ACTION COMMITTEE ON THE RURAL ECONOMY

Agricultural Subcommittee Report

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INTRODUCTION

The following report represents the product of discussions at which no consensus was reached on some issues. Future initiatives to explore these issues need to develop a process by which consensus can be reached which respects diverse values and strongly held beliefs. The process must also provide sufficient timelines to accommodate the critical analysis upon which objective discussion can be conducted.

RECOMMENDATION SUMMARY

I. Agriculture operates in a global economy and must have a competitive business climate. Key elements are taxation levels, efficiency of regulation, supports for investment and development of effective risk management options, cost of living, and support for the environment. It is recommended the Government conduct a comprehensive review to assess our competitiveness in these areas. It is further recommended that the Government provide the support necessary to have industry wide policies and practices to enhance the industry's competitiveness through food safety and sound environmental practices.

II. It is recommended that the province move forward on the development of a feeding industry to complement the grains and oilseeds sector. Efforts to get the people of Saskatchewan to embrace this transformation must be increased. In this regard, the citizens of the province need to feel that their health and the environment in general is protected. In addition, the government needs to take measures to ensure that impediments to this transformation including financing, regulatory impediments, environmental sensitivity and leadership are addressed.

Sub-recommendations

a) The people of Saskatchewan should take the dramatic measures necessary to realize on the opportunity inherent in the expansion of a feeding industry.

b) The Government of Saskatchewan should ensure that financing for intensive livestock is available for primary producers who wish to pursue the opportunities that are available. Opportunities to finance world-scale livestock breeding operations or viable feeding operations, not categorized as an intensive livestock operation, must also be examined. Options should be developed that will allow self-directed RRSP contributions to be used in local operations. Federal government support and participation will be essential. Financing options that already exist (such as the Saskatchewan based Labour Sponsored Venture Capital Funds) should be more effectively promoted.

c) There is a need to recognize that the limited number of existing players in the feeding industry has led to limited experienced management to initiate and operate new projects. Government should take efforts to promote leadership, entrepreneurship development and recruitment.

d) It is recommended that government investigate new approaches to get projects off the ground with less unnecessary delays and expenses for proponents. Complementary efforts with local governments to develop consistent, transparent criteria for project approval will also be required.

e) A study should be commissioned to interview ILO proponents who have successfully completed their projects so that they can identify, in practical terms, the steps that were necessary for the completion of their projects and the kind of issues that they encountered.

f) Saskatchewan should become a world leader in protecting the larger environment vis-a-vis livestock production. Accepted practices need to be monitored and enforced so that people living in or preparing to move to Saskatchewan need to feel that the government is protecting their health and safety. The Province and livestock industry should participate fully in federal/provincial initiatives to create a national approach to on-farm environmental planning.

g) An expansion of permanent cover programming is recommended. In addition, extension efforts to insure producers have access to the most up to date forage management plans will be essential.

h) The Government should work with private sector partners to develop increased meat processing in the province. These efforts would include assessing impediments that restricts meat plants from gaining an inspection status that would enhance market access opportunities (currently only federally inspected plants can ship out of province).

i) The government should work with industry to explore integrated production units where economics encourage a critical mass.

j) Government should also consider the establishment of a feed processing facility that can research and demonstrate the processing, combining of constituents, and evaluating all manner of feedstocks for livestock.

k) A study should be commissioned to examine the opportunities for products such as free-range hog production (ethical and environmentally sensitive production).

l) The government should be an advocate and provide incentives for the development of "infrastructure corridors" where various intensive agricultural operations could gain the benefits faster and cheaper hookups to infrastructure (gas, electricity, communications, water, and transportation) that have been placed along the most logical common track.

m) The government should make transparent decisions on the public policy objectives of the Crowns in an open public discussion (examples of public policy objectives include cross subsidies for utility rates and service/access standards) and be prepared to fund these decisions appropriately. For example, the province should make available direct support to the utilities to keep rates and hook up charges in rural Saskatchewan competitive with urban areas.

III. The organic sector appears to hold much promise for this province and it is recommended that it be pursued. It is recommended that the Government of Saskatchewan ensure a broad based organic strategy is developed to take advantage of this opportunity and to assist in the establishment of a national accreditation system. It is expected that organic industry leadership will drive this strategy.

IV. Irrigation opens new areas for diversified agricultural growth. It is recommended that the Government of Saskatchewan adopt an aggressive policy towards expanded utilization of the current irrigation system and further development.

Sub-recommendations

a) The total acreage in Saskatchewan under irrigation should be increased. This would include new infrastructure at existing sites and modernization of some of the existing infrastructure. This would include expansion at Outlook and a close assessment of the potential at other sites, including Rafferty and other basins along the Saskatchewan River. New forms of small-scale irrigation, which utilize smaller bodies of water, should be considered.

b) Immigration could be utilized to bring producers into the province that have experience in growing products which take full advantage of irrigation opportunities.

c) Processing of horticulture crops could be encouraged to enhance the viability of irrigation production.

d) The linkage between developed irrigation and ILO's in other provinces leads to the need for an examination of why the livestock industry underutilizes irrigated areas in Saskatchewan.

e) An active push to establish New Generation Cooperatives (or other appropriate structures) to process horticulture crops could be considered in conjunction with the development of an irrigation-based food-processing park.

V. A key element of the feeding industry across Canada is the supply-managed sector (poultry and dairy) representing 1/3 of the feed grains used. The sector accounts for 20% of Canadian receipts and is among the most profitable sectors of agriculture. The Government of Saskatchewan should develop and implement a growth strategy that will allow supply-managed production to grow to 5% of our cash receipts by 2004.

VI. It is recommended that as government develops programming and regulations, that it builds in sufficient flexibility to allow for the unique needs of niche products and emerging sectors. Leadership in gathering the early initiators to discuss a common strategy would reduce the duplication of effort. Educational support and extension information could enhance uptake of the new opportunity. Nesting of some industries with respect to processing, production and marketing could apply.

Sub-recommendations

a) The Government of Saskatchewan should ensure that small organizations have the financial capacity to provide educational material on implementing new opportunities. Further, the Government should ensure that it has the extension capacity to provide producers with information on these emerging areas.

b) Orchards of small fruits are being developed in isolation despite the fact that volumes are required to establish processing and marketing. Industry leadership in the fruit industry should be encouraged to examine options on how to address this issue.

c) One of the problems identified for the development of farm-based tourism is high insurance premiums. A useful move would be to pull the insurance industry together and give them an opportunity to respond, and failing a satisfactory result, examine alternative ways of group insurance.

d) The heavy horse and recreational horse industries are depending on the myths of the past to sustain their qualities. There could be a useful effort made to redevelop standards for horse use and display, and people trained to maintain them. Saskatchewan could become a major center for heavy horse culture and the spin off benefits.

e) The possibility of co-generation of energy from ILO wastes should be examined.

f) The technology of large wind farms is suggested as approaching in cost other sources of electricity. The technology of small individual farms with wind-electric units has been allowed to decline. Both areas deserve careful investigation.

g) The processing of meat from specialized livestock, particularly bison and elk is stumbling because of a lack of aggressive marketing and an adequate local processor. Such a Saskatchewan plant would be desirable.

h) Efforts should be made to increase the production and utilization of ethanol.

i) Initiatives that would promote and develop the non-food use of agricultural production should be expanded.

VII. It is recommended that the Government of Saskatchewan work to develop the transportation infrastructure that will be necessary for the emerging economy. Key elements will include linking Saskatchewan with emerging distribution hubs and linking our major centers. Key principles to be followed include competitiveness and efficiency. Overall, the government must be prepared to invest more money in transportation.

Sub-recommendations

a) It is recommended that the Government of Saskatchewan strongly lobby the federal government to create open access for rail infrastructure to enhance competition in the rail sector and lead to benefits for producers.

b) The Government should explore the economic feasibility of constructing a world scale container port.

c) It is recommended that a study be commissioned to examine the necessity of improving transportation ties to Calgary as a prerequisite step to any viable, world scale processing growth.

d) The government needs to ensure that a key network of quality highways connects the major rural centers with the transportation/service city hubs.

e) It is recommended the government consider the emerging economy as it conducts its transportation planning. For example, the development of key north south road corridors will be essential if Saskatchewan is to take advantage of emerging opportunities resulting from NAFTA.

f) It is recommended that the Government of Saskatchewan actively pursue increased air access to major business and resource hubs to meet the needs of business travelers.

g) It is recommended that government consider a program that would provide property tax credits to new construction along locally identified transportation routes for those producers who wish and are able to locate new buildings along these key corridors.

VIII. Creating a more prosperous agricultural economy is a key first step. However, to be sustainable rural Saskatchewan requires the maintenance of a critical mass of people in the rural area. It is recommended that agricultural policy identify the lead role that agriculture can play in maintaining a rural population base.

Sub-recommendations

a) It is recommended that both levels of government conduct a review of their policies to determine whether measures can be taken which would support part time farms.

b) It is recommended that Government create, manage and advertise two registers that would link producers wishing to retire with those wishing to enter the industry. These new entrants would have available financial bridging support from government.

c) It is recommended that students who return and stay on the farm after successful completion of a post secondary course related to agriculture could have all or a portion of their tuition forgiven.

d) Government could provide concessionary financing to new entrants (low interest loans, interest rebates etc), which would be designed to minimize capitalization of benefits.

e) Programming should be provided that would provide new entrants with a wider range of management/ marketing assistance until they have developed individual expertise.

f) Intergenerational transfer of farms contains a number of additional considerations beyond those for new entrants. For example, retiring parents need to have timely access to sufficient capital to retire and need to be confident that the risk of future financial difficulty of the farm will not jeopardize their retirement. Programming needs to be developed to address the specific issues of those exiting the industry.

g) It is recommended that courses be expanded at SIAST to train workers for the emerging agricultural opportunities by 2002. These courses should focus on rural high school students and have a strong work term element and utilize distance education as much as possible.

h) Agricultural programming at the University of Saskatchewan should also contemplate whether the above principles could be incorporated into their course offerings.

i) The government should make a concerted effort to attract immigrant farmers and farm workers to rural Saskatchewan.

j) To achieve the rural population growth objectives, it is recommended that strategies focused on retention of rural residents, encouragement for inter-provincial in-migration, international immigration and support for families be considered as elements in this plan.

k) Ensuring the Aboriginal population base in Saskatchewan has good job opportunities is essential if we are to ensure that we constructively engage this growing element of our population.

l) Further efforts need to be pursued to increase Aboriginal participation in agriculture.

m) ACRE supports government giving full consideration to the public policy benefit associated with rural economic development when targeted support is provided.

n) The Government should encourage producers to use all tools and organizational structures that allow them to work together cooperatively.

o) Many producers will need assistance growing their marketing skills to take advantage of the export market. Government should work to expand the export development insurance that is available to producers.

PRIMARY AGRICULTURAL SECTOR PROFILE

Overview

Primary agriculture is carried out on over sixty-five million acres in Saskatchewan of which forty-five million acres are cultivated for annual crop production and approximately twenty million acres are used for forages and livestock production. Approximately forty-five percent of Canada's arable land base is located in Saskatchewan.

Saskatchewan's semi-arid climate, cool nights, relatively low heat units, cold winters and highly variable weather patterns dictate the range of crops that can be grown. Adapted crops must be early maturing and drought tolerant. Due to our semi-arid climate, Saskatchewan's competitive advantage in crop production is higher quality as opposed to low quality cost/large quantity production. Saskatchewan producers have moved to diversified cropping with almost four million acres of specialized crop production in 1999.

Saskatchewan is a competitive producer of livestock. Feed costs are very competitive even with long winter-feeding periods. Confinement operations can do well in our climate with heating costs being more than offset by lower cooling costs compared to those in warmer weather production areas. There is a growing specialized livestock industry. Our large agricultural acreage and low population density provides opportunity for location of intensive livestock operations that do not exist in other jurisdictions.

Global Perspective

Trade

More and more players are participating in global trade of agricultural products.

World trade doubled between 1985 and 1996 to $464 billion US. World population has increased from 4.9 billion in 1986 to 6 billion in 1999. A United Nations prediction estimates that 8.9 billion people will inhabit the earth by 2050 and level off or decline thereafter. Rising income levels in developing countries could have a major impact on demand. Growth is expected to continue to between $626 billion and $745 billion US by 2005 (Canada's International Business Strategy).

Market Prices

Primary agricultural commodity markets are typically integrated with world prices, however local conditions can affect some markets. In addition, countries influence world prices via their government's policies on trade openness, trade barriers and subsidization levels.

