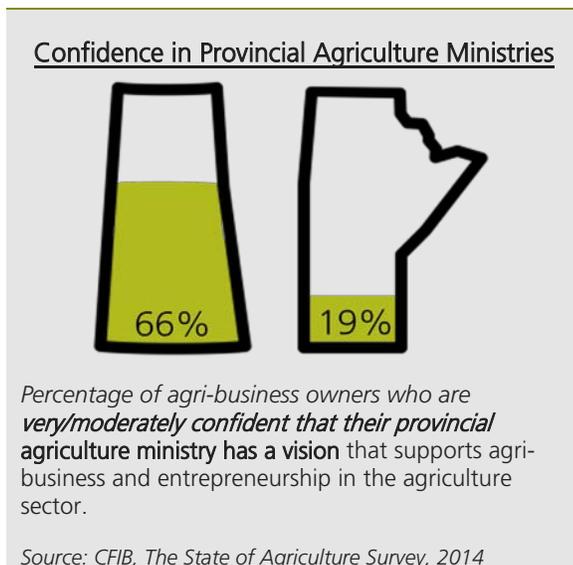


A Stark Contrast of Visions for Agriculture

Saskatchewan and Manitoba agri-business owners rate their provincial agriculture ministries' vision

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At their heart, Saskatchewan and Manitoba are agricultural provinces. The Canadian Federation of Independent Business's (CFIB) *The State of Agriculture* survey provides insight into whether agri-business owners in these provinces feel their provincial agriculture ministries have a vision that supports agri-business and entrepreneurship in agriculture. Results show a stark contrast of confidence on either side of the border.

A majority (66%) of Saskatchewan's agri-business owners are confident that their provincial agriculture ministry has a vision that supports agri-business and entrepreneurship in the agriculture sector. By comparison, only 19 per cent of Manitoba agri-business owners are confident their provincial agriculture ministry has a vision for agriculture. For Manitoba farmers, the grass is certainly greener on the other side.

Looking to the future, this report presents recommendations for both governments to improve farmers' confidence and also help foster ag competitiveness.

Special Highlights from CFIB's 2014 *Realities of Agriculture in Canada* Report

According to a 2014 study commissioned by the federal government, *Modern Agriculture and Agricultural Awareness Focus Groups - Final Report*, Canadians have many misconceptions about the agriculture industry, including that it's not innovative, is shrinking, it potentially harms the environment, and that family farms are becoming extinct.

Agriculture in Canada is vibrant and innovative. The sector contributes over \$100 billion to the economy and supports one-in-eight jobs.

Canadian producers are amongst the most tech savvy, environmentally conscious entrepreneurs in Canada. They are excited about growing their farms and maintaining, what is for many of them, a family tradition that spans decades. The CFIB's 2014 report, *Realities of Agriculture in Canada - A sector of innovation and growth*, debunks misconceptions about agriculture and shines a new light on the sector.

Reality #1 - Agriculture is Innovative & Modern

While some Canadians believe agriculture is stuck in the mud, innovation is actually the watchword of the industry. Farmers are harnessing new technologies like never before to help their businesses produce more with less. GPS tracking systems to improve efficiency of planting and spraying, drone aircraft to inspect crops and robots to milk cows are just some of the fascinating advances that Canadians wouldn't expect on a farm.

In fact, 51 per cent Canadian farmers have adopted new and innovative technologies and practices. One-in-four (25%) have adopted value-added initiatives, 22 per cent have diversified into other commodities, and 12 per cent are specializing their operations.

Reality #2 - The Agriculture Sector is Growing

CFIB's survey also shows 44 per cent of agri-businesses are looking to expand their business operations, compared to 40 per cent in 2011. Farmers are twice as likely to be planning on hiring more employees in the next three years than reducing the number of their employees. Twenty-one per cent intend to hire new employees.

