

1 **Reconciling rural development and ecological restoration: Strategies and policy**
2 **recommendations for the Brazilian Atlantic Forest**

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34 **Abstract**

35 Increased demand for both agricultural production and forest restoration may lead to
36 increased competition for land in the next decades. Sustainably increasing cattle
37 ranching productivity is a potential solution to reconcile different land uses, while also
38 improving biodiversity conservation and the provision of ecosystem services. If not
39 strategically implemented in integration with complementary policies, sustainable
40 intensification can however result in negative environmental, economic and social
41 effects. We analyzed the potential for sustainable intensification as a solution for a
42 conflict between agricultural expansion and forest restoration in the Paraitinga
43 Watershed at the Brazilian Atlantic Forest, a global biodiversity hotspot. In addition, we
44 provide policy recommendations for sustainable development in the region, based on
45 interviews with producers and local actors. We found that the Paraitinga Watershed has
46 the potential to increase its cattle-ranching productivity and, as a result, relinquish spare
47 land for other uses. This was true even in the most conservative intensification scenario
48 considered (50% of the maximum potential productivity reached), in which 76,702 ha
49 of pastures can be spared for other uses (46% of total pasture area). We found that
50 restoration, apiculture and rural tourism are promising activities to promote sustainable
51 development in the region, thus potentially increasing food production and mitigating
52 competition for land. Our study shows that results from socioeconomic interviews and
53 biophysical modeling of potential productivity increases offer robust insights into
54 practical solutions on how to pursue sustainable development in one of the world's most
55 threatened biodiversity hotspots.

56 **Keywords:** Sustainable intensification, Cattle ranching, Land-use policies, Restoration,
57 Land sparing.

58

59 **1. Introduction**

60 Between 2000 and 2012, tropical rainforests experienced the greatest forest loss,
61 representing 32% of global forest cover loss (Hansen et al. 2013). Pressures on forests
62 and other natural ecosystems are likely to continue due to increasing demand for
63 agricultural products to support population growth and changing consumer demands
64 (Smith et al. 2010, Wirsenius et al. 2010, Alexandratos and Bruinsma 2012). There is
65 also increasing interest in large-scale forest restoration initiatives to mitigate the loss of
66 biodiversity and ecosystem services (Nazareno and Laurance 2015). It is therefore likely
67 that in upcoming years, an increased demand for both agricultural production and large-
68 scale forest restoration will result in further competition for land (Smith et al. 2010),
69 and debates will continue on how to diminish this competition (Latawiec et al. 2015).

70 Increasing cattle ranching productivity in a sustainable manner has been proposed
71 as a potential solution to reconcile increasing demand for different land-uses, reduce
72 competition for land, improve provision of ecosystem services and increase biodiversity
73 conservation (Smith et al. 2010, Lambin and Meyfroidt 2011, Bustamante et al. 2012,
74 Cohn et al. 2014, Latawiec et al. 2014a). Sustainable intensification was considered as
75 moderate increases in agricultural productivity (increase in number of animals per
76 hectare) in a system that maintains grass-feeding (most of the cattle-ranching systems in
77 Brazil are extensive pasture-based grazing systems; Latawiec et al. 2014b). If not
78 implemented correctly, sustainable intensification can however have negative
79 environmental and socioeconomic effects. For example, rebound effect may follow
80 where further deforestation occurs as more productive systems become more profitable
81 (Lambin and Meyfroidt 2011). Indirect deforestation (Arima et al. 2011, Lambin and
82 Meyfroidt 2011, Cohn et al. 2014), leakage (Strassburg et al. 2014a) and displacement
83 of less capital-intensive smallholders (Bustamante et al. 2012) are other examples of

84 unintended adverse effects. Delivering sustainable intensification without causing
85 environmental and social adverse effects is a great challenge. Therefore, sustainable
86 intensification should be developed and implemented concomitantly with
87 complementary public policies and strategies.

