



What deters farmers from participating in conservation auctions?

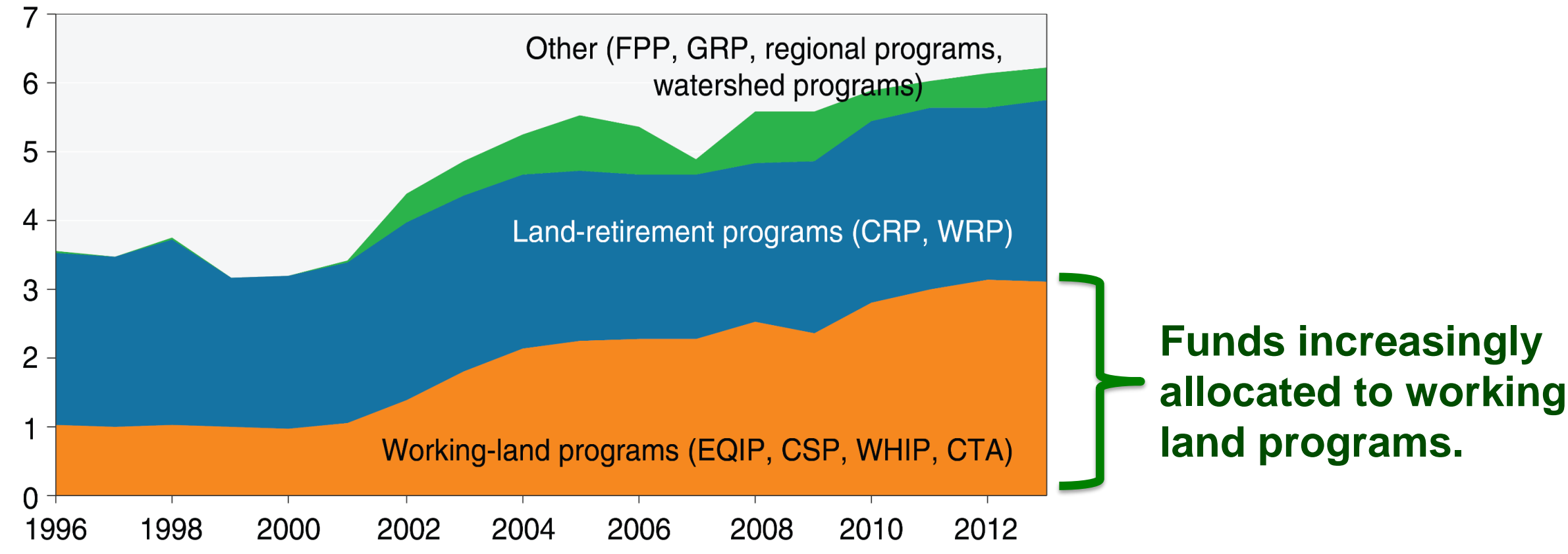
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Introduction

The federal government spends over \$6 billion each year on conservation programs. To successfully enhance ecosystem services, these funds must be allocated *cost-effectively*.

Trends in major USDA conservation program expenditures, 1996–2013
\$ billion (2012 dollars)



Source: ERS analysis of USDA Office of Budget and Policy Analysis (OBPA) data

- Conservation (reverse) auctions are used to get the greatest impact from limited funds for conservation incentive payments. Growers with the most cost-effective bids (i.e., bids that provide the most environmental benefit per dollar spent) are awarded payments to adopt the proposed best management practices BMP(s).
- Conservation auctions need widespread farmer participation to be cost-effective.
- When farmers with vulnerable lands fail to participate, programs become less cost-effective because high-impact fields are omitted.
- What factors deter participation in conservation auctions?
→ Knowing the answer can improve the cost-effectiveness of programs that rely on auctions to fund projects.

Objective: Identify factors that deter participation in conservation auctions so that programs can be designed to cost-effectively enhance ecosystem services.

Tiffin BMP Auction Project

Two conservation auctions were designed to cost-effectively reduce agricultural phosphorus runoff in the Western Lake Erie Basin to limit damaging algal blooms.

Bids were accepted for three practices, 1) cover crops, 2) subsurface drainage control structures, and 3) filter strips.