Reality #3 - Farmers Are Protecting the Environment

These agri-entrepreneurs also want a healthy environment. As stewards of the land, the livelihood of their families is directly related to the ability of their fields and pastures to produce strong crops and vigorous livestock. In fact, 95 per cent of producers have taken action to protect the environment. Nearly two thirds of farmers took steps such as investing in more fuel efficient machinery or adopting more safely protocols to handle hazardous products. Over 60 per cent have protected water sources. These steps not only improve their ability to produce, but safeguard the environment for wildlife and our urban cousins.

Reality #4 - Farms are Remaining Family Operations

While in some industries' business growth leads to IPOs and corporate takeovers, agriculture is bucking the trend. Only 28 per cent of producers are thinking about selling their business within the next three years. Of farmers planning to transfer their business, 83 per cent plan to keep the farm in the family upon their retirement. These findings should reassure Canadians that our farms are likely to remain family run operations even after the current generation has retired.

The reality of being a 21st Century farmer is far different than what many Canadians believe it to be. Today's agricultural sector is one we should all be proud of - an innovative and growing industry owned and operated by environmentally conscious entrepreneurs. It's a positive story that bears repeating to shatter the myths and misconceptions some Canadians hold about our food production system.

Sourcing: data sources and external references can be found in CFIB's *Realities of Agriculture Report*: <http://cfib.ca/a6629e>

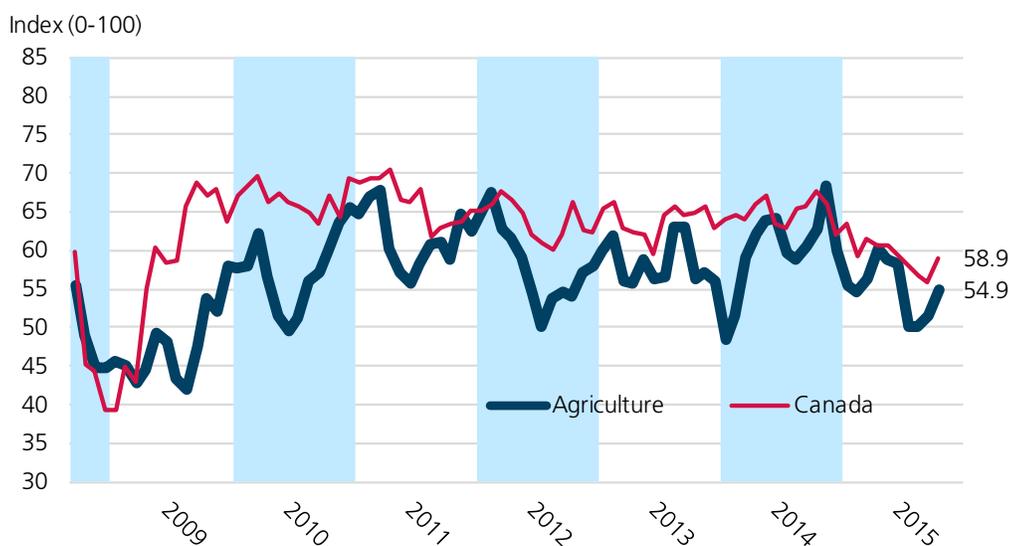
State of Agriculture

Since 1987, CFIB has been surveying its members about their expected business performance. With this data, CFIB releases a *Monthly Agriculture Business Barometer* which gauges agri-business optimism for the year ahead (see Figure 1). CFIB's *Business Barometer*[™] is used by a number of financial institutions, including the Bank of Canada and Scotiabank, and is regularly reported by Bloomberg as an accurate indicator of the Canadian economy.

The October 2015 *Agriculture Business Barometer* results reveal agri-business owners' optimism for the year ahead is at an index of 54.9, up from 51.4 in September - but lower than levels seen during the Fall of 2013 and 2014 (see Figure 1). With somewhat muted optimism this year, it is important for policy makers to be aware that government policy can have a significant impact on optimism in the agri-business sector. While governments cannot control many global issues affecting the agriculture industry, they can certainly take steps to improve the tax and regulatory environment in which agri-business owners operate.

