the industry may not be induced to keep prices low unless government controls are exerted. The competition fostered in privatized industries may result in dirty or unsavoury business practices, Privatization may limit access to certain industries for people who cannot afford them and the public has little control over a private industry. The decisions in that industry may adversely affect those in the public sector. Couple of people from the people that goes against it offer some alternatives to privatization as (Wikipedia.com) have noted. And some of them are 1) Municipalization: basically it’s to Transfer control of a nationalized business to municipal government. A second one is Sub-contracting out-source functions to private enterprises. A notable example of this is in the United Kingdom, where many municipalities have contracted out their garbage collection or administration of parking fines by tender to private companies. And partial ownership which says that an enterprise may be privatized, but a number of shares in the company being retained by the state

In addition, the British government is debating the possibility of involving the private sector more in the workings of the National Health Service, principally by referring patients to private surgeries to ease the load on existing NHS human resources, and covering the cost of this.

**Farm Bill India**

The recent farm bills passed in Parliament caused a fair amount of uproar. The bills are radical in nature indeed. They aim to reform the current system where Indian farmers have to sell their produce at local markets, with minimum support prices (MSPs) decided by the government. Now, farmers can sell to and enter into contracts with private players.

Some may consider the existing MSP system as forcing farmers to sell to a monopoly. Others may consider the MSP system a safety net, where the farmer is at least assured of a minimum price. This is why the new bills have led to polarised reactions.

The new bills allow farmers to choose between several buyers and sell across regions. In other words, it liberalises the agricultural markets, historically heavily controlled by the state.

India has huge potential as a major agricultural powerhouse in the world. Supermarkets in major world cities stock milk, cheese, butter, vegetables and poultry from far flung nations. Thailand and Australia for instance, supply a lot of agricultural produce around the world. India doesn’t.

Peanut butter is almost a staple in the West. Many parts of India grow massive quantities of peanuts. We don’t however, export peanut butter like other countries. We don’t allow our farmers to do business like that. The Indian urban middle class wants low food prices. Hence farmers enjoy sympathy but not a free market. The government remains heavily involved. It ensures the Indian farmer survives, but never thrives.

This time however, the government is letting go. In what would be a major reform, the current bills pave the path for privatisation of Indian agriculture. Privatisation, enough empirical data shows, has almost always benefited the consumer in India. Airlines, phone companies, insurance – these were all government monopolies. Private players were allowed in, and the respective sectors took off and boomed. The original government entities – Air India, LIC, BSNL, MTNL are still around too.

Similarly, the long term, best case effect of these farmer bills can be enormous growth in India's agriculture. We aren't talking about microchips and artificial intelligence, complex industries that are hard to dominate. We are talking about milk, cheese, tomatoes, rice and oranges. Can't India be the best in these compared to the world? We easily can.

However, for this we will need private players, which in turn will allow capital, competition among buyers, scale, branding and multiple opportunities to come to the sector. This doesn't mean there are no issues with the new farming bills, or everything will go super smooth. There are genuine concerns, belonging to three broad categories.

One, the power differential between the (potentially) powerful private buyer and the farmer. While it is good to allow private deals and contracts for agriculture, a less powerful person cannot negotiate a fair contract. The only way out of this is some sort of rebalancing of power, which will come through farmer collectives, negotiating bodies on behalf of farmers, unions and other entities that ensure farmers' rights.

This is where the various state governments should focus their efforts right now. The solution to a power differential is to increase the farmer's power, not to stall his progress and keep him on government crutches for generations to come.

The second concern comes from the execution track record of this government. There seems to be a pattern – great intention, decisive announcement, praise all around on the announcement and then a range of implementation issues.

Attempts to change things and take action for it do deserve praise, compared to the 'let's discuss and crib but do nothing' India of the past. However, perhaps due to the enormous number of sycophants of this government, every announcement is followed by so much praise that any anticipated implementation issues are ignored. As a result, a year or so later, reality hits, and the execution isn't as amazing as the announcement.

The farmer bills could face that same fate too. Only this time, it involves the livelihood of hundreds of millions of people. If this goes wrong, it will really go wrong. Instead of waiting to see if that happens, it is better to be honest and anticipate the issues. Then, steps could be taken to minimise these issues. For this, the volume generated by sycophants should be turned down, and the sound of sensible feedback should be raised.

The last issue of the farmer bills is the inherent conflict between farmer's welfare and the prices paid by the urban middle class for agricultural products. The urban middle class wants their prices low. Meanwhile, if we are giving the farmers more choice, and the farmer chooses to sell produce to Europe than in Jaipur because he gets better prices – are Indians OK with it?