Two Auctions (\$25,000 budget each):
1) Fulton County, OH
2) Defiance County, OH

Auctions conducted June – Sept., 2014

Auction Participation Outcomes

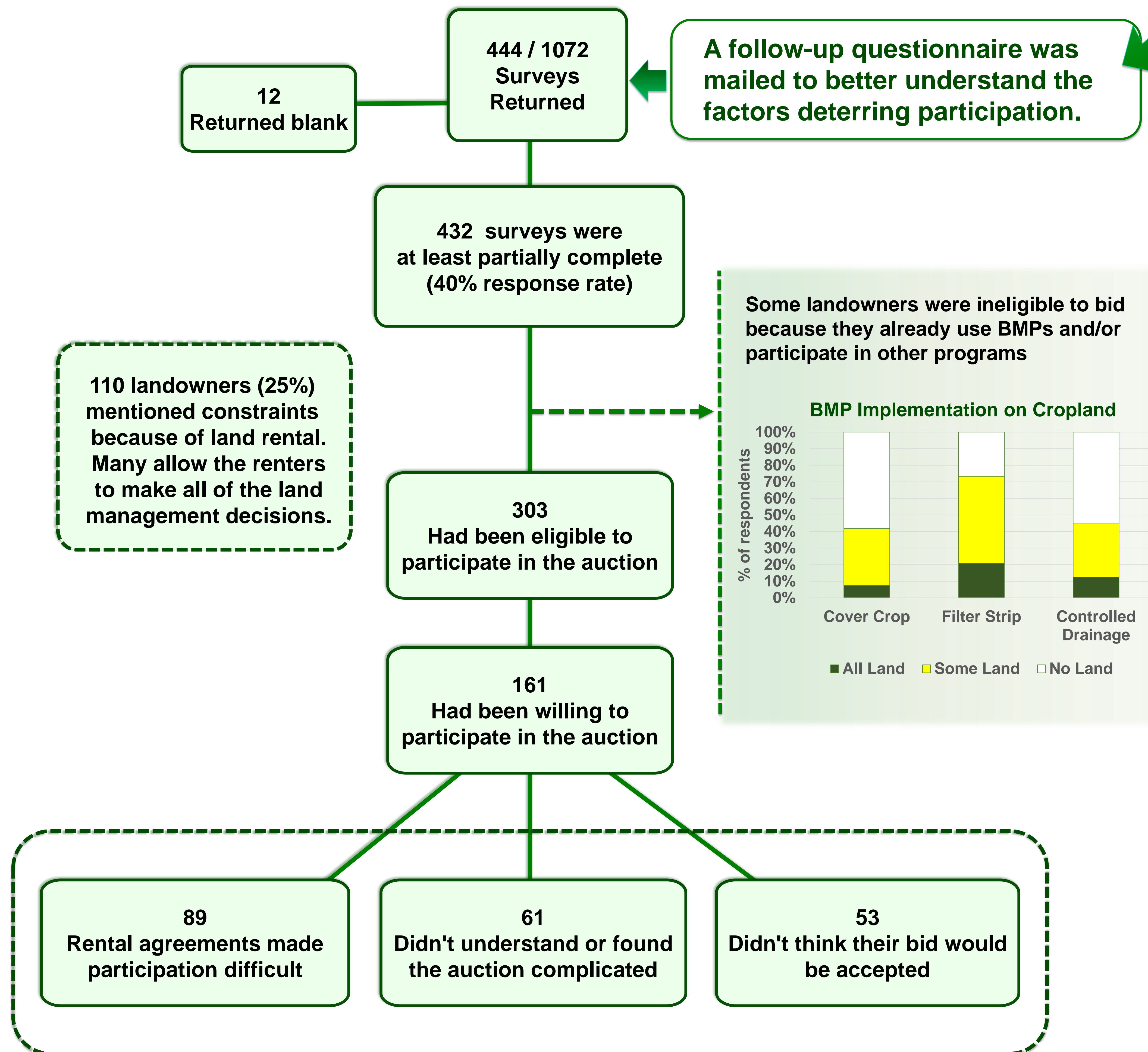
- 1,072 landowners invited to bid.
- Received bids from only 10 farmers

Why were participation rates so low in the two BMP auctions?

