

# Alberta Agriculture, Food and Rural Development

## *Scenarios on the Future of Rural Alberta*

June 2002

### **Introduction**

Scenarios are alternative descriptions of the future. They focus on the forces driving change and the critical uncertainties leading to different possible future outcomes. They are not predictions. Scenarios are stories of different futures designed to deepen understanding and insight on change and broaden thinking on the future. They are thought experiments on the future designed to improve understanding of the implications of today's decisions.

Scenarios are written as stories about the future. Stories are a traditional and powerful way of communicating complex and often subtle ideas. They encourage the reader to participate in the experience.

This report describes four scenarios on the future of Rural Alberta. The report is structured into three parts.

- 1) The thinking in developing the scenario logics;
- 2) The four scenarios;
- 3) A summary comparison table highlighting the differences across scenarios.

### **How to Use These Scenarios**

These scenarios are snapshots that seek to characterize what rural Alberta could look like between now and 2015. They are vehicles for strategic discussion. Ultimately the objective is to develop a number of different visions for rural Alberta as a basis for consulting with groups around the Province. The scenarios are intended to highlight the key choices and variables that need to be considered in developing those visions. The scenarios also serve to highlight the risks and opportunities of different futures. Ultimately, policies to help Alberta achieve a desirable future vision need to consider what needs to be achieved as well as what needs to be avoided. Scenarios are a basis for developing and evaluating alternative policy options.

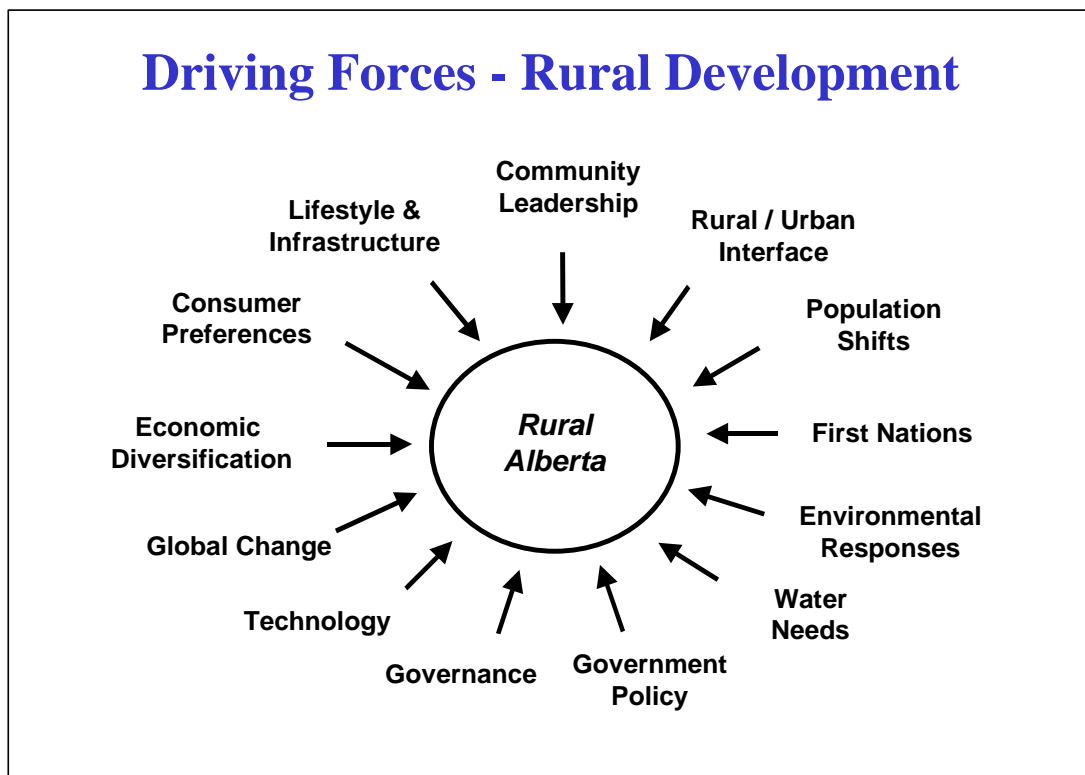
It is important that readers consider all scenarios as plausible futures, each representing a future that could unfold over the 10 to 15 years. Each offers different learnings about the future of rural Alberta. Please focus on the key concepts, ideas and logic rather than any individual detail. The key question is not whether the scenario could happen but rather *'what would we do if it did happen'*? Alternatively, *'what could we do now to influence the outcome'*?

## Developing the Scenarios

### Driving Forces

What are the forces and factors shaping the future of Rural Alberta? A list of 13 forces were identified as shown in Figure 1. As the figure conveys, rural Alberta is under considerable pressure from an array of different forces and factors. The most important message is that rural Alberta in the future is unlikely to look like it does today. Change would seem to be inevitable. Status quo is unlikely.

**Figure 1**



### Scenario Framework

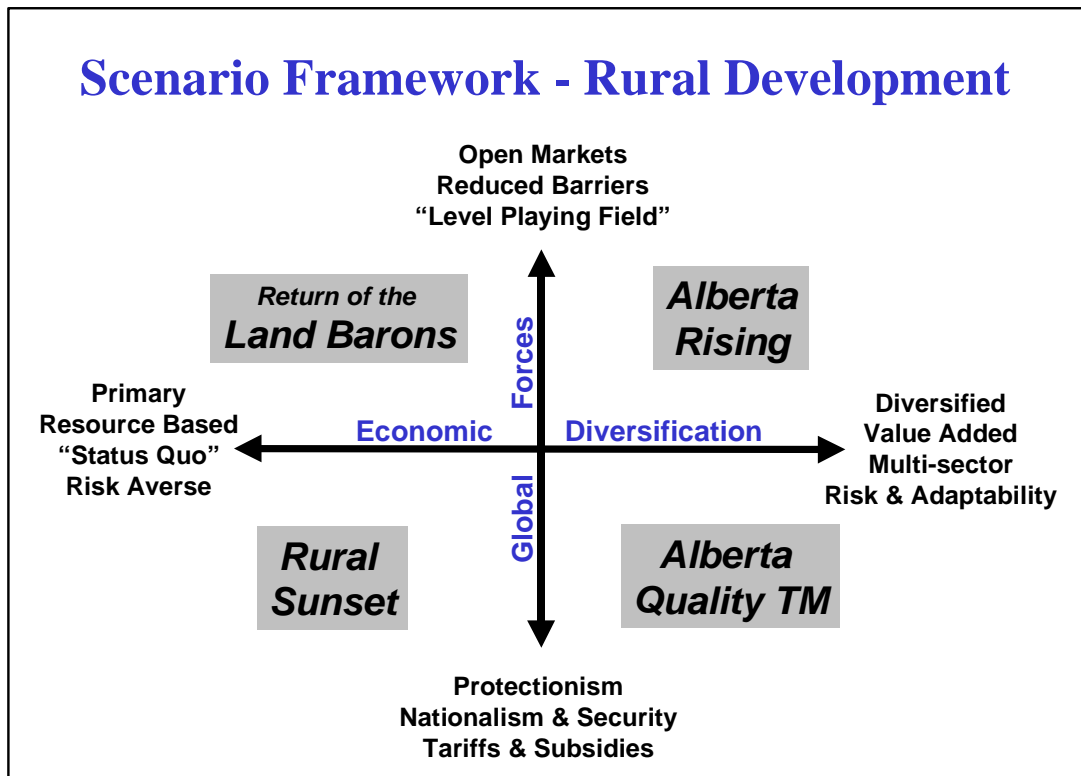
Each of the forces or factors identified in Figure 1 represents an important dimension of change in describing future outcomes for rural Alberta. Some of these forces have outcomes that are predictable while others could lead to a wide range of outcomes – they are “uncertain”. Factors or forces that are *both* important and uncertain are defined as critical uncertainties. It is these critical uncertainties which are vital in developing the scenario framework because they are factors that lead to divergence, i.e. distinctly different futures.