88 In Brazil, agriculture and cattle ranching are among the main drivers of land-use
89 change, with cattle ranching being the most important driver of deforestation (Nepstad
90 et al. 2006, Gibbs et al. 2010, Cohn et al. 2011, Arima et al. 2011). Although the
91 country is among the biggest beef producers worldwide (FAOSTAT 2015), cattle
92 ranching is based on an extensive system with low pasture efficiency (stocking rate is
93 approximately 33% of the sustainable potential; Strassburg et al. 2014b). Furthermore,
94 Brazilian landowners need to collectively restore approximately 21 million ha of native
95 vegetation (Soares-Filho et al. 2014) in order to comply with the new Forest Code
96 (National Law No. 12.651/2012). Approximately half of this restoration (12.5 million
97 ha; Soares-Filho et al. 2014), will need to happen within the Atlantic Forest Hotspot, the
98 most affected by deforestation in Brazil (Lapola et al. 2014). Currently, only 12-16% of
99 its original 150 million ha forest cover remains standing, with more than 80% of forest
100 remnants now smaller than 50 ha (Ribeiro et al. 2009). It is a great challenge to integrate
101 both large-scale restoration and increased agricultural production in the Brazilian
102 Atlantic Forest (Latawiec et al. 2015).

103 The aim of this study is to propose strategies for land sparing based on modeling
104 and interviews with local actors in the Paraitinga Watershed in the Brazilian Atlantic
105 Forest. We first estimated the potential for sustainable intensification of cattle ranching,
106 and estimated the amount of spared land that would be generated in three different
107 sustainable intensification scenarios. We also performed interviews with producers and
108 local actors in order to understand their perception of ecosystem services, and the

109 potential of the region for diversification of agricultural activities. Our central
110 hypothesis is that by increasing stocking rates within sustainable levels, cattle
111 production could be concentrated in areas with higher potential productivity while the
112 remaining land could be spared for other uses, including large-scale forest restoration
113 (e.g. Strassburg et al. 2014b). Our study combines socioeconomic research and an
114 analysis of the biophysical potential for productivity increases, to offer robust insights
115 into practical solutions on how to pursue sustainable development in one of the world's
116 most threatened biodiversity hotspots (Myers et al. 2000).

117

118 **2. Methods**

119 2.1. Study site

120 The study was conducted in the Paraitinga Watershed (S 45.6535, W 23.4019; S
121 44.6435, W 22.7057), located in the northeast of the state of São Paulo, in the Atlantic
122 Forest. The watershed comprises 268,010 ha, including parts of 12 counties of various
123 sizes (Fig. 1), and occupies a strategic position in terms of water supply for São Paulo,
124 Rio de Janeiro and Minas Gerais, three of the most densely populated states in Brazil.
125 Between 2014 and 2015 these states faced a water supply crisis, reinforcing the
126 importance of this watershed as an ecosystem service provider. The Paraitinga
127 Watershed is occupied predominantly by pastures and forest remnants. Pasture areas
128 represent approximately 61% of the total watershed, with 30% classified as pasture
129 without signs of degradation, 21% as degraded and the remaining 10% showing signs of
130 natural regeneration (hereafter non-degraded pasture, degraded pasture and abandoned
131 pasture, respectively). Forested areas represent 27% of the watershed, including 21%
132 mature forests and 6% secondary forests (Strassburg et al. 2014c).

133 2.2. Cattle ranching productivity modelling

134 In order to develop cattle ranching scenarios, we assessed current cattle
135 productivity and calculated the potential sustainable carrying capacity of pastures in the
136 region. We calculated the potential increase in productivity for different sustainable
137 intensification scenarios (see below) and the amount of land that could be spared in each
138 of the scenarios. We calculated current productivity based on stocking rates per county
139 (IBGE 2009). Thus, we used county level as our sampling unit, i.e. all pasture areas
140 inside the same county had the same value of current stocking rate. We also calculated
141 the average productivity in Animal Units (AU) per hectare, with 1 AU equivalent to 454
142 Kg of live animal weight (FGTC 1992). We incorporated the final values for pasture
143 areas into an existing land-use map of the study region (Strassburg et al. 2014c).

144 In order to calculate the potential sustainable carrying capacity of pastures, we
145 gathered spatial data for potential biomass growth (Kg/ha) in all pasture areas from the
146 FAO/IIASA Global Agro-Ecological Zones (GAEZ) project (FAO/IIASA, 2012). These
147 data consider climatic information (e.g. temperature and rainfall), and terrain conditions
148 (e.g. soil type, slope and elevation), but do not include seasonal changes. The
149 sustainable carrying capacity (in AU/ha) was calculated based on 8 Kg/day of ingested
150 dry biomass per head, and 50% grazing efficiency (Equation 1).

$$151 \text{ Eq (1) } DDP=(SR*I/GE)cosS$$

152 where *DDP* is Daily Demand of Pasture (the total amount of feed needed per head of
153 cattle); *SR* is Stocking Rate (AU/ha); *I* is Ingested feed (kg/AU/day), *GE* is Grazing
154 Efficiency, and *S* is Slope. We assumed a value of 8 kg/AU/day for *I* according to
155 Forage and Grazing Terminology Committee (FGTC, 1992), and 0.5 (i.e. 50%) for *GE*,
156 which is considered realistic for advanced systems in Brazil (Barioni et al. 2007).
157 Considering that most of the feed consumed by cattle comes from pastures (> 95%), we

158 calculated sustainable stocking rates assuming that pastures are the only source of cattle
159 feed (Strassburg et al. 2014b).