Figure 1

Agriculture Business Barometer



Source: CFIB, *Agriculture Business Barometer*, October 2015

The success of Canada's agriculture sector is important to farmers, their families and communities in both provinces. Provincial governments play a critical role in fostering an entrepreneurial environment for agri-businesses to flourish—they can impede growth with bad policies or facilitate growth with good policies. Governments should ensure they have a clear vision that encourages growth and competitiveness in the sector. The following sections outline the state of agriculture in Saskatchewan and Manitoba and also their agriculture ministries' vision for the sector.

A Vision for Agriculture in Saskatchewan

According to the 2011 Agriculture Census, in Saskatchewan, there are 36,952 farms and over 60 million acres of farmland¹. Crop production dominates in Saskatchewan, but livestock is also a top agricultural commodity in the province². Agriculture brings in 6.5 per cent of Saskatchewan's GDP³. In 2011, Saskatchewan became the top agri-food exporting province, with over \$10 billion exported⁴ and in 2014 this reached \$13.9 billion⁵.

Saskatchewan's Vision and Mission

The Government of Saskatchewan released their *Plan for Growth* in 2012. In this document they emphasize the importance of Saskatchewan's agriculture to the province, but also toward global food security.

The *Plan for Growth* outlines two specific, measurable goals related to the agriculture sector, including:

1. Increasing crop production by 10 million tonnes by 2020; and
2. Increasing exports of agricultural and food products from \$10 billion in 2011 to \$15 billion in 2020.

To achieve these goals the *Plan for Growth* outlines that the government will maintain an attractive business climate, ensure a science-based regulatory environment, work with the sector to implement strategies for growth, provide effective business risk management programs, continue to invest in research and innovation, and expand farmer-driven research. Under this direction, Saskatchewan's agri-food exports have already increased to \$13.9 billion as of 2014.

Saskatchewan's Ministry of Agriculture

Mandate Statement: The Ministry fosters a commercially viable self-sufficient and sustainable agriculture and food sector. The Ministry encourages farmers, ranchers and communities to develop higher value-added production and processing and promote sustainable economic development in rural Saskatchewan through better risk management.

Mission Statement: The Ministry enables a prosperous, market-driven agricultural industry through a supportive legislative framework, policies, programs and services.

Ministry Goal: Targeted investment in infrastructure, science and innovation.

Strategies: Work with stakeholders to identify opportunities and set priorities. Transition to an outcome-based regulatory framework. Partner with organizations to achieve Growth Plan targets.

Plan for Growth Goals: Clear objectives set forward and performance measures outlined.

Source: Ministry of Agriculture, [Plan for 2015-2016](#).

¹ <http://www.statcan.gc.ca/pub/95-640-x/2011001/p1/p1-01-eng.htm>

² <http://www.statcan.gc.ca/pub/11-402-x/2012000/chap/ag/tbl/tbl07-eng.htm>

³ <http://economy.gov.sk.ca/economicoverview>

⁴ Saskatchewan Plan for Growth

<https://www.saskatchewan.ca/~media/files/pdfs/saskatchewan%20plan%20for%20growth%20-%20full%20version.pdf>

⁵ Saskatchewan Annual Report: Agriculture. <http://www.finance.gov.sk.ca/PlanningAndReporting/2014-15/2014-15AGAnnualReport.pdf>

A Vision for Agriculture in Manitoba

In Manitoba, there are 15,877 farms and 18 million acres of farmland. Manitoba also has strong crop production, and is complimented by a prominent livestock industry in the province⁶. The hog industry in Manitoba has been hit in recent years by the American Country of Origin Labelling (COOL), a high Canadian dollar, controversial environmental regulations and high regulatory costs. Despite global factors impacting portions of Manitoba's agricultural community, the sector contributes between 4.4 and 4.8 per cent of GDP in Manitoba⁷. In 2011, Manitoba's agri-food exports totaled \$1.5 billion⁸.