Two critical uncertainties were defined: “**economic diversification**” and “**global forces**”.

Economic Diversification focused on the breadth and depth of economic development in the future. Would rural development focus on existing primary resource-based activities (agriculture, oil & gas, forestry, tourism) in the future? Or would the focus be on broadening and deepening the set of economic activities in rural Alberta creating a more diversified, multi-sector pattern of economic development? The former would maintain the ‘status quo’, emphasize proven activities and the importance of stability in development. The latter would lead to an increase in value added processing, increased integration and innovation in creating new economic activities. It would emphasize greater risk taking and promote adaptation to change.

Global Forces focused on global economic and political conditions. Would the global economy move toward open competitive markets with a reduction in tariffs and barriers to trade and creation of a “level playing field”? Or would the global economy move toward a more protectionism environment, driven by narrow national interests and security concerns with increased barriers to trade, tariffs and subsidies. The former involves less direct government intervention in markets. The latter involves greater political intervention in markets.

**Figure 2**



These key uncertainties are represented as crossed axes in Figure 2. The axes provide a framework for developing distinctly different scenarios. Each quadrant represents a unique combination of outcomes of the two critical uncertainties. For example, the upper right quadrant defines a future in which barriers in the global market are reduced, open competition is increased and a level playing field is achieved while the economy of rural Alberta is adapting to change, accepting risks and becoming increasingly diversified through new enterprises and value-added activities in several sectors. The scenario task was to describe how that future could come about. Subsequently, the scenario in this quadrant was named “**Alberta Rising**”. The names of the other scenarios are shown in Figure 2.

## The Scenarios

The scenario descriptions below involve two parts. First, a short overview is provided. Then a more detailed story is presented written from the perspective of a story teller looking back from 2015.

### *Alberta Rising*

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#### Overview

*In “Alberta Rising”, adverse external conditions lead to increased cooperation across governments, communities and industries to develop innovative programs to support economic growth and sustainability. Federal / Provincial cooperation leads to coordinated support programs for rural development. Provincially, departments come together to create innovative programs for communities and business. Investment to maintain and enhance infrastructure is one initiative with particular focus on key services to enhance human capabilities – health, learning and communications. Another initiative is innovative financing programs both for communities and private entrepreneurs designed to encourage new businesses and expansions into value added products and services. A third initiative is to encourage community leadership in developing regional plans and, where necessary, making the tough decisions to focus and rationalize resources. These actions create a new and more positive mindset for rural communities. There is a focus on building sustainable communities, creating a vision for the future and taking local initiatives to change. Not all communities are successful. Some towns are below critical mass. Others lack leadership. Activities gravitate to larger communities meaning that some towns must take a realistic and conscious decision to “die with dignity”.*

*There are other barriers to overcome. Water and land use conflicts are ongoing. Rising water costs lead to “highest use to the highest value”. This creates conflict some of which are mitigated by a clear water management policy developed consultatively by the Province in cooperation with the Federal Government.*

*The result of these initiatives is a new rural Alberta. Although still based on commodities, there is real progress in diversifying the economy. A new round of global efforts to reduce trade barriers helps, but the thrust remains toward new businesses offering new products and services to local, regional, national and in some cases global customers. Some of these new businesses are ecommerce based. Others are value-added businesses based on agriculture, forestry, oil and gas and tourism. Aboriginal communities leverage their new independence and financial resources to create new businesses and jobs. All of these new enterprises create opportunities for part-time and off-farm work for many rural families. Populations in many parts of rural Alberta experience significant growth. For many, life is more hectic and fast-paced. “Farm”, “Rural” and “Country” living exist side by side in many areas. Communities are more diverse and include more choice. Many are able to retain the traditional values and lifestyle of rural living but offer room for everyone as communities develop and change.*

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## **The Story – Looking Back from 2015**

In the spring of 2002 the outlook for rural Alberta was highly uncertain. While the oil and gas industry was recovering from a brief downturn and tourism seemed to be regaining strength, the outlook for agriculture and forestry was depressing. US tariffs on softwood lumber was leading to mill cutbacks and job layoffs and new US farm subsidies and country-of-origin labeling plans threatened the health of both grain and livestock industries. There was deep concern and fear that many rural communities would not survive. In almost all aspects, they were wrong.

### **Cooperation Critical**

Faced with a common external threat, people, communities and governments began to pull together. Communities joined forces to put pressure on both the Federal and Provincial government. Businesses began to raise their concerns with communities and politicians. A sense of urgency began to emerge along with a recognition that no individual constituency could resolve the issues of rural Alberta alone.

Federal and Provincial Governments realized the need to cooperate in developing joint initiatives. Within the Provincial Government, a range of departments, from agriculture and economic development to learning, health and municipal affairs recognized the need to cooperate and coordinate efforts in rural Alberta. Equally important was the recognition that rural communities must be partners in any policy initiatives and indeed, to lead any renewal of rural development and prosperity. Finally, there was a recognition that old policies implemented in old ways would not create change. Innovative projects and programs were needed to achieve new outcomes.

### **Infrastructure Focussed**

One initiative focused on infrastructure. How could the existing infrastructure be maintained and enhanced? What investments would provide the greatest leverage to

stimulate new economic growth and create sustainable communities? The focus was not roads, although investments were made in roads, but on people. The “new” economy needed highly skilled and well educated people. They needed access to learning opportunities and they needed support to put those skills to work in rural Alberta. Investments in learning involved both expanded capacity in rural institutions and expanded broad band internet facilities to support distance learning opportunities.

