

CHAPTER 8

SOCIO-ECONOMIC ISSUES

Socio-economic issues pervaded the Panel’s public meetings. The diversity of views was large indeed, but the one issue that predominated was an overall concern about survival of the family farm as a way of life.

The concerns were expressed in a variety of ways. There are pressures from globalization and technological advances for farms to “get big” or “get out”. Many felt there is a declining importance and influence of agriculture and farmers (even in rural areas) as farms became fewer and larger. There were concerns about how to pass the farm to the next generation. An overarching theme was insecurity and uncertainty about the future. Although it is beyond the Panel’s terms of reference to delve into all these issues, we do wish to explore some aspects as they relate to sustainable livestock development.

A key starting point is to recognize that there are many types of farms and farmers in the rural landscape, each with different characteristics and lifestyle/business objectives. Building on some of the material in Chapter 2 of this report, it is instructive to look at a more detailed classification system, or “typology”, developed by Agriculture and Agrifood Canada that considers a number of factors in classifying farm types. These typologies are outlined below:

- **Pension Farms:** Main operator was 60 to 64 and receiving pension income (CPP/QPP), and all those 65 years of age and older.
- **Beginner Farms:** Main operator had less than 6 years of farming experience.
- **Lifestyle Farms:** Gross revenues of \$10,000 to \$49,999, off-farm income of \$50,000 and over, and negative net operating income.
- **Low Income Farms:** Gross revenues of \$10,000 to \$49,999 and total family income below \$20,000.
- **Limited Resource Farms:** Gross revenues of \$10,000 to \$49,999 and not in the lifestyle or low income farms.

- **Transition Farms:** Gross revenues of \$50,000 to \$99,999.
- **Large Farms:** Gross revenues of \$100,000 to \$249,999.
- **Very Large Farms:** Gross revenues of \$500,000 or more.

Table 8.1 illustrates the distribution of farms in Manitoba by type and production in 1997. Farms in the two largest categories (41 percent) accounted for 68 percent of farm sales. For all of Canada, these two categories accounted for 37 percent of farms and 71 percent of farm sales. Another way of looking at this is that farms in transition, combined with farms with low farm incomes, are in the majority (59 percent), but are responsible for a smaller proportion of total farm sales (32 percent). Table 8.2 shows the financial characteristics of different farm types in Manitoba in 1997. The challenge this poses, in the view of the Panel, is to find ways for this majority group to participate in making a living in rural areas.

Table 8.1
Distribution of Farms and Production
by Farm Typology, Manitoba, 1997

	<i># of Farms</i>	<i># of Farms</i>	<i># of Sales</i>
Pension	3,400	20.1	20.8
Lifestyle	90	0.5	0.1
Beginner	835	4.9	2.8
Low Income	1,015	6.0	0.9
Limited Opportunity	2,110	12.5	1.9
Transition	2,570	15.2	5.8
Large	6,100	36.1	41.6
Very Large	795	4.7	26.0
ALL FARMS	16,905	100.0	100.0

Source: Farm Financial Survey (FFS) 1998, Whole Farm Data Base, Statistics Canada.

Note: Excludes farms with less than \$10,000 in gross farm revenues. Due to rounding and/or confidentiality restrictions, percentages may not add up to 100%.

A revealing statistic is the proportion of total family income that comes from off-farm sources. For all Manitoba farms this is 43 percent; comparable numbers for Saskatchewan and Alberta are 47 percent and 63 percent. When broken down by type of farm, the differences are significant, ranging from 16 percent for very large farms to 114 percent for lifestyle farms. A number that is greater than 100 percent implies that off-farm income is used to offset negative net operating margins from farm operations.

An interesting question that the Panel has not had the opportunity to explore is to analyze the sources of off-farm income to farmers. Clearly, in the case of pension farms (about 20 percent of all Manitoba farms) where off-farm income is almost

60 percent of total family income, pensions would be a significant source. In the remaining 39 percent where off-farm income as a percentage of total family income ranged from 59 percent for beginner farms to 114 percent for lifestyle farms, it is more difficult to determine. One likely source is employment in the service, educational, and health care sectors in surrounding towns and even cities. Another source of off-farm income for some farmers may be local ILOs. A typical configuration of a two 3,000 pig sow barns, eight 2,500 pig nursery barns, and twenty-one 2,000 pig feeder barns would employ approximately 35 people. It is our understanding that many of these people come from surrounding farms, as well as rural communities and rural non-farm residences.

