

## EXECUTIVE SUMMARY

This report provides substantive information to address the task: Establishing Prices, Costs and Eligibility for Agri-Environmental Payments for Services Provided by Farmers. This is the first of two research areas conducted for the Christian Farmers Federation of Ontario (CFFO). The second area will be addressed elsewhere. Work in these areas is in response to the CFFO's Strategic Focus Area 4: "An Alternative Vision for Ontario Agriculture," specifically: "Research and Analysis on two policy areas that offer the best current hopes for progressing the CFFO's *Vision for Agriculture*."

Following discussions with the CFFO Strategic Policy Advisor in the summer of 2001, the question was broken down into the following sections:

- Review of former, existing or proposed agri-environmental payments in the EU, US, OECD states, Ontario and elsewhere in Canada;
- A History of Ontario's programs;
- Evaluation of Existing Programs, with assessment mechanisms for e.g. a five-year period;
- A Survey;
- Eligibility for Programs;
- Justification for the need for wider society to share in the costs of agri-environmental payments through public spending;
- Identification of potential barriers to agri-environmental payments;
- Production of a Green Book, which sets out priorities, prices (and costs) for agri-environmental payments, with provision for possible future changes.

In retrospect, it is now apparent that attempting to accomplish these tasks in a systematic and creditable manner was a formidable challenge. Very little has been published about these subjects as they relate to Ontario, which would have lightened the task. It was clear to me that providing answers to these complex questions would not be accomplished easily or quickly. Specifically, it is not possible to provide real prices for environmental benefits. This is for two reasons: 1) severe logistical and theoretical difficulties in establishing these values and 2) the fact that they would apply only to particular areas and for limited time periods. The discussions contained in section 7: Establishing Prices, Costs and Eligibility for Agri-Environmental Payments explore these theoretical and logistical problems.

The report is divided into the sections listed in the Table of Contents. Some of the sections relate directly to the tasks above but other elements have been provided elsewhere. For example, a survey was constructed and delivered in August and September of 2001 which indicated a number of real and potential barriers to enrolment in agri-environmental payments programs. The results of this survey were published separately in *Earthkeeping Ontario*. They now form the basis of a proposal for a future rigorous investigation into this question. As well, apart from the Literature Review, material has been assembled separately about environmental payments in the EU, US and elsewhere for other purposes within the CFFO.

Section 1: Introduction, defines agri-environmental programs and agri-environmental payments and contains a brief discussion of stewardship. Section 2: Literature Review, presents the salient information from a vast and growing body of research and practice, with emphasis on the EU, US and Canada. Section 3: Justification

for the Need for Wider Society to Share in the Costs of Agri-Environmental Payments through Public Spending, sets forth some of the many doctrinal, ethical, legal, governmental and economic issues in the agri-environment which must be considered in justifying public spending for environmental payments. Section 4: Actual and Potential Agri-Environmental Benefits, is a straightforward list of actual and potential environmental benefits made possible by specific practices. Much necessary background to Ontario's past conservation and agri-environmental practice is provided in section 5: History of Ontario Agri-Environmental Programs. This is carried to the present with section 6: Current Incentive Programs Operating in Ontario- Details, with lists of current programs. Section 7: Establishing Prices, Costs and Eligibility for Agri-Environmental Payments, attempts to concisely explain the difficulties of providing dollar figures for particular environmental benefits and offers several alternative approaches. Section 8: Program Evaluation and Monitoring, presents yet another major problem of program design and evaluation and introduces the reader to the concept of environmental indicators. This concept is rising rapidly in international usage and will most certainly be used to complement today's largely inadequate empirical environmental monitoring. Finally, a Glossary, References and extensive, but by no means complete, Bibliography are provided as reading aids and to assist the CFFO in future research. Appendices have been added of selected material.

It has, however, not been possible to produce the required Green Book on agri-environmental payments. No public programs exist which specifically provide these payments in Ontario. It has not been feasible to generate hypothetical information for this purpose, especially within the limited time frame and scope of this research. However,

with the material gathered for this report, it would be possible to produce a simple compendium of existing incentive programs, with eligibility requirements and funding schedules. My recommendation is for the CFFO to revisit its original goals in pursuing this sub-task.

The sections here, then, provide background and context of the nature of incentive programs and environmental benefits which will be necessary to the CFFO in order to carry this project forward. In particular, it is hoped that this report will acquaint the decision-makers within the organization with the complexities of design, funding, implementation, accountability and governance of past and current agri-environmental incentive programs.

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