160 We developed three scenarios considering intensification of cattle and calculated
161 the total land sparing. The three simulated scenarios predict an increase of 50, 75 or
162 100% of the potential sustainable carrying capacity of pastures for the Paraitinga
163 Watershed. For each scenario we calculated the total pasture area that could be spared
164 for other land-uses, considering non-degraded pastures, degraded pastures and
165 abandoned pastures, following the land-use classification from Strassburg et al. (2014c).
166 No spatially explicit prioritization was developed for spared areas. We projected that the
167 level of cattle production in the watershed will be constant over the next years due to its
168 historical trends: production increased from approximately 11,000 head in 1985 to
169 13,000 in 2000, but then declined to 10,000 in 2012 (IBGE 2009). We therefore
170 considered cattle production to be maintained at current levels for all scenarios. All
171 analyses were carried out in QGIS 1.8.

172 2.3. Socioeconomic and policy aspects

173 Policy recommendations are based on the economic, social and environmental
174 diagnosis of the region. First, we reviewed both peer-reviewed and gray literature from
175 the study region. Second, based on the content analysis of these data we developed two
176 questionnaires: one for the local agricultural producers and another for local actors. The
177 number of producers selected was determined by the number of rural properties in each
178 county inside the watershed, and a corresponding sample of properties for each county
179 was set. One producer was interviewed per property. Interviewed producers were
180 chosen randomly.

181 Other actors include technical extension assistants, representatives of local NGOs,
 182 governmental and research institutions, and producers' associations (Table 1). Actors
 183 were suggested either by the Environment Secretary of the State of São Paulo, by the
 184 Technical Assistance Institute (CATI) or by interviewed actors, in a snowball method.
 185 The first draft of both questionnaires was reviewed in consultation with different actors
 186 (e.g. Environment Secretary of the State of São Paulo, local NGOs) in the Paraitinga
 187 Watershed.

188 **Table 1.** Local actors interviewed, presented as institutions and roles.

Interview	Institution	Role in Institution
1	APIS-tinga	President
2	Producers' Association - Mato Dentro	President/Funder
3	Council for Sustainable Rural Development - São Luiz do Paraitinga	President
4	Rural Union - Areias	President
5	Nutrir - Socio-educative Association of small rural producers - Redenção da Serra	President
6	Association of Catuçaba	Employee
7	CATI – Cunha	Forestry Engineer
8	Banco do Brasil	Manager
9	Secretary of Environment and Agriculture - São Luiz do Paraitinga	Secretary
10	Secretary of Environment and Agriculture – Silveiras	Secretary
11	Forestry Foundation - state of São Paulo	Manager
12	Water and Energy (DAEE) and Watershed committee	Director

189

190 Upon this consultation, it was decided that the best way to obtain the intended data
191 was through the application of structured interviews with producers, aiming to obtain
192 more quantitative data, and semi-structured interviews with other local actors. This
193 structure allowed us to obtain qualitative data complementing the quantitative ones from
194 producers' interviews. Once the questionnaires were ready, we performed a pilot study
195 both with producers (N = 3) and with local actors (N = 2) in order to test the clarity of
196 the questions and insure that the information we required was successfully obtained.
197 Upon preliminary analysis of these pilot study results, both questionnaires were slightly
198 modified (some questions were clarified and others were added in order to allow data
199 triangulation for cross verification).

200 We interviewed 175 producers in 7 different counties (Cunha, Lagoinha,
201 Natividade da Serra, Paraibuna, Redenção da Serra, São Luis do Paraitinga and
202 Silveiras) between February and April 2014, and 12 local actors during three field visits
203 between January and June 2014. The questionnaire for producers included a variety of
204 questions regarding their background (age, education level, years developing their main
205 activity), activities performed and perception of ecosystem services. In this paper we
206 specifically focus on six questions directed to the producers: i) Which activities do you
207 perform in your property?; ii) Do you see the forest as an obstacle for your production?;
208 iii) Do you think forests have positive effects on your property? If so, what are those
209 positive effects?; iv) Would you perform an alternative activity if you would receive
210 higher revenues?; v) Which activities would you like to perform?; vi) How do you
211 conserve your property regarding environmental factors?

