



May 2011

## Capitalizing on Nature's Benefits: New Incentives for Private Forest Landowners

Private forest owners are an essential underpinning of the economy in our nation's forested regions.

Nearly 11 million private landowners are responsible for managing 423 million acres in the United States. Close to three-quarters of these private forests are considered to be family forests (i.e., non-industrial forest) that are owned and managed by people with a broad diversity of objectives.<sup>1</sup>

According to a recent study<sup>2</sup>, private forest lands make the following contributions to the national economy:

- Direct, Indirect, and Induced Jobs: **2.5 million**
- Direct, Indirect, and Induced Payroll from Private Forests: **\$87 billion**
- State Income and Severance Taxes from Private Forests: **\$4.4 billion**
- Sales from Private Forests: **\$263 billion**
- Economic Impact - Contribution to GDP from Private Forests: **\$115 billion**

In many places, however, the financial viability of practicing forest management that creates these economic returns is under threat. Traditional uses for wood—e.g. sawlogs, papermaking—are changing, and in many places the financial returns on growing trees for harvest have stagnated or declined. Instead the value of forest lands for their development and amenity values has increased significantly.

### **Key Recommendations**

1. Ensure central oversight and coordination at the federal level to facilitate the development of consistent metrics and tools for payments for ecosystem services.
2. Maintain funding levels for Farm Bill conservation programs that already deliver payments for ecosystem services, and refocus some of these investments to pay for ecosystem services outcomes.
3. Improve the accessibility, efficiency, and cost-effectiveness of technical assistance available to landowners wanting to access ecosystem services incentive programs, and provide flexibility to allow for regional differences in how that assistance is delivered.

As forest lands are increasingly purchased for non-forest uses, forest and open space is being lost at a rate of nearly 6,000 a day in the U.S. New markets and other income opportunities for products and services from private forests are key to alleviating this trend and rebuilding an economic foundation for sustainable forestry on private lands.

Payments for ecosystem services—clean water, carbon sequestration, wildlife habitat and others—that forests provide hold promise as a new economic opportunity to maintain private forests. In fact, a recent report concludes that private forest landown-

<sup>1</sup>Butler, B. (2008). *Private forest landowners in the United States, 2006*. Newtown Square, Pennsylvania: USDA Forest Service, Northern Research Station. GTR NRS-27.

Smith et al., 2. (2004). *Forest Resources of the United States*. St. Paul, Minnesota: USDA Forest Service, Northern Central Research Station, GTR NC-241.

<sup>2</sup>F2M/Forest to Market, 2009. The Economic Impact of Privately-owned Forests. Prepared for the National Alliance of Forest Owners.

<sup>3</sup>Mercer, E.D.; Cooley, D.; Hamilton, K. (2011) *Taking Stock: Payments for Forest Ecosystem Services in the United States*. Ecosystem Marketplace and USDA Forest Service.

ers are already awarded at least \$1.9 billion as payments for ecosystem services in the US each year.<sup>3</sup>

Currently there are at least 14 Farm Bill and other federal government programs that encourage landowners to deliver ecosystem services. The private sector is also a significant source of demand through regulatory and pre-regulatory compliance and, in many cases, because the business case for ecosystem services investments makes sense.

NGOs around the country are developing innovative pilot efforts to deliver payments for ecosystem services through market mechanisms, mitigation strategies, and other means.

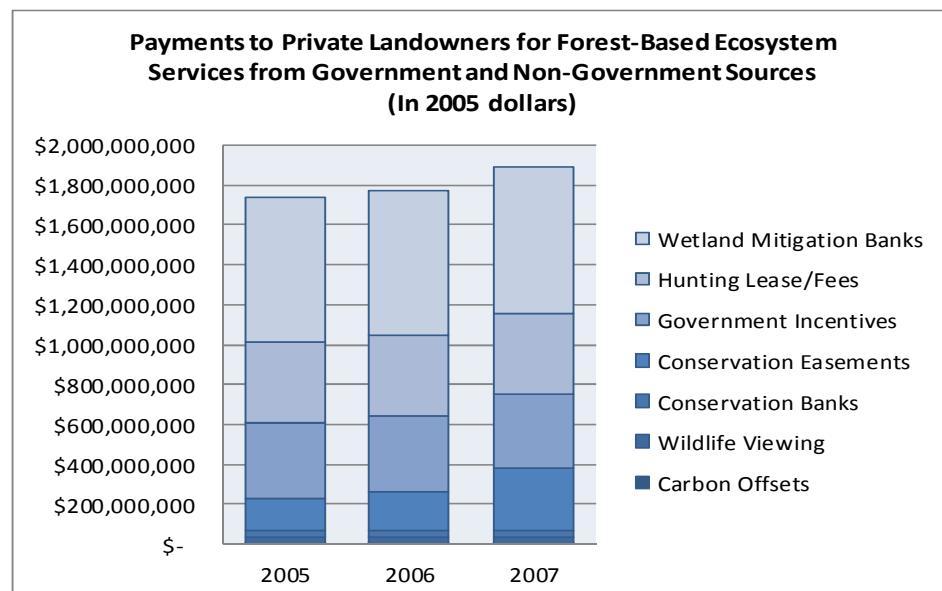
To really have an impact, however, mechanisms that deliver payments for ecosystem services must be further developed and then scaled up significantly. Currently only a small number of landowners participate in payments for ecosystem services projects, and the payments they receive are often too small to compete with markets to develop land.

