

PRIVATE EXTENSION AND ADVISORY SERVICES IN SRI LANKAN AGRI-BUSINESS



In this blog, Tharaka Jayasinghe focuses on the private sector engagement in agricultural extension and how they cover their extension expenditure via the different business models they have adopted.

CONTEXT

The public, private, and NGO sectors play an important role in providing extension and advisory services (EAS) in Sri Lanka. While the public sector EAS is mostly service oriented and the NGO sector EAS is mostly empowerment oriented, the private sector EAS is profit oriented.

PRIVATE EAS

Private EAS refer to the innovative ways that a private agency/corporate adopts for delivering the information, inputs and other services as desired/demanded by farmers. Private EAS belong to the following sectors:

- Fertilizers;
- Specialty fertilizers used in protected agriculture (poly tunnels/tissue culture labs/nurseries);
- Seeds;
- Machinery and equipment;
- Agro-chemicals/Plant protection materials;
- Quality standards and Certification;
- Feeds/Medicine.



An extension officer from private sector making a presentation for tea farmers on effective use of fertilizers

RATIONALE FOR PRIVATE SECTOR INVESTMENTS IN EAS

The private sector is always interested in doing business with the prime objective of making a profit. This means that EAS provision is part of the marketing wing of the business and their rationale for investing in EAS are as follows:

1. *Gaining comparative advantage with competitors:* Companies realize that providing discounts, promotions, trips, tips, transport, etc., to customers directly impact their profit margins. Using such tactics to win customers are not helpful in the long run. Therefore, they are keen to invest by using social marketing tools, such as EAS, to positively impact the client's perception of the company so as to achieve long term sustainable profits.
2. *Overcome limits to direct product promotion:* In Sri Lanka, there are a few regulations that were imposed by the government to minimize direct promotion of agro-chemicals among the farming community. Marketing staff, therefore, face huge challenges while promoting products, creating awareness and capturing the market using marketing tools. To overcome this challenge, EAS provision is considered to be the most suitable tool.
3. *Rising competition:* The agriculture market for agro-chemicals and other inputs is shrinking yearly due to the development of new pest and disease tolerant/resistant varieties, developments in biotechnology, etc. Apart from these, new agro-chemicals are entering the market every year and therefore market competition is continuously rising. To face this competition, corporates should have mechanisms to reach potential customers (estates and farmers) on a continuous basis. Therefore, EAS is considered to be the best solution to address this challenge.

Due to the above-mentioned strategic reasons, corporates are maintaining extension teams and investing in EAS provision.

APPROACHES USED BY PRIVATE EAS

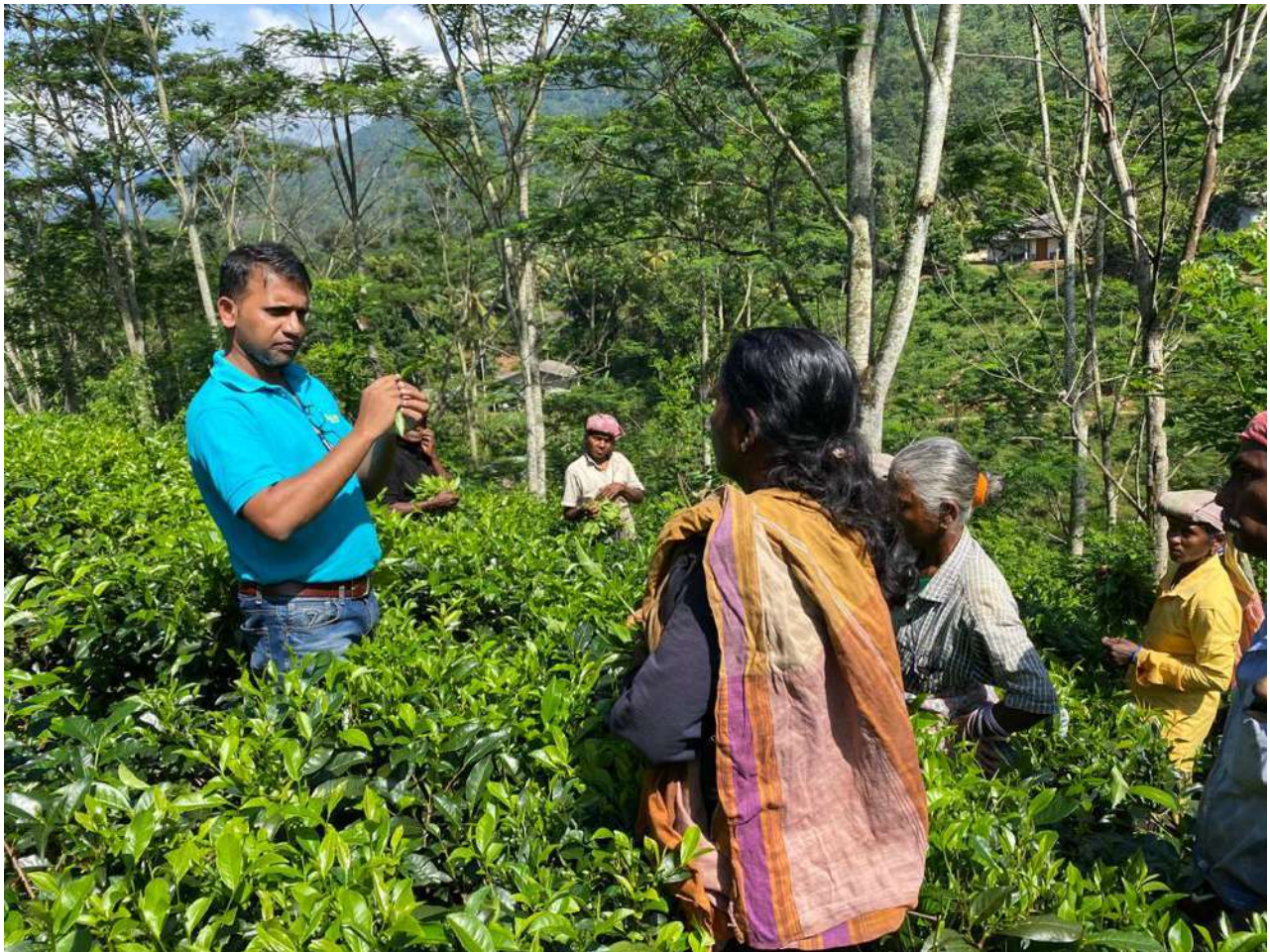
Private EAS use the following three approaches to provide EAS:

- a. *Business to Business:* EAS is directly given by one business to another business. E.g., Company to Company.
- b. *Business to Customer:* EAS is directly given to the end user of the product or service. E.g., Company to Customer.
- c. *Business to Industry:* EAS is given to any stakeholder in the company supply chain without considering their profit.

Private EAS is often organized for:

- **Brand Promotion:** Companies are keen to promote the brand so that potential clients easily recognize their product by its name. The EAS team will work on distributing information related to the product and its quality among potential clients. This will help the company to promote the brand and develop a premium pricing strategy to cover the expenses entailed by the extension service.

- **Product Promotion:** This kind of persuasive communication is meant to inform and persuade target clients on the relative merits of a product or a service. This approach will help achieve additional sales and the EAS investments are thus covered via additional quantity of sales.
- **Ensuring Quality Supply Chain:** Most of the upmarket consumers of food products, especially those buying vegetables and fruits from supermarkets, look for quality products. Such firms involved in delivery of quality food products are keen to support farmers with knowledge on Good Agricultural Practices (GAP), Good Management Practices (GMP), Good Handling Practices (GHP), and Good Hygienic Practice (GHyP). The cost for such EAS can be covered via quality-based pricing.



Estate worker motivation and skill training program conduct by a private extensionist

All these approaches are deployed to influence the buying cycle (Figure 1) of the customer. Though most of the time provision of EAS appears to be free, these investments are covered via enhanced sales volume and value-added price/premium pricing strategy. To influence the buying cycle the following steps are considered.



Figure 1: Buying cycle of the customer

Step 1: Awareness of Needs

Use training programs, extension campaign, individual farmer and estate visit and distribute leaflets to enhance awareness about the product/technology/service as a solution for their problem and help them increase productivity or profit.

Step 2: Assessment of Alternatives

At this stage, customers/farmers are comparing available alternatives before purchase. So, now product demonstrations, individualized solutions (e.g., site specific fertilizer recommendation, pH testing, leaf analysis) are conducted to influence farmers' decision making.

Step 3: Alleviation of Risk

At this stage, farmers are considering the opportunity cost and special benefits available with a product and service, guarantees, loyalty and brand names. EAS personnel should be available to answer these types of questions from the customer.

Step 4: Decision

At this stage, the farmer will be taking a decision on the most suitable alternative. The cumulative impact of all advisory activities will have an effect on farmer decision in purchasing a product or service.

Step 5: Achievement of Result

At this stage, EAS personnel should visit the customer, advise him on guidelines for using the product and address any complaints on the product/service.



Collection of coconut leaf sample by a private extension agent to provide site-specific fertilizer recommendation

CONCLUSION

Private EAS is one of the functions of the marketing arm of a company. The private sector deploys EAS as a value-added service for their customers or consumers, and they generate additional profit or minimize extra marketing expenses through this approach. Providing EAS is a sustainable, long term and cost-effective approach for the private sector to survive in a competitive market and it brings benefits for both farmers as well the company. As a result provision of private EAS has increased over the last one decade in Sri Lanka. This demand-driven and market-driven problem solving approach of private EAS also has positively impacted the performance of the public EAS, and the increasing calls for public-private partnership in EAS delivery is a testimony to the growing importance of private EAS.

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