212 The questionnaire with other actors included background information (institutional
213 profile, role in the institution), main economic activities developed in the region,
214 producer's profile, profitability of economic agricultural activities developed in the

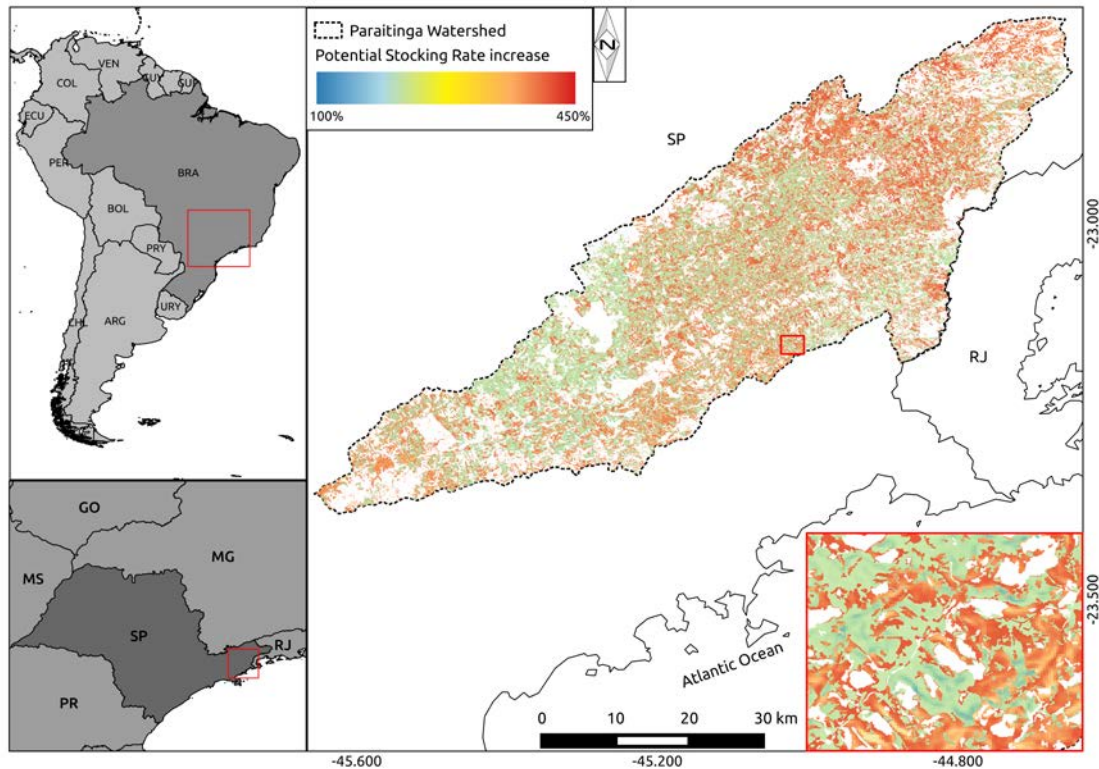
215 region, market characteristics and potentialities, potentialities of the region and future
216 trends of the market, producers' perception of ecosystem services, and description of the
217 most important initiatives developed in the region related to sustainable development.
218 The information obtained from these interviews was organized in a matrix and coded
219 according to a pre-defined category (Organization Profile; Economic and Social
220 Characteristics of the region; Market potentialities; Producers' Profile; Environmental
221 characteristics, Interventions). We then counted the occurrences and carried the results
222 forward to the analysis, along with results from the producers interview.

223

224 **3. Results and discussion**

225 3.1. Cattle ranching productivity and land-sparing potential

226 We found that the current stocking rate in the region varied between 0.8 and 1.4
227 AU/ha, whereas the potential sustainable stocking rate ranged from 2.5 to 3.79 AU/ha.
228 This represents a potential increase of 111 to 420% of current rates (Fig. 1).



229

230 **Figure 1.** Map showing the location of the Paraitinga Watershed in Brazil and São
 231 Paulo State. The colored areas are pastures with different potential stocking rates (%),
 232 and white areas represent other land uses.