There was a push to increase cooperation across institutions in offering a greater mix of courses to local students as video conferencing allowed instructors at one location to offer and deliver courses at another. At the same time, funds were made available to allow individual students to connect to high speed internet facilities. Wireless connections were particularly valuable and cost effective.

This push in education and internet communications was also reflected in the health care system. Instead of closing hospital facilities in smaller rural areas to create fewer, larger and more efficient hospitals in urban areas, there was an effort to bring patients and doctors to the underutilized facilities. Many urban patients found that care at rural facilities was of equal quality and could be accessed sooner without waiting to get into heavily used urban facilities.

### **Innovative Financing**

A second major initiative focused on investment financing for communities and local businesses. The focus was not on providing financing for everything but targeted on new businesses to diversify the economy or to capture value added from existing activities. So community investment to create a tourist attraction, build sewers to attract a retirement facility or build a market place for local business were favoured over upgrading a municipal building or constructing a road to bypass the town. Nothing was black and white, but the focus on funds to communities to gain economic benefits and diversification was clear.

In the same vein, financing for business favoured new entrepreneurial initiatives that created new activity or added value to an existing activity. An artist facility, a web-page designer, a dinner theatre, a tree nursery, a tire recycler – the list of new business opportunities was endless only lacking in creativity and risk financing.

To support these community and start-up enterprises, the government established a number of public / private partnerships. One was a venture capital firm exclusively focused on rural enterprises. Another managed a community development fund which helped to develop new products like “community bonds”. These endeavours started out as experimental joint Federal / Provincial projects with the intent to be self-sustaining over time. To the surprise of some, they were profitable and grew rapidly.

## **Community Leadership**

A third major initiative focused on building local community capacity. The enthusiasm for change had to come from local communities. This required leadership. Provincial support focused on building community leadership capacity, helping communities work together in creating regional visions and providing trained staff to help in facilitating change. But enthusiasm and direction could not come from above. Nor could a single model of sustainability be imposed. Communities needed to grasp the challenge themselves and build and implement projects themselves to ensure their community was viable. Depending on government to turn back the clock was not an option. Creating your own future became the new mindset.

## **Global Changes**

These initiatives created a positive thrust for rural development. But other positive factors were also at work. Globally, the rising protectionism in the US met increasing opposition from trading partners. The Bush administration met increasing resistance to political initiatives, such as the war on terrorism, from allies facing "unfair" trade sanctions. Agricultural subsidies, for example, became an increasingly costly liability for US foreign policy. A new round of trade talks put pressure on the US, Europe and others to reduce barriers and open their markets to competition. Albeit slowly, some of the worst abuses were reversed. This allowed Alberta producers in agriculture and forestry to compete more effectively. The experience of moving to higher value, higher margin products, however, was not reversed. It meant more money for rural Alberta and reinforced the new determination and optimism that was spreading through rural Alberta.

## **Other Growth Sources**

At a local level, other positive events occurred. Aboriginal communities were one example. With increased independence and self-determination and new sources of funds, Aboriginal communities embarked on a new path to economic self-reliance and growth. Initially this was limited to new enterprises within Aboriginal communities, but as Aboriginal business activities expanded, they created jobs for surrounding communities. This was not without controversy as some Aboriginal enterprises competed with non-aboriginal businesses, but over time there was a recognition that generating wealth for one community created opportunities for all communities.

Another example was the construction of the northern gas pipelines. First the Mackenzie Valley and then the Alaskan pipeline projects generated huge numbers of jobs and business opportunities across Northern Alberta. This infusion of wealth not only provided a surge in growth over several years but allowed new infrastructure to be built creating a step-change in capacity that could be leveraged for long-term growth and development.

## **Water & Land Challenges**

These positive developments were not without challenges. Land use and water allocation conflicts were a major challenge. Land use conflicts were most prevalent as urban residents migrated into rural areas. “Farm” lifestyles were often in conflict with “country-side” lifestyles particularly as commuting distances from major urban areas increased. This had the potential to split “communities” and destroy development. Finding new paths of cooperation was a challenge for leaders in many communities.

Water was another area of conflict. The principle of “highest use to highest value” meant some traditional water uses faced severe constraints. The potential for urban / rural conflicts was great. Many of the conflicts were diffused, however, by the introduction of a water management policy, developed consultatively, by the Province, to clarify water rights and the resolution of water disputes between competitive activities. This was done with the cooperation of the Federal Government.

## **2015**

All of these developments needed time. Building Federal / Provincial cooperative initiatives needed time. Building community leadership capacity needed time. Creating visions and plans needed time. Establishing new financial programs needed time. Consulting on new policies needed time. Creating new businesses needed time. But gradually a new rural Alberta emerged. Although still largely based on agriculture, forestry, oil and gas and tourism, the economy in 2015 has become more diversified. A variety of new activities have created a more diverse and sustainable economic base for many communities. Not all communities have survived. Economic forces have favoured larger communities over smaller ones. Some regions have consciously focused resources on a few communities to ensure critical mass and allowed others to “die with dignity”. Tough but necessary decisions have been made.

There has also been a diversity in community lifestyles. Traditional “farm” lifestyles remain along with small town “rural” lifestyles. But there has been a huge increase in urban residents seeking “country-side” lifestyles. This has created more diverse communities, sometimes with friction, always with change. But for many, rural communities provide choice. And that is desirable: traditional values and lifestyles are learning to live with new values and lifestyles.

Rural Alberta has prospered and grown. Populations in most areas have increased supporting better and more accessible infrastructure. Rural Alberta has changed. Most people think for the better.



## ***The Return of the Land Barons***

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### **Overview**

*In “Return of the Land Barons”, globalization and competition drive change. There is considerable progress in opening markets and reducing trade barriers. The rise of US protectionism in 2001/2002 is reversed with the Americans once again pushing a free trade agenda. The gradual removal of trade barriers including subsidies, price floors and quotas has a mixed impact on farm incomes. Prices are volatile and higher in some cases but there is tremendous pressure to reduce costs. Efficiency, low cost production and market knowledge are key success factors. There is a drive for economies of scale to compete in world markets which inevitably leads to large commercial farm operations and large scale industrial operations in petrochemicals, oil & gas and forestry. Scale is even important in tourism as marketing becomes increasingly important. ‘Bigger is better’ is the mantra permeating all aspects of the economy and society.*

*These global pressures create challenges and drive change in rural Alberta. The goal of economic diversification remains elusive as the Alberta economy is dominated by commodity production in oil & gas, petrochemicals, forest products and primary agricultural. Growth in ‘value added’ activities of processing and manufacturing is difficult to achieve. Transportation favours the export of commodities and the local market fails to attract investment. There is simply insufficient scale to justify major investment either by private investors or governments. Governments, supportive of competitive markets, are unwilling to intervene. Moreover, in an open competitive market, governments are restricted in their ability to provide incentive for this kind of development. Local communities lack the resources, leadership, vision and willingness to take the risks to create change. This leads to a competitive survivalist mindset in which communities compete against each other for scarce resources to the detriment of all. Competition, supported by many, leads to survival of the fittest not only for producers but for communities. Many prosper. Land values increas. Production increases. Tax rates are low. But small farms, small feedlots, small sawmills and small towns face tough times.*