Manitoba's Vision and Mission

The Government of Manitoba's vision for agriculture is less specific than what has been laid out by their neighbour to the West. Manitoba's Ministry of Agriculture, Food and Rural Development (MAFRD) is looking to the agriculture sector to be a '*solution provider*' and help transform and grow the provincial economy. In looking to achieve this, MAFRD conducted a review in 2012 and subsequently adopted four key priorities, as follows⁹:

- **Food security, production and safety:** production and availability of safe, nutritious food for consumption by Manitoba's population and for export (to other countries, to other provinces).
- **Economic opportunities:** development and competitiveness of agri-businesses (production, food and agri-product and value added) and businesses in support of agricultural production and value added activities.
- **Agricultural resource base:** protecting and enhancing the agricultural land base Manitoba possesses and sustaining its long-term productive capacity, while minimizing impacts to the environment.
- **Sciences, innovation and adaptation:** development and dissemination of new/leading edge information, processes, products, services, and technologies to support production, processing and marketing of agricultural products.

Manitoba's Ministry of Agriculture, Food and Rural Development

Mission Statement: MAFRD works to accelerate the greater prosperity and capacity of agricultural producers and industry, food processors, other rural entrepreneurs, organizations as well as rural and northern communities. We do this by providing leadership and a range of information, programs, and services in support of a vibrant rural and northern Manitoba.

Ministry Vision: Agriculture will be a solution provider in the transformation and growth of Manitoba's economy by:

- Seizing leading edge business opportunities to capitalize on available natural resources and advantages, in a sustainable manner;
- Working together to build northern and rural communities and regions that are forward thinking and act upon future opportunities;
- Driving future development based on understanding and utilization of market intelligence; and
- Ensuring the safe production and processing of Manitoba foods.

Source: MAFRD, About - [Overall Responsibilities](#).

⁶ Government of Manitoba. Agriculture Statistics. http://www.manitoba.ca/agriculture/market-prices-and-statistics/yearbook-and-state-of-agriculture/pubs/9_total_fcr.pdf

⁷ Government of Manitoba. Agriculture Statistics – State of Agriculture in Manitoba Highlights

⁸ Government of Manitoba. Agriculture Statistics – Food and Beverage Manufacturing Exports.

<http://www.gov.mb.ca/agriculture/market-prices-and-statistics/food-and-value-added-agriculture-statistics/pubs/food-and-beverage-manufacturing-exports.pdf>

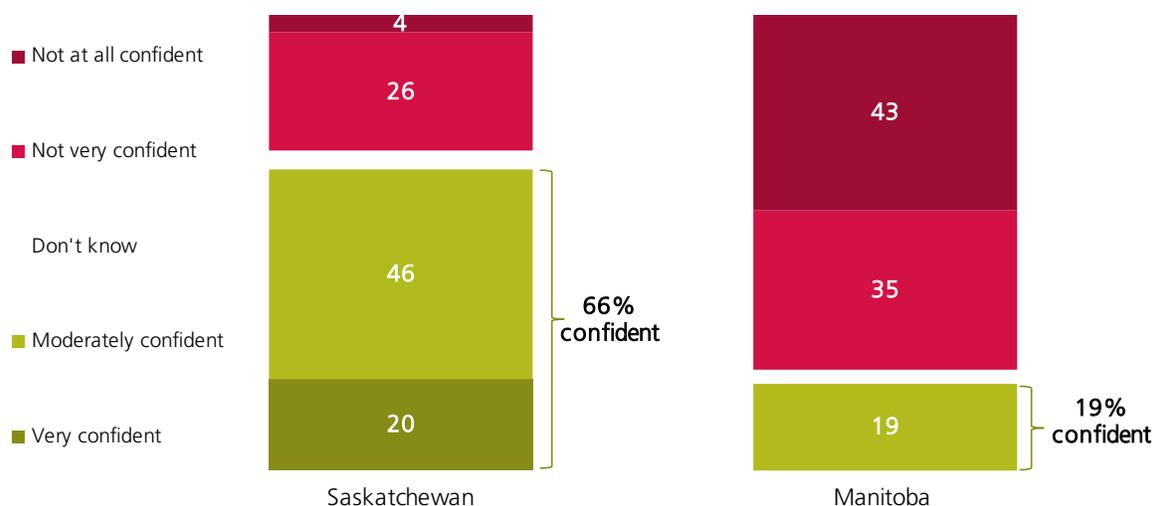
⁹ <http://www.gov.mb.ca/agriculture/about/index.html>