233 In the most conservative scenario (where 50% of the total sustainable carrying capacity
 234 is reached), the total pasture area spared reaches 76,702 ha (46% of total pasture area).
 235 This corresponds to 17% non-degraded pastures, 19% degraded pastures and 10%
 236 abandoned pastures (Table 2). In the intermediate scenario (75% of the total sustainable
 237 carrying capacity is reached), the total spared pasture area equals 105,095 ha (64%):
 238 28% are non-degraded pastures, 24% are degraded and 12% are abandoned pastures. In
 239 the optimist scenario (100% of the total sustainable carrying capacity is reached), the
 240 total pasture area spared was found to be 119,292 ha (73%), where 33% are non-
 241 degraded pastures, 26% are degraded pastures and 13% are abandoned pastures (Table
 242 2).

243 **Table 2.** Spared land in different pasture types in the Paraitinga Watershed under three
 244 intensification scenarios.

<i>Spared land (hectares)</i>			
<i>Land Use</i>	Scenario 50%	Scenario 75%	Scenario 100%
<i>Pasture</i>	28,427	45,592	54,174
<i>Degraded Pasture</i>	32,413	39,944	43,710
<i>Abandoned Pasture</i>	15,861	19,559	21,408
<i>Total</i>	76,702	105,096	119,293

245

246 Our analysis showed that it is possible to increase stocking rates within sustainable
 247 levels in areas with higher potential carrying capacity, which could in turn lead to land
 248 sparing for other uses, such as large-scale forest restoration. This corroborates previous
 249 studies that have shown that sustainable intensification can support high agricultural
 250 productivity and other land uses concomitantly (e.g. Bustamante et al. 2012). Strassburg
 251 et al. (2014b) demonstrated that the current carrying capacity of Brazilian pasturelands
 252 corresponds to only 32-34% of its potential productivity. Given the heterogeneity of the
 253 Paraitinga Watershed (Strassburg et al. 2014c), certain areas are characterized by higher
 254 differences between current and potential carrying capacity, and therefore may be less
 255 prone to competition for land (Lambin and Meyfroidt 2011). For instance, some areas
 256 have the potential to increase productivity by 420% (Fig 1), while other areas are likely
 257 to have more competition for land because they already operate at higher levels of
 258 productivity or have lower stocking rate potential (Fig. 1).

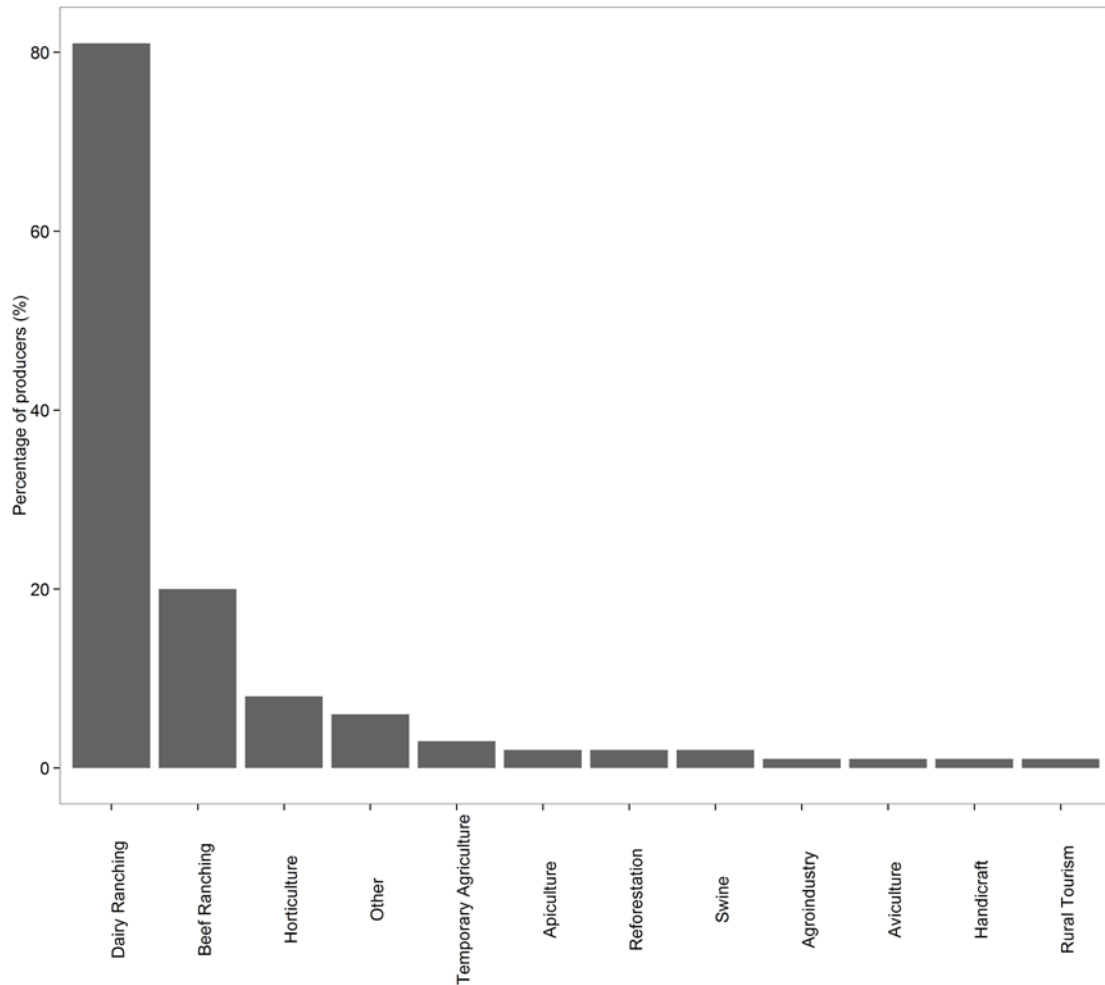
259 3.2 Socioeconomic and policy aspects

