

Enhancing participation in payment for ecosystem services programs: understanding farmer perspectives

Research update for Vermont policy makers

Alissa White & Joshua Faulkner, September 2019

Summary

- Adequate financial incentives that incorporate investment costs, abatement costs and enrollment time are critical to ensuring farmer participation in a payment for ecosystem services (PES) program.
- Vermont farmers value other programs which incentivize ecosystem services from their landscapes and see a state sponsored PES as an opportunity to enhance data-based, holistic perspectives on ecosystem services.
- Communication about PES should highlight farmers as stewards, innovators and partners in solving ecological problems.
- Farmers want a program framed around ecosystem services to support the financial viability of farmers who are already invested in environmental outcomes and benefits to society.
- Farmers want regionally or site-specific information about environmental outcomes from their farm management, and would use that information to inform decisions.
- Distrust of regulatory agencies is likely to deter farmer participation.

- Farmers expressed concerns that a program be designed to support working farms and keep lands in agricultural production.
- The burden of time spent on paperwork was one of the most frequently mentioned concerns among focus group participants.

Background

As the state of Vermont explores the potential to use payment for ecosystem services (PES) to meet agricultural and environmental goals, it is critical that policy makers and program administrators understand factors that will influence farmers' willingness to participate in a PES program. We conducted focus groups with 24 Vermont farmers between January and May 2019. This paper summarizes our findings on how Vermont farmers think about ecosystem services when they make management decisions, and their concerns about potential payment for ecosystem services programs. In this Extension brief, we emphasize practical themes and information from those conversations that can be put to use in designing conservation incentives.

Key findings and farmer voices

- 1) **Financial stress.** Financial constraints limit farmers' capacity to invest in ecosystem services & conservation practices. Dairy farmers reported that the cost of

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compliance with new environmental regulations has directly contributed to the current financial stress they are facing. Farmers are concerned that a PES would offer inadequate financial incentives to cover the cost of management changes, including establishment costs, and that a PES system could become regulatory in nature.

"Regulate us right out of business."

"We want to do that, but we don't have the resources... that is one thing that would help on so many different levels. It would help our production, but also obviously for climate change reasons. So yeah, we know it's a good practice and we want to do it. We are just trying to figure [it] out financially."

"I think regulation without support is useless. It's absolutely useless and that's why things aren't happening because there isn't a concurrent commitment by the body politic to help farmers pay for this and there's absolutely no way they're going to afford that."

- 2) **Multiple ecosystem services.** Vermont farmers see PES as an opportunity to incentivize multiple ecosystem services, create a more holistic conversation about water quality, and be acknowledged for the many public benefits that come from their farms.

"I just hope that the talk around ecosystem services doesn't become what the talk around water quality has, where it's reduced to one nutrient. I guess the simplest way to say is that there's all these different benefits we recognize can be grown and produced in farming systems."

"I'm upset that the conversation about water quality in Vermont is always just pretty much about phosphorus."

- 3) **Stewardship.** Farmers expressed a strong sense of stewardship, some to the local community and others to the future of the entire planet. A conservation ethic and a stewardship identity are important reasons farmers in Vermont adopt conservation practices. Vermont farmers feel misunderstood, undervalued and undercompensated, and hope that a PES could mitigate structural pressures on dairy farm viability and enhance public trust. Outreach and framing about a PES program should highlight the ways farmers can be valued partners in solving pressing environmental challenges.

"You got all the neighbors down the road taking pictures, and reporting us. And it's not fun to be farming right now. Even if you do everything right, seems like you get in trouble or questioned about why you did it that way"

"The farmers are, and always have been willing to do more."

"We have the privilege of owning our own land, and at this stage in our farming career, I think that's like the tail that wags the dog for us, this idea of reducing our carbon footprint or even how we can sequester carbon. That's how we're really making our decisions. Trying to figure out systems that are going to actually do that and still make money."

- 4) **Equity.** Farmers expressed strong concerns about equity, and which kinds of farms would benefit from a PES program. They are not interested in a program that will reward farmers who have been dragging their feet on improving farm management. They want to make sure any new program will support the financial viability of those farmers who have previously invested in environmental outcomes and benefits to society.

"You got a farmer here saying: 'I no-till, I cover crop, and I manure injection.' So that means he's doing probably as good a job as you can do. ... say I'm plowing and harrowing and throwing the manure at it, hitting it where I can. Now all of a sudden this [PES] comes in. It'll pay you to do what the other farmer is already doing. Am I going to make more money? My thoughts are that he's been doing a good job and he's probably invested a lot of his own money to do it. I think he's the guy who should see the better benefit."

"The guy that has done a good job, does he get nothing? And the guy who has done nothing is getting all these payments, Huh?"

"Currently it's only funding where there's existing problems. It's not allowing us to look proactively and get funding for those things."

- 5) **Information.** Farmers want more information about how management practices influence environmental outcomes on their specific farm. Growers want to be confident that changes made would actually contribute to positive, measurable outcomes. Where information comes from also has important implications for conservation adoption-- farmers indicated that they are more likely to consider and use information delivered by

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trusted individuals and networks with whom they have developed durable relationships. If farmers had regionally or site-specific information about environmental outcomes from their farm management, they would use that information to inform decisions.