Subsidization Levels

The support level for producers is a contentious issue that is monitored continuously. A common comparison used is the Producer Subsidy Equivalent (PSE), which is defined by the Organization for Economic Co-operation and Development (OECD) as the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures which support agriculture. The grains and oilseeds sectors show a significant variance in levels of support in different countries. In 1999, PSE levels for wheat in the EU, US and Canada were 58 percent, 46 percent and 11 percent respectively. A level of 58 percent means that 58 cents of every dollar of farmers' wheat sales come from government subsidies. The support level for the milk sector indicates a more common ground; the comparative PSE levels are 58 percent, 57 percent and 58 percent for the EU, US and Canada respectively. Overall, support levels in these three jurisdictions show a significant difference in support levels. The average PSE for all commodities are 49 percent, 24 percent and 20 percent for the EU, US and Canada respectively.

Canadian and Provincial Perspective

The agriculture industry in Saskatchewan is critical to the health of the Saskatchewan economy. On average, it accounts for nine percent of the province's GDP, with 10 percent of the labour force employed in primary agriculture, providing over $4 billion of exports annually, which represents approximately thirty-six percent of Canada's agricultural exports.

Primary agriculture in Saskatchewan is largely a family business with seventy-one percent of farms in 1996 being sole proprietorships and an additional six percent being family corporations. Twenty-one percent of Canada's farms are located in Saskatchewan and seventeen percent of Canadian agricultural jobs are located in Saskatchewan.

Farmers also make a significant contribution to the economy through their capital investment and purchase of inputs. Statistics Canada shows the total farm capital investment in Saskatchewan at $32 billion for 1998. This figure is made up of $21.7 billion in land and buildings, $8 billion in machinery and equipment, and $2.7 billion in livestock and poultry. Farmers are also major purchasers of goods and services with the average total gross operating expense for the period 1989 to 1998 being $3.6 billion annually.

Saskatchewan remains highly dependent on income from the grain and oilseed sector. Three-quarters of our farm cash receipts are derived from this sector. Therefore when grain and oilseed prices decline sharply, Saskatchewan's farm income also declines sharply.

Low grain prices over the past two years have resulted in significantly lower crop receipts in Saskatchewan, while operating expenses continue to rise due largely to the escalating world prices of energy. Agriculture and Agri-Food Canada estimates Saskatchewan's 2000 realized net farm income at $271 million, down 56% compared to the 1995-99 average. Saskatchewan's realized net farm income for 2001 is estimated at $224 million, which is down 63% compared to the 1995-99 average.

Farmers are diversifying their production. In part, this is due to the low prices of some of the major commodities, like wheat, that is heavily subsidized in world markets. In part, it is due to the loss of the Crow Benefit that removed some $300 million in freight assistance for Saskatchewan farmers and more than doubled the freight costs paid by some producers. The extent to which crop diversification can occur is limited by the adaptation of specific crops to regional climatic conditions and requires rotation of these crops to avoid build up of disease and other crop pests.

The long-term trend of declining farm numbers and increasing farm size will continue. The necessity to capture economies of scale, the increasing cost of equipment and commodity transportation, an aging farm population and periods of depressed commodity prices are all factors driving this process. It was predicted that the loss of the Crow Benefit would result in an increase in livestock production and more value added processing. Such change will be a long-term process. As rural populations decrease, maintenance of rural infrastructures will become an increasing issue. Schools, health services, service points and roads, among others, will be difficult to maintain. Increased distances for services will result in higher costs and lower levels of satisfaction with rural lifestyles.

Saskatchewan, which exports at least seventy percent of its agricultural production on a value basis, is heavily reliant on global trade and all factors influencing global markets. Trade distorting practices, subsidies, trade barriers in other exporting jurisdictions directly impact the economic viability of Saskatchewan farmers. This is especially true for the major commodities produced and exported by some of the major agricultural exporting countries around the world. The outcome of future World Trade Organization (WTO) negotiations will have a major impact on our industry.

While the income problems facing Saskatchewan farmers are significant, there are farmers all across Canada that are hurting. Grain and oilseed producers all across Canada have been struggling with low prices and high input costs. Potato farmers in Prince Edward Island are facing severe income problems as a result of being shutout of the US market because of potato wart. Cattle ranchers in southern Alberta had to deal with the affects of a severe drought in 2000 and 2001. Canadian farmers are struggling with the fallout of Walkerton and the need to be more vigilant on food safety and environmental issues.

The Federal/Provincial agreement reached in Whitehorse represents a strategy to address many of these issues. Their collective goal is to enhance the financial resilience and competitiveness of Canadian agriculture. This is to be achieved through creation of a sound financial base in the form of an effective safety net supplemented by several initiatives to enhance the demand for and reputation of Canada's products and expand value adding activities. This multi-year policy framework will require the full participation of governments and industry to be successful.

Changes in Primary Production

Grains and Oilseeds

In comparing the levels of acres of the grains and oilseeds sector to the five-year averages, the number of acres committed to wheat, durum, barley and oats are down (combined nine percent decrease) with canola and flax showing substantial increases (combined 18 percent increase) over their five-year average acreages. Summer fallow acres are trending downward and show a one percent decrease from the latest five-year average.

Cattle and Calves

The number of farms in Canada reporting cattle and calves has decreased significantly in all provinces over the past 20 years. Saskatchewan's farm numbers reporting cattle and calves have decreased from 42,348 in 1976 to 25,108 in 1996 (a 40 percent decrease), decreasing more than the national average (37 percent decrease). This decrease in the number of farms has been effectively offset by the 46 percent increase in the number of cattle and calves reported per farm over the same period. This is still lower than the Canadian increase of 57 percent in the average number of cattle and calves per farm.

Hogs

The number of farms in Canada reporting hogs has decreased significantly in all provinces over the past 13 years and Saskatchewan farms reporting hogs have decreased from 5,778 in 1986 to 2,050 in 1999 (65 percent decrease). The national average decrease is 54 percent. Saskatchewan's hog farms represent 12.2 percent of Canada's 16,770 hog farms. The average number of hogs reported per farm has increased significantly in all provinces over the past 13 years with Saskatchewan having the greatest increase, from 105 to 448 hogs per farm (327 percent increase), compared to the national increase of 271 to 739 (173 percent increase).

Saskatchewan's total hog numbers represent 7.5 percent of Canada's total as of 1999. Severe low price swings in the last two years have tempered the anticipated increase in hog numbers in Saskatchewan.

Sheep

The number of farms reporting sheep has increased in Saskatchewan from 1,050 to 1,200 (14 percent) but has decreased nationally from 11,390 to 10,925 (four percent). The number of sheep per farm in Saskatchewan has increased from 50 per farm in 1986 to 70 per farm in 1999 (40 percent increase). Total sheep numbers in Saskatchewan represent eight percent of Canadian sheep numbers as of 1999.

Specialty Crops

Specialty crop (dry peas, lentils, mustard, and canary seed) acreages have grown dramatically since 1991. The total acres of these crops were just over one million acres. In 2000, with the addition of chickpeas, the total acreage in specialty crops is over 5.6 million acres. This represents a percentage increase in the acreages of major specialty crops of over 500 percent.

Horticulture and Fibre Crops

In addition to the specialty crops, producers are keenly interested in a number of smaller acreage crops such as coriander, caraway and dill and herbs like Echinacea, St. John's wort and feverfew. Saskatchewan is also the second largest producer of industrial hemp in Canada.

The Saskatchewan horticultural industry is not nearly as developed as in other provinces. Saskatchewan's industry includes vegetable, potato, fruit, greenhouse and nursery production.

The vegetable industry is primarily made up of market gardens with a few marketing to processors. Statistics Canada indicated 572 acres in commercial production in 1992 compared to 1,055 acres in 1999. As Saskatchewan can competitively produce many crops, there is a potential for this industry to grow.

Statistics Canada shows fruit acreage at 780 acres in 1999. Some estimates suggest that there are actually closer to 2000 acres in production or some stage of development. Key crops are strawberry and Saskatoon with growing interest in chokecherry, sea buckthorn, raspberry and apple. Much of Saskatchewan's fruit industry is focused on u-pick operations.

Statistic Canada shows 36 acres of greenhouse operated by 185 producers. The industry is gradually growing, focusing on bedding plants and other floral products with increasing interest in vegetables, tree seedlings and herbs. There are 2061 acres in nursery production.

Irrigation

There are approximately 325,000 acres under irrigation in the province, 167,000 acres are under sprinkler irrigation, 63,000 acres are surface irrigated and 94,000 acres are backflood. Most of the sprinkler irrigation is in the Lake Diefenbaker area. Much of the surface irrigation is in forage projects in southwest Saskatchewan. Saskatchewan's available water is a resource for economic development that does not exist in other jurisdictions.

Farm Practices

There is a well-established organic industry involving an estimated 1,000 producers with the industry growing at an estimated rate of 20 to 25 percent per year.

There has been a shift in production technology with the development of direct seeding technology. This technology has encouraged producers to move to continuous cropping and is in part responsible for the decreasing summer fallow acreages.

Genetic engineering technology has also become a factor in crop production. The canola industry is a leader in this area with an estimated 60 percent of the seeded acreage in Saskatchewan being genetically modified varieties with tolerance to specific herbicides. Potential future products of biotechnology may offer a range of specialized cropping options to fill specific market niches as well as challenges for increasing the consumers' acceptance of genetically engineered organisms.

Primary producers generally have not been concerned with providing quality assurance to the market place until now. Some exceptions would be organic production and seed production. Markets are becoming more "consumer/market driven" as opposed to "producer/production driven". Increasingly, the industry will be expected to adopt quality assurance programs and to be able to document the production processes used, as marketers demand certain production protocols and the ability to trace product back to the production unit.

Similarly, as new specialized crop or animal products are developed, it will become increasingly important that these products are segregated from field through to end-user. In crops, it will require that the farmer have records on field histories, seed sources, post harvest handling, storage and market records. In livestock production, records from birth to slaughter will be required.

These changes will require a major extension effort to assist producers in adapting to these changing conditions.

Summary

- Primary agriculture is a significant contributor to the provincial economy measured in terms of contribution to the GDP (nine percent of GDP) and the number of people employed in the industry (10 percent of provincial employment).
- Capital stock in the industry including livestock, land and machinery totalled $32 billion in 1998.
- Primary agriculture is heavily dependent on export markets.
- The agricultural industry is primarily composed of family farms or family controlled partnerships and corporations.
- Crop producers have diversified into special crops with approximately 4 million acres planted in 1999. This trend will continue as adapted varieties of new crops are introduced.
- Growth in the traditional livestock sector has not occurred to the same extent that it has in neighbouring provinces. There has been rapid and significant growth in the emerging specialized livestock sectors of bison, elk and white tail deer. With the loss of the Crow Benefit and with depressed grain prices, conversion of marginal land to livestock production can be expected over time. With low feed prices, Saskatchewan can be a very competitive producer of livestock.