260 Interviewed producers were representative of the rural population in the watershed
 261 as a whole in terms of farm size (most properties were smaller than 50 ha, in a region
 262 where small properties are considered of having up to around 150 ha) and primary
 263 activity developed (dairy and beef cattle) (IBGE 2009).

264 We found that activity diversification could be a key strategy to boost the
265 implementation of sustainable intensification in the Paraitinga Watershed. This
266 approach may help to avoid negative effects by integrating different, and possibly
267 complementary, land-uses. Based on our interviews with local actors, we found that
268 apiculture and rural tourism are theoretically interesting activities to be incentivized in
269 the region considering their market and regional context (identified by six out of the 12
270 local actors interviewed). The price of honey can be more stable than of milk, and
271 initiatives at the county level are currently incentivizing schools to buy local food from
272 small producers for lunches in public schools, thus also creating demand for honey
273 products (Lei no 11.947/2009). Once production is diversified, producers may reduce
274 their financial risks through diminishing their dependence on a single market (e.g. milk
275 or meat), and increase income and economic stability (Souza et al. 2014).
276 Diversification of activities to increase producers' income has also been observed in
277 other Atlantic Forest regions (Souza et al. 2014). Increased income from diversification
278 could also compensate implementation costs, often required when shifting towards more
279 intensive systems.

280 Currently, the major activities conducted by producer interviewees are dairy (81%)
281 and beef ranching (20%), and only a few have other activities such as horticulture (8%).
282 For instance, only one of the interviewees currently exploits rural tourism and only four
283 practice apiculture (Fig. 2). According to local actors, the main obstacles for
284 diversifying production are lack of capital to cover the initial investment and a weak
285 supply chain. There is also the lack of necessary logistics for production, storage and
286 transportation processes, which gets even more difficult considering that the region is
287 characterized by small rural properties (average size of 40 ha). Furthermore, producers
288 showed little interest in changing their current activity: 72% of respondents (121 out of

289 167) claimed that they would not change their activity even if their income would
290 increase. Therefore, although apiculture and rural tourism represent potential activities
291 for the region, these are still in early stages of development, and improvements in local
292 logistics, market and capacity building courses should be incremented. Disseminating
293 information on the benefits of diversification and presenting successful case studies
294 could provide motivation for producers to implement new and unknown activities.
295 Logistics and the development of a market could then be further improved by the
296 empowerment of local cooperatives. Finally, it is important that strategies and policies
297 for sustainable development and territorial planning consider the cultural, biophysical
298 and territorial contexts (Silva 2014).



299

300 **Figure 2.** Agricultural activities that are most frequently developed by interviewed
 301 producers in the Paraitinga Watershed.