This inherent conflict as Indian agriculture liberalises could become a major issue in times to come because of these bills. The government will have to handle this precarious balance really well. Maybe have a system of cap and floor pricing as we ease into free markets.

The farm bills are a necessary step in the evolution of the Indian farmer. Our farmers deserve the benefits of globalisation as well. The bills are a step towards opening up the Indian economy, which is the need of the hour. These bills give the farmers more choice on how to sell their products, and if done right, can enhance their returns. Our farmers have always had respect and sympathy from citizens. It is about time they also had something else – choice.

**Privatizing agricultural extension in America**

To know the privatization of agriculture in India, we need to need to know how privatization panned out in other countries.

Diverse agricultural extension funding and delivery arrangements have been undertaken since the mid-1980s by governments worldwide in the name of "privatization." This chapter reviews these actions and their implications.

When agricultural extension is discussed, *privatization* is used in the broadest sense - of introducing or increasing private sector participation, which does not necessarily imply a transfer of designated state-owned assets to the private sector. In fact, various cost-recovery, commercialization, and other so-called privatization alternatives have been adopted to improve agricultural extension.

This chapter is organized into five main sections. The first introduces the major forces catalysing governments to structure new extension funding and delivery arrangements, or what is generally referred to as "privatization." The second section discusses the resultant strategies for change. The third discusses and categorizes the major privatization types of institutional changes in funding and delivering agricultural extension. The fourth section considers the rationales underlying extension's institutional changes, and the fifth examines the implications of these changes. The chapter concludes with the recommendation that countries examine the institutional changes made by others, then undertake an analysis of their own situation and, on that basis, develop guidelines for the future development of agricultural extension services.

**Forces for change**

The evolution of public agricultural extension arrived at a worldwide turning point in the 1980s, one that represented the end of a major phase in the growth of publicly funded extension in both the developed and developing world. Agricultural extension increasingly has become defined as one or other of (apparently) differentiated activities of technology transfer or rural development. In many situations, the transfer of technology, heretofore considered the purview of public sector systems, has been reconceived. Such changes suggest a refocussing of paradigms for the delivery of public sector extension.

In developed industrialized countries, which often provide models for extension service delivery elsewhere, the declining relative importance of agriculture for economic growth, the increasing education and affluence of smaller populations of rural producers, and the increasing use of externally purchased inputs have changed the nature of publicly funded extension services and led to a questioning of the means of delivery of extension services by governments (Cary, 1993a). In developing countries, where publicly funded extension is often more important, there has been considerable questioning of the structure and forms of extension delivery.

**Global Competition**

The consequence of the ratification of the General Agreement on Tariffs and Trade (GATT) is that countries will have to more actively develop comparative agricultural advantages in the production and marketing of food and fibre. Coincidental with a shift toward more conservative political ideologies and free-market economics, global developments suggest increased competition in agriculture. While countries will focus more on their comparative advantages, they also, in many cases, still face national food security concerns and abject rural poverty.

**Reassessment of Public Extension**

While "modern" extension has existed since the nineteenth century, agricultural extension is quite young worldwide as a formal institution, with the majority of countries initiating such services since the 1950s and 1960s. Even in high-income countries where extension began at earlier dates, fiscal commitment took significant upswings following World War II when a backlog of science and technology had accumulated. In an FAO survey of 207 agricultural extension organizations in 115 countries (Swanson, Farner, & Bahal, 1990), 50 per cent of these organizations had been established or were reorganized in the previous two decades.

Against this background, governments in recent times have found that they are less able to continue providing all the services previously provided. With costs rising, limited resources available, and changes in the prevailing philosophy of the appropriate extent of government intervention, governments have been slow to increase appropriations for many publicly funded activities. Some functions of government have been curtailed, and others have been privatized. Such changes have been particularly significant in the formerly centrally managed economies.

Because extension worldwide has large numbers of staff, the recurrent costs of extension are of significant magnitude. In the FAO *Report of the Global Consultation on Agricultural Extension*, Swanson et al. (1990) reported that there were approximately 600,000 agricultural extension personnel worldwide, with 95 per cent of these working in public agricultural extension systems. In the United States, there are about 9,000 extension agents, 4,000 subject-matter specialists, and 1,000 directors and administrative support personnel (USDA, 1993 data).

While the unit cost of extension staff in many countries is low, large staff sizes translate into large government outlays. As a result of financial concerns, many countries have examined alternative structural arrangements, including the feasibility of reducing public sector extension expenditures (with associated staff reductions), changes in tax raising, charges for government extension services, and commercialization and privatization (Howell, 1985). A number of countries have moved towards reducing, recovering, or shifting the burden of the costs associated with provision of public sector agricultural extension, particularly transferring "private good" functions to private industry.