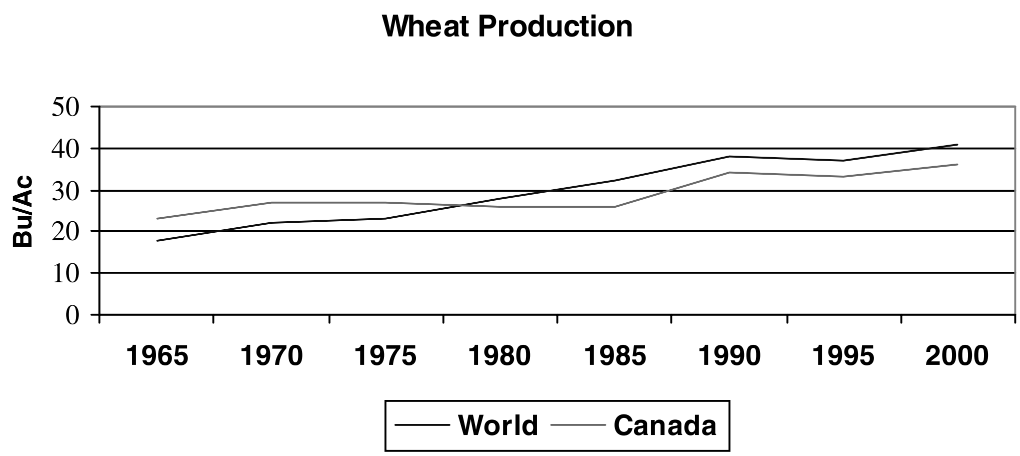
AGRICULTURAL TRENDS

Technology

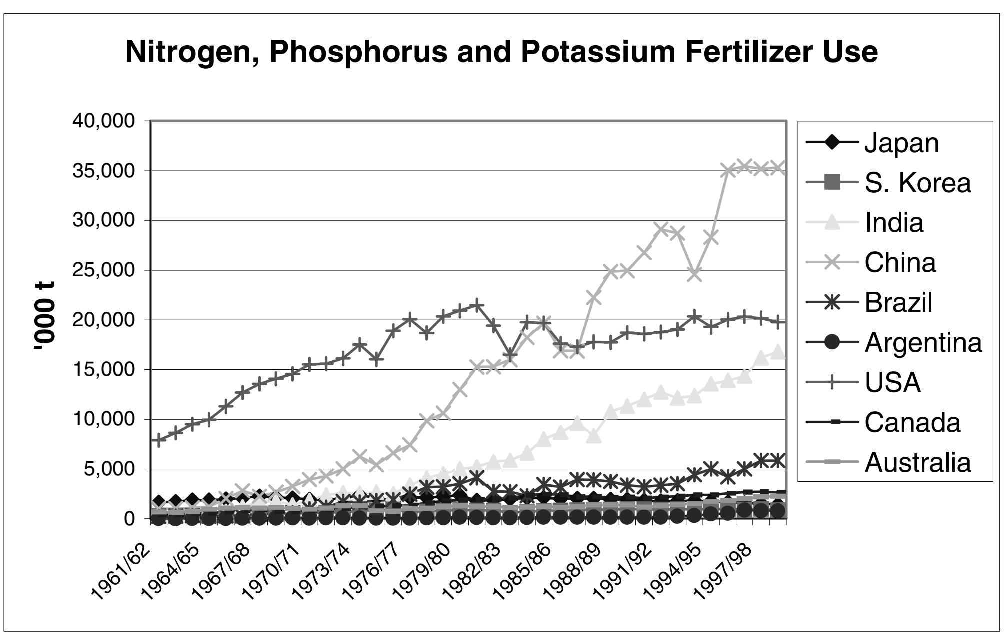
Technology allows agriculture to continue to expand production on a reducing land base. Adoption of technology provides short-term benefits (otherwise, producers wouldn't adopt), however, as more in the industry adopt the technology it drives the cost structures for the industry down. Technology includes things like new varieties, machinery, chemicals, etc. Genetic modification technology appears capable to cause rapid change to agriculture in future years.

One example is the large increase in wheat productivity per acre. Since 1965, world wheat productivity has increased an indicated 125 percent. Canada's productivity increased 58 percent.

A significant factor contributing to the increased productivity is the increased use of fertilizer, with world use increasing by 680 percent since 1961. By far the majority of the increase in fertilizer use is in the developing countries of China and India, with developed countries' fertilizer use remaining relatively static in comparison.

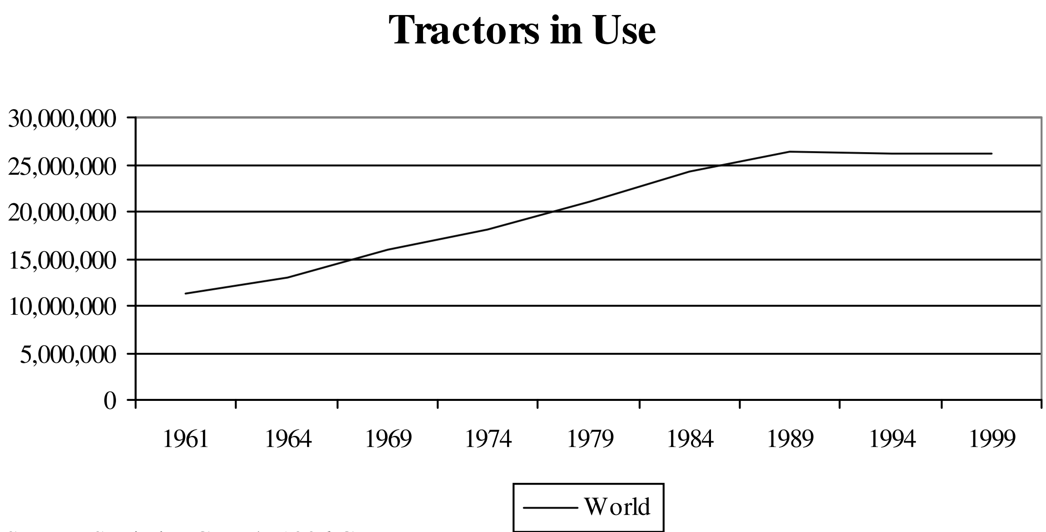


Source: Economic Research Service, USDA



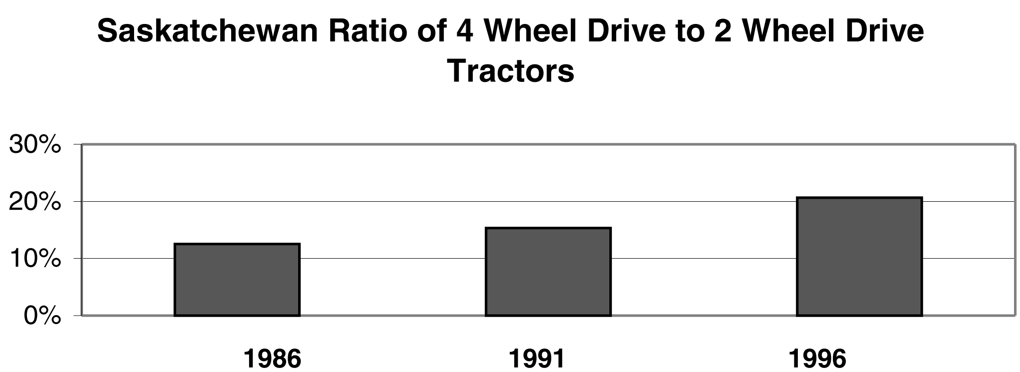
Source: International Fertilizer Association (IFA) 2001

Another significant trend is the dramatic increase in tractor use around the world. This is an increase of 132 percent.



Source: Statistics Canada 1996 Census

For Saskatchewan, the move to four-wheel drive tractors has allowed producers to more efficiently farm larger acreages. The ratio of four-wheel drive tractors to two-wheel drive tractors has increased from 13 percent to 21 percent.



Source: Statistics Canada 1996 Census

De-population

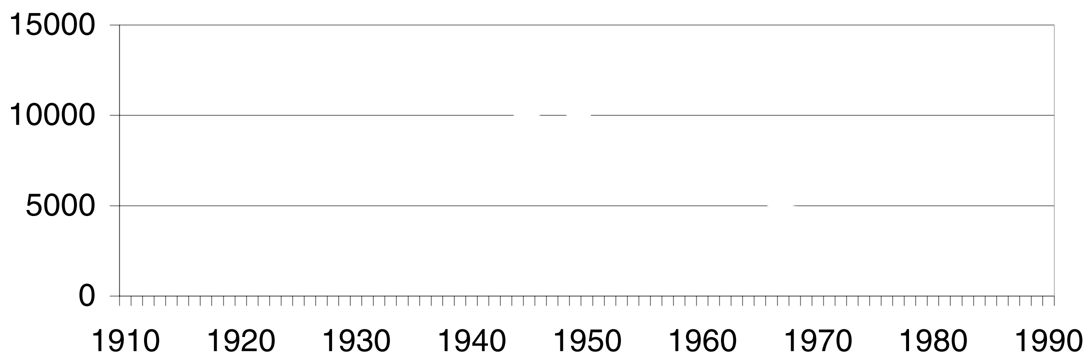
Technology has allowed/required less labour to be used in the efficient production of agricultural products. This has resulted in the decline of the number of farmers in all advanced countries of the world at a time when agricultural production is increasing.

In Saskatchewan, rural de-population is an unquestionable trend. Statistics Canada Census data shows the population in most rural communities declined between 1986 and 1996. A sample of some of the larger rural communities over that time demonstrates a drop in population by 3%.

But this trend is not unique to Saskatchewan. Rural de-population is a trend across Canada and across the globe. One way to quantify this in the USA is to look at the decline in farm labour. As a percentage of the total labour force, the percentage working on the farm has dropped from almost 40 percent in 1900 to around 2 percent in 1990.

The actual number of farm workers in the US has dropped from 14 million in 1910 to 3 million by 1990.

US Farm Workers (000's)

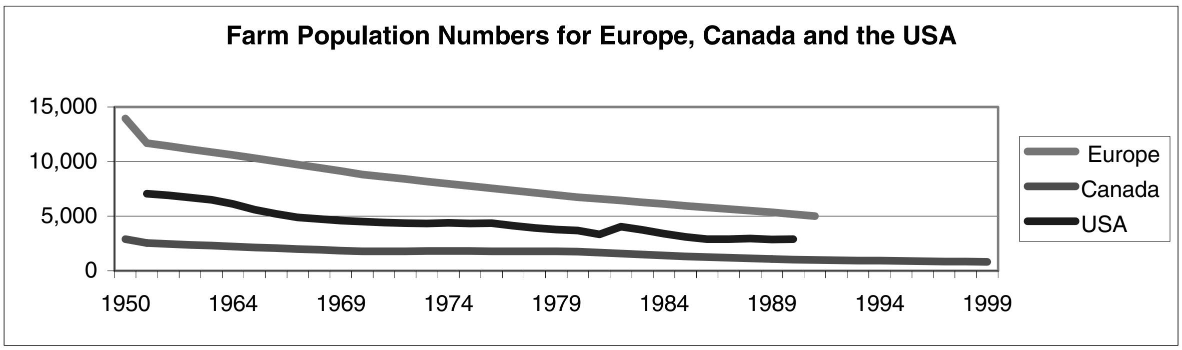


Source: USDA, National Agricultural Statistics Service, 1996

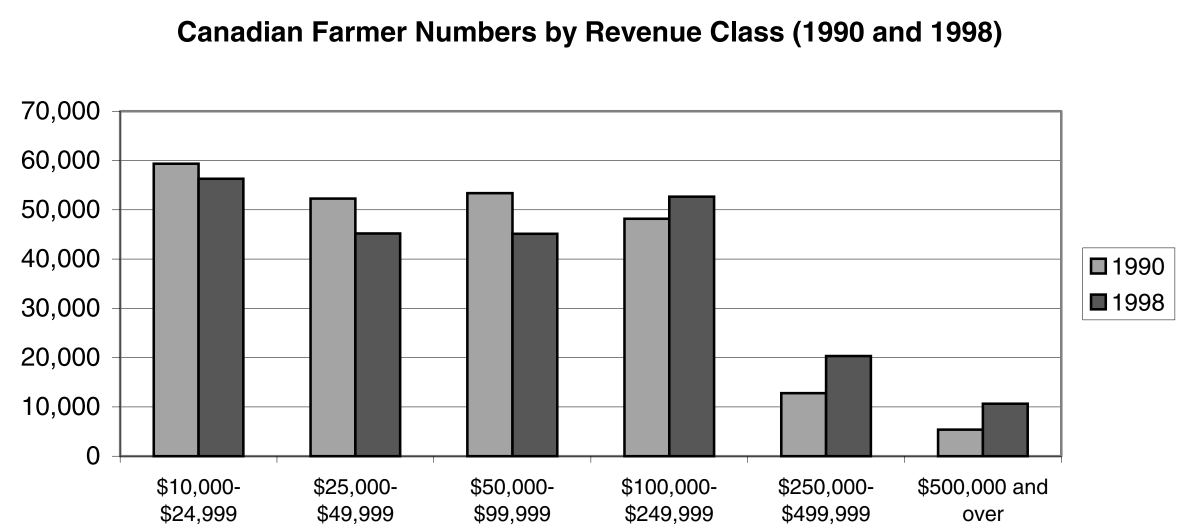
The European Union is not exempt from this trend either. Records in the EU, track Agricultural population, and shows the 30-year trend is as well downward. This is illustrated on the following charts:

Changing farm population

The farm population in developed countries is moving towards larger sized operations based on revenue generated. Under this distribution, there is a small number of large farms (producing a large percentage of production) and a large number of small farms (producing a small percentage of production). The percentage of small and mid-size farms is on the decline.