302 Forest restoration has a great potential for contributing to both biodiversity conservation
 303 and the provision of ecosystem services (Ditt et al. 2010). In the Paraitinga Watershed,
 304 restoration is likely to happen as the farmers must be compliant with requirements of
 305 the new Forest Code, and can be performed in a passive or an active way. Passive
 306 restoration can work particularly well for abandoned pastures (Holl and Aide 2011),
 307 which cover 10% of the Paraitinga Watershed. In fact, these abandoned pastures are
 308 already in initial stages of natural regeneration and, in other Neotropical regions, vast
 309 areas have been restored passively following agricultural abandonment (Bowen et al.
 310 2007, Chazdon et al. 2008). However, passive restoration in abandoned pastures does

311 have some financial costs, e.g. establishing fences (Zahawi et al. 2014), and these costs
312 can reach US\$ 850 - 1,200 per ha in the Atlantic Forest (Strassburg et al. 2014c).

313 Active restoration, although often complex and expensive (e.g. US\$ 5,000 per ha –
314 see Brancalion et al. 2012), is an option that can be particularly relevant for degraded
315 pastures, where restoration may be more difficult due to a history of intensive
316 agricultural activities (Holl and Aide 2011). Studies have also shown that the costs
317 necessary to perform active restoration can be recovered, partially or completely, by the
318 revenues obtained from the extraction of timber and non-timber products in reforested
319 areas (Brancalion et al. 2012). Revenues can also be generated in ‘silvopastoral’
320 systems, which is another alternative becoming widely adopted and already reported to
321 have positive environmental effects, such as high carbon sequestration (Ibrahim et al.
322 2010, McGroddy et al. 2015).

323 Restoration may be facilitated given producers’ perception of forests, since 84% of
324 interviewees do not perceive forests as a barrier to agricultural production, and 86%
325 believe that forests have positive impacts on their property. These perceived benefits are
326 mostly linked to water ecosystem services, such as water provision (claimed by 80% of
327 the respondents). In addition, 98% of interviewed producers assured us that they protect
328 water resources and forests by avoiding deforestation and fires and by fencing. Only
329 three producers stated that they take no action toward the conservation of their property
330 regarding the environment. The perception of the importance of the forests, restoration
331 and landscape integrity, together with the need for compliance and the increasing
332 incentives for sustainable practices (e.g. certification and Payment for Ecosystem
333 Services - PES) are factors that are likely to motivate producers to implement forest
334 restoration (Durigan et al. 2013). Although a positive perception of forests does not
335 necessarily guarantee that restoration will be implemented, it may be a starting point for

336 motivating producers to do so, and information on the benefits of restoration and
337 silvopastoral systems should be further disseminated to landowners and local NGOs.

338 It is also a great challenge to successfully realize all the potential benefits of
339 intensification. In order for intensification to be sustainable, it needs to be performed in
340 a way that does not adversely affect the environment. Extensive cattle ranching in Brazil
341 often leads to deforestation and soil degradation, and intensification beyond sustainable
342 limits and overuse of agricultural chemical control may also lead to deterioration of the
343 environment, as happened in other countries where agriculture is predominantly
344 intensive e.g. some areas of Western Europe or United States (Latawiec et al. 2014b). In
345 addition, rebound effect is always a risk when intensifying production and the Rural
346 Environmental Registry may need to provide a mechanism to control for a potential
347 spillover effect of more efficient cattle ranching.

348 In order for sustainable intensification to happen, a number of constraints will need
349 to be considered and addressed. Bottlenecks for intensification include labor availability
350 (de Filho et al. 2011) and quality, technical assistance (Latawiec et al. 2014c), education
351 and cultural resistance (Wagner and Rocha, 2007). The first step should be
352 dissemination of knowledge on techniques and approaches to sustainable intensification
353 as producers' engagement will underpin the willingness to adopt better land
354 management. Financial incentives should be put in place to assist producers with the
355 initial costs that are incurred.