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### **The Story – Looking back from 2015**

Alberta’s oil & gas industry was driving the economy early in the new millennium. The Bush Administration’s focus on energy security and the Israeli/Palestinian conflict in the Middle East encouraged investment in this sector and in particular in the northern Alberta with numerous oil sands expansion projects. There was significant consolidation with American acquisitions of medium sized Canadian gas producers. Foreign investment in the oil & gas sector was back up to the levels last seen in the mid-seventies. Fort McMurray was booming and Calgary was experiencing significant population growth. It was an uncertain time, however, for rural Alberta. Farm incomes were under pressure with low commodity prices driven by international competition. Family farms were disappearing and drought conditions were prevalent across most of the province. Rural

Alberta did not seem to be participating in this economic growth and the future was uncertain

### **Trade liberalization**

In the fall of 2001, “The Doha” round of world trade talks was begun. By the spring of 2002, however, the US introduced a new farm bill injecting huge subsidies into agriculture. Coupled with duties on Canadian lumber, steel tariffs and proposed subsidies for Alaska gas producers to build a pipeline, protectionism seemed to be on the rise in the US. Part of this protectionist stance reflected a new inward-facing US resulting from the Sept. 11 terrorist attack and subsequent war on terrorism. But these trends were not sustained. As new terrorist attacks failed to materialize and the war on terrorism was declared successful, terrorism declined in importance and economic issues took over the political agenda once again. Pressure from allies blunted further protectionist thrusts and the US gradually regained its enthusiasm for open markets and free trade. Lumber tariffs, for example, were rescinded in 2003 after Canada agreed to change the way stumpage fees were calculated. Similarly Canada retained the Canadian Wheat Board but removed its monopoly. There was a new acceptance and support for markets and competition in Canada and globally. This opened opportunities and challenges for rural Alberta.

### **Impacts of Protectionism**

The impact of protectionism on rural Alberta was immediate and direct. Sawmills were closed or cut back production. Jobs were lost. This included jobs in forestry, mills and trucking as well as other related service industries. Similarly, the threat of farm subsidies in the US impacted world grain markets and prices. This was off-set by increased Canadian farm subsidies but the overall impact was negative to most producers. Country of origin labelling was also a threat to beef and pork production.

As the protectionist policies were reversed, many of the negative impacts were reduced or reversed. But it was not easy or painless. Some things could not be reversed. Many farmers did not survive. Well financed farmers were able to buy land and equipment at depressed prices. Their efficiency increased but at the cost of many “family” farms. Loss of farmers and families had a spill over effect on many small rural towns. Fewer people meant fewer buyers of private goods and public services. This had impacts on both economic viability and infrastructure investment.

### **Open Global Markets**

Reduced trade barriers meant open markets, increased competition and volatile prices. The most efficient and sophisticated producers prospered. They became highly effective in selling into world markets, using up-to-the-minute market information in timing sales and hedging to manage financial risks and maximize profits. They became tuned in to market shifts and organized production to reflect anticipated market trends. Planting and growing a crop or raising cattle was only one part of a successful farm operation. Advanced financial and marketing skills were also required. Few farmers relied on a

single crop but diversified production across grains, canola and pulse crops, although large dedicated cattle operations remained and grew larger. At risk were some “protected” farm producers specializing in poultry and dairy products. The price of open markets was pressure on Canada to eliminate market boards. While primarily designed for producers in Ontario and Quebec, opening these markets for competition meant increased competition from the US, New Zealand and elsewhere. Again there was pressure on farm producers across the board to increase efficiency and lower costs. Historical advantages needed to be constantly recreated in this new, highly competitive global world where only the fittest survived.

### **Declining Infrastructure**

These changes created challenges for rural Alberta communities. Fluctuating commodity and economic cycles affected rural infrastructure investment. There was no long term commitment to enhance or maintain infrastructure. As government revenues fell, investments were slashed. When revenues revived, investments increased but never enough. There was a focus on cost and efficiency. Hospitals and schools, for example, were centralized at the cost of many small communities. This accelerated often already tenuous economic conditions. And there was little sympathy or support from urban residents.

### **Urban Indifference**

As population shifted to urban centres MLA’s representing those urban centres, sensing their constituents lack of support for investment in rural infrastructure and given their own community’s difficulties in keeping pace with burgeoning populations, were not supportive of meeting the demands of rural communities. Government policy appeared to be one of letting the market place determine the outcome for rural communities. Government continued its drive for efficiency with further centralization of government offices and hospital closures. The implied message to the communities was ‘you are on your own to determine your future’. The message was not lost on corporations considering substantial investment in rural Alberta. With overall direction and vision lacking, community leaders were hesitant to collaborate and ended up competing against each other for this limited government infrastructure spending and for economic investment.

Communities offering a ‘Country’ lifestyle, often combined with a retirement or semi-retirement context, were successful in maintaining and even increasing their populations. But these ‘successes’ were primarily communities along the Highway 2 corridor and with reasonable proximity to the major centres of Calgary and Edmonton. Remote communities were left to manage their decline by themselves.

### **Wither Value Added?**

Adding value through processing and packaging products produced in Alberta was seen as a key component of the overall plan for diversification of the Alberta economy. There

was mixed success on achieving the goal of value added. Some further progress was made at increasing the beef/pork processing industry with additional feedlot & slaughter operations and packaging plants for niche markets. These had economies of scale. A stable supply of cattle and hogs, efficient operations and transportation systems were critical factors with most of the new investment along the highway 2 corridor. In Southern Alberta, water supply ultimately became a limiting factor. Uncertainty around availability and cost resulted in a number of planned new projects not proceeding.

Elimination of the monopoly status of the Canadian Wheat Board encouraged new investment in processing of wheat, grain and oilseeds with Alberta's first pasta plant and additional malting facilities operational in 2006. As quotas and trade barriers were removed, Alberta's poultry and egg operations came under severe pressure as imports from the large highly integrated US operations gradually took over the market. A few highly efficient, however, were able to compete with the American operators and began to export into the US market.

The long dispute over softwood lumber, which had impacted Canadian producers early in the decade under the Bush administration, was finally settled as the US Administration removed the duties imposed in 2002. Moth-balled Alberta and B.C. mills re-opened and began shipping lumber into US markets. But only the largest and most efficient were able to compete successfully.

