How can we address the changing needs of rural resource communities?

A discussion paper prepared for the Agricultural Land Commission

By

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Introduction

In this the 25th anniversary of the Agricultural Land Commission, it is useful to take stock of were agriculture has been, and to speculate on were it will evolve to in the next quarter century. This "taking stock" is especially important at a time when "Canada's farms are in crisis."1

The focus of this paper is rural resource communities. To simplify the discussion, rural resource communities includes all agricultural and resource areas and regions outside of the Lower Mainland area. Although these communities are diverse economically and socially, they do share common challenges and potentially common opportunities that will shape their future in the coming decades. In this paper, a brief overview of past change in these areas is provided. Some of the threats and challenges facing these areas are then discussed along with speculation on possible future opportunities. Finally, the paper closes with a discussion on the implications for
CHANGING NEEDS OF RURAL RESOURCE COMMUNITIES

farmers, rural communities and government in taking advantage of these opportunities.

Background

In 1996, there were 21,835 census farms\(^2\) in British Columbia directly employing 33,600 people. Gross farm gate value of sales was in excess of $1.8 billion from 5,823,231 acres of land in census farms. Over $1 billion in sales came from the Lower Mainland -Southwest census area. Over half (11, 503) of the census farms were small-scale operations grossing between $50 and $10,000 in sales. Twenty-five years earlier, in 1971, there were 18,400 census farms in BC. An exact comparison between the two periods on a revenue basis is not possible because of changes in the value of money. The consumer price index (CPI) has multiplied approximately four times since 1971\(^1\). If we assume gross sales of $2,500 in 1971 is equivalent to $10,000 in gross sales in 1996, and $12,500 in gross sales in 1971 is equivalent to $50,000 in gross sales in 1996, a rough comparison between the two time periods is possible. Table 1 shows this comparison. What this table indicates is that the overall number of farms and the number of "commercial" farms ($50,000 + in gross sales) has increased in both rural resource areas and in the Lower Mainland. This is in stark contrast to the overall reduction in farm numbers in the rest of Canada.

The second observation is that farm numbers, particularly the number of commercial farms, increased at a relatively higher rate in the Lower Mainland compared to the rest of the province. Finally, the proportion of "commercial" farms in the Lower Mainland (approximately 30% in both 1971 and 1996) is significantly higher than in the rest of BC (approximately 18% in both 1971 and 1996).

| Table 1: Farm Numbers Based on Sales, 1971 and 1996 (1996 dollars) |
|------------------------|--------|--------|--------|--------|--------|--------|
|                       | 1971     |        | 1996    |        |        |        |
|                       | Total    | Lower Mainland S.W. (est.) | Rest of B.C. (est.) | Total    | Lower Mainland S.W. | Rest of B.C. |
| All Farms             | 18,400   | 4,487  | 13,913  | 21,835  | 6,671  | 15,164  |
| Farms Grossing $10,000+| 8,625   | 2,193  | 6,492   | 10,274  | 3,309  | 6,996   |
| Farms Grossing $50,000+| 3,908   | 1,363  | 2,545   | 4,933   | 2,139  | 2,794   |

These "commercial" farms are generally more specialised and have higher levels of capital investment. Smaller scale farms are generally less intensive and specialised, and operators rely on other sources of income to support the household.

During the 1971 to 1996 time period overall employment in the resource sectors (agriculture, fisheries, forestry...
and mining) increased by over 80%. All regions of the province also increased in population.

**Challenges Facing Resource Areas**

1) **Globalisation**

All resource sectors, including agriculture, are facing increasing competition from North American competitors under the North American Free Trade Agreement and from other producers around the world under the General Agreement on Tariffs and Trade. It is unlikely that current trends toward increasing liberalisation of trade are likely to change in the future. In addition, many countries such as India and Russia which were major importers of food products in 1971 have reached levels of production that make them relatively self-sufficient (current internal issues in the former U.S.S.R notwithstanding.)

2) **Distance From Markets**

Resource areas are distant from the major provincial markets in the lower mainland, and from the major Central Canadian and East and West Coast U.S. markets. Getting product to distant markets adds both time and transportation costs. For example, ferry costs are an additional cost burden for Vancouver Island producers and loss of the Feed Freight Assistance Program increased grain transportation costs in the Peace region. Distance from markets adds a time cost that limits the extent to which rural resource areas can produce perishable food items. Transportation cost is an added cost of production that diminishes competitiveness. Distance may also reduce the availability of current research and market information.