356 Technical assistance is limited or very intermittent in the Paraitinga Watershed,
357 which is particularly detrimental to small producers since they have little access to
358 private assistance. In addition, most technicians are poorly qualified to assist the
359 implementation of better land management practices. Improved technical assistance
360 should also be provided to producers to facilitate their access to credit lines designed to

361 increase productivity (Leite 2001, Strassburg et al. 2015), and to catalyze the
362 implementation of restoration projects. Indeed, although credit access has increased
363 93% from 2002 to 2012 in the watershed, totaling approximately US\$ 8 million in 2012,
364 almost 50% of all credit lines' budgets were allocated in only two of the watershed
365 counties (BACEN 2004, BACEN 2012). Finally, there is a lack of institutions available
366 to provide technical assistance for ecological restoration in the state of São Paulo. The
367 Forest Institute (IF) is in charge of developing research, whereas Technical Assistance
368 Institute (CATI) provide technical assistance for agricultural production. Municipal and
369 state government institutions should allocate more investments for increasing the
370 number of technical assistants, who could be better trained by a partnership between
371 these institutions, local NGOs and universities in the region, with the participation of
372 producers. Research institutions have a very important role in providing information,
373 whereas NGOs could help with its dissemination.

374 Incentive mechanisms, such as PES and certification, are available and can
375 facilitate not only restoration initiatives, but also sustainable intensification,
376 silvopastoral systems and the diversification of activities. Two thirds of PES programs
377 in the Atlantic Forest involve restoration or reforestation actions (Guedes and Seehusen
378 2011), although restoration costs can be high and in some cases PES programs are not
379 sufficient to overcome these costs. The average payment for farmers is US\$ 33 – 370
380 /ha/year (Guedes and Seehusen 2011, Pagiola et al. 2013). Restoration and silvopastoral
381 systems can also be subsidized by payments from carbon markets (Guedes and
382 Seehusen 2011, McGroddy et al. 2015), and by generating income from non-timber forest
383 products (NTFPs) (Alarcon et al. 2015). Furthermore, it has been shown that there
384 might be substantial synergies between carbon storage and biodiversity conservation
385 (Strassburg et al. 2010; Strassburg et al. 2012).

386 PES programs could also provide payments for the development of other activities,
387 such as apiculture or rural tourism. For example, the *Water Conservation Program –*
388 *Extrema* provide payments as cash, infrastructure, or machinery to encourage activities
389 related to the protection of water resources in the Atlantic Forest (Pagiola et al. 2013).
390 Schemes that include co-benefits are generally preferred as they increase local levels of
391 human and productive capital, reducing the dependence on cash payment (Torres et al.
392 2013). Although lack of information on ecosystem services and high opportunity costs
393 can be obstacles to the participation of producers in PES programs, it is believed that
394 the legal requirement to comply with the new Forest Code may successfully incentivize
395 producers to participate in PES programs (Alarcon et al. 2015). Finally, certification
396 programs such as the Rainforest Alliance “Sustainable Agriculture Network”, already
397 developed in Brazil, could be further expanded to farms that have already spared areas
398 for restoration, in addition to those required by the Forest Code.

399 PES and other initiatives (such as the Brazilian Low Carbon Agriculture program)
400 may facilitate land-sparing and may be complemented by other strategies aiming to
401 reduce deforestation (Cohn et al. 2014). These should integrate different activities,
402 which must be mutually supportive and developed concomitantly and in coordination
403 (Bustamante et al. 2012). For instance, the extractive use of forest products can
404 complement income from intensification; apiculture and certified honey sale may
405 facilitate restoration, whereas restored areas can catalyze rural tourism that in turn may
406 increase certified product sales. Furthermore, it is important to overcome some of the
407 obstacles that face the implementation of sustainable intensification, such as lack of
408 labour, technical assistance, difficult access to credit and producers’ lack of interest
409 (Latawiec et al. 2014a).

410 When implementing policies aimed at land-sparing, local context should be taken
411 into account to assure integration with state policies and other interventions (Silva
412 2014). Finally, different actors from the private and public sector, as well as civil
413 society, must participate in the initiatives aimed at land-sparing for restoration to
414 maximize implementation efficiency (Bustamante et al. 2012).

415

416 **4. Conclusions**

417 Sustainable intensification has the potential to both increase food production and
418 spare land for other uses, thus mitigating likely competition for land in the upcoming
419 decades. Sustainable intensification needs, however, to be accompanied by public
420 policies and other strategies, such as PES. Diversification of activities and forest
421 restoration are potential strategies to be developed in spared lands, reducing economic
422 and social risks for rural producers. Our study, by combining socioeconomic interviews
423 and an analysis of biophysical potential for increasing productivity, offers a set of
424 potential strategies that could contribute to formulating feasible environmental public
425 policies. Although this study focused on a specific watershed, lessons learned may be
426 expanded to other regions in the Atlantic Forest and other biomes in Brazil, as well as
427 places worldwide, in order to diminish increasing competition for land in the future.

428

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444

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