Farmers' Confidence in their Agriculture Ministries

CFIB asked agri-business members in Saskatchewan and Manitoba to assess their provincial Ministry of Agriculture. Survey results reveal a majority (66%) of agri-businesses in Saskatchewan are confident that their provincial Ministry of Agriculture has a vision that supports agri-business and entrepreneurship. Conversely, only 19 per cent of agri-business owners in Manitoba are confident their Ministry of Agriculture has a vision that supports agri-business and entrepreneurship (see Figure 2). Another stark difference is the level of confidence – 20 per cent in Saskatchewan indicate they are *very confident*, compared to none in Manitoba. At the other end of the spectrum, only four per cent of Saskatchewan farmers are *not at all confident* in their Ministry of Agriculture, while 43 per cent of Manitoba farmers are *not at all confident*. These findings show an extreme tale of two provinces.

Figure 2

How confident are you that your provincial Ministry of Agriculture has a vision that supports agri-business and entrepreneurship in the agriculture sector? (% response)



Source: CFIB, *The State of Agriculture Survey, 2014*.

*Please note: Don't know is represented by the space between moderately confident and not very confident and is less than 5% for both Saskatchewan and Manitoba: SK Don't know = 4%; MB Don't know = 3%.

Building a Vision

As stated earlier, government policy can either fuel or dampen optimism in the agriculture sector. While governments cannot control many of the global issues affecting the agriculture sector, they can certainly take steps to improve the tax and regulatory environment in which agri-business owners operate. It is important for governments to address farmers' top concerns with the aim to increase the sector's competitiveness.

Saskatchewan

CFIB regularly asks our agri-business members what their high priority concerns are. These priorities are often influenced by more than one level of government. In recognizing the cross-jurisdictional priorities and that Saskatchewan's farmers indicate their Ministry of Agriculture is on the right track, it will be important for the provincial government to continue fostering a competitive agriculture sector, but also continue to look for ways to influence other levels of government.

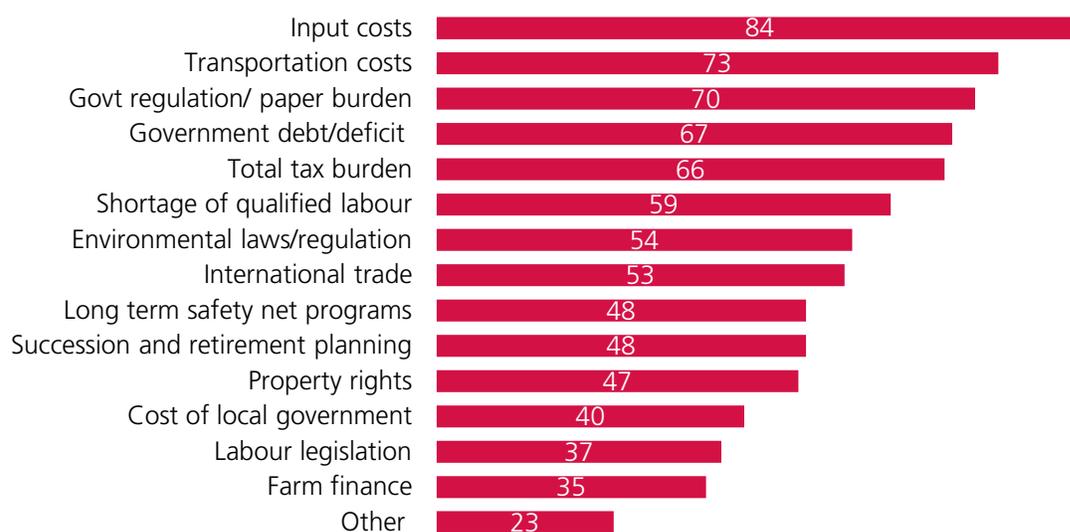
Clearly, there is something Saskatchewan's Ministry of Agriculture is doing right. The Government of Saskatchewan has taken a number of actions that demonstrate their commitment to the agriculture sector. These include pushing the federal government to fix the rail issue, as well as recently welcoming the Trans Pacific Partnership (TPP) – which will open new markets and increase Saskatchewan exports even further. Every year, Saskatchewan's Agriculture Minister proclaims October as Agriculture Month, with this year's theme "Stewards in Sustainability" – each week focused on a different subtheme¹⁰.