Source: Economic Research Service, USDA
Source: Statistics Canada 1996 Census

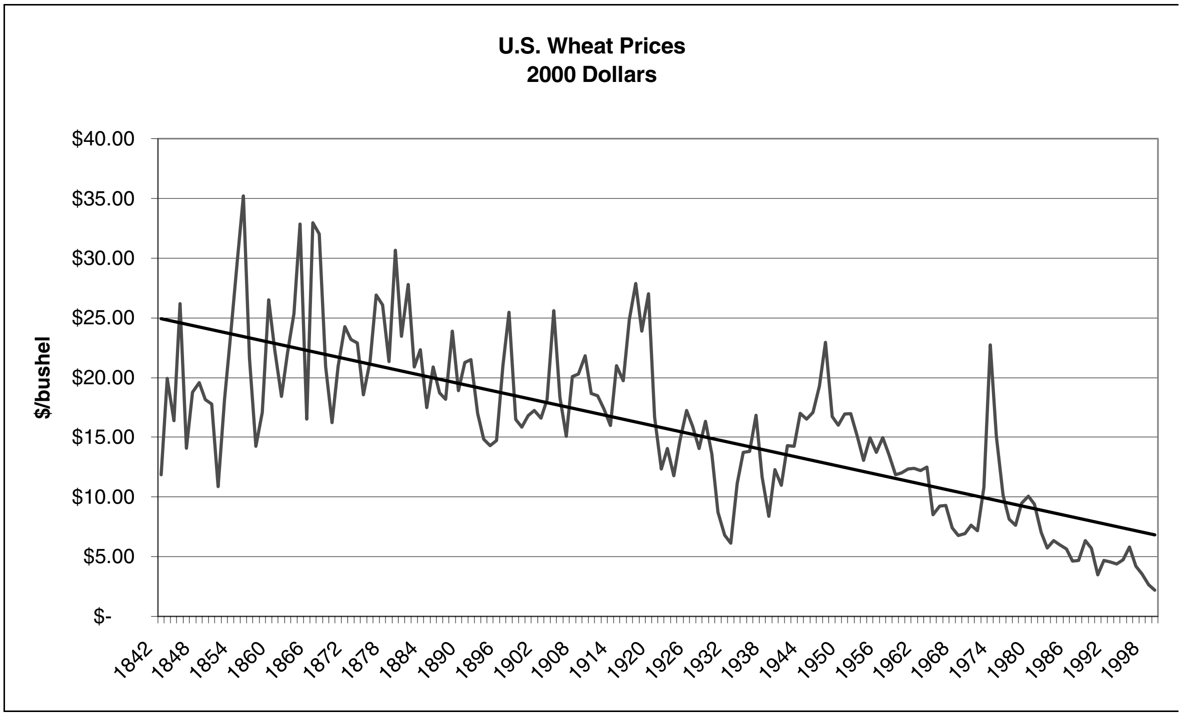


Source: Taxation Data Program of Statistics Canada

Declining prices

The lower cost structures inherent in new technology have led to lower prices for agricultural producers.

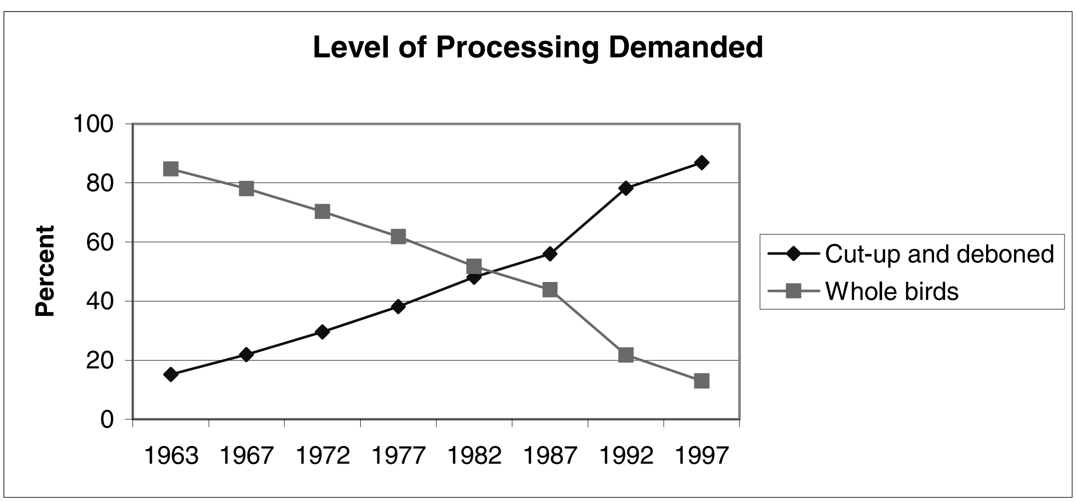
The following graph illustrates the decline in wheat prices over the past 100 years:



Source: USDA Farm Service Agency, 1998

Declining contribution of agriculture in food sales

Increasingly, food products are more highly processed before being sold to the end consumer (ready to eat foods). We have large numbers of farmers selling to a limited number of processors. Further, the separation of producers from the consumers may make it more difficult for producers to meet/understand consumers demands.



Source: Structural Changes in U.S. Chicken and Turkey Slaughter. Economic research Service, U.S. Department of Agriculture. Agricultural Economic Report N. 787.

Rationalized handling

The food handling business is increasingly concentrating suppliers and warehouses in a few locations. Processors wishing to supply the traditional high volume market have to have large capacity and to avoid transportation charges look to being close to the warehouse distribution points. With the concentration of facilities in a few locations, producers who would most likely participate in the small scale processing industry would have difficulty with accessibility to the high volume market.

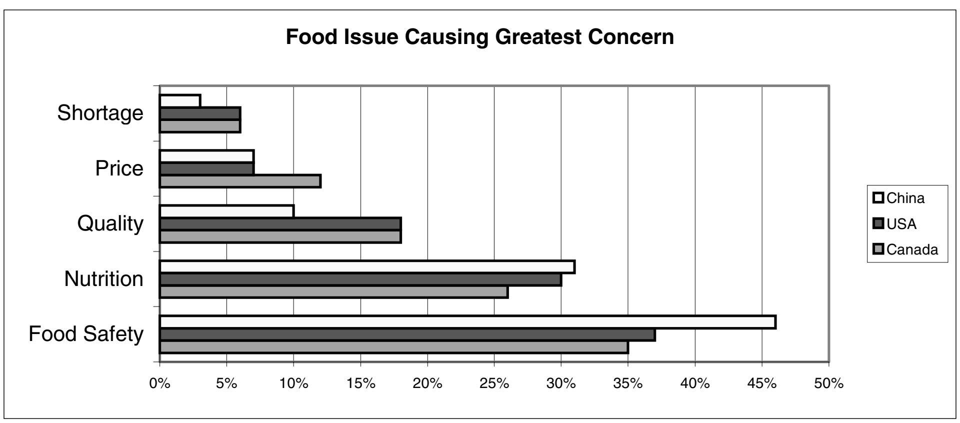
Food safety

Consumers in developed nations are demanding higher safety standards. Multinational food providers are placing higher quality standards on their suppliers than government because quality will sell to these consumers. Further, multinationals need to protect their reputation and a food safety issue would tarnish their reputation internationally. Identity preservation and trace ability will be key trends in the future.

One only has to look at the news to witness growing concerns over food safety. Reports on Foot and Mouth disease, Mad Cow disease, e-coli contamination and Chronic Wasting disease are increasing and this suggests a growing concern over food safety.

One good statistic is the number of food processing companies, which employ a Hazard Analysis Critical Control Points (HACCP) system. HACCP represents a new way of approaching the management of chemical, physical and biological hazards, which affect food production. When organizations implement a HACCP system, they are making a commitment to producing safe food. In Saskatchewan in 1999, there were 16 food processing companies, which had implemented a HACCP plan.

In 1999, the Canadian Food Inspection Association (CFIA) issued an industry communiqué to all federally inspected meat and poultry establishments that they were making HACCP mandatory. This move was made to aid in production/processing of safe food and to keep pace with the USA, who also issued a mandatory system shortly before.

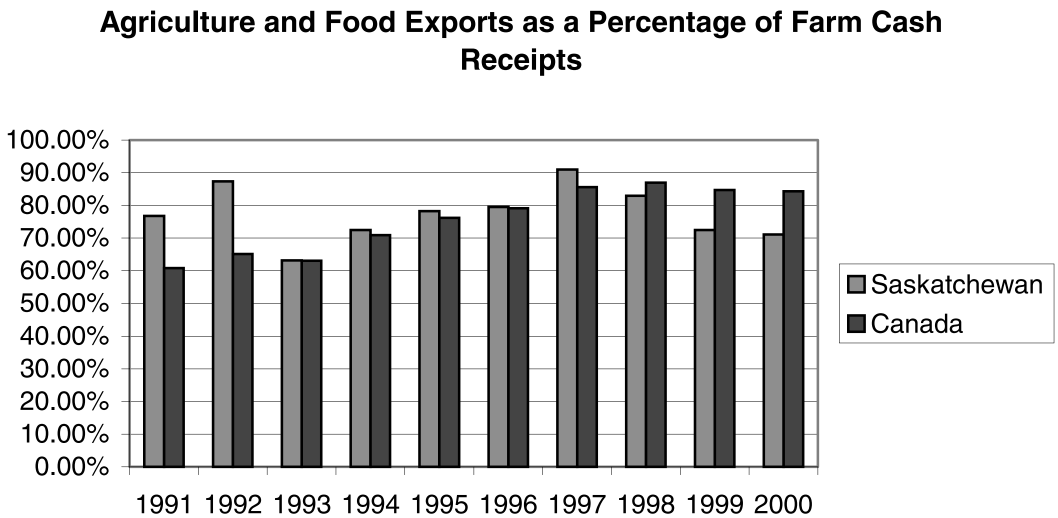


Source: Environics International. International Survey on Food Safety and Biotechnology. December, 1999.

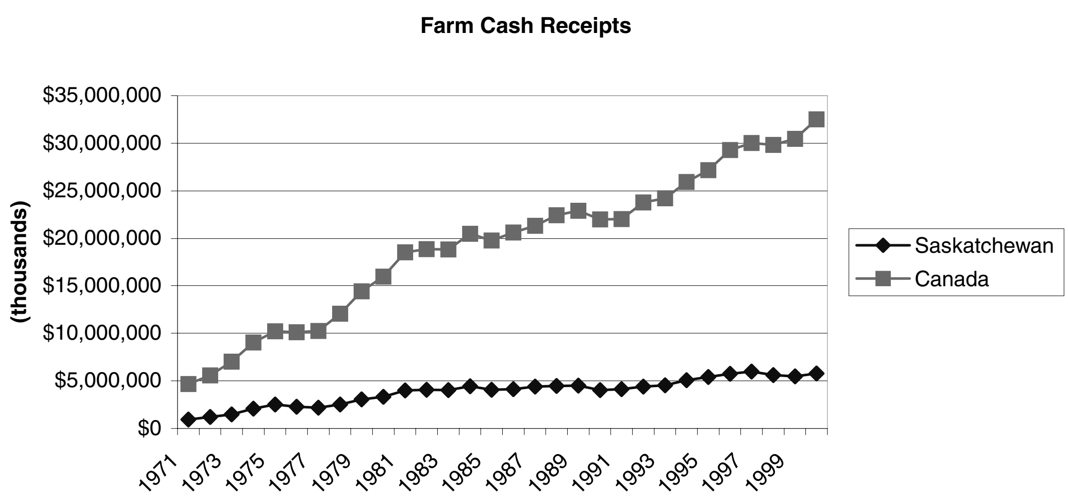
Global environment

The new WTO agreement has essentially brought agriculture under the umbrella of world trade rules. This however, has not resolved many of the trade issues plaguing the industry.

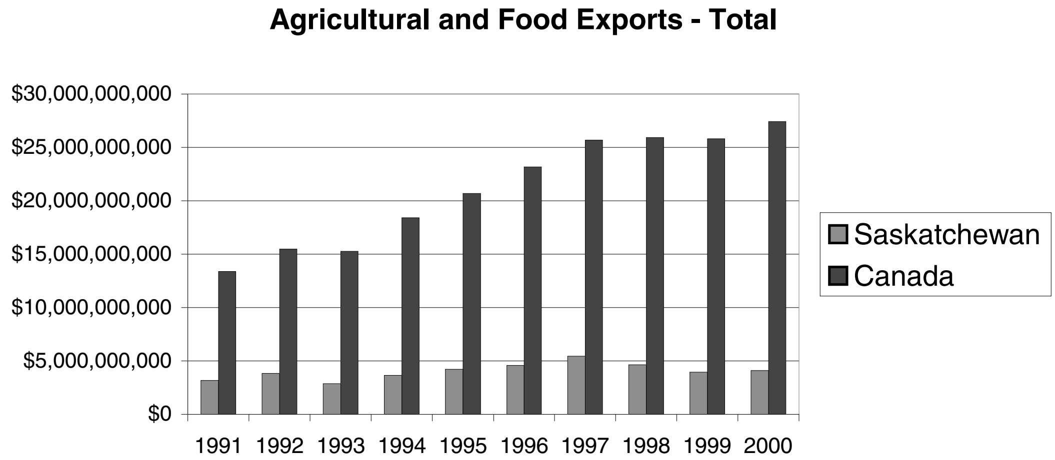
Agriculture has had to think of itself producing for a world market and facing competitors in a world market. Both are key points. The production of a niche world product represents a significant market opportunity. However, commodities must be priced so that they are competitive in international markets.