Concerns about the costs of extension need to be judged against the economic and social returns associated with successful extension. While more research is needed on measuring the economic payoff from investment in public sector extension services, available research tends to indicate, in contrast to some current criticisms, that extension in many instances provides high rates of return and is, therefore, a profitable public investment (see chapter 3, plus Evenson, 1987; Birkhauser, Evenson, & Feder, 1988). In addition, not all extension expenditure can be measured by benefits from technology transfer; the benefits of extension concerned with human development are difficult to quantify in the short term.

**Strategies for change**

Public sector extension, facing criticism for its cost and its lack of efficiency and for not pursuing programmes that foster equity, is confronted with a number of possibilities for change.

There has been a trend, perceptible throughout various extension systems undergoing adjustment, of greater flexibility and multiple partners in funding agricultural advisory services (OECD, 1989; Le Gouis, 1991). Le Gouis observed three major policies adopted by government and farm organizations regarding privatization of extension:

1. Public financing by the taxpayer only for the kinds of services that are of direct concern to the general public

2. Direct charging for some individual services with direct return (in the form of improved income)

3. Mixed funding shared between public and private professional association contributions for some services where the benefits are shared (Le Gouis, 1991,p.32)

A pervading development in new forms of financial support for extension is the trend to mixed sources of funding, reflecting strategies to gain access to additional sources of funding. In several developing countries, public-private extension coordination is already established. Alternative patterns indicate a fostering of private corporate initiative, encouraging cooperative ventures by farmers, coordinating public-private extension services, and privatizing the public system (Wilson, 1991).

The need for improved and expanded extension activities, together with a strengthening philosophical view of less government involvement in national economies, has led to a number of strategies for changing the way extension services are delivered.

**Revitalization**

The United States Cooperative Extension Service, when criticized for lack of relevance and vision (Dillman, 1986), regrouped and reviewed the criticisms. Its Extension Committee on Organization and Policy (ECOP) organized a Futures Task Force to review issues and put forward recommendations with a view to revitalizing the system (ECOP, 1987), which has led to various alterations structurally and programmatically.[1] Meanwhile, the advancement of electronic information systems is resulting in increased privatization, with important implications for the future structure of U.S. agriculture (Goe & Kenney, 1988).

**Commercialization**

New Zealand's Ministry of Agriculture and Fisheries' (MAF) agricultural advisory service now operates under user-pay, commercial criteria (Hercus, 1991). The MAF advisory service, renamed MAF Consulting and, subsequently. Agriculture New Zealand, has remained (temporarily) a public agency, although its employees have given up a number of public employment benefits and now receive commissions for consulting work undertaken. The agency depends for its annual budget on consulting fees received from farmers and contractual arrangements with government for the supply of policy information and rural intelligence to government.[2]

**Cost Recovery**

Other public extension systems have moved toward cost-recovery approaches. Mexico has developed a fee-based system among large-scale farmers in the northwest region and plans the development of a similar arrangement among small-scale farmers in the south central region (Wilson, 1991). The Agricultural Development and Advisory Service (ADAS) in England and Wales, notionally "commercialized," operates on a partial cost-recovery basis. Clients of ADAS pay a fee for advice which formerly was free of charge. This process of cost recovery, introduced in 1987, was directed towards the agency receiving 50 per cent of its income from commercial fees by 1993-94 (Bunney & Bawcutt, 1991; Harter, 1992).

**Voucher Systems**

Some countries have replaced public extension delivery systems with vouchers, distributed by government services, for farmers to use in hiring private extension consultants (as in Chile). Coupons attached to agricultural bank loans, committing a certain percentage of the loan for extension services, have been used in Colombia.

**Gradual "Privatization"**

In 1990 The Netherlands "privatized" approximately one-half of its public extension service by transferring field extension personnel, with initial government financial support, to the farmer associations. The elements of the extension service responsible for linking research and the privatized extension services, policy preparation, implementation, and promotion and regulatory tasks remained under the aegis of the Ministry of Agriculture (Le Gouis, 1991). The "privatized" extension service is governed by a board on which farmers' organizations and the government are equally represented (Proost & Röling, 1991).

Dutch farmers make a partial contribution to the cost of the new organization through membership subscriptions to farmer associations, as well as through direct payment for individual analyses. Farmers will eventually contribute 50 per cent of the cost of the service: special services such as individual analyses will be fully paid for by the farmer clients. The Dutch government has established new government-funded structures for integrating subject-matter specialists into extension teams to facilitate the transfer of information and knowledge and for the provision of information on government policy (Bos, Proost, & Kuiper, 1991; Proost & Röling, 1991).