That said, the Government of Saskatchewan still has room for improvement. CFIB's Saskatchewan agri-business owners' top priority concerns are input costs (84%), transportation costs (73%) and government regulation and paper burden (70%) (see Figure 3). While there is little the provincial government can do to impact input costs, the Ministry continues to work with the federal government to ensure a long-term sustainable transportation system for Saskatchewan farmers to get their product to market, and also has a plan of action to cut red tape on the farm gate.

Figure 3

Saskatchewan Top Priority Concerns

Which of the following issues is a high priority concern for your agri-business? (% response)



Source: CFIB's Our Farm Members' Opinion Survey, Saskatchewan Results. Jan-Dec 2014

On the issue of reducing red tape, farmers have no issue with the legitimate rules; red tape is something else. Red tape is inconsistent information, confusing forms and bad customer service or getting the run around from government agencies. CFIB farm members believe over-regulation and red tape stifles innovation in the Ag sector.

Cutting red tape also isn't about deregulation. Food safety is a goal all farmers share and a certain amount of regulation is important to protect human health and the environment.

¹⁰ News Release: *Agriculture Month Celebrates Saskatchewan's Stewards in Sustainability*. October 1, 2015. <http://www.saskatchewan.ca/government/news-and-media/2015/october/01/ag-month>

CFIB is pleased the Saskatchewan government continues to stand out as one of the few provinces making regulatory accountability a priority. CFIB commends the recent work the Ministry of Agriculture has done to reduce red tape and the regulatory burden in the following areas¹¹:

Enhancing Customer Service & Opportunity: The Ministry streamlined the application process for The Farm Business Development Initiative (FBDI) under Growing Forward 2.

Expanding Online Tools & Solutions: CropConnect was redesigned in February 2014 for the 2014 crop year, which has enhanced the customer's ability to complete their insurance requirements at any time of the day they wish.

Regulatory Streamlining: An ongoing review of regulations under *The Agri-Food Act, 2004*. The Saskatchewan Crop Insurance Corporation Regulations are now less cumbersome, the wording has been streamlined and the numbering of sections simplified, making them more user friendly.

In addition to these agri-specific measures, the Government of Saskatchewan's *Plan for Growth* outlines a goal to reduce red tape by 25 per cent by 2020. While CFIB likes this plan, we also believe the government must be more aggressive and complete their baseline count before 2023 to provide regulatory relief to Saskatchewan business owners sooner.