Source: Statistics Canada



Source: Agriculture and Agri-Food Canada, Farm Income, Financial Conditions and Government Assistance, Data Book, March 2001.



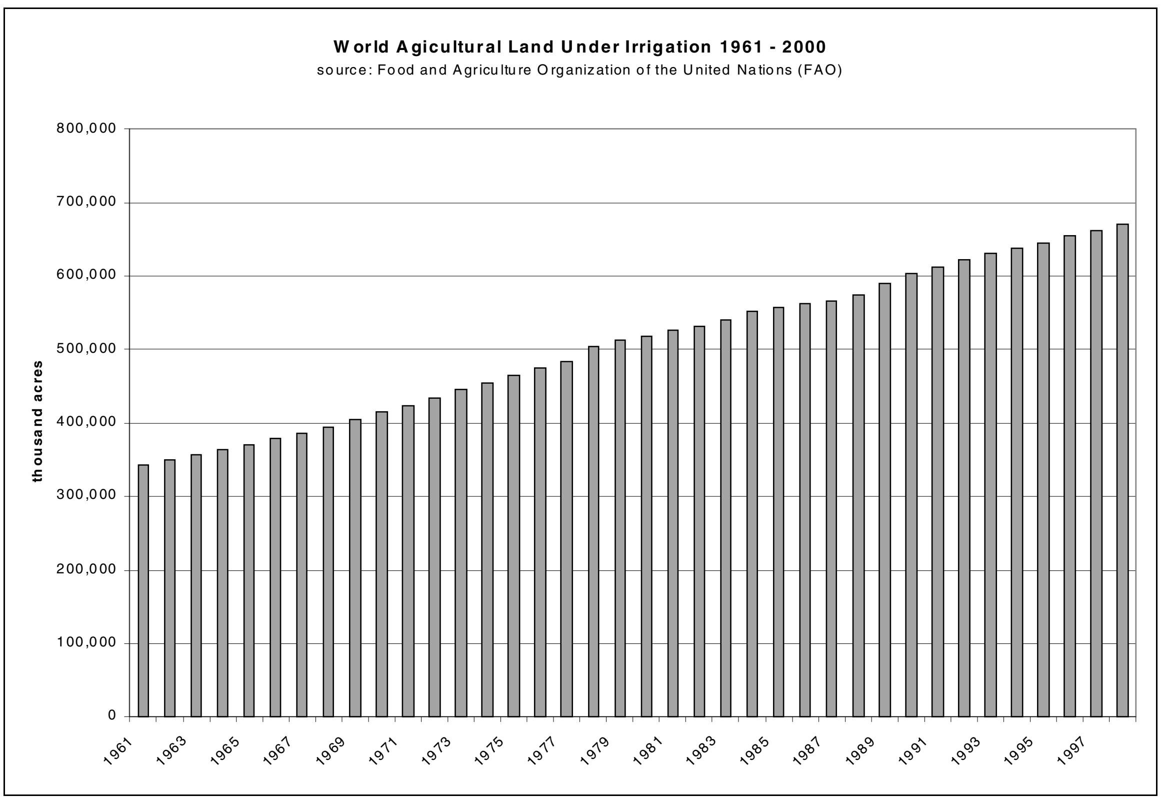
Source: Statistics Canada

Backlash to technology

Whether it is in the move to organic or the anti-GMO attitude in some countries, there would appear to be a trend to rising concerns about technology. This is being driven by a mistrust of government as both a regulator and proponent, the objectivity of science, a lack of scientifically-based consumer education and the use of biotechnology as a trade barrier.

Corporate concentration

In many service sector providers to agriculture there is a rising concentration of market power nationally and globally. Further, the concentration of power is moving vertically as well as horizontally - a grain company taking over a competitor or linking with a biotech company supplying producer's inputs. Both scenarios lead to a less competitive marketplace for producer. Ways to improve the market power of farmers is needed.



Water

In many of the key agricultural producing areas of the world, access to water as a necessary element of agricultural production is being limited by other uses. Further, extensive use of water has begun to reduce its availability.

Environmentalism

Environmentalists have generally not paid much attention to farming or to the practices of farming (beyond animal rights) as they have concentrated their efforts in other areas, such as the manufacturing, fishing and forestry sectors. This may change in the future.

In Saskatchewan, there are other examples of rising environmentalism. There are reports in the newspaper on potential problems with hog production around the province.

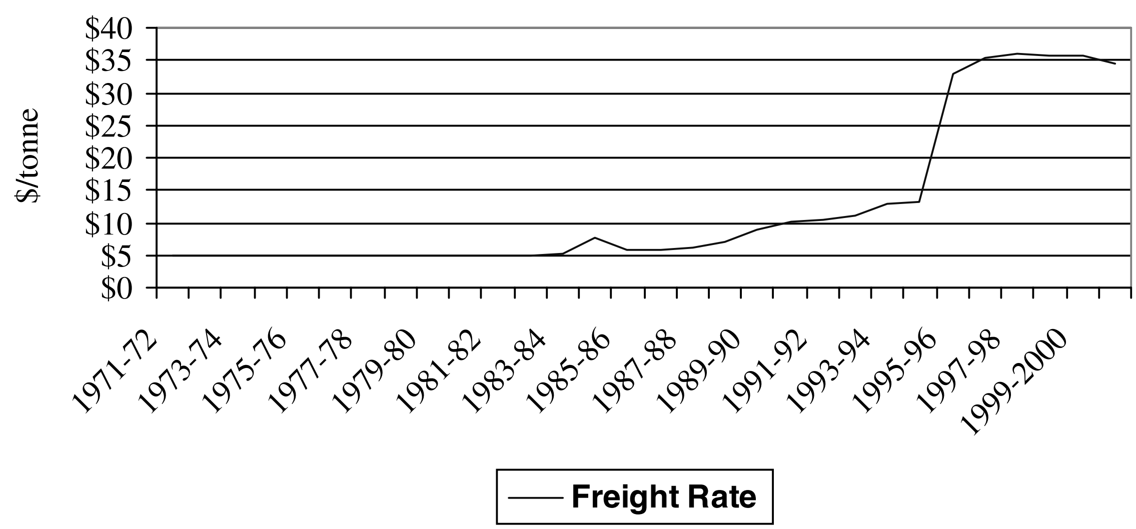
Saskatchewan specific trends

Transportation and handling

The end of the Crow changed the relationship between producing grain for export versus feed for livestock. The full adjustments to the loss of the transportation subsidy are only just starting to appear.

Transportation deregulation and other factors have led to significant transportation and grain handling consolidation. The full impact of these changes will lead to fundamental changes to the type of transportation infrastructure that is available to rural Saskatchewan. It will not be an option to keep all roads, at least in their current configuration. The trend, as shown in the following tables, is toward higher average hauling distances and fewer delivery points. The entire branch line system has shrunk from 13,900 km of branch lines in the 1970's, to approximately 9,900 km. today.

Saskatoon Freight - $/tonne Wheat



Source: Saskatchewan Agriculture and Food, StatFacts

Average Haul Distance (Grain Hauling)

1984	15km
1993	26km
1997	30km
*2000	38km
*2005	53km

* estimates only
Source: Parallel Process on Roads, Saskatchewan Road Impact Analysis 1999

Number of Delivery Points (As of August 1)

1984/85 crop year	1,045
1990/91	834
2000/2001	437

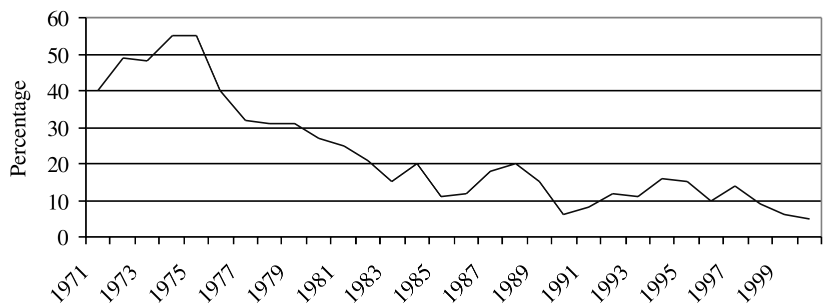
Source: Canadian Grain Commission Grain Elevators in Canada

The impact of higher freight and other operating cost is illustrated by the change in aggregate profitability of farming operations in Saskatchewan. Realized net income as a percentage of total cash receipts has eroded considerably from highs of 55 percent to the current 5.6 percent average.

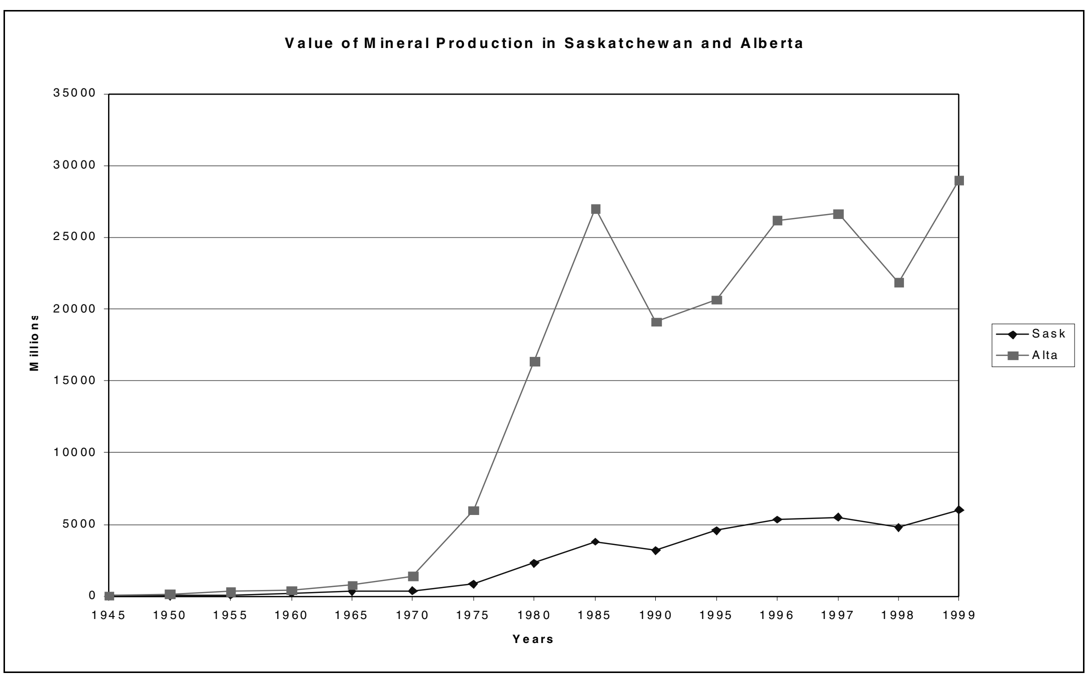
Energy and Mineral Development

The oil boom in Alberta, and the likelihood that high energy prices will continue, will mean that the divergence in wealth between Alberta and the rest of Canada will continue to widen Alberta's wealth will make it easier to attract labour resources from other jurisdictions and to create its own critical mass for economic activity. This will be a constant magnet pulling resources from Saskatchewan and will threaten many forms of economic growth that we may pursue.