### **Consolidation**

Ownership of agricultural land became increasingly concentrated in large commercial farm operations, expanded Hutterite colonies and in some cases with First Nations as the land with the small family farms was increasingly purchased by these larger entities. In some cases, families were able to remain on the land, as tenants, having rented back the land. In many situations, however, younger family members migrated to urban centres with others retiring; farming as a way of life was disappearing from many families which had a farming history dating back to the turn of the 20<sup>th</sup> century and the establishment of Alberta as a province in 1905

Consolidation affected not only agriculture. There was consolidation in the N. American rail industry with the merger of Canadian National Railway and a major U.S. railway leading to further line rationalization & closures. Large throughput grain elevators, with significantly lower costs, continued to attract investment from major national and international grain companies and replacing local elevators. With the loss of the local elevator, many small Alberta towns lost a major economic driver in the community and suffered as a result. In this highly competitive environment, Agricore and SaskPool were forced to merge their operations in an attempt to reduce costs and achieve economies of scale.

## 2015

Today, Rural Alberta looks dramatically different from one region to another. Oil & gas activity, forestry and tourism have provided the economic stimulus for certain parts of the province allowing many towns to prosper, retain its population base and attract infrastructure investment. For other regions, however, where agriculture has been the mainstay of the local economy the situation is dramatically different. Limited economic diversification has not been able to offset the consolidation of farms and grain transportation systems across the province with small towns and communities in these regions in decline while a few larger communities gain population and infrastructure. Near major urban centres, urbanites seeking country living have pushed up land values and allowed some farmers to retire with windfall gains. But conflicts are high as traditional rural residents resist the changes. Conflicts over land and water are increasing. But in the end, who can pay the most wins.

### ***Rural Sunset***

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#### **Overview**

*In “Rural Sunset”, global factors depress prices for Alberta’s key commodity exports. Producers are hit hard and rural incomes fall. Producers and communities are unable to adapt. Support for rural communities by urban voters is weak. There is pressure on the government to rationalize services and lower costs. Rural communities become defensive and inward looking. There is competition and increasing conflict between communities as they perceive the need to fight for a shrinking pie of resources. Conflicts multiply over land use, particularly on the rural / urban fringe, over water use and over environmental regulations. Urban-based special interest groups seeking controls over rural land are particularly resented leading to volatile relations. With a lack of commitment to rural development and under pressure from falling revenues, the Provincial Government cuts back on spending and makes top-down decisions to rationalize rural infrastructure. Selected schools and hospitals close. A victim mentality and sense of helplessness pervades many rural communities, particularly in remote areas. There is a lack of trust in government and much blaming and finger pointing. With declining job opportunities, there is an exodus of young people to the cities and out of the province. Many communities are in decline with falling tax revenues and an aging population. With falling land values, many who would like to leave cannot. As hospitals and schools close, access to these basic services becomes increasingly remote and problematic. While the areas near larger urban centres and along the highway 2 corridor remain reasonably prosperous, for much of rural Alberta falling commodity prices has triggered a downward spiral of economic and population decline that seems to have no end.*

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## **The Story – Looking Back from 2015**

In the spring of 2002 the outlook for rural Alberta was highly uncertain. While the oil and gas industry was recovering from a brief downturn and tourism seemed to be regaining strength, the outlook for agriculture and forestry was depressing. US tariffs on softwood lumber was leading to mill cutbacks and job layoffs and new US farm subsidies and country-of-origin labeling plans threatened the health of both grain and livestock industries. There was deep concern and fear that many rural communities would not survive. Their worst fears were about to happen.

### **Global Impacts**

As the US protectionist measures took effect, the impact on rural Alberta was significant. Lumber mills first cut back production and laid off workers. A few were forced to close. In agriculture the threat of subsidized US grain production flooding the global market drove down prices. At the same time the threat of country-of-origin labeling was causing beef and pork producers and processors to seek alternative markets. Prices fell hitting producers particularly hard.

These impacts were compounded when the Federal Government signed the Kyoto agreement much to the dismay and acrimonious opposition of the Alberta Government. The short term impact for oil and gas producers was uncertainty. Since the rules were unclear and the long term impacts on Canadian producers unknown, investment declined precipitously. Uncommitted investments in oil sands, for example, were halted. Drilling activity, so vital to rural Alberta, was the first casualty.

The impact of these global developments meant a drop in jobs for rural communities and a loss of incomes. Many farmers faced the brink of bankruptcy and sold to larger and better financed neighbours. Rural service businesses supporting the agriculture and oil and gas industries faced major declines in business. Many were forced to close and the impacts rippled through the rural economy.

### **Appeals for Support**

Communities responded by appealing to the Provincial and Federal Governments for support, but were met with more rhetoric than action. The confrontational relationship between Alberta and Federal Governments did not help. There was no intent or effort to cooperate. Rural communities suffered as a result.

Communities didn't know how to respond. Some with strong leadership collected local resources, mapped out plans and took what initiatives they could to develop new businesses and jobs. This was difficult. It was often seen by other communities as trying to out-manuever them for shrinking provincial money. And within communities, consensus on actions was difficult to achieve.

## **Conflicts Multiply**

In this state of frustration, conflicts of various sorts multiplied. Rural / urban conflicts increased as urban commuters expanded into rural areas. Environmental conflicts increased as urban-based special interest groups pressured the government to place restrictions on land use. This was an effort to force farmers to set aside natural areas for habitat but without compensation. And restrictions associated with endangered species was viewed with dismay by rural residents. The Federal Government pushing for farmers to develop environmental farm plans was viewed as yet another misguided and costly directive without foundation or consultation. Another source of ongoing conflict was with Aboriginal communities who, as they progressed and became more self-reliant, were seen to be competing with established local businesses.

A major issue was water. The demand for water in the large urban centres was rising rapidly and their ability to pay far exceeded most rural uses. Water rights became a critical issue for many rural uses, particularly agriculture. But water constraints also meant that new businesses that were large water users could not locate in many rural communities. There was fear that regulations would be imposed, yet again, without consultation and without understanding the unintended and potentially devastating consequences of such action in many rural areas.

## **Falling Government Revenues**

These rural challenges were often ignored by the Provincial Government. As oil and gas, forestry and agriculture contracted, government revenues declined dramatically. There was pressure to cut costs and reduce investments in infrastructure. With the decline in political weight after electoral redistribution, there were few champions for rural Alberta. And urban voters had little understanding or sympathy for the plight of rural communities. There was no understanding of the connections between rural and urban economies or between urban and rural well being.

Driven by money considerations, the government cut back on rural infrastructure. There was a rationalization of administration districts creating larger and fewer health care regions and school districts. Efficiency demanded closure of marginal hospitals and schools. Decisions were made at the top and implemented through the new centralized regions. This set off another round of competition between communities to hang on to their schools and hospitals or face inevitable decline and possible extinction. These decisions reinforced a growing lack of trust with government and much blaming and finger pointing.