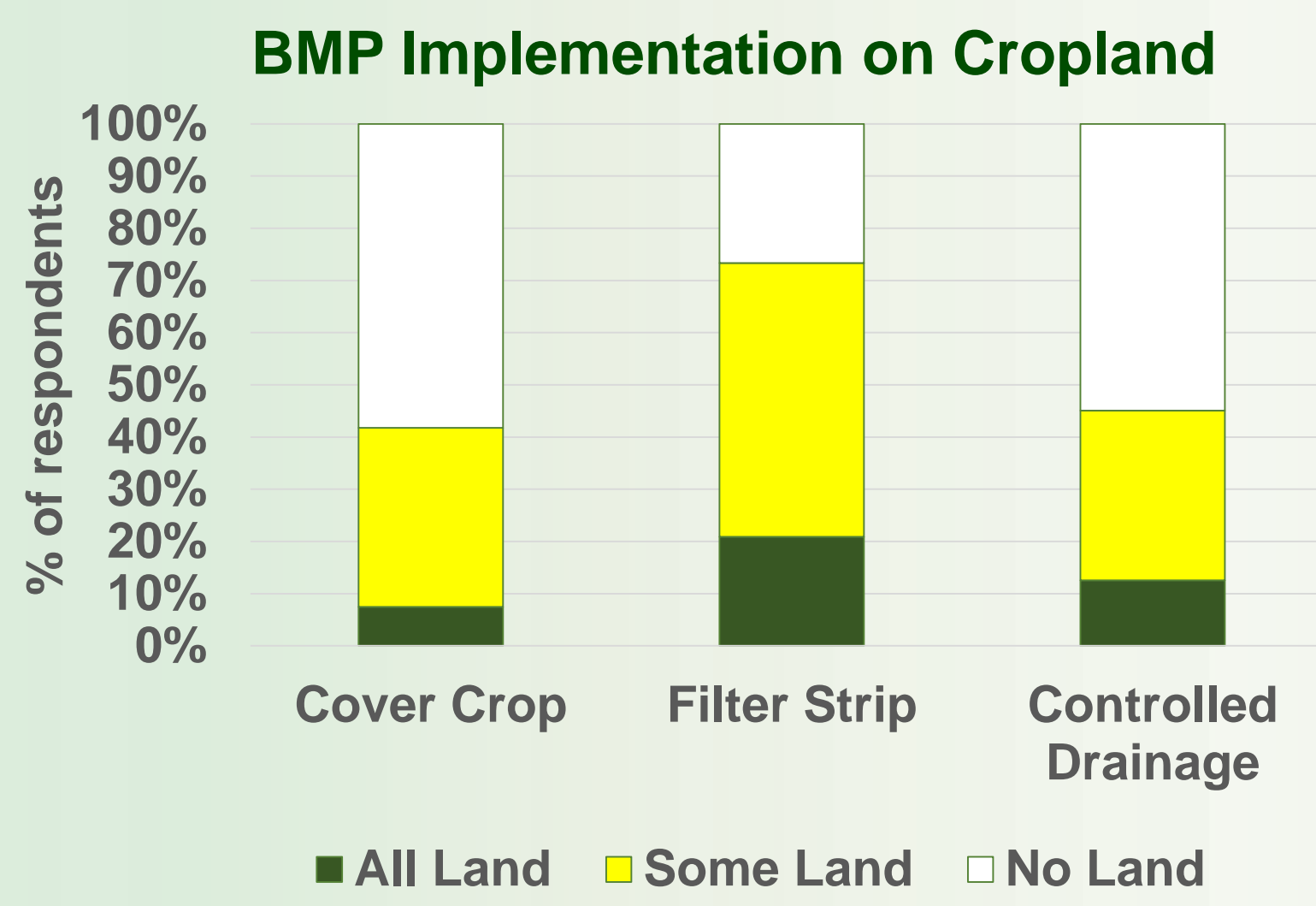
Hypotheses: Factors that limit conservation auction participation include,

- Barriers outside direct farmer control: a) eligibility for program, b) rental agreements
- Disincentives that undermine enthusiasm about the program: a) unfamiliarity with conservation auctions, b) program complexity, and c) uncertainty about how high bids can go.

A follow-up questionnaire was mailed to better understand the factors deterring participation.