Profit Margin of Farming Operations



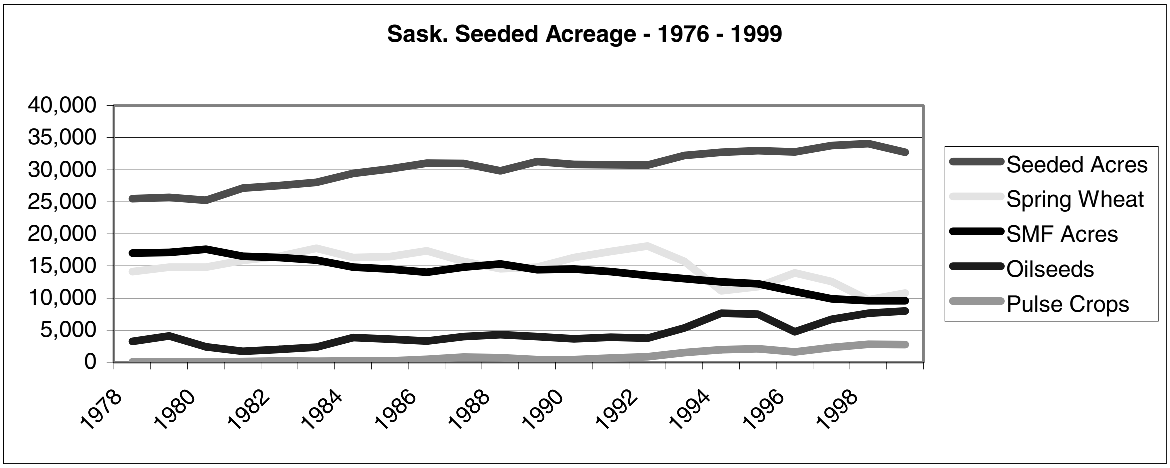
Source: Saskatchewan Agriculture and Food, Agricultural Statistics, 1999.



Source: Saskatchewan Energy and Mines

Changing Cropping Practices

The following chart tracks the usage of Saskatchewan agricultural land for the past 23 years. What sticks out is that total seeded acreage has steadily increased, but spring wheat and summer fallow acreage has steadily decreased. The loss in wheat and summer fallow acreage has been more than made up with increases in oilseed and pulse crop acreage as well as forages and land used for other specialty crops like herbs and spices.



Source: Saskatchewan Agriculture and Food, Agricultural Statistics 1999.

Impact on Saskatchewan Agriculture

Since the time of the settlement period, agriculture in Saskatchewan has focused on producing, bulk commodities for the world market. This type of agriculture has influenced the development of the province. For example, the transportation infrastructure from rails to roads has been developed to move grain off the farms to world markets. More importantly, this type of agriculture has had an important influence in shaping the views and beliefs of the people of the province. These views and beliefs have led to the development of a policy framework that has sought to maintain and enhance this type of agriculture.

As indicated by the trends outlined above, significant changes are underway which are likely to drastically change the economics of commodity agriculture. Since the mid 1970's, the margins (realized net farm income relative to gross income) from producing bulk commodities in Saskatchewan has declined from the 50% to 60% range to the range of 10%. It is likely that margins will remain or fall below 10% in the future. The decline in commodity prices explains only part of the reason for the decline in margins.

The decline in margins can also be attributed to the change in farming practices from a model where most farm inputs were sourced within the farm to a model where large amounts of inputs are now purchased off the farm. (The exception to this trend is the organic and the cow/calf sectors where producers still use mostly internal inputs.) For example, summer fallow, an internal farm input that provided fertilizer and weed control has been replaced in many areas by purchased fertilizer and chemicals.

Based on the trends and the economics of bulk commodity agriculture, it would appear that the future of agriculture in Saskatchewan, while still a major part of the provincial economy, will not provide sufficient wealth to ensure a vibrant rural Saskatchewan.

Opportunities for a new Agriculture in Saskatchewan

The underlying trends are changing the nature of agriculture and in some instances impacting negatively on the sector also offer opportunities for Saskatchewan. To take advantage of these opportunities, the mind set of Saskatchewan agriculture will have to change. The first change that we need is to come to the realization that producing bulk commodities for export leads us down the path where there will be a small number of large farms with very few people in rural Saskatchewan. Once we come to grips with this realization, we need to tailor our competitive advantages with opportunities that are arising from agricultural trends.

Saskatchewan's clean environment

One comparative advantage that Saskatchewan has been slow to exploit is to take advantage of the open spaces, low population density and the relatively clean environment. In a world where many consumers are concerned about food safety and how their food is produced, Saskatchewan is in a unique position to capitalized on these trends. Saskatchewan's relatively low use of chemicals and inorganic fertilizers compared to other parts of the world could be used as a competitive advantage.

Our relatively cheap land may lead to other opportunities that allow us to have a lower cost than some of our competitors. Market opportunities are growing in this area.

Agro or eco-tourism offers further potential for Saskatchewan. There are many people in the crowded cities of Asia and Europe who would find the open spaces of the prairies exhilarating and therefore an ideal vacation spot. The abundance of wildlife also offers attraction for many America hunters. The continuing decline in the real cost of air travel means that the travel industry will be a major growth area over the next twenty years. Saskatchewan needs to tap into this growth.

Niche markets

Niche markets offer potential opportunities for those producers who wish to diversify their production beyond traditional commodities. Niche marketing involves producers producing and marketing a product that has unique characteristics that sets it aside from its competitors. By tapping into specific markets (high quality, high price markets) producers are able to earn higher returns.

A key success factor in developing niche markets is the building of direct links to consumers. By consumers, we do not mean the local elevator or meat packer, but the end consumer. Historically, farmers in general have not had a real desire to link up with the direct consumer as he allowed others in the marketing chain to develop these links. In the bulk commodity business, building links to the consumer was not an issue, as the returns from selling a standard bulk commodity did not justify the expense of building consumer linkages.

However, in the niche marketing environment, the producer needs those direct links to find out customer needs and to directly inform consumers as to the unique qualities that the producer has to offer.

The organic industry is probably the best example of a successful niche marketing strategy. Producers have a unique product to offer and have developed direct links with end consumers. These linkages allow producers to collect market information relating to what is in demand, while allowing consumers to have the knowledge of how their food is produced.

Specialized Livestock

The game farming industry is growing and the global demand for game meats is increasing. The increasing trend towards consumers reducing the amount of fat in their diet has lead to increased interest in game meat. Chefs are also showing an increased interest in serving game meat as it offers an alternative to traditional meats.

The game farming industry in Canada is comprised of several hundred enterprises where elk, fallow deer, red deer, bison, and wild boar are managed under controlled conditions on individual farms and ranches.

The Canadian game farming industry has potential to develop into a global leader. The open and relatively clean land in Canada provides a strong competitive advantage for Canadian producers. This aspect is important as the demand for game meats in the world is strongly related to the production of natural and hormone free meat.

Non-traditional Dairy

More people in the world drink goat milk than cow milk, however, the opposite is the case in North America. Goat milk is similar nutritionally to cow milk, but contains smaller fat globules and as a consequence, is easier for some people to digest. As well, because of the smaller fat globules, goat milk does not require homogenization.

Currently, a large portion of goat milk sales takes place through the farm gate with producers selling directly to consumers. Saskatchewan Health regulations require all farm gate operations to hold a valid Category II milk license. This license permits the sale of the pasteurized fluid milk and restricts the volume to 100 litres of goat milk per day.

Opportunities also exist for producers to sell directly to a dairy processing plant with no quantity restrictions. Producers should be aware that he dairy goat industry is not subject to the same milk quota restrictions as the dairy cow industry. This allows producers to start or expand a dairy goat enterprise without having to purchase quota.

<u>Meat Goat Production</u>

More goat meat is eaten world wide than any other type of red meat, although very little of it is consumed in North America (Alberta Agriculture, 1994). However, as people continue to immigrate into North America from traditional goat consuming nations, the domestic demand for goat meat in these ethnic markets continues to increase. This ethnic demand for goat meat is derived from a number of social and religious traditions. As a result, there is a lot of seasonality in the demand for goat meat. Two of the main demand peaks occur in early spring and late fall, which coincide with the religious holidays of Ramadan and Eid. Demand for specific carcass sizes also varies within each market segment.

The four main size classes that are demanded are 30 lbs, 60 lbs, 90 lbs, and 150 lbs. (above weight classes are on a live weight basis). Prices can vary considerably between each market so it is important for producers to understand the markets they are targeting and tailor their production to meet these standards.

<u>Sheep Production</u>

High grain transportation costs, low grain/oilseed prices and an abundance of marginal land for conversion into forage is serving to promote the expansion of the livestock industry in Saskatchewan. Sheep offer an excellent diversification and value-added opportunity because:

- Low-cost entry (facilities and livestock)
- Short turn-around time on investment
- Complement cattle on rangeland

Sheep are proving to be very effective at weed control and offer an environmentally benign alternative to chemical control (leafy spurge, burdock). The PFRA Leafy Spurge project at Elbow is in its eighth year. Control of leafy spurge has increased the cattle-carrying capacity of the pasture by 200 cow/calf pairs.

Canadian sheep supply only about 50 percent of the domestic market providing room for increased production.

Many sheep producers feel that they are able to achieve higher returns on a per acre basis than with cattle.

The continued growth of the ethnic population in Canada and the USA provide increasing market opportunities for the sheep industry.

<u>Red Meat Industry</u>

The consumption of red meat in Canada increased by 22 percent from 1950 to 1999. On an individual basis, beef was the leader; its aggregate consumption by Canadians has increased by 42 percent since 1950.

The Canadian Meat Council, recently reported that red meat consumption rose from 58 kg per Canadian in 1997 to 64 kg in 1999, a welcome change in a trend that, in recent years, had flattened.

Weaver, speaking at the Canadian Meat Council's 80th annual conference in Quebec City, also pointed out that record levels of beef and pork exports were achieved in 1998 and '99. Cattle/beef exports in 1999 rose by more than 16 percent over the preceding year, and hog/pork exports rose by more than 18 percent.

Value-adding in the red meat sector has also increased: $0.7 billion in output and 2,000 jobs during 1996 and 1997; and $.9 billion in exports from 1996-99.

Unfortunately, most of Saskatchewan's beef processing is carried out in Alberta. As we get a larger supply of finished cattle, a large meat processing company may establish here.

Cattle Industry

Saskatchewan's natural advantage in the production of low-priced feed grains and forages favours the production and feeding of livestock. This conversion from grains to livestock is accelerating over the last few years and promises to continue in the future.

High transportation costs, low grain/oilseed prices and an abundance of marginal land, which can be converted from grain to grass, have put Saskatchewan in an ideal position to expand livestock production. It is expected that the cow-herd will significantly increase in the next 5 years

Backgrounding continues to bridge the gap between the cow/calf and feedlot sectors. There is considerable potential for growth in the province. Interest in this area is growing substantially with grass-fed cattle being a profitable area and an important part of sustainable agriculture.

Saskatchewan's feedlot sector is in the very early developmental stages and has great potential for growth. This offers the additional potential for partnerships that enhance rural communities and provide capital and infrastructure necessary for the expansion of this sector. It is expected that the feedlot sector will increase modestly over the next several years due to Saskatchewan's comparative advantages in feed and land prices.

Pork Industry

Saskatchewan has many natural advantages that make it positioned for a major expansion. With 45 percent of the arable farmland in Canada, Saskatchewan produces a significant amount of the cereal grains in Western Canada that are needed for feeding hogs. In 1999, Saskatchewan produced 13,839,500 tonnes of wheat and 4,942,300 tonnes of barley. This represented 55 percent of the wheat and 40 percent of the barley produced in Western Canada. In comparison, Saskatchewan produces about 13-14 percent of the hogs in Western Canada.

Current slaughtering capacity in Western Canada is about 8.5 million pigs per year or 164,000 pigs per week. With current planned expansions at the processing level over the next two to three years, slaughtering capacity in Western Canada could increase to 16.7 million head per year, or 321,500 per week.

Employment opportunities in Saskatchewan exist in production (hog facilities), the supply industry, and packing/processing industry. There is significant opportunity to revitalize rural Saskatchewan by both employing local people and bringing expertise from outside the province into rural communities.

In a global context, Saskatchewan and Western Canada is known for its pristine "natural" image. We have opportunities to capitalize on the increasing value put on the production of safe, high quality products.

Saskatchewan has a strong regulatory base that balances sound technical basis with public interest. We have an excellent foundation to build on as environmental regulation faces increasing scrutiny from the public.

Saskatchewan has a strong research and development focus both by government and industry. This includes a significant funding support as well as infrastructure such as the Prairie Swine Centre, PAMI (Prairie Agricultural Machinery Institute), VIDO (Veterinary Infectious Disease Organization), Western College of Veterinary Medicine, University of Saskatchewan and the Feed Resource Centre.

Cow calf and finishing

The cattle industry in Saskatchewan has generally played a subservient role to grain production. With the exception of ranches where cattle were often the only or main enterprise, cattle have been generally viewed as a secondary source of income for mixed farms and a non-existent option for grain farms. Within the policy arena, the livestock industry has always played a minor role in the development of agricultural policy.

