

KEEPING UP WITH CONSUMERS:
UNDERSTANDING THE POLICY IMPLICATIONS OF A CHANGING LANDSCAPE
JANUARY 28-30 JANVIER 2015 • CHÂTEAU LAURIER • OTTAWA

ÉVOLUER AU MÊME RYTHME QUE LES CONSOMMATEURS :
COMPRENDRE LES EFFETS D'UN ENVIRONNEMENT EN ÉVOLUTION SUR LES POLITIQUES

What Price Wetlands: How Prairie Farmers Value Wetlands

Manikarnika Kanjilal, Scott Jeffrey, Wiktor Adamowicz and James Unterschultz
University of Alberta

Measuring the costs of adopting agricultural Beneficial Management Practices (BMPs) is a crucial step in the economic evaluation of the land use change that will help in evaluation and development of appropriate policy. This study investigates what is the welfare impact of adoption of wetland restoration BMP by agricultural producers in the black soil region of Alberta and Saskatchewan using Stated Preference Methods (CVM). The welfare impact is measured by estimating producers' willingness to accept (WTA) compensation for restoring wetlands in their currently active farmland. Estimation and validation of required compensation would help inform wetland policy in the Canadian Prairie region.

Producers are asked about their preference for a hypothetical restoration of a wetland under a 12 year contract period in exchange of various compensation amounts. The median WTA is estimated using midpoint analyses and alternative Probit specifications assuming certainty in response and also under uncertainty in response to account for potential strategic behaviour. Producers own valuation for wetlands was compared to their inferred valuation for a typical farmer in their area. For farms in Alberta, the range of estimated WTA is \$620-661/acre/year for cropland using linear model specifications and \$391-450/acre/year for a nonlinear specification. For farms in Saskatchewan, WTA estimated using linear models ranged from \$841-961/acre/year for cropland and for non-linear models it was even higher (\$931-1288/acre/year). Inferred valuations of producers were higher than own valuations of wetland in Alberta thus indicating potential social desirability bias. However, the evidence of this potential bias was observed in only the linear models in Saskatchewan.