## **Communities in Decline**

The deteriorating economic and political situation had a major impact on population. Although some towns near urban centres or along the highway 2 corridor were able to maintain or even grow their populations, most suffered population declines. The biggest impact was the loss of young people who left the local community to find jobs in the

cities or left the province entirely. This loss of population had the paradox of undermining local tax revenues while leaving an aging population requiring more services. Some older residents would have liked to move also, but were trapped because of falling land and property values. They couldn't afford to stay and they couldn't afford to move. With the depressed agricultural economy, an increasing amount of productive land was taken out of use.

As the hospitals and schools were closed, one by one, access to these vital services became increasingly difficult and problematic. A 2-hour drive to health care facilities became commonplace in many remote areas. And farm children had to be billeted for the school year or face a daily bus ride of over 2 hours each way. The final blow came when life and insurance companies raised premiums for rural residents because of lack of access to health care facilities.

## 2015

The result of this downward spiral of developments has been a vastly changed rural Alberta. More than 1/3 of the rural communities that existed in 2002 have disappeared. While oil and gas and forestry have made some recovery, agriculture has changed drastically. Consolidation to survive has greatly reduced the number of farms and farmers and the entire infrastructure to support the industry is only a shadow of its former self. Few have kind words for either the Federal or Provincial Governments and ironically, initiatives to locate new industries in rural communities, are often met with resistance. Those remaining have developed a strong skepticism and resistance to change. Many communities fiercely defend their rural lifestyle and reject incursions from urban residents seeking to move to the countryside. There just seems no end to the decline of rural communities in Alberta.

## ***Alberta Quality T.M.***

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### **Overview**

*In “Alberta Quality TM” rising protectionism and tit-for-tat responses create a complex web of international tariffs and regulations. Selling traditional commodities into international markets becomes increasingly difficult and problematic. This triggers a shift in thinking. In agriculture, there is a greater focus on local markets and specialty niche markets demanding high quality products. Traceability becomes an important aspect of quality assurance. Branding is another avenue to assure quality and consistency. Producers, governments and communities work together to meet these new demands and add value to products. Similar trends are evident in other products. Although hampered by continued tariffs, Canadian lumber producers are able to market the high quality of Canadian lumber and maintain volumes with good margins in the US market as well as Asia. Oil and gas are exempt from barriers to a thirst and security conscious US energy market. And the safety and hospitality of Canadian destinations and natural beauty of Alberta lead to increased tourism. This is enhanced through*



*government incentives that support investment in tourism and promote tourist quality standards. All of these developments are supported by increased R&D activity through joint government and industry partnerships. Alberta, for example, is supportive of biotech research and GMO product development, nanotech development at the Alberta Nanotech Centre at the University of Alberta which supports petrochemical research among others and expanded market research which underpins expanded tourist advertising campaigns. Underlying the government support, much of which is directed to rural Alberta, is growing understanding and support from urban Alberta. There is recognition that rural and urban Alberta are mutually interdependent; both must prosper for the provincial economy to grow. The result is a renewed rural Alberta based on cooperation and innovation. The economy is more diversified and robust without the traditional swings induced by global commodity markets. There is consolidation in farming but many small and medium farms are able to compete on quality. This raises costs but greatly raises the market value. Population stabilizes in most regions. Near large cities mixed communities of “farm”, “rural” and “country-side” lifestyles learn to co-exist. Land use planning is vital in limiting conflicts over water, air quality and land use. Increased infrastructure investment is also important in ensuring access and quality is provided widely. Despite the incursion of market disruptive barriers globally, Alberta is able to shift toward higher quality products and maintain a high quality of living in rural Alberta.*

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## **The Story - Looking Back from 2015**

### **Growing Protectionism**

In the spring of 2002 the outlook for rural Alberta was highly uncertain. American trade actions with the U.S. farm bill, softwood lumber duties and the offering of a floor price for Alaskan gas producers all seemed to part of a growing isolationist trend sweeping across the U.S. The country of origin labeling requirement in the 2002 U.S. farm bill threatened additional costs to wholesalers and retailers importing beef and pork into the U.S. with large cost impacts for Canadian exporters. New support programs for Canadian farmers to off-set the US farm subsidies provided short term relief but did nothing to halt the escalation of tit-for-tat protectionist responses emerging globally. Conflicts between the US and Europe were also increasing in volume and intensity with threats and counter threats happening monthly. Positions were becoming entrenched. The rise of protectionism was not a pretty sight. Everyone claimed to be in the right. A reversal of the rhetoric and policies did not seem imminent. And it wasn't. Trade disputes, as it has turned out, were a long term trend.

Other conflicts were also brewing. It felt like the early 1980's all over again with tension between Alberta and the Federal Government over how Canada should respond to the Kyoto Protocol and how it should reduce CO2 and other emissions. Alberta was aggressively advocating its own plan, which was more in line with the American approach involving a longer time frame and a focus on technology, and denouncing the Federal Government's intent to sign the treaty as a huge economic disaster. One could argue that the position taken by Alberta on climate change/global warming and the Kyoto

Protocol reflected Alberta's own somewhat protectionist mindset. But the key point was that increased conflict between Alberta and the Federal Government was not what was needed for a struggling rural Alberta.

### **Uncertainty and Politics**

These national and international conflicts cast a pall over rural Alberta. Uncertainty was everywhere. In agriculture, international political uncertainty was fueled by constant threats and counter-threats. Markets were up and down on the flimsiest of news. Farmers were left to guess what to plant and unsure if any crop would make a profit.

In forestry, talks with the US went from bad to non-existent. The US was stonewalling on negotiations and conflict between provinces on how to respond to the tariff wall was undermining any concerted Canadian effort. Meanwhile, sawmills were idle and workers were on unemployment insurance. Until that ran out.

Even in the oil and gas industry, threats of subsidies for Alaskan gas was causing friction. The North West Territories was pushing for Federal support for a Mackenzie Valley pipeline while the Yukon was pushing for an Alaskan gas pipeline along the Alaska Highway route. Alberta was pushing for assurance that LNG would be available to petrochemical producers in Alberta. US commentary was hot both within the US and directed at Canada. What right did Canada have to dictate to the US what they should do with their gas? Politics, politics, everywhere was politics.

As these disputes simmered through 2002 and 2003, a new realization began to emerge for many in rural Alberta. Governments would not solve their problems. Governments needed to be part of the solution but they were not the solution. A growing recognition and mindset began to take shape. Rural Alberta needed a new vision and direction and a long term plan to get there. A cooperative effort involving communities, the provincial and federal governments was needed.