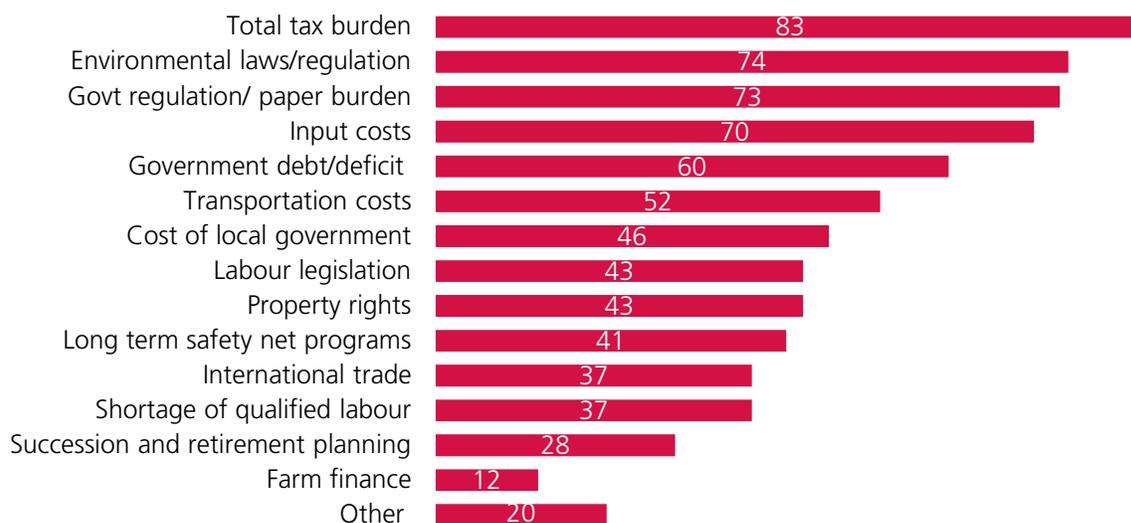
Manitoba

Unlike Saskatchewan agri-businesses, the top concerns of Manitoba agri-businesses center on issues where the Manitoba government plays a key role (see Figure 4). It isn't surprising to see that Manitoba agri-business owners' top concern is the total tax burden (83%). The provincial government has imposed a tax

Figure 4

MANITOBA TOP PRIORITY CONCERNS

Which of the following issues is a high priority concern for your agri-business? (% response)



Source: CFIB's *Our Farm Members' Opinion Survey, Manitoba Results. Jan-Dec 2014*

¹¹ Government of Saskatchewan. 2014-2015 Regulatory Modernization Progress Report. <http://www.economy.gov.sk.ca/adx.aspx/adxGetMedia.aspx?DocID=13191,5549,5460,2936,Documents&MediaID=cfc1e2ed-f8b3-4e99-906f-d68c8f632742&Filename=Regulatory+Modernization+report+2014-15.pdf>

regime in the province that makes Manitoba businesses less competitive. On the agricultural front, the government reduced the Farmland School Tax Rebate, they impose fuel taxes on marked fuel (i.e. “purple gas”). They also increased the PST to 8 per cent, and expanded the PST tax base to property insurance. All of these measures hit farmers’ bottom line.

Farmers are also deeply concerned about environmental laws and regulations (74%), and government regulation and paper burden (73%). In Manitoba, agriculture-related regulations tend to be implemented with little consultation or input from producers. As a result, the regulations are usually not farm friendly and don’t achieve their objectives.

While many other provinces and the federal government are addressing red tape, Manitoba has provided little relief from red tape headaches for small businesses. This is why Manitoba received a “D” in CFIB’s *2015 Red Tape Report Card*.

CFIB’s ideal red tape accountability standard involves annually measuring the total number of provincial regulations impacting businesses, publicly reporting this figure, and setting clear, legislative targets to reduce red tape and restrict its future growth. Publicly reporting on the impact of regulatory changes, as promised in the 2014 Throne Speech, would be a small positive step forward on the long road to regulatory accountability.

Simply put, the Government of Manitoba should not think of agriculture as an afterthought when new regulations are developed. Manitoba’s MAFRD must take a leadership role in educating other government departments about the unique needs of agriculture and ensuring government regulations achieve their policy goals with the least cost and paperwork possible on agri-businesses.

For the first time, on September 21st, Manitoba’s Agriculture Minister announced Farm and Food Awareness Week which ran from September 20-26, 2015¹². MAFRD centered the week around celebrating the contributions of agriculture to the province. CFIB hopes this new recognition for agriculture in Manitoba will represent a stronger focus on agri-business issues in the coming years.

Policy Recommendations

While farmers are working to grow and innovate, they also need to see a strong vision from their provincial governments that foster agricultural competitiveness. Findings from CFIB’s survey show that farmers in Saskatchewan are far more confident than their Manitoba counterparts that their provincial Ministry of Agriculture has a vision for the sector.