A gentler form of "privatization" has been proposed for the delivery of government extension services in the Australian state of Victoria. A review of extension services determined that, for government-provided services conferring essentially private benefits to individuals, rather than cost recovery by government fee charging, it is more desirable and more efficient that private advisers deliver such services. However, because of the complexities of extension service delivery and the varying nature and levels of development of different agricultural sectors, a number of constraints were identified which precluded universal application of such a principle (Watson et al., 1992; Cary, 1993a).

In order for rural industry organizations to take a greater responsibility for technology transfer, the Victorian government has proposed "outsourcing" for delivery of future extension programmes. Outsourcing means that the government extension agency will retain a core pool of extension project staff and "buy in" private sector professional services with skills that the agency considers unnecessary to maintain. Agricultural consultants and contract staff will be employed to help deliver services in specific projects funded by rural industry and the federal government. Such projects are likely to be broad and industrywide and not tailored to individual farm circumstances.

In most cases, governments have not actually "privatized" their agricultural extension services. In its pure sense, privatization implies a full transfer of ownership (usually by way of sale) from government to a private entity, with that entity meeting all costs and receiving any profits. In the case of extension, governments have followed a number of distinct pathways such as commercializing the service while retaining it as a public agency, shifting public sector delivery services to private sector delivery of the service while maintaining oversight and basic funding of delivery, or pursuing cost-recovery measures to pay for the service. Thus the phrase "privatization of agricultural extension" generally is misleading.

**Other Arrangements**

Some countries have never developed public sector agricultural extension services, leaving the function of agricultural extension to private sector commodity enterprises or industry agencies, albeit often with some government financial subsidy. In France, while chambers of agriculture and private sector companies provide extension services, the former are substantially supported financially by public funds. In New Zealand, extension services to the dairy industry for many years have been delivered by the Dairy Board consulting service, financed by the dairy industry.

In other cases, nongovernmental organizations have been used to supplement public sector extension services, especially in the area of rural development (Amanor & Farrington, 1991). This arrangement has certain advantages for increasing extension coverage and encouraging farmer participation in technology systems, but it also has certain inherent limitations.

In most countries, private sector companies are already important contributors to technology transfer and the advancement of agricultural development through, mainly, contract arrangements with farmers. Rightfully, the private sector has come to be acknowledged as a major information provider to both large and small farmers involved in monocropping (Cary & Vilkinson, 1992). The characteristic of "privatized" extension systems is a focus on commercial farms. It is salutary to state the obvious in relation to decisions regarding private and public provision of extension:

when extension is delivered privately, it represents a commercial decision; when extension is delivered publicly, it is a political or bureaucratic decision. In determining whether to privatize, it is important, in the first instance, to establish whether an extension programme is designed to help commercial enterprises or small-scale farming and rural development.

**The context for extension "privatization"**

The debate on the role of the public sector is not limited to the context of agricultural extension, but encompasses the larger concerns of public policy and institutional and organizational development. Indeed, the degree of government versus private involvement in an economy is an enduring philosophically and politically vexing question. The move toward privatization and efforts to decentralize government functions relate to this theme.

**The Privatization Debate**

There are two themes in the broader privatization debate: first, a "political economy" consideration of the role and size of government in an economy, which focusses on whether or not there is a failure of private markets; and, secondly, an expressed need to reduce government outlays. While many reassessments of publicly funded extension have reflected the second theme, it is worth considering the rationale for public versus private activity in an economy.

In mixed economies, the prevailing economic justification for government involvement in an activity such as agricultural extension is market failure, whereby the market mechanism alone cannot perform all economic functions for appropriate resource allocation. Market failure may arise because some goods or services are public goods (such as publicly funded agricultural research knowledge) which can be consumed in a nonrival fashion by all members of society without any individual's consumption reducing the amount available for other individuals. Because the benefit of providing such goods cannot be appropriated by individuals, individuals generally will not provide such goods in a society even though there may be significant gains for producers and consumers. Some extension activities are clearly concerned with public goods subject to market failure. Other activities (such as individually tailored advice) confer appropriable private benefits which could be adequately supplied by private markets.

Private goods sometimes are subject to market failure, whereby the operation of private markets does not provide certain services at a socially optimal level or where external costs or benefits are accrued by others rather than the provider of the goods. Market failure also may arise when current generations place insufficient value on preservation of resources for future generations. These latter circumstances are particularly characteristic of land and water degradation (Cary, 1983). Publicly funded conservation extension is often directed to overcoming such market failures (Barr & Cary, 1992).

