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How does commercialisation impact on the provision of farm advisory services? Evidence from Belgium, Italy, Ireland and the UK

Katrin Prager[a,*], Pierre Labarthe[b], Monica Caggiano[b], Altea Lorenzo-Arribas[c]

[a] Social, Economic and Geographical Sciences, The James Hutton Institute, Craigiebuckler, Aberdeen AB15 8QH, Scotland UK
[b] INRA SAD-APT, 16 rue Claude Bernard, 75231 Paris Cedex 05, France
[c] Biomathematics and Statistics Scotland, The James Hutton Institute, Craigiebuckler, Aberdeen AB15 8QH, Scotland, UK

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ABSTRACT

Farm advisory services have returned to both the academic and the political agenda. Commercialisation—charging a fee for an advisory service—is a trend observed not only in private advisory organisations, but to some extent also in public and other types of organisations. This paper explores how commercialisation of farm advice impacts on the quality of services. Based on key informant interviews and a unique data set from a survey of 227 advisory organisations across four European countries, both the front-office and the back-office dimension were investigated. The paper compares private organisations that draw income from charging for their services with non-private organisations (public, non-governmental and farmer-based organisations). We found that the private organisations are typically small and medium size enterprises that employ fewer advisors than non-private organisations. Their services are more personalised, that is, they have a higher proportion of 1:1 advice and they have a lower ratio of farms per advisor. With regard to the back office dimension, they differ little from non-private organisations in terms of training their advisors but have considerably lower levels of investment in research and development, and tend to rely on peer-to-peer networks and cooperation with other private consultancies and public authorities. We conclude that commercialised advice has several advantages but favours affluent clients. It is essential for commercial advisory services to be complemented with other services that reach different types of farmers, and that public support is available to improve the knowledge flows between public research and private organisations.

1. Introduction

This paper investigates how commercialisation of farm advice impacts on the nature and quality of services. Knowledge is central for agricultural and rural development. Meeting new societal challenges requires farmers to adopt new technologies and production systems. For example, farmers need to reduce pesticide use, adapt to climate change, and preserve natural resources, while at the same time being faced with increasing competition. Access to relevant knowledge and information about new technologies and production systems – often provided by farm advisory services – is a key issue not only for farmers, but also for policy makers.

Farm advisory services have thus returned to both the academic and the political agenda (Faure et al., 2012). On the political agenda, farm advisory services are a key instrument of various agricultural and rural policies of the European Union (EU), aiming at integrating environmental and health issues into agriculture. For example, the Regulation on Farm Advisory Systems (FAS, Regulation (EC) N° 73/2009)[1] makes it compulsory for every Member State to guarantee that farmers have access to information and knowledge about how to comply with EU standards about health and the environment. Paradoxically, this attention to farm advice—and the public and societal issues associated with it—does not lead to increasing public investments in such services, but on the contrary, provision of advisory services are increasingly dependent on actors from the

* Corresponding author.
E-mail addresses: katrin.prager@hutton.ac.uk (K. Prager), pierre.labarthe@agroparistech.fr (P. Labarthe).

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[1] Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers (http://eur-lex.europa.eu/legal-content/EN/AL/;ELX_SESSIONID=GhJwJ3SLV0dN0y3mfl1rp1gDJLjK1vR9HcfGnrgxDpBlK72tRvGG!-807352717?uri=CELEX:32009R0073).

private sector such as consultants. As a result, these services are more commonly delivered on a commercial basis.

EU regulations on farm advisory services do not prescribe how member states finance and organise the services that are expected to deliver information and knowledge to farmers, and whether advice should be delivered free or on a commercial basis, i.e. farmers are charged. A report showed that different options have been chosen across European countries in that respect (ADE, 2009). These choices are not only related to budget constraints; they are also the expression of different theoretical approaches and of debates around the effects of commercialising farm advice.

In the 1980s and 1990s, some scholars expected that the substitution of public extension by private advisory firms offering commercial services would reduce the bureaucracy and costs of service delivery, and give more voice to farmers (Knutson, 1986; Baxter 1987). More than two decades later, the effects of commercialisation of farm advice are contested. Hunt and Coutts (2009) claim that information and learning gaps among wool growers had occurred in Australia after the withdrawal of state extension and despite the presence of private extension. Some authors show that commercial advice could on one hand lead to greater personalization of services for their clients, but on the other hand private consultants may struggle to invest in research and development (R&D) activities and to renew their knowledge (Labarthe et al., 2013b).