It is our hope this report encourages both provinces to look at their respective benchmarks in confidence and then work towards improving their vision for the agriculture sector. Below, CFIB outlines ways each province can address farmers’ outstanding concerns with the aim to increase the sector’s overall competitiveness.

Saskatchewan

- **Transportation:** Continue to push the federal government for more action on a long-term solution that will deliver a reliable and affordable transportation system.
- **Continue to focus on regulatory reform and reducing red tape:** The Ministry has done a good job of enhancing customer service, expanding online tools and regulatory streamlining. We encourage the Ministry to develop an online service for agri-business owners to highlight specific regulations that are out of date or could be modernized to reduce the total regulatory burden.
- **Continue to foster a competitive tax structure:** For the short-term, reject calls for mandatory increases to CPP/QPP. Develop a long-term plan to ensure competitiveness of Saskatchewan PIT rates, as well as introduce a plan to eliminate Saskatchewan’s small business corporate tax rate.

¹² <http://news.gov.mb.ca/news/index.html?item=36133&posted=2015-09-21>

- **Continue pushing for improved market access for Canadian agricultural products.** Continue promoting Saskatchewan's agriculture products, as well as influence federal trade policy to reflect Saskatchewan priorities.
- **Continue to focus on industry R&D, innovation and education.** Continue to facilitate research and remove barriers to growth. Continue to promote agriculture as a career option in schools and encourage continuous workplace training by introducing a new tax credit that recognizes informal, on-the-job training.

Manitoba

- **Taxes:** Focus on tax reductions that would be most helpful to agri-businesses, especially payroll taxes and property taxes. Reversing the \$5,000 cap on Farmland School Tax rebates and increasing the rebate to 100 per cent of tax charges, as promised in the previous election is a key priority for farmers.
- **Environmental laws/regulations:** The Manitoba government must create an outcome-based system of environmental regulation with clear scientific indicators to determine the efficacy of regulations. Reviewing regulations, such as the recent moratorium on hog barn development, is needed to ensure regulations actually contribute to improved environmental health with the least possible impact on the agricultural sector.
- **Increase focus on regulatory reform and reducing red tape:** Develop a system to measure and report the current regulatory burden. This initiative should include an online process for agri-business owners to highlight specific regulations that are out of date or can be modernized to reduce the total burden imposed on the agriculture sector.
- **Continue pushing for improved market access for Canadian agricultural products.** Expanding market opportunities will support a strong agriculture sector. We hope the provincial government will explore new opportunities to improve market access for Manitoba's producers.
- **Increase focus on industry R&D, innovation and education.** Manitoba must encourage agri-business owners to increase investment in innovation and boost their productivity growth by removing excessive taxation and regulatory burden.
- **Inter-departmental agricultural education.** MAFRD must ensure all government departments are knowledgeable about the unique needs of agriculture to ensure that as policies are developed they take into account the realities of farming and create practical solutions to today's concerns.

Appendix A: Methodology

The data presented in this report is from three separate surveys: The *State of Agriculture* survey and the *Monthly Business Barometer* and the *Our Farm Members' Opinion #21*.

The *State of Agriculture* survey was completed online by 795 agri-business members, from March 19 and April 22, 2014, including 78 Saskatchewan and 40 Manitoba responses.

The *Monthly Business Barometer* is CFIB's monthly indicator of small business health and optimism, provincially as well as in different sectors. On a scale between 0 and 100, an index above 50 means owners expecting their business' performance to be stronger in the next year outnumber those expecting weaker performance. One normally sees an index level of between 65 and 70 when the economy is growing at its potential.

October 2015 findings are based on 777 responses, collected from a stratified random sample of CFIB members, to a controlled access web survey. Data reflect responses received through October 19. The Agriculture Business Barometer is a sectoral subset of the Barometer. Agriculture numbers are based on a 2-month moving average, of 61 responses for October.

The *Our Farm Members' Opinion #21 Survey* was conducted from January - December 2014 and was completed by 225 Saskatchewan agri-business owners and 106 Manitoba agri-business members.