Government support for the provision of extension services may reflect that such services would be inadequately provided without intervention or, for reasons of equity, because services would not be available to the extent thought socially desirable. Some situations for agricultural extension clearly reflect private goods; other situations clearly are characterized as public goods. There is a lot of fuzzy ground in the middle where it is not particularly clear that an extension activity is conferring a public or private good. In such situations, the extent of publicly funded extension is likely to be determined by the political influence brought to bear by relevant interest groups (Cary, 1993b).

The philosophical thrust of the general privatization debate has centred, on the one hand, on whether certain government activities could be performed more efficiently by private agencies operating in private markets and, on the other hand, on whether inequities may arise because not all individuals have access to resources to purchase privately supplied services.

**The Debate with Respect to Extension**

While much of the public policy debate related to extension has focussed on either so-called privatization or commercialization as means of reducing government out-lays, other aspects need consideration. The commercialization experience of Agriculture New Zealand (Walker, 1993), while not without its problems, provides examples of some of the arguments for commercialization. Commercialization is perceived to have had a positive effect on moving "beyond the farm gate" into an involvement of the extension staff in the entire production-processing-transporting-marketing chain. There also has been the shift in focus to a client orientation and a concern to identify and produce results rather than simply to engage in activities (Hercus, 1991).

In economically developed countries with a predominance of larger-scale commercial farming, increasingly the technologies of modem, industrialized farming are being developed by nongovernment industrial institutions; such technologies are appropriable for private marketing and generally have little need for government extension. In developed economies, it is more difficult to argue for publicly funded extension for rural industries containing fewer producers who are closely linked and integrated with research systems.

The weaknesses of privatization are more apparent in the context of developing countries, where the situation may be quite different. For instance in African agriculture, funding by user fees may not be viable. An erroneous assumption may be that recipients of government services are generally being subsidized by the government. According to Leonard (1985), this is far from the case with African agricultural producers, who instead are usually subsidizing the rest of society. The most obvious shortcoming may be the difficulty of collecting user fees and establishing cost-accounting procedures to set charges at appropriate levels. The subsistence nature of most African farming leads to a much stronger case for state intervention in support of food production than in developed countries.

**Institutional Considerations**

The search for appropriate institutional arrangements for different situations echoes the larger debate currently under way on creative use of the private sector for supplanting or supplementing public services. Privatization represents one position in the debate over how public functions should be organized. Wise (1990, p. 152) has observed that "privatization... is not necessarily a simplifying strategy... the responsibilities of public organizations do not disappear, they merely change." The primary issue may not be whether a certain function should be entrusted to public or private organizations, but, rather, what configuration of organizations, both public and private, is needed and what arrangements between them provide the most effective outcomes.

In some instances, central government bureaucracies are seen as unresponsive and inefficient, and the diffusion of responsibility arises out of a concern that the public sector should be reduced in size. In other cases, however, the emphasis is less on reducing the size of the public sector and more on sharing authority among different units (White, 1989). The question of what role the government should play within an increasingly complex institutional arena is itself complex and not one to which, necessarily, there are simple answers.

## Conclusion

The rationale for private sector provision of agricultural extension services is generally based on an expectation of increased efficiency with the operation of private markets and with the resulting efficiencies contributing to the growth of a country's GNP. In contrast, the rationale for public provision of agricultural extension services is based on the following points: (1) much agricultural information is a public good; (2) only government extension services are likely to promote concern for natural resources management; (3) public sector extension may enhance the education of farmers who often lack adequate access to educational institutions; (4) the public service often provides information that reduces risk to farmers; (5) the service may provide information that reduces transaction costs; and (6) an extension service may be concerned with community health issues related to possible human hazards such as accidents and poisonings linked to agricultural chemicals.

The argument for privatization is based upon:

· More efficient delivery of services
· Lowered government expenditures
· Higher quality of services

Privatization may have some attendant disadvantages because of unequal access to resources and because of a diversity of "agencies" and the associated difficulty of coordinating external groups and other government departments. Private delivery agents will be less responsive to government policy direction, and there may be linkage problems with public applied research organizations.

While the process of information transfer amongst farmers traditionally has been characterized by a cooperative, free exchange of information, industrial information traditionally has been a private good characterized by patent rights, process licensing, the use of paid consultants, and differentiated production and marketing processes. In developed economies with commercialized agriculture sectors, many of these features of industrial information transfer are becoming more common in agriculture. The trend to privatization will be stronger the more such circumstances exist. The range of different circumstances prevailing in agricultural extension worldwide suggests that a wide variety of approaches should prevail.

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