3) **Climate Constraints**

Most rural resource areas have climatic constraints that other competitive agricultural areas do not have. For example, lack of moisture in the southern interior, low frost free days in the central interior and Peace regions and excessive moisture in some areas of Vancouver Island restrict the types of commodities that can be grown. Access to adequate water for irrigation in dryer regions is also an issue. Variation in elevation can also create unique microclimates that can offer either opportunities or challenges for agricultural production.

4) **Lack of Processing and Marketing Facilities**

Relatively low volume of production in the relatively isolated rural resource areas means that local marketing and processing is not always economically feasible. For example, cattle raised in the Lakes area have to be transported to Williams Lake or Vanderhoof to be sold. Processing of fluid milk still takes place on Vancouver Island, but the recent announcement of closure of the UBC Research Farm with the potential loss of 5% of the total milk production on the Island creates uncertainty about the future of milk processing in that region. Transportation of bulk product rather than processed products adds to cost. Product quality can also be reduced during long transit times.

5) **High Labour Costs**

Labour rates in resource areas are influenced by rates paid to organised labour in the forestry and mining sectors. Agriculture cannot afford to pay these labour rates and remain competitive in a global economy. Imported and summer student labour have helped to ease some of the summer harvest burden in the Okanagan and Creston fruit growing areas, but reliable, affordable year round labour is often difficult to find. Competition with tourism for some types of housing, particularly camping and short-term rental accommodation for labour during the harvest season is an increasing problem.
6) Environmental Constraints
Increasing environmental awareness by the general public and evolving regulatory standards mean additional management constraints compared to past practices. In some cases, additional costs of production are the result. For example, concern about the wild salmon fishery means that agricultural activities in areas adjacent to spawning and rearing channels will be under particular scrutiny to ensure the quality of the stream environment for fish. Grazing, tillage adjacent to streams, chemical pesticide and herbicide use and management, and manure disposal are some of the practices that are under pressure for change to environmentally appropriate methods. This concern is extended in a more general way to all wildlife habitat areas. Public concern about food quality means that additional attention has to be given to management and reduction in chemical "additives" in crop and livestock production.

7) Non-Farm Development
Although non-farm development is seen as an issue primarily affecting the urban areas, it also affects rural resource areas. Urbanisation in the Comox and Cowichan Valleys, population growth and tourism demands in the Okanagan and Creston areas, general population growth in other areas, and competition with the oil industry in the Peace region all place some constraints on current agricultural activities, and have the effect of creating uncertainty about the long term future of agriculture.

8) Marketing Structures
Marketing systems for key products such as eggs, poultry, milk, fruit and vegetables and wheat place restrictions on how and where products can be marketed. This limits the opportunity for producers to take advantage of local and regional markets. Requirements for quality control, inspection and packaging can "create a costly competitive disadvantage for (Island) products over imports."6

9) Tradition
Many of the rural resource areas are steeped in a tradition of personal independence, types and methods of production, a rural lifestyle and approaches to marketing and sales. These traditions lead to inertia and fear of change. In some cases suspicion and animosities have developed between sectors within agriculture, between rural areas and local organised "urban" municipalities and between agriculture and other resource sectors. This makes adaptation to new opportunities difficult, particularly if collaborative effort to adapt is needed.

Potential Advantages in Rural Resource Areas

1) Relatively Low Land Costs
Many of the rural resource areas of the province are out of the mainstream of development pressures. This makes land values relatively low compared to the Lower Mainland. These are marginal advantages that can help offset the problem of distance to markets.

2) Experience
Most rural resource areas have a tradition of agricultural production. In addition they have both a need and an attitude for self-sufficiency that has given these areas a resource in human capital with a wide range of skills and experience and a local knowledge of methods of dealing with local variations in soil and climate.
3) **Land Availability**
In relative terms, most rural resource areas have additional lands available for production. These lands include both privately owned lands as well as Crown lands. Areas that are currently in production (as census farms) are under utilised and are often dedicated to maintenance of a rural "lifestyle" and recreation rather than to optimal food and fibre production.

4) **Potential for Investment**
Rural resource communities also have capital that can be reinvested. The relatively high wage rates in forestry and mining have created significant capital accumulation. In many cases the "part-time" or joint income realities of farm families means that there is also significant equity in the farming operation. This equity could be a source of new capital for reinvestment in alternative production.

5) **Potential for Flexibility**
The relatively small scale and relative lack of specialisation of agricultural operations in rural resource areas means that there is relatively more flexibility to change and adapt to new methods of production, particularly if those methods are not highly capital or technologically intensive. The part-time nature of many smaller operations also means that operators usually have other skills that could be useful in developing new types and methods of production.