### **Cooperation**

The changes began at the grass-roots level. Communities began to recognize the criticality of working together as opposed to competing with each other in developing a 'grassroots plan' for their region. A 'one size fits all' solution was not the answer. The Alberta Government was engaged and recognized the need to coordinate its efforts and ministries in providing the necessary leadership, direction and targeted funding to support the communities and regions in their efforts to develop a vision and the strategies, initiatives and projects to achieve new goals. The ministries of Agriculture, Learning, Economic Development, Science and Technology and Health began to work together in coordinating their efforts. There was also a recognition that the Federal Government needed to be part of this cooperative effort. While unclear initially, two thrusts to a new rural Alberta began to emerge: research & development and targeted marketing focused on quality.

## **Research and Technology**

A key thrust to support the Alberta economy was the Alberta Government's recognition of its role in supporting investment in strategic infrastructure. It began to take a long term perspective in its budgeting and thinking about rural Alberta and in targeting R&D investments to leverage Alberta's advantages. The advantages of an early implementation of the Supernet across rural Alberta was recognized. The project was completed successfully and spin-off effects were identified in opening up access to households and businesses in rural Alberta. There was a view that the model could be replicated with other strategic investments. In that vein, the contribution of the Alberta Research Council (ARC) to the provincial economy, including that of rural Alberta, through basic and applied research was recognized. This formed another model for development. Strategic alliances between ARC, other government agencies and industry were encouraged with particular emphasis on agricultural research, clean coal, water management and other environmental technologies relevant to Alberta's economy. Pilot projects were established and expanded over time. Communities applied for research and development projects in their area, often in partnership with local businesses. Other partnerships were established directly between the provincial government and private entrepreneurs.

Water treatment technologies, for example, were developed and commercialized. This increased the recycling of wastewater and minimized the impact on downstream users. This was vital in drought prone Alberta, but it was a technology that could be marketed globally. Similarly, the Nanotech Centre at the University of Alberta received increased support to develop new materials related to the petrochemical industry and in oil sands technology.

In agriculture, new crops and variations on existing 'pulse' crops such as lentils and chickpeas, which are able to grow in drier regions, were developed and commercialized. More broadly, biotech and GMO research was encouraged and supported. Much of this was controversial but Alberta's lead in supporting this type of research meant that Alberta became an attractive jurisdiction for this research and brought global investment from leading multi-national companies.

Farmers were urged to diversify into new high value niche crops such as aromatic and medicinal herbs and other fibre crops. These efforts benefited from support from Alberta Government funded research and partnerships with other organizations such as the National Research Centre Plant Biotechnology Institute. Programs to reduce the risk to farmers in experimenting with new crops were introduced. The rewards, over time, turned out to be tremendous.

### **Niche Markets for Agriculture**

These efforts were not only technology but market driven. Market research confirmed a consumer trend toward quality products. In food, there was not only a growing demand for organic and non GMO foods as well as GMO foods with special health benefits, but for higher quality foods grown in environmentally benign ways. Quality assurance was as

important as product quality. Traceability from farm to plate was increasingly important. Food safety was also an issue. And there was a rapidly growing demand for new and exotic foods. Niche markets were multiplying.

This offered new opportunities for Alberta producers. Alberta farmers and processors were able to access and leverage IT developments in data analysis and data mining methods to identify emerging consumer markets and in tracking beef and pork products from farm to consumer. Farm practice standards were developed so that farmers could apply for certification much like ISO standards in other industries. This ensured quality of product and allowed the industry to promote Alberta branded products nationally and internationally. The costs were high but the consumer price which filtered back through the food chain more than covered the added production costs. The key result was that Alberta branded products commanded premium prices.

### **Spreading Quality Assurance**

Similar trends occurred in other markets. The trend to quality assurance penetrated the forestry industry. The superior quality of Canadian lumber for home building was already recognized although it was difficult to obtain a premium market price. The trend to traceability meant that consumers could be assured that the lumber and forestry products they bought had been harvested in a sustainable fashion. There was ongoing demand for such practices. This added costs to production, with radical changes in some forestry practices, but it added value in the end consumer market.

In tourism, security and quality were important. Canada was attractive both as a safe and beautiful destination, but the quality of much of the infrastructure was not up to world standards. A series of quality standards were developed for tourist facilities as a guide for tourists visiting Alberta and Canada. This was complemented by an investment fund, partly supported by the Alberta and Federal Governments, to encourage owners to upgrade their tourist facilities. Communities could also access the fund to develop and upgrade public tourist facilities such as museums, parks and other recreational activities. Several Aboriginal bands were able to develop heritage cultural attractions in this way that acquired world class status.

### **Urban Support**

These developments required significant political support. A key factor was a growing awareness in urban areas of the value of rural development for the economy and for their quality of life. Rural community leaders and rural politicians recognized the need to gain urban support for these government initiatives. Every opportunity was taken to stress how the quality of life of urban residents depended on a prosperous rural Alberta. Rural Alberta was the source of food, building products and recreation. It was the guardian of clean air and water. It was the escape from the high pressure of urban living. It was the partner in much of Alberta's economic wealth. In short, urban and rural Alberta were inevitably linked and mutually interdependent.

## **Federal Support**

These Alberta efforts were supported by the federal government through the establishment of new national standards and testing requirements. Food producers, for example, who could demonstrate sound environmental and animal handling practices were in a position to meet these new consumer expectations and government regulations in Canadian and other global markets. Rising consumer incomes and changing tastes manifested themselves in increased demand for high quality foods, higher grade cuts of beef and pork and new exotic foods. Niche markets for wild / specialty game products from wild boar to elk to bison continued to develop. Branded Alberta products such as beef, pork and durum wheat were highly successful in penetrating niche global markets as well as growing niche markets in Canada.

## **2015**

These changes, born out of necessity in a hostile global economy, have had a profound effect on rural Alberta. The economy today is increasingly diversified. There is a broad range of crops grown across the province with local moisture and soil conditions often a major factor in the planting decision and higher margin specialty crops targeted for niche markets. Increased packaging of higher cuts of Alberta branded beef and pork is done in Alberta and shipped to international markets. Quality assurance ensures high market prices at the consumer level. New products have been developed, with research playing a role, and marketed in niche markets around the world. This increased diversification of the agricultural economy has provided a basis for medium sized farm operations to flourish and many (but not all) small towns have recovered. Populations have stabilized or grown in most regions. Infrastructure investment has increased ensuring access to high quality public services in most communities. 'Farm' and small town 'Rural' lifestyles have been sustained in many parts of the province along with the development of a 'Country' lifestyle. The development of this diverse set of lifestyles seem to parallel the diversification across the rural economy since the turn of the century. Innovation and a focus on quality have allowed rural Alberta to prosper despite the frictions of protectionism in global trade.