However, there is a lack of empirical evidence to support this debate, which this paper aims to provide. Little is known about the extent of the commercialisation of farm advice in Europe and its consequences. Who are the organisations that offer commercial services to farmers and how different are they from those that do not commercialise their services? What are the consequences of commercialisation on service activities and relations with farmers, and on the organisation's investments in R&D? The aim of the paper is to use empirical data collected from a range of private and non-private advisory organisations across four European countries (Belgium, Ireland, Italy and UK) to assess some common assumptions and controversies from the literature around the commercialisation of advisory services. In this paper, 'private' refers to the status of an organisation, and 'commercial' refers to the activities carried out by the organisation (e.g. offering advisory services for a fee). 'Private advisory organisation' refers to independent private consultants providing unbiased advice that is not coupled with selling agricultural commodities. Upstream and downstream industries that offer advisory services coupled with selling inputs or buying outputs (e.g. fertiliser, machinery, pesticides) were excluded from our study.

The paper is organised as follows. The following part presents the theoretical framework of the research which describes the determinants of service quality and how they may be linked to commercialisation. We conceptualized the quality of advisory services as dependent on both, the nature of interactions between advisors and farmers, and on the R&D investments of farm advice suppliers. The third section presents the methods and materials, drawing on qualitative interviews ($n = 38$) and a survey of advisory organisations from four European countries ($n = 227$). The results are presented in section 4 and discussed in section 5.

2. Commercialising farm advice for better services? Assumptions derived from theories

In order to investigate common assumptions and controversies from the literature around the commercialisation of farm advice we propose a framework for describing the components that determine the quality of advisory services.

2.1. Understanding the determinants of the quality of farm advisory services

The diversity of conceptions of farm advice is apparent in the numerous definitions available for farm advisory services (Birner et al., 2009; GFRAS, 2012). In this paper, we adopted the definition of Labarthe et al. (2013a; p. 10), who consider farm advisory services as an activity that "*enables farmers to co-produce farm-level solutions by establishing service relationships with advisers so as to produce knowledge and enhance skills*".

A main implication of this definition is that farm advice is represented as a service activity (Gadrey, 2000; Hill, 1999). More precisely, advisory suppliers can be considered as *Knowledge Intensive and Business Service* (KIBS) suppliers (Miles et al., 1995; Toivonen, 2004), that is organisations "*whose primary value-added activities consist of the accumulation, creation, or dissemination of knowledge for the purpose of developing a customized service or product solution to satisfy the client's needs*" (Bettencourt et al., 2002; p. 100). This implies that knowledge is both the main input and output of such activities. As a consequence, evaluating the product of such services is difficult and remains a subject of debates among scholars (Djellal and Gallouj, 2010; Stanback, 1979). It is difficult to disentangle what is produced by a service from the relation between provider and client (Hill, 1999), and from the various activities supporting the production of knowledge for farmers.

This has led some authors to distinguish two dimensions in the quality of services: 'technical quality' and 'functional quality' (Sharma and Patterson, 1999). Technical quality stands for the actual changes induced by the service provider for the client (e.g. change in organisation, competences, performance). This dimension is very hard to identify and measure, both for clients (especially for personal services) and scholars (Gallouj, 2002). It requires methods such as experimental economics (Van den Berg and Jiggins, 2007) and comprehensive data bases about clients (here farmers) that are not available in the European context. Functional quality "*is concerned not with 'what' is delivered, but rather processes of 'how' the core or technical service is delivered*" (Sharma and Patterson, 1999; p. 157). It is widely acknowledged among scholars that 'functional quality' is an appropriate way to address service quality for intangible services such as farm advisory services, for which 'technical quality' is hard to capture.

Importantly, many of the studies that address functional quality come from marketing and management sciences (Yang and Fang, 2004). Thus, they tend to emphasise interpersonal interactions between clients and providers in the understanding of service quality, as well as client satisfaction (Bateson 2002; Crosby et al., 1990). Good interactions and trust between clients and providers can increase the participation of the client in the service production, and thus enhance its functional quality (Mills, 1990). If we agree that such an idea holds true for farm advisory services, we need to consider R&D investments as another key dimension of service quality in farm advisory services. However, despite its importance, R&D to enhance services delivered to clients is a currently undervalued dimension of services and service quality (Djellal et al., 2003).

Here, we focus our investigation on the understanding of the functional quality of farm advisory services: we infer that understanding the key determinants of the service activities is a good way to estimate the quality of services themselves. We propose to distinguish two dimensions for farm advisory services: front-office activities and back-office activities (Chase, 1978; Labarthe and Laurent, 2013b).

Front-office refers to the direct interactions between the advisors and the beneficiaries of advice, e.g. farmers. Back-office corresponds to R&D, scientific monitoring and other activities guaranteeing that farm advice will be based on the best possible evidence in each particular situation. Back-office also enables the