



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

SCANDINAVIAN FOREST ECONOMICS
No. 41, 2006



Proceedings
of the Biennial Meeting of the
Scandinavian Society of Forest Economics
Uppsala, Sweden, 8th-11th May, 2006

Lars Lönnstedt and Björn Rosenquist (eds.)

Uppsala

Grants for advisory services in the private Danish forestry sector – a principal-agent approach

Dorthe H. Lund, Suzanne E. Vedel, Jette B. Jacobsen and Finn Helles*

Accepted of: Journal of Forest Economics

Abstract

National strategies concerning sustainable forest management are not implemented in private forest management if owners without an education in forestry are not given advice and applicable guidelines. Therefore the Danish government gives a grant to consultant companies offering advisory services to private forest owners. The Danish Forest and Nature Agency, who administers the grant, the consultant companies and the forest owners constitute a multi-layer principal-agent system. The government can benefit from using differentiated contracts because the consultant companies have private information on their costs, which may lead to adverse selection. In a market situation where the consultant companies can be divided into two agent groups with high or low costs, it will be Pareto-efficient for the government to use the group with low costs, and this type of agent will receive an informational rent through the grant. The difference in the agent-specific utility that the forest owner gains determines the maximum informational rent, which can be obtained by the consultant company group with low costs.

Key words: Principal-agent theory, adverse selection, advisory services, private forest owners.