Recent analysis suggests that there is a huge potential for the cow-calf industry in Saskatchewan. Traditionally, cattle have been relegated to marginal land with very little management during the grazing season. However, preliminary research suggests that intensive rotation grazing on high quality land may offer significantly higher returns than growing grain.

With changes in transportation policy, Saskatchewan (especially eastern Saskatchewan) has now become a low cost feed area relative to other jurisdictions such as Alberta. Economic theory would suggest that over time, the feeding industry should move from southern Alberta to eastern Saskatchewan. The increase in the cow herd would compliment this potential expansion of the feeding industry.

Non-Food Production

Non-food production opportunities include the production of ethanol from agricultural products or byproducts. There are significant benefits of using ethanol as a fuel additive, particularly as technological advances make ethanol cost competitive with gasoline on the open market. An ethanol industry would provide added economic support for the agricultural industry through increased demand for grain, grain cellulose products, and forestry by-products, materials which are used as feedstock for ethanol.

As well, the construction of ethanol plants would provide economic benefits for rural Saskatchewan.

Other non-food uses such as fibre board and fabrics present further opportunities for alternate markets.

High-valued crops

Compared to other jurisdictions, the average gross output per acre is very low in Saskatchewan. There needs to be a concerted effort to increase the gross per acre from $120 per acre range to several times this amount. With gross revenues of this magnitude, farmers would then be in a position to hire labour, thus providing employment opportunities in rural Saskatchewan.

To gross these kinds of dollars, producers must produce very high valued crops such as vegetables, berries etc. These crops generally need lots of water, thus irrigation is a must in a dry land climate like Saskatchewan.

The irrigation area around Lake Diefenbaker offers a huge potential for Saskatchewan to produce high value crops. Unfortunately, this area has been underdeveloped and farmers have generally concentrated on growing relatively low value crops.

Small Farms and Off-Farm Employment

The ability of small farms to earn a sufficient income from farming alone is not feasible given the current and likely future economic trends. Unless these farms can tap into growing very high valued crops, the only realistic alternative for them to remain in agriculture is to have access to off-farm employment opportunities or to develop on farm businesses in order to supplement their farm income.

In some areas of rural Saskatchewan, for example, areas around major cities and towns, around potash mines and oilfields, off-farm employment opportunities are available which allow farmers to remain on the farm. However, in many parts of rural Saskatchewan, there are few industries or large enough population centers to provide such opportunities.

While small farms only provide a small portion of farm production and are playing a diminishing role within the sector, they play a critical role in the economic development of rural Saskatchewan. First, they comprise an important component of the rural population base. Second, they provide a pool of labour for local industries and businesses.

As the economics of farming continue to work against the viability of small farms, it is important that these farms have the opportunity to access off-farm employment, preferably in their local areas.

New People, New Ideas, New Attitudes

The transition to new crops, new markets and new strategies requires new skills, capital, information and a willingness to change.

Given this situation, it will be necessary to consider all options to enable existing producers to change their management practices and to attract the right people with the right skills to lead change. Recent news stories indicate that many European farmers, (who are facing restrictions on their farming operations), are looking at Saskatchewan and the prairie region as an opportunity to relocate their farming operations.

RECOMMENDATIONS

Foreward

In the sections that follow, there is a series of recommendations that will promote an evolution in the province towards more agricultural diversification, and more small and large scale processing. As per the mandate of ACRE, the cornerstone of rural revitalization in Saskatchewan must be sustainability. Sustainable primary agriculture in Saskatchewan will create: best-case harmony between food production and the wider environment, rural communities that are in harmony with their working environments, and labor standards and working conditions that will be attractive to those looking for long term employment and a place to raise a family. In order to manage change and retake control of our economy, the people of Saskatchewan will need to review their skills, attitudes and beliefs.

Before we can reshape agriculture and our rural economy we have to really want to make the changes. Are we prepared to move on from the economy that our parents and we knew? We need to want new developments and be prepared to pay some price or take some risk for the change. We must recognize that all people will have a different acceptance of whether development is worth the risk - to be successful we must find a way to reach a consensus on which we agree and be prepared to work toward a common goal. Only then can leaders articulate and sell this vision.

Once a consensus has emerged, the next step that we need to follow is to prepare ourselves for the task at hand. The challenges on this front are many. Do we have the entrepreneurial skills? Do we have leaders or public and private institutional structures necessary for development? Do we believe that we can be a success? Will we accept success by others?

The issues that affect rural Saskatchewan require the above to be resolved and are beyond the mandate of the Agriculture Sub-Committee and should be discussed by the full committee. The recommendations that follow are essential to long term prosperity but they must be implemented in tandem with a reshaping of the views and attitudes of our people if we are to enjoy success. There are no magic wands to fix our issues.

Many key policy and taxation issues are not specifically dealt with, but this does not mean that government should ignore them. Undoubtedly, implementation of the key directions will require numerous additional changes to policy, regulation and taxation.

Further there are no specific recommendations dealing exclusively with the issues facing the traditional grain economy, although many of the recommendations would be of significant value to the sector. In part, this is because safety net recommendations fall outside of ACRE's area of responsibility although clearly it is understood that a positive future for this sector, based on returns from the marketplace is fundamental to Saskatchewan agriculture. New market niches for specific end use markets, processing and value adding to product here and constant improvements in producer efficiency all create the potential to enhance profitability and must be pursued. However, developing recommendations that would lead the evolution of this sector could be the subject of a major report alone.

Competitive Business Environment:

Agriculture operates in a global economy and must have a competitive business climate. Key elements are taxation levels, efficiency of regulation, supports for investment and development of effective risk management options, cost of living, and support for the environment. It is recommended the Government conduct a comprehensive review to assess our competitiveness in these areas. It is further recommended that the Government provide the support necessary to have industry wide policies and practices to enhance the industry's competitiveness through food safety and sound environmental practices.

The world economy is increasingly becoming linked. Reliance on trade is increasing. Agriculture requires a competitive business climate.

In general, the province needs to ensure that the business climate facing agriculture is competitive with other jurisdictions and that we have a level playing field. Taxation levels, the education tax in general and the corporate capital tax for the emerging larger operations are key issues. In addition, the government needs to ensure that sufficient funding is being employed to maintain our leadership role in production innovation. This can be accomplished by investing in priority research.

Development of a Feeding Industry

It is recommended that the province move forward on the development of a feeding industry to complement the grains and oilseeds sector. Efforts to get the people of Saskatchewan to embrace this transformation must be increased. In this regard, the citizens of the province need to feel that their health and the environment in general is protected. In addition, the government needs to take measures to ensure that impediments to this transformation including; financing, regulatory impediments, environmental sensitivity and leadership be addressed.

The loss of the Crow has unleashed dramatic pressure for change on Saskatchewan agriculture. The economics of producing grain for export versus the development of a feeding industry have fundamentally, permanently changed in Saskatchewan. This is especially true for areas along the eastern edge of the province and along areas not served by a major rail line. Expansion in a primary feeding industry and initial processing of these products create opportunities that could revitalize rural Saskatchewan. The people of Saskatchewan should take the dramatic measures necessary to realize this opportunity.

The Government of Saskatchewan should **ensure that financing for intensive livestock (pork, beef and supply managed) is available** for primary producers who wish to pursue the opportunities that are available. This is a particular problem for Saskatchewan's intensive livestock sector because we have few established companies with the proven track record to access traditional sources of expansion capital. **Opportunities to finance world-scale livestock breeding operations or viable feeding operations, not categorized as an intensive livestock operation, must also be examined.**

It is also recommended that the government develop an option that would allow self-directed RRSP contributions to be used in support of local operations. It is recognized that federal government support and participation in financing issues will be essential as will increased promotion of financing options that already exist (Labour Sponsored Venture Capital).

The limited number of existing players in the intensive livestock area has also led to **limited experienced management** to initiate and operate new projects. It is **recommended that government take efforts to promote leadership, entrepreneurship development and recruitment.**

Proponents, especially first time proponents, have noted difficulty and delays in gaining all permits and approvals to get projects off the ground. **It is recommended that government investigate new approaches to get projects off the ground with less unnecessary delays and expenses for proponents. Complementary efforts with local governments to develop consistent, transparent criteria for project approval will also be required.**

Many proponents speak of the complexity of regulations for first time users and comment that a second project would be much easier with what they have learned. **A study should be commissioned to interview ILO proponents who have successfully completed their projects so that they can identify, in practical terms, the steps that were necessary for the completion of their projects and the kind of issues that they encountered.**

Saskatchewan should become a world leader in protecting the larger environment vis-a-vis livestock production. Accepted practices need to be monitored and enforced so that people living in or preparing to move to Saskatchewan feel that the Government is protecting their health and safety.

Expansion of cow calf production would be an important element in the expansion of the feedlot sector. Programming such as the expansion of permanent cover would facilitate acreage moving from grain production to forage/pasture. **An expansion of permanent cover programming is recommended. In addition, extension efforts to insure producers have access to the most up to date forage management plans will be essential.**

One essential element to a viable feed lot industry or hog production sector is proximity to meat processing as live haul transportation is a key cost factor. **The Government should work with private sector partners to develop increased meat processing in the province. These efforts would include assessing impediments that restricts meat plants from gaining an inspection status that would enhance market access opportunities (currently only federally inspected plants can ship out of province).** World-class processing facilities within 150 miles are a key driver behind successful production of livestock.

For many sectors, especially supply managed, the advantage that Saskatchewan enjoys in feed ingredient supply is not translated into a processed feed advantage. **The government should work with industry to explore integrated production units where economics encourage a critical mass.**

In recognition of the changing views (and a MacDonald's news report) **a study should be commissioned to examine the opportunities for products such as ethical and environmentally sensitive production.** While it is unclear the extent to which demand for these types of products will materialize, it is possible that Saskatchewan would have a true advantage in their production.

Government should also consider the establishment of a feed processing facility that can research and demonstrate the processing, combining of constituents and evaluating all manner of feedstocks for livestock.

Development of many feeding enterprises requires availability of many types of infrastructure. The availability of this infrastructure is often not sufficient and it is expensive to make generally available. **The government should be an advocate and provide incentives for the development of "infrastructure corridors" where various intensive agricultural operations could gain the benefits of faster and cheaper hookups to infrastructure (gas, electricity, communications, water, and transportation) that have been placed along the most logical common track.**

It is essential that the mandate of the utility crowns be clear that they are to provide service at government's prescribed profit levels and that they operate on business principles. Users of their services and government must then be able to hold them accountable for their performance. For many of the utilities, this is a prerequisite to prepare for impending competition. Their accountability should not be clouded by the pursuit of other public policy objectives in the delivery of these services. **The government should make transparent decisions on the public policy objectives of the Crowns in an open public discussion (examples of public policy objectives include cross subsidies for utility rates and service/access standards) and be prepared to fund these decisions appropriately.** This would provide the public with greater access to discuss the appropriate public policy objectives to be pursued. For example, **the province should make available direct support to the utilities to keep rates and hook up charges in rural Saskatchewan competitive with urban areas.** This would allow the "cross subsidies" identified with rural delivery of many services to be eliminated without harming agricultural producers.

Organic Production - Saskatchewan's Niche?

The organic sector appears to hold much promise for this province and it is recommended that it be pursued. It is recommended that the Government of Saskatchewan ensure a broad based organic strategy is developed to take advantage of this opportunity and to assist in the establishment of a national accreditation system. It is expected that organic industry leadership will drive this strategy.

Saskatchewan has wide-open spaces and a dry land climate that responds less to inputs than many other regions of the world (lack of moisture restricts the benefits of fertilizer use and cold winters reduce many insect pests). This creates an ideal competitive advantage for organic production. An organic strategy should deal with the following:

- need for a common standard that will ensure market access into key global markets
- expansion of organic feed and animal production
- processing of organic production. As a niche product, it is likely that processing will be better suited to the type of processing capacity that Saskatchewan can realistically provide (i.e. marketing organic niche products would not be as dependent on traditional warehousing/ wholesaling structures).
- review (with recommendations) on the transportation and handling requirements of the organic and processed organic sector
- consider actions to ensure organic production can coexist with GMO production. This could be one project undertaken by “The” Center for Sustainable Development.

Irrigation

Irrigation opens new areas for diversified agricultural growth. It is recommended that the Government of Saskatchewan adopt an aggressive policy towards expanded utilization of the current irrigation system and further development.

