

Incentivizing Agro-Forestry Agreements: Institutional-Economic Conditions and Motivational Drivers

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Abstract

Uptake of agro-forestry agreements in Europe is very limited. The main objective of this study is to estimate farmer demand for agro-forestry agreements in rural areas in the Netherlands and Germany under different institutional-economic conditions using a choice experiment, and assess the sensitivity of farmers to financial incentives to convert part of their land into forest. Besides focusing on landowner and contract characteristics, we also test the role of motivational drivers in explaining farmers' willingness to conclude agro-forestry agreements. To this end, we fix financial compensation levels in hypothetical contractual agreements relatively low compared to opportunity costs, but comparable to what farmers currently already receive for nature conservation measures. We find substantial demand for agro-forestry agreements. More so in Germany than in the Netherlands, among others because of the higher opportunity costs in the Netherlands and the relatively low level of compensation German farmers currently receive. We find evidence that a positive disposition towards the environment (measured through their participation in existing agri-environmental schemes) and wildlife protection (measured through attitudinal questions in the survey) plays a significant role in their decision to participate in agro-forestry schemes. However, financial considerations dominate. Dutch and German farmers furthermore value institutional-economic conditions for participation significantly different. Both prefer to enter into shorter rather than longer term contractual agreements, but farmers in the Netherlands particularly value the possibility to return to farming at the end of the contract period, while German farmers feel especially a need for technical advice.

Key words: Agro-Forestry, Contract Design, Choice Experiment, Willingness to Accept Compensation, Motivation and Behavior