Table 8.2
Financial Characteristics of Farms by Farm Typology, Manitoba, 1997

	Net Operating Income (\$)	Gross Sales (\$)	Average		Total Off-Farm W&S (\$)	Family Income (\$)
			Net Worth (\$)	Debt/ Asset %		
Pension	32,167	195,904	695,571	11.0	20,698	56,377
Lifestyle	-4,091	29,499	457,473	14.3	44,601	54,983
Beginner	24,896	106,931	236,349	26.2	28,006	44,895
Low Income	1,210	28,497	185,405	13.7	10,636	6,786
Limited Opportunity	3,705	29,388	214,035	12.7	32,129	34,287
Transition	12,919	72,757	376,999	14.0	27,726	34,511
Large	45,362	217,873	685,997	19.0	24,259	68,066
Very Large	155,197	1,047,422	2,042,168	23.1	51,814	213,880
ALL FARMS	34,348	189,192	592,648	17.3	26,731	58,429

Source: FFS 1998, Whole Farm Data Base, Statistics Canada.

Note: Excludes farms with less than \$10,000 in gross farm revenues

Rural Manitoba, along with Saskatchewan and Alberta, is dependent on agricultural exports. With that dependency comes the necessity to be competitive with farmers in other countries, and the resulting pressures to adopt cost cutting and efficient means of production. Whether this is through the use of chemical fertilizers and pesticides, feed additives, innovations resulting from the “life science revolution” (for example GMOs), or increased size of operations, questions are being raised as to the appropriateness of such developments. Nowhere is this more evident than in hog production in Manitoba where the average number of pigs produced per farm each year has increased from 388 to 1,290 between 1990 and 2000, while the number of pig farms has decreased from 3,150 to 1,450 during the same period.

Why did so many of the smaller farmers get out of hog production so quickly? Some have suggested that the elimination of single desk selling in 1995 was key. Looking at the statistics (as shown in Chapter 2), however, it is evident that this steep decline was well underway by the time this policy change took place. It has also been suggested that smaller farmers are having a more difficult time marketing directly to packers. Yet another speculation revolves around quality of life expectations. The raising of pigs requires close attention seven days a week. For a small producer without hired help there is little opportunity for time away from the farm.

The options appear to be to either get larger and have more people working on the farm, or leave the business. Apparently, some of the farmers that have stopped producing their own pigs have gone to work for intensive pig operations where they have the opportunity to enjoy more time away from work.

The challenge facing government (both provincial and federal) is to promote rural development in a sustainable manner. This requires recognition that there is more to rural Canada than primary agriculture, particularly grain production, practiced in traditional ways. Other sectors in rural and urban areas have had to change in response to changing markets and technology. Perhaps the most difficult realization is that farms that are

entirely dependent on the export grain market are not likely to be sustainable in the long run.

We believe that ILOs can play an important role in sustainable rural development, provided that compliance with environmental regulations is monitored and enforced, and that the human and animal health implications of these systems of production are also monitored.

However, we do not subscribe to the view that they are the only approach to livestock growth in rural Manitoba. One of the challenges is to find ways for farmers that do not wish to participate in ILOs to still be able to produce and market their animals and make a living. To do this will require a shift away from the traditional approach to agricultural policy that tries to treat all farmers equally, usually through safety net programs that appear to satisfy few. Keeping in mind the farm typologies mentioned earlier, we believe that two sets of agricultural policies are required to achieve this.

Governments should focus one set of agricultural policies, including appropriate safety net programs, on the two categories of farmers that encompass large and very large farms. Typically, these are the operators that will be concentrating on producing at least cost for the export market.

Another set of agricultural policies should be developed that will deal with the needs and expectations of farmers who are in transition or derive limited income from farming. In the case of sustainable livestock development, this could be targeted at grain producers wishing to shift into hog or cattle production, but do not want to go the large scale route. They will require a different approach to financing, research for appropriate technology, extension, marketing and safety net programs. More emphasis could be placed on land use policies that would take account of the land resource having value for more than primary agricultural production, for example wildlife habitat and ecotourism.

Research for appropriate technology requires a special mention. Over the last decade or more, governments (both federal and provincial) have

been emphasizing industry driven and cost-shared research initiatives. Not surprisingly, this has shifted the emphasis to research that would be of most benefit to agribusiness and larger farmers, with smaller farmers not being in a good position to raise research funds for cost sharing. If government wishes to provide an opportunity for rural development that isn't driven solely by large scale agriculture, more emphasis needs to be placed on research appropriate for smaller farmers.

Recommendation:

- **In light of socio-economic concerns about livestock expansion, the Government of Manitoba should take a two-pronged policy approach to encouraging sustainable livestock development in Manitoba:**
 - **For large scale livestock operations, monitor and enforce environmental and health regulations with a view to enabling these farms to be competitive in export markets while ensuring environmental stewardship**
 - **For farmers in transition and those who currently derive limited income from farming, develop a package of programs that will enable these farmers to adjust their farming operations to a level that will provide them with an acceptable quality of life. This could also include a greater focus on higher animal welfare production systems.**
- **The Government of Manitoba should initiate a research and development program aimed at identifying technology and management practices appropriate for smaller farmers; such a program should not be predicated on cost sharing.**