The total acreage in Saskatchewan under irrigation should be increased. This would include new infrastructure at existing sites and modernization of some of the existing infrastructure. This would include expansion at Outlook and a close assessment of the potential at other sites, including Rafferty and other basins along the Saskatchewan River. New forms of small-scale irrigation, which utilize smaller bodies of water, should be considered.

Immigration could be utilized to bring producers into the province that have experience in growing products that take full advantage of irrigation opportunities.

Processing of horticulture crops could be encouraged to enhance the viability of irrigation production.

The linkage between irrigation and ILO’s in other provinces leads to the need for an examination of why the livestock industry underutilizes irrigated areas in Saskatchewan.

An active push to establish New Generation Cooperatives (or other appropriate structures) to process horticulture crops could be considered in conjunction with the development of an irrigation-based food processing park.

Supply Managed Sector

A key element of the feeding industry across Canada is the supply-managed sector (poultry and dairy) representing 1/3 of the feed grains used. The sector accounts for about 20% of Canadian agricultural receipts and is among the most profitable sectors of agriculture. The Government of Saskatchewan should develop and implement a growth strategy that will allow supply-managed production to grow to 5% of our cash receipts by 2004.

Currently in Saskatchewan supply-management accounts for only about 3% of our cash receipts. The supply-managed industry represents a significant opportunity to profitably expand our feeding industry now that the Crow has changed. However, unlike other elements of the feeding industry, expansion is governed by quota and central Canadian provinces, in particular, are unwilling to allow growth to occur in Saskatchewan.

Niche and Emerging Products

It is recommended that as government develops programming and regulations that it build in sufficient flexibility to allow for the unique needs of niche products and emerging sectors. Leadership in gathering the early initiators to discuss a common strategy would reduce the duplication of effort. Educational support and extension information could enhance uptake of the new opportunity. Nesting of some industries with respect to processing, production and marketing could apply.

No government and no individual will be able to pick all of the winning sectors that will lead to future opportunities. For this reason, there needs to be flexibility in programming to ensure that good ideas are not cut off from support and ignored in the priority setting process. However, the greatest single factor behind the success of these emerging opportunities will be the skills of the individuals and groups involved.

During consultations, numerous emerging industries spoke of the unique needs that they have of government. These industries include; greenhouses, **tourism, wind farms, horses for recreational use and work, specialized livestock and their products, nutraceuticals, etc. Many of their general needs will be captured in other recommendations but still others need to be assessed in greater detail with the promise that flexibility and a willingness to participate in the unknown will enhance success.**

Specific recommendations to address the unique needs of these emerging opportunities include:

- **The Government of Saskatchewan should ensure that small organizations have the financial capacity to provide educational material on implementing new opportunities. Further, the Government should ensure that it has the extension capacity to provide producers with information on these emerging areas.**

- **Orchards of small fruits are being developed in isolation despite the fact that volumes are required to establish processing and marketing.**

- **One of the problems identified for the development of farm-based tourism are high insurance premiums. A useful move would be to pull the insurance industry together and give them an opportunity to respond, and failing a satisfactory result, examine alternative ways of group insurance.**

- **The heavy horse and recreational horse industries are depending on the myths of the past to sustain their qualities. There could be a useful effort made to redevelop standards for horse use and display, and people trained to maintain them. Saskatchewan could become a major center for heavy horse culture and the spin off benefits.**

- **The possibility of co-generation of energy from ILO wastes should be examined.**

- **The technology of large wind farms is suggested as approaching in cost other sources of electricity. The technology of small individual farms with wind-electric units has been allowed to decline. Both areas deserve careful investigation.**

- **The processing of meat from specialized livestock, particularly bison and elk is stumbling because of lack of aggressive marketing and an adequate local processor. Such a Saskatchewan plant would be desirable.**

- **Efforts should be made to increase the production and utilization of ethanol.**

- **Initiatives that would promote and develop the non-food use of agricultural production should be expanded.**

Transportation and Logistics

It is recommended that the Government of Saskatchewan work to develop the transportation infrastructure that will be necessary for the emerging economy. Key elements will include linking Saskatchewan with emerging distribution hubs and linking our major centers. Key principles to be followed include competitiveness and efficiency. Overall, the government must be prepared to invest more money in transportation.

A competitive marketplace is generally acknowledged as being best able to create new products and innovative solutions to problems. If rural Saskatchewan is going to be successful new approaches to meeting transportation and logistics needs must be found. For the trucking industry, the competitive element is significant. However, for the rail sector a greater focus on competition is needed. One option that has been broadly discussed to enhance rail competition is open access. **It is recommended that the Government of Saskatchewan strongly lobby the federal government to create open access for rail infrastructure to enhance competition in the rail sector and lead to benefits for producers.**

One key area where innovative transportation solutions will be required is to meet the needs for food safety and quality of food products around the world. Our transportation system will need to provide identity preservation and traceability for our products. Our ability to be competitive on the world stage will be directly related to how competitive these services are relative to those provided in other countries. While the recommendations that follow may also apply to value added, this linkage also affects primary agriculture to the extent that producers can receive better prices for their products and that it will affect potential returns if they become vertically integrated investors in value added processing.

The Government should explore the economic feasibility to construct a world scale container port. Access to both major rail routes to the US, which are the likely source of containers in the longer term is a consideration. As well, proximity to the special crop-processing sector, which would be a major user of containers, would also be key. Enhanced rail competition would open up new possibilities regarding the possible construction of a new container port (currently container ports are owned by the railways).

Trucking expansion is likely to occur as a way to move our freight to large distribution centers serving whole regions of the continent. The long-term development of four lane highway corridors will be essential to the Minneapolis and Calgary markets for example. Currently, Saskatoon has no effective four-lane highway access to Calgary. Calgary is emerging as the wholesaling center of western Canada. **It is recommended that a study be commissioned to examine the necessity of improving transportation ties to Calgary as a prerequisite step to any viable, world scale processing growth.**

The government needs to ensure that a key network of quality highways connects the major rural centers with the transportation/service city hubs. The public pressures will be for the government to focus on addressing the fallout from the grain handling transformation, however, **it is recommended the government also consider the emerging economy as it conducts its transportation planning. For example, the development of key north south road corridors will be essential if Saskatchewan is to take advantage of emerging opportunities resulting from NAFTA.**

It is recommended that the Government of Saskatchewan actively pursue increased air access to major business and resource hubs to meet the needs of business travelers.

Overall, the governments must make significant investments in transportation needs.

The farm population has been declining in Saskatchewan since the late 1930's. However, the total miles of road to provide main access has been maintained to a greater degree because the remaining population has not been channeled along key corridors as much as would have been if efficient delivery of services had been the only consideration. **It is recommended that government consider a program that would provide property tax credits to new construction along locally identified transportation routes for those producers who wish and are able to locate new buildings along these key corridors.** In the longer term, this could reduce maintenance costs on the road system and ensure better access to services.

Maintaining Critical Mass

Creating a more prosperous agricultural economy is a key first step. However, to be sustainable rural Saskatchewan requires the maintenance of a critical mass of people in the rural area. It is recommended that agricultural policy identify the lead role that agriculture can play in maintaining a rural population base.

Primary production in rural Saskatchewan is integrally tied to a vibrant economy that provides the socioeconomic environment in which people wish to live. For years, parents have watched and often encouraged their children to leave the farm. For many, the view was that agriculture had little future. While this trend is perplexing, it is giving rise to a more fundamental challenge for rural Saskatchewan. Few people wish to farm if their children have two-hour school bus rides and members of the entire family have limited opportunity for cultural/sports experiences. This is the case, regardless, of how profitable agriculture can become on their individual farm. For this reason, agricultural policy must consider measures not only to make agriculture more profitable but to ensure that a critical mass of population is maintained. Global examples exist where rural economies are vibrant but they are typically based on part time farms and niche agriculture in tandem with world scale production of commodities.

Agricultural policy should promote part time farms, not because of their contribution to agricultural revenue but because of their contribution to maintaining a rural population base. **It is recommended that both levels of government conduct a review of their policies to determine whether measures can be taken which would support part time farms.**

Commercial producers need to be encouraged to enter the industry. One approach to be considered would be to try and match individuals who wish to retire with new entrants to the industry. The concept would be based at least partially on providing the new entrant with some of the experience of the retiring producer. **It is recommended that Government create, manage and advertise two registers that would link producers wishing to retire with those wishing to enter the industry. These new entrants would have available financial bridging support from government.**

The need to maintain our rural youth cannot be overstated. **It is recommended that government adopt a multipart strategy:**

- **First, students who return and stay on the farm after successful completion of a post secondary course related to agriculture could have all or a portion of their tuition forgiven.** This would work to retain these individuals while at the same time ensure that they receive the education necessary to operate a modern farm business.

- **Second, government could provide concessionary financing to new entrants (low interest loans, interest rebates etc) which would be designed to minimize capitalization of benefits.**

- **Third, programming should be provided that would provide new entrants with a wider range of management/ marketing assistance until they have developed individual expertise.**

Intergenerational transfer of farms contains a number of additional considerations beyond those for new entrants. For example, retiring parents need to have timely access to sufficient capital to retire and need to be confident that the risk of future financial difficulty of the farm will not jeopardize their retirement. Programming needs to be developed to address the specific issues of this group.

Finally it is recommended that courses be expanded at SIAST to train workers for the emerging agricultural opportunities by 2002. These courses should focus on rural high school students and have a strong work term element and utilize distance education as much as possible. Once children are uprooted from their communities to attend further education, it is likely that they are predisposed never to return to their rural community as they develop new friends and relationships in outside locations. Expanding educational opportunities, so that youth do not leave their community, could enhance retention of rural Saskatchewan's most valuable resource, our children. **Programming at the Universities should also contemplate whether the above principles could be incorporated into their course offerings.**

The government should make a concerted effort to attract immigrant farmers and farm workers to rural Saskatchewan. This should be accomplished by focusing immigration efforts at rural areas of target countries.

An overall target should be for the province to have 1.2 million people in 10 years, with 500 thousand people in Regina/Saskatoon and 700 thousand people in the remaining parts of the province. Most of the growth is expected in the larger rural centers. Population growth will be necessary to maintain the critical mass of services that efficient agriculture relies upon. **To achieve the rural population growth objectives, it is recommended that strategies focused on retention of rural**

residents, encouragement for inter-provincial in-migration, international immigration and support for families be considered as elements in this plan.

Ensuring the Aboriginal population base in rural Saskatchewan has good job opportunities is essential if we are to ensure that we maintain this growing element of our population. Further efforts need to be pursued to increase Aboriginal participation in agriculture.

Many rural businesses are in competition with similar businesses in urban Saskatchewan and often both will compete for access to same labour and capital resources. **ACRE supports government giving full consideration to the public policy benefit associated with rural economic development when targeted support is provided.**

A high profile investment attraction campaign aimed at producers in other provinces and countries should be developed for the hog and beef sectors. A similar campaign to attract supply-managed producers would be appropriate if the government is committed to expansion in the supply-managed sector.

The Government should encourage producers to use all tools and organizational structures that allow them to work together cooperatively.

Many producers will need assistance growing their marketing skills to take advantage of the export market. Government should work to expand the export development insurance that is available to producers.

Appendix 1 ACRE Agriculture Sector Members

(Chair) Red Williams, President, Saskatchewan Agrivision
Miles Anderson, Past President, Saskatchewan Livestock Association
Nikki Gerrard, Saskatchewan Department of Health
Keith Lewis, Director, Western Canadian Wheat Growers Association
Florian Possberg, CEO, Big Sky
Thad Trefiak, Vice-President, Saskatchewan Wheat Pool

Resource Personnel:
Mitch Demyen, Sask Ag & Food, Industry Development
Travis Sulewski, Sask Ag & Food, Policy and Program Development

Appendix 2 ACRE Hearing Presenters

March 26, 2001, Bella Vista Hotel, Humboldt
Don Hovedebo, Family Farm Foundation
Ray Bauml, Organic Crop Improvement Association
Gilbert Leray, Saskatchewan Greenhouse Growers Association
Terry Youzwa, United Grain Growers
Josh Storey, Independent
Curt Hagle, Saskatchewan Veterinary Medical Association
Dianne Moebis, Saskatchewan Seed Growers Association

March 27, 2001, Heritage Inn, Moose Jaw
Rhonda Lamb/Dora Mushka, L.A. Fibres
Harvey MacFarlane, Independent
Wayne Gosselin, Sask Ag & Food, Conservation Cover Program

Appendix 3 Make-up of Written Submissions to ACRE

- 61 written submissions in total.
- 38 with comments applicable to agriculture
- 34 comments came from individuals.
- 4 comments came from organizations.