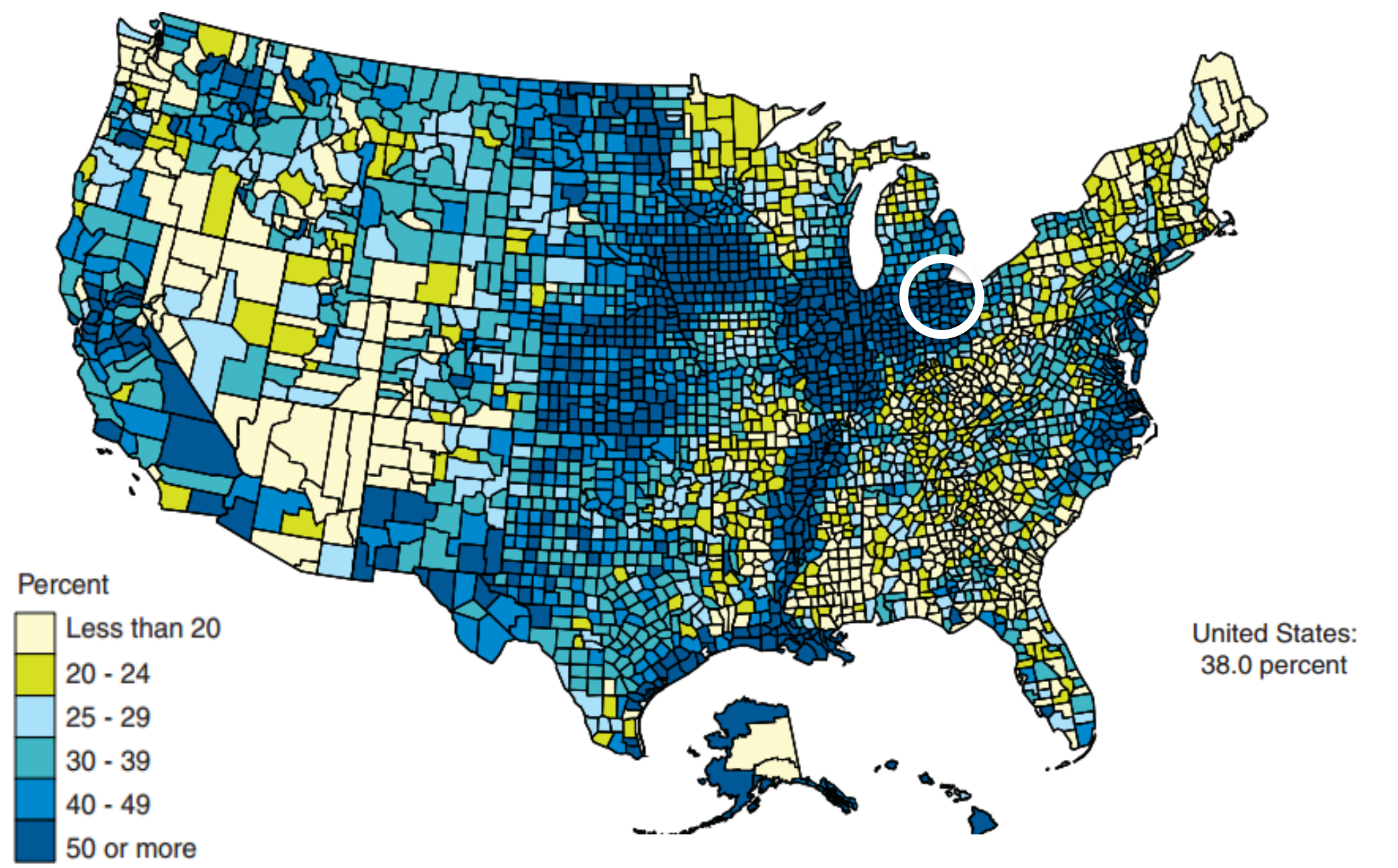


Some landowners were ineligible to bid because they already use BMPs and/or participate in other programs



Land Rental Restricts Participation

Over 50% of farmland rented in the Western Lake Erie Basin, 2007



What We Learned

Many factors deterred participation in the conservation auctions:

- Eligibility
- Rental relationships
- Complexity/Confusion
- Concern that their bid would not be accepted.

Policy suggestions for cost-effective conservation:

- Reduce complexity by 1) simplifying auctions, or 2) moving to fixed BMP payments targeting vulnerable lands.
- Provide technical support to educate farmers about the costs and requirements of new BMPs.
- Explicitly target certain conservation auctions to renters, especially auctions for 1-year practices like cover crops.

Consider alternatives to *voluntary* payments-for-environmental-services for large-scale, urgent problems.

Many thanks to our partners at the Soil and Water Conservation District Offices in Defiance County and Fulton County, Ohio.



Literature cited

USDA, Economic Research Service. 2014. "Conservation programs support conservation practices through financial and technical assistance." Available at: <http://www.ers.usda.gov/data-products/chart-gallery/detail.aspx?chartId=40027&ref=collection&embed=True#.VE4xZfnF8qu> [Accessed April 12, 2015].

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