"If I talk to you guys, and you guys are like, yeah this is really good science, this is really good research. I really think you should follow this. That would have a lot more weight to me"

"You gotta have a system to be able to calculate what you're doing on that farm. And I'd like to see those numbers. The money's one thing, but I'd like to see exactly what the practice I'm doing, is it actually benefiting or not?"

"There's so much confusion as to what is the right measurement, and is that carbon actually sequestered long term, what does that mean, you know. so, I'd love to get some clarity as to how are our policies are really impacting sequestration for each, and are we really pulling it out of the atmosphere and sequestering it? ...We need to be verified."

6) **Compatibility with other programs.** Farmers spoke about the way conservation easements, NRCS programs, Current Use, organic certification and state agency water quality grants already support their capacity to enhance ecosystem services from their farms, and expressed concern that a new PES not detract from funding for those. Some farmers are also curious about how a state-funded program would interact with other market-based PES ideas, like regenerative agriculture labelling and international carbon markets.

7) **Oversight.** Farmers expressed concern about regulators running the program, and the risk of information being used against them. Distrust of regulatory agencies is likely to deter farmer participation. Farmers also expressed a desire for flexibility in how they implement management to enhance ecosystem services.

"A lot of them are saying: 'The government's abused us for many years. We're not interested in working with the government. If there's another way to get to this done, we're more than willing to do it. We're not signing on that line.' "

"The questions I would ask are what are the restrictions? And how customizable is it?"

"You'd get on the bandwagon with them, and they change the rules and regulations down the road where farmers are gonna bow out or make it tougher for them"

8) **Paperwork.** The burden of time spent on paperwork was one of the most frequently mentioned concerns. Programs that have a burdensome level of paperwork should try to incorporate additional compensation to account for farmers' time.

"I think there'd be a lot of questions on how much paperwork is there. A lot of people, get deterred from some of these programs because of all the paperwork"

"I am strapped. Alright, I virtually have to take a night off to come to this meeting. I had to leave the hired help with the rest of milking and such, and we're working seven days a week without days off. So, the easier they can make it for us administratively would definitely be easier."

"But even if you break even ... then you got to do five hour's worth of paperwork. Right. I'm not donating five hours of my time. Like I said, those hours are hard to come by now."

9) **Keeping farms in agriculture.** Some farmers expressed concerns that a program be designed to support working farms and keep lands in agricultural production.

"My main concern would be that ...people that want to invest in farmers, food, the people that farm, and not be at a competitive disadvantage against people that just want to produce fallow land and poplar trees and get a payment on that."

"With the long-term sustainability, we think about what's going to keep that farm in agriculture, because there's so many things working to take that farm out of agriculture."

Recommendations

Because farmers want to know exactly how management changes impact environmental outcomes, and to what level, scenario modeling and empirical data from local farms will be important to farmers in deciding whether to enroll. We recommend that emphasis be put on the specific results of local research conducted by trusted partners, and its relevance to production advantages and environmental outcomes.

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Adequate financial incentives that incorporate investment costs, abatement costs, enrollment time, and record keeping are critical to ensuring farmer participation.

Framing PES incentives as part of a holistic, systemic and long-term perspective on farm management and soil health will acknowledge farmers' innovation and stewardship identities, which are important factors influencing conservation practices adoption.

Should a PES program begin with a focus on phosphorus dynamics, it should be designed to incorporate additional ecosystem services and account for tradeoffs with other ecosystem services.

It is unlikely a PES could be designed to address all of the concerns highlighted in this exploratory study, as some of them are contradictory. For example, farmers expressed preferences for PES programs to both incorporate multiple ecosystem services and minimize paperwork, but these preferences have contradictory implications for PES program design. As well, farmers' desire to reward farmers who have already been good stewards is potentially at odds with their desire to ensure a program achieves true additionality. Successful PES program design will address farmers' concerns, incorporate input, and communicate to stakeholders about the way decisions about equity, compensation and oversight were made.

Follow-up Survey

This exploratory qualitative study identifies important themes and sets the foundation for follow-up quantitative explanatory studies. A survey would establish the specific minimum level of payment farmers are willing to accept for making management changes, and address other key concerns for program design.

Data Collection

We conducted focus groups with 24 Vermont farmers between January and May 2019. The focus groups were planned with a purposeful, stratified approach. Of the three focus groups, one was comprised of mostly grazing farmers, one was comprised of mostly diversified vegetable and berry growers, and one was comprised of mostly dairy farmers. Maple producers were also represented among the focus group participants.

Focus groups lasted between 60-90 minutes. We asked farmers about three primary topics, but allowed each group of farmers the space to talk about the ideas and topics they were most concerned with. Questions were about:

- 1) the most important factors farmers consider when making management changes,
- 2) how ecosystem services play into farm decision-making, and
- 3) concerns that would impact their willingness to participate in a potential payment for ecosystem services program

Recordings of each focus group were transcribed and then open-coded for emergent themes and patterns by the research team.

This brief was generated to inform the current policy conversation in Vermont. Please contact us with questions or interest in more details about additional findings and our ongoing research.

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