## Summary Comparison of Scenarios

Characteristics	Alberta Rising	Alberta Quality TM	Rural Sunset	Land Barons
<b>Main Themes</b>	<ul style="list-style-type: none"> <li>▪ Cooperation</li> <li>▪ Leadership</li> <li>▪ Investment</li> <li>▪ Diversity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cooperation &amp; Leadership</li> <li>▪ Research and technology</li> <li>▪ Rural stabilization</li> <li>▪ Quality focus</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conflicts</li> <li>▪ Rationalization</li> <li>▪ Cost cutting</li> <li>▪ Rural decline</li> </ul>	<ul style="list-style-type: none"> <li>▪ Globalization and trade harmonization</li> <li>▪ Land ownership consolidation</li> <li>▪ Focus on costs and efficiencies</li> </ul>
<b>Economic Diversification</b>	<ul style="list-style-type: none"> <li>▪ Diversification of activities</li> <li>▪ Entrepreneurial small business</li> <li>▪ Value added</li> <li>▪ Growth in jobs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agricultural product diversification</li> <li>▪ Valued added driven by consumer quality &amp; security concerns</li> </ul>	<ul style="list-style-type: none"> <li>▪ No diversification</li> <li>▪ Commodity focus</li> <li>▪ No value added</li> <li>▪ Contraction in jobs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Minimal diversification advances</li> <li>▪ Commodity focus</li> <li>▪ Limited value added</li> </ul>
<b>Global Forces</b>	<ul style="list-style-type: none"> <li>▪ Protectionism then open markets</li> <li>▪ Drives initial cooperation actions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing &amp; increased Protectionism</li> <li>▪ Encourages local businesses supplying local markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Protectionism &amp; barriers to exports</li> <li>▪ Falling commodity prices</li> </ul>	<ul style="list-style-type: none"> <li>▪ Trade harmonization</li> <li>▪ Reduced tariffs and trade barriers</li> </ul>
<b>Lifestyles</b>	<ul style="list-style-type: none"> <li>▪ Increasingly diverse – “farm”, “rural” &amp; “countryside”</li> <li>▪ More hectic &amp; fast-paced</li> </ul>	<ul style="list-style-type: none"> <li>▪ ‘Farm’ and ‘rural’ lifestyles sustained</li> <li>▪ growth of ‘country’ lifestyle in selected areas</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conflict “farm” and “countryside” lifestyles</li> <li>▪ Traditional lifestyles valued</li> <li>▪ Resistance to change</li> </ul>	<ul style="list-style-type: none"> <li>▪ ‘ Farm and rural’ lifestyles in decline</li> <li>▪ growth of ‘country’ lifestyle in urban shadows</li> </ul>

<b>Characteristics</b>	<b>Alberta Rising</b>	<b>Alberta Quality TM</b>	<b>Rural Sunset</b>	<b>Land Barons</b>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>▪ Increased investment</li> <li>▪ People focus – learning, health &amp; communication (internet)</li> <li>▪ Strong government revenues</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased investment strategically targeted</li> <li>▪ Increased investment in public research</li> </ul>	<ul style="list-style-type: none"> <li>▪ Contraction</li> <li>▪ Decisions money driven</li> <li>▪ Weak government revenues</li> </ul>	<ul style="list-style-type: none"> <li>▪ Centralization thrust</li> <li>▪ Efficiency driven</li> <li>▪ Urban focused</li> </ul>
<b>Rural / Urban Relations</b>	<ul style="list-style-type: none"> <li>▪ Conflicts over urban expansion</li> <li>▪ General support for rural investment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Support for rural investment</li> <li>▪ Urban understanding of rural contribution</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conflicts over urban expansion</li> <li>▪ Urban rejection of rural investment</li> <li>▪ Mutual misunderstanding</li> </ul>	<ul style="list-style-type: none"> <li>▪ Urban rejection of rural investment</li> <li>▪ Increased tension</li> </ul>
<b>Water &amp; Land Use</b>	<ul style="list-style-type: none"> <li>▪ Water management policy</li> <li>▪ Increased water conflicts</li> <li>▪ Land use conflicts in urban to country lifestyles</li> </ul>	<ul style="list-style-type: none"> <li>▪ Technology advancements in water usage &amp; treatment</li> <li>▪ More efficient agricultural use of the land</li> </ul>	<ul style="list-style-type: none"> <li>▪ Urban / rural conflicts over water rights / uses</li> <li>▪ Rural conflicts over water</li> <li>▪ Competition between communities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Water becomes limiting factor in regional development</li> <li>▪ U.S. purchases of bulk water</li> <li>▪ Local competition</li> <li>▪ Higher water prices</li> </ul>

<b>Characteristics</b>	<b>Alberta Rising</b>	<b>Alberta Quality TM</b>	<b>Rural Sunset</b>	<b>Land Barons</b>
<b>Population Shifts</b>	<ul style="list-style-type: none"> <li>▪ Increased rural population</li> <li>▪ Attracted by jobs &amp; lifestyles</li> <li>▪ Expanded urban commuting</li> <li>▪ Exit for some unsustainable communities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Stable rural population as a whole</li> <li>▪ Gains and losses across communities and regions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Declining rural populations</li> <li>▪ Declining jobs &amp; unattractive rural lifestyles</li> <li>▪ Expanded urban commute</li> <li>▪ Decline of many towns; many disappear</li> </ul>	<ul style="list-style-type: none"> <li>▪ Decline in most rural populations</li> <li>▪ Small towns disappear</li> <li>▪ Highway 2 corridor experiences growth</li> <li>▪ Urban centres grow</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>▪ Support for local leadership</li> <li>▪ Communities take responsibility for future</li> <li>▪ Open to change</li> <li>▪ Regional cooperation &amp; vision</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strong local leadership</li> <li>▪ Proactive in opportunity identification</li> </ul>	<ul style="list-style-type: none"> <li>▪ Victim mentality</li> <li>▪ Seeking government rescue</li> <li>▪ Resistance to change</li> <li>▪ Competitiveness between communities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Communities compete for infrastructure investment \$\$</li> <li>▪ Many lack strong leadership</li> </ul>
<b>Government Policy</b>	<ul style="list-style-type: none"> <li>▪ Supportive of rural development</li> <li>▪ Multi-department initiatives</li> <li>▪ Increased investment</li> <li>▪ Cooperation Fed &amp; Prov. governments</li> </ul>	<ul style="list-style-type: none"> <li>▪ Highly supportive</li> <li>▪ Targeted investments to upgrade quality</li> <li>▪ Supportive of R&amp;D and penetration of niche markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rural development not a priority</li> <li>▪ Focus on \$ and costs = rationalization</li> <li>▪ Reduced investment</li> <li>▪ Fed / Prov conflicts</li> <li>▪ Top-down decisions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strong market philosophy to development</li> <li>▪ Low levels of public investment</li> </ul>