6) **Commitment to Lifestyle**
Many who live in rural resource areas live there by choice (i.e., they have moved to the area, or choose not to leave the area,) or because of a resource based occupation. In both cases, the landscape, people and quality of the environment are important aspects of living in these areas. Commitment to a rural lifestyle can lead to a commitment to explore alternative income sources when traditional sources fail or become inadequate. Commitment to place is an important ingredient in accepting the need for, and risk of change.

**Opportunities**

There are emerging opportunities in rural areas and in agriculture that could provide rural resource communities with new possibilities for production and income generation. None of these opportunities offer complete solutions to current downturns in the resource sectors, but each could add a step toward community and agricultural sustainability.

1) **Local and Regional Markets**
In some areas of the province there is significant potential to respond to regional food demand. These opportunities exist particularly on Vancouver Island, the Okanagan and Kamloops area and the Prince George area. Population bases in these areas are of sufficient scale to generate a demand for food that could expand agricultural production in these regions.

2) **Integration**
Combining production and processing at a regional level could have the advantage of being able to respond to local markets and of reducing the volumes of product to transport to markets outside the region. In most cases processing facilities would have to be small in scale and would have to have the flexibility to process various
products. For example, a local abattoir would have to be able to process cattle, pigs, sheep and niche products such as deer, buffalo and ostrich to be viable.

3) Market Niches
Change usually happens at the fringes of the mainstream. Emerging trends in consumer demand and industrial needs are usually relatively small, and as a result products are usually higher in value. It is these niches that rural resource areas could target for additional production opportunities. Some of these niches are:

- organic and non-traditional food products including grains, vegetables and meats. Some of these products e.g., spelt, do not have significantly different requirements than grains in the current production system
- wild or unique animal products such as deer, elk, buffalo and other game, wildfowl, ostrich, emu, etc.
- native and imported botanical products for medicinal, food and artisan markets
- emerging commercial products such as hemp or poplar for fibre markets
- products for the bio-chemical industry. In some cases this could mean different market opportunities for traditional products

4) Diversification
The focus for agricultural development in rural resource areas needs to be on family income. Families can take advantage of multiple income sources in order to sustain themselves. There are new opportunities emerging in tourism that could benefit rural resource areas. For example, soft adventure tourism is growing rapidly in BC. Providing opportunities for small-scale on-farm camping and bed and breakfast accommodations is one opportunity, especially in areas near existing and new Provincial Parks and protected areas. Along with accommodation opportunities, there may be additional income possibilities in allowing tourists to experience first hand the reality of either mainstream agricultural production, or methods used in "niche" production. Other opportunities include, among other activities, value added food or wood production and small-scale manufacturing that are generally supported by government policies and programs.

Requirements and Tasks to Develop These Opportunities

1) Land Protection and Access
The Agricultural Land Commission and other planning initiatives such as the regional plans developed by the Commission on Resources and Environment (CORE) and plans developed through the LRMP processes ensure that agricultural land will be protected for future use and that it will be managed in a way that will ensure sustainable production. Right to Farm legislation ensures that municipal plans and bylaws also reflect the interests of agriculture. It may be no coincidence that the number of farms and farmers has increased in BC with these initiatives in place. That is not to say that these initiatives do not need closer inspection.

These policies emerge from a political environment that is oriented to protection of the status quo. Definitions of agriculture and agricultural production often reflect the current mainstream commodities and management approaches. They also tend to be exclusionary. Any activity that does not relate directly to current forms of agricultural production and practices is not permitted. Development of new opportunities at the margins of current types and methods of production will require some flexibility and acceptance of risk not only by producers, but also be policy makers and by those who implement policy.
There is potential to significantly increase the area in leases for grazing, botanical and other forms of plant production on new cut blocks. The functional grazing or plant production period on newly reforested areas could range from 15 to 30 years depending on tree type, soil type, elevation etc. There currently is no payment to farmers for grazing or control of vegetation on reforested areas. Distance of new cut blocks from farm operations, predation, conflicts between tillage requirements for pasture or plant seeding and the Forest Practices Code and uncertainty about the resolution of land claims by First Nations are limitations to demand for lease expansion.

Provincial agricultural leases are generally being offered for purchase as they come due. Many will be transferred to private ownership in the next five years. As these leases are converted, the land is included in the Agricultural Land Reserve, if not already in. Since the Crown Lands lease policy was introduced in 1992, new lease development in the province has been limited. This places an additional burden of finding capital to obtain tenure on land for production on the farmer. This is a burden which many new initiatives in rural resource areas may not be able to support.

2) Regulatory Adaptation
Regulation of small business is a big topic that goes well beyond the scope of this paper. Comments related to land use regulation noted above apply equally to other regulations and standards affecting new and innovative agricultural businesses. Regulations are necessary. They ensure quality, safety and environmental protection and reduce risk and liability. However they are built on past experience and are generally inflexible. The challenge is to create spaces in the regulatory framework for experimentation and innovation. The concept of "minor variance" in municipal zoning bylaw enforcement is useful. We need to find ways of applying the same concept to other regulations and policies at all levels of government.

