

Extended Abstract
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Paper/Poster Title	Risk, identity and private investment
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Abstract prepared for presentation at the 98th Annual Conference of The Agricultural Economics Society will be held at The University of Edinburgh, UK, 18th - 20th March 2024.

Abstract	<i>200 words max</i>
<p>Despite concerted efforts within the European Union's Common Agricultural Policy to mitigate biodiversity decline through agri-environmental and climate measures, significant challenges persist. This research investigates the potential of privately financed agri-environmental contracts to address biodiversity loss. Through a labeled Discrete Choice Experiment (DCE) involving 350 German farmers, the study explores farmers' preferences for public and private contracts, the influence of external factors on results-based measures, and the role of farmers' identities in decision-making.</p> <p>The DCE captures farmers' preferences for Agri-Environmental Climate Measures (AECM) contracts. Results reveal significant differences in compensation payments between privately and governmentally financed contracts. Farmers express a preference for higher payments in privately financed contracts and results-based payments. Notably, farmers are willing to forgo compensation in exchange for advisory services. The study sheds light on the complex interplay of external factors and farmer identities when allocating farmland under AECM contracts.</p> <p>These findings have policy implications, emphasizing the importance of diversifying funding sources for biodiversity projects. Privately financed initiatives could offer additional funds and institutional opportunities, contributing to effective biodiversity conservation in European agricultural landscapes. The study's insights inform policymakers on tailoring agri-environmental contracts to farmers' preferences and optimizing the allocation of limited public funds for biodiversity measures.</p>	
Keywords	Choice modelling, farmer preferences, agri-environmental contracts
JEL Code	Q15, Q18, Q57 see: www.aeaweb.org/jel/guide/jel.php?class=Q)
Introduction	<i>100 – 250 words</i>
<p>Despite ongoing efforts through agri-environmental and climate measures of the European Union's Common Agricultural Policy, significant declines in biodiversity in European agricultural landscapes persist. In response, biodiversity and environmental protection have gained priority in EU policy, institutionalized further through the Green Deal, particularly in the form of the Biodiversity Strategy. To address biodiversity loss effectively, increased financial commitments and alternative funding methods for biodiversity projects are necessary. Privately financed projects could play a crucial role, providing not only additional funds but also creating new</p>	



institutional opportunities. Targeted projects, incentivized by results-based compensation, may gain attention and public involvement through privately financed initiatives. However, the acceptance of results-based measures among farmers has been limited due to external factors and associated uncertainties. This research examines data from a labeled Discrete Choice Experiment (DCE) involving 350 farmers in Germany, contributing significantly to the current scientific understanding. The study explores farmers' preferences between public and private agri-environmental contracts, the influence of external factors on the success of results-based measures, and the role of farmers' identities in implementing such measures. The study tests pre-registered hypotheses related to farmers' willingness to accept private contracts, preferences for action-based measures, the impact of external factors on preferences, and the role of farmers' identities in decision-making. The DCE incorporates a split-sample treatment to vary external factors, providing insights into the acceptance of results-based compensation. Participants also indicated the size of the land they would allocate under the selected contract

Methodology	100 – 250 words
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This study employs a labeled discrete choice experiment (DCE), a stated preference method, to capture farmers' preferences for differently structured Agri-Environmental Climate Measures (AECM) contracts. The method is based on Lancaster's characteristics theory of value, asserting that the utility of a good depends on its attributes rather than the good itself. In a DCE, participants are asked to choose their preferred alternative within choice scenarios, each described by varying attribute levels.

The analysis, grounded in random utility theory (McFadden, 1974), evaluates choices and attribute valuation. The deterministic and random utility components' parameters are estimated, allowing the calculation of the marginal rate of substitution, representing trade-offs between attributes. If an attribute is a payment vehicle, measures of willingness to pay or accept can be constructed, vital for policy design, especially in AECM. Compared to revealed preference methods, DCEs offer advantages such as the ability to elicit preferences for non-existent goods, establishing causal relationships through systematic attribute variation, and avoiding strategic response bias without contingent incentives (Hanley and Czajkowski, 2019; Villamayor-Tomas et al., 2019).

Apart from the binary choice, farmers are asked in the second step to allocate their preferred amount of ha under the chosen contract.

Results	100 – 250 words
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The results indicate significant differences among compensation payments between privately and governmentally paid AECM contracts. In particular, farmers require higher payments for the privately financed contract (in line with H1). Moreover, farmers require higher compensation payments for result based payments (in line with H2) and are willing to forego compensation payments in return to receiving advisory services (in line with H4).

Discussion and Conclusion	100 – 250 words
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Paying farmers for biodiversity measures is important and investigating alternative ways to do so is relevant as public funds are limited. This study provides policy relevant findings by quantifying farmers' institutional preferences for privately

financed agri-environmental contracts for species rich grassland. Moreover, our results from German farmers depict the role external factors and farmer identities when allocating farmland under AECM contracts.