Changes in government and corporate policy will be critical to the development of payments for ecosystem services programs capable of compensating the large number of willing landowners undertaking actions to conserve and restore America's forests.

## Our Recommendations

The participants in the Coalition for Eastern Forests & Communities ecosystem services working group share a common interest in developing and strengthening markets, payments, and incentives that reward forest landowners for stewarding and sustaining the ecosystem services their forests provide.

Many of us are involved in specific projects in our home states and around the country that are beginning to demonstrate how these mechanisms might work. Based in that experience, this paper outlines our high level recommendations for how federal policy can complement these on-the-ground efforts and spur a significant increase in landowner access to



Mercer, E.D.; Cooley, D.; Hamilton, K. (2011) *Taking Stock: Payments for Forest Ecosystem Services in the United States*. Ecosystem Marketplace and USDA Forest Service.

payment for ecosystem services opportunities.

- 1. Ensure central oversight and coordination at the federal level to facilitate the development of consistent metrics and tools for payments for ecosystem services.**

Multiple organizations and entities- both public and private- are working to develop ecosystem service metrics and marketplaces around the U.S. While most of these efforts are necessarily place-based (i.e., focused on delivering services in a particular watershed or ecosystem) these efforts often lack consistency among standards and approaches to ecosystem services valuation, contributing to instances of "reinventing the wheel" and to inefficient market development.

The 2008 Farm Bill tasked USDA with the work establishing "technical guidelines that outline science-based methods to measure the environmental services benefits from conservation and land management activities." USDA was further required to do this in consultation "with other federal and state government agencies, nongovernmental interests, and other interested persons."

To act on this mandate USDA created what is now the Office of Environmental Markets. As Congress drafts the 2012 Farm Bill, we ask that a means for central oversight and coordination of ecosystem services policy and programs at the federal level again

be included, and that this office be given specific, adequate resources and strong mandate to facilitate the development of common metrics and procedures to measure ecosystem services benefits.

It must also play a strong role in leading inter-agency cooperation amongst federal, state, and local resource agencies working to develop ecosystem services markets and payments, with an eye specifically to expediting market development and increasing private capital investment.

**2. Maintain funding levels for Farm Bill conservation programs that already deliver payments for ecosystem services, and refocus some of these investments to pay for ecosystem services outcomes.**

In the absence of regulatory-driven markets for ecosystem services, Farm Bill conservation programs are perhaps the most important mechanisms currently for protecting and stewarding ecosystem services on private lands. It is essential that current funding levels for these programs be maintained in the next Farm Bill.

We also recommend that development of the next Farm Bill consider how these conservation programs can be more focused on outcomes-based incentive payments, e.g. allowing for the purchase of actual ecosystem services delivered, not just for cost-sharing for practices that may (or may not) deliver those services. This recommendation is easier said than done; one approach could be parallel ecosystem credit programs that match federal dollars and target non-federal sources of funding to projects that will yield the largest conservation outcomes.

Finally, one specific federal program has been instrumental in catalyzing a number of ecosystem services pilot projects around the country. The Conservation Innovation Grant (CIG) program (within EQIP) funds a number of projects that are demonstrating the effectiveness and viability of different strategies to deliver payments for ecosystem services. The CIG program and funding level must be maintained.

**3. Improve the accessibility, efficiency, and cost-effectiveness of technical assistance available to landowners wanting to access ecosystem services incentive programs, and provide flexibility to allow for regional differences in how that assistance is delivered.**

Landowners seeking to access federal conservation incentive programs that provide payments for ecosystem services often face a number of barriers, including onerous paperwork, lengthy processing times, and insufficient agency capacity or knowledge. In many places, non-federal partners in the NGO and private sector could provide more locally adapted and efficient technical assistance.

One recommendation to accomplish this is to expand the options for NGOs to partner with federal agencies in administering and delivering Farm Bill programs, such as through the Cooperative Conservation Partnership Initiative (CCPI). To be most effective, however, the statute that prohibits administering organizations from covering any of their costs must be removed.