3) Reinvestment/Retraining
Change is never easy. Risk and uncertainty are increased by lack of skills and knowledge that would allow adaptation to change. New products mean new production methods, new uncertainties in the market place and new capital investment. In many cases this risk is also augmented by the scepticism of friends and neighbours and by the need to meet the requirements or regulatory hurdles. Innovative producers are often forced to educate themselves as best they can, often through experimentation and the "school of hard knocks." Success often happens only as a result of considerable financial and personal expense. The need for education applies not only to farmers, but also to agricultural advisors, lenders and other individuals in private and public sector organisations that support agriculture.

Integration of agriculture with tourism has similar challenges both in respect to marketing as well as in training. Service and product quality, health and safety standards, liability and other aspects of tourism service are not normally part of farming reality. In all cases assess to risk capital and/or to affordable land tenure is a crucial ingredient in developing new opportunities. Programs to assist in education and land and capital availability for innovation could be beneficial in easing transitions.

4) Marketing
There are two aspects to marketing needs. One is to initiate local and regional marketing initiatives. This means that producers must become marketers – a radical change for most mainstream producers. Most farmers are unaware of market place trends and changing consumer preferences. Without market research and information, local and regional marketing is not likely to be successful.
Marketing is even more of a challenge for niche products and the development of tourism opportunities. These products are likely to have a very limited local or regional market. In some cases the market may be international.

Finally, to establish regional marketing, marketing boards would have to adopt a regional perspective. For example, only 40% of the demand for eggs on Vancouver Island is met by Island producers. Regional supply would significantly increase production on the Island.

5) Community Development

Finally, support for innovation must start with the people directly involved. This starts first with farmers. Co-operation in training, marketing, experimentation and lobbying for appropriate regulatory, policy and other support is crucial. Given that rural resource areas are relatively isolated, this co-operation must start regionally. Planning processes such as the LRMP process do pull agricultural and other sectoral interests together, but often in a reactive rather that a proactive way. This is a significant challenge because it conflicts directly with the value of independence that is part of a rural lifestyle.

The second step is to gain the support and involvement of other members of the community. Regional marketing will need the support of regional consumers. Tourism initiatives will need to be integrated with other regional tourism strategies and promotion. Infrastructure such as processing facilities may be developed by investors from the community who are not directly involved in production. Processes of community development are essential to stimulate innovation and to develop community support for implementation and innovation.

Summary

Change is a complex process. It involves capital, education and training, policies and regulations, organisations and institutions and values and customs. Rural resource communities have always been in a process of evolutionary change and the rate of adaptation has generally been comfortable. Over the last five years and into the next century the need for and pace of change will increase significantly. Relative isolation, climatic constraints and labour costs in rural resource communities augment concerns about general changes in the market place, in regulations and increased non-farm development. Rural resource communities have certain advantages in facing these challenges including low land costs, experience, land availability, investment potential, flexibility and commitment to lifestyle. They may also have specific development opportunities such as regional marketing, responding to market niches and diversification. To respond to these opportunities, it will still be necessary to protect valuable agricultural land resources while at the same time to create opportunities for access to public land resources and opportunities to experiment within the current regulatory system. Access to training, capital and marketing information and strategies will also be important. Finally, processes of community development will be necessary to encourage co-operation in the farm community and between the farm community and their neighbours in rural resource areas.

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CHANGING NEEDS OF RURAL RESOURCE COMMUNITIES

1 National Post, November 5, 1998, pg. A7. This financial crisis in agriculture is attributed to the collapse of the Asian market and a renewed subsidy war between the U.S. and the European Community resulting in decline in wheat and pork prices.

2 Source: BC Stats. A census farm is a farm having gross sales of $50.00 or more.

3 Source: BC Stats. The CPI (Canada) shows $0.25.2 in 1971-1972 is equivalent to $104.60 in 1995-1996.

4 Some of these challenges are not new or unique to rural resources areas. See for example Michael Boehlje (1998) Megatrends Impacting Agriculture. Staff Paper, Department of Agriculture and Applied Economics, University of Minnesota. What is unique are the implications for rural resource areas.


10 For example, the Kamloops LRMP Section 2.1 has an objective for "Range" to "Maintain or enhance sustainability, biodiversity and long term productivity on Crown range lands. An "Agriculture" objective is to "Encourage the adoption of sustainable agricultural practices" and to "promote land and water stewardship programs to manage for other resource values".