**Who We Are**

The Coalition for Eastern Forests and Communities is comprised of over thirty organizations and individuals who joined together to improve the social, economic and environmental well-being of communities and forests in the Eastern U.S. by sharing, developing and advocating for effective national policy solutions that promote healthy forest ecosystems and vital communities.

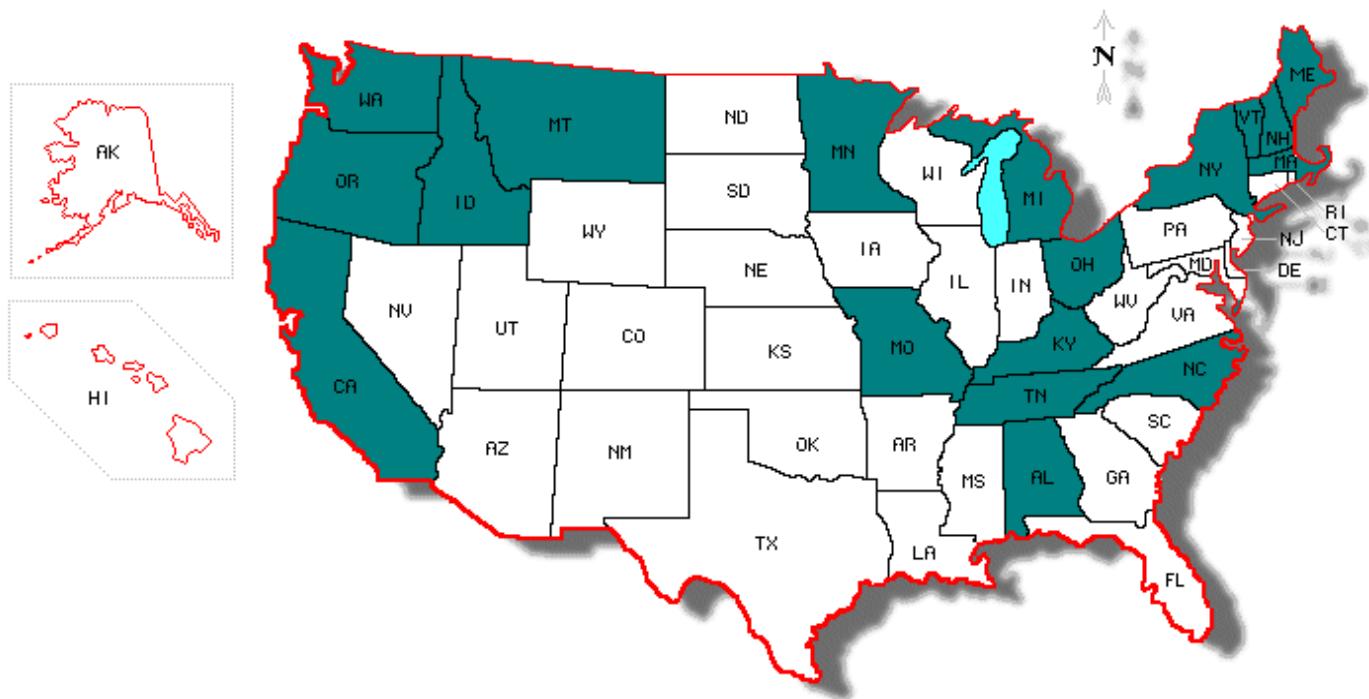
For more information about this paper, please contact:

Joe Short, Northern Forest Center:  
[jshort@northernforest.org](mailto:jshort@northernforest.org)

Brian Kittler, Pinchot Institute for Conservation:  
[bkittler@pinchot.org](mailto:bkittler@pinchot.org)

For more information about CEFC, please contact:

Rebecca Turner, American Forests: [rturner@amfor.org](mailto:rturner@amfor.org)



## Coalition Partners

American Forests (DC)

Biomass Energy Resources Center (VT)

Center for large Landscape Conservation (MT)

Coastal Enterprises, Inc. (ME)

Communities Committee (MI, MN, MO)

Forest Guild (MA)

League of Rural Voters (MN)

Mountain Association for Community Economic Development (KY)

National Association of Forest Service Retirees (ID)

National Network of Forest Practitioners (OH, NY, TN, WA)

Northern Forest Center (NH)

Pinchot Institute for Conservation (DC)

Siuslaw Institute (OR)

Sowash Ferrier (OH)

Sustainable Northwest (OR)

The Greening of Detroit (MI)

The National Community Forestry Service Center (NC)

Tuskegee Volunteer Power Corporation (AL)

Watershed Research and Training Center (CA)

Individual signatories:

(affiliations for identification purposes only)

Dennis Becker, University of Minnesota

Maureen McDonough, Michigan State University

Cecilia Danks, University of Vermont

Rory Fraser, Alabama A&M University

CEFC is an initiative

