ENVIRONMENTAL SCAN OF THE AGRICULTURE AND AGRI-FOOD SECTOR IN MANITOBA

This environmental scan seeks to increase understanding of trends, projections, opportunities and challenges that impact the agriculture and agri-food sectors. It also identifies the driving forces and important considerations in the development of the Next Agricultural Policy Framework.

Socio-demographic factors

- **Changing demographics:** The world's growing population and rising living standards are increasing the global demand for food and providing market opportunities in the agri-food sector, particularly in the protein category (meat and dairy). An aging population and a health-conscious consumer base present opportunities to strengthen Manitoba's food-health linkages, specifically in the functional and nutraceuticals sector. Increasing immigration also presents growth opportunities in ethnic food markets.
- **Access to labour:** Manitoba's production and processing capacity, mainly in the honey production and pork sectors, are challenged by tightening of a skilled and unskilled workforce in agriculture (a result of more people moving away from rural areas and an aging demographic) and new rules affecting the hiring of foreign workers.
- **Urbanization:** Urban encroachment is resulting in loss of farmland and increasing challenges in finding locations to establish farms and processing facilities.
- **Rural services:** Limitations on hydro capacity, water availability, limited access to emergency services, broadband Internet and water treatment, makes it challenging for the agri-food processing industry to expand in rural Manitoba.

Competition/Substitutes factors

- **Increased market access:** Trade agreements offer access to new markets and opportunities to maintain and increase international sales of Manitoba products. However, increased foreign competition also presents challenges to supply management sectors.
- **Market development:** Although trade agreements open doors to new markets, many food processors must improve their capacity and capability to take advantage of the those markets
- **Imports:** Faced with increased trade and competition from lower-cost food imports, Manitoba producers and processors must increase productivity and efficiencies to remain competitive.
- **Transportation:** Manitoba's central location in North America offers access to large, potential markets. However, infrastructure (ex: rail, port and roadway) deficiencies create challenges to move product to market.

Economics and Ecological factors

- **Macro-economic factors:** Changes in exchange rate and interest rate increase the vulnerability of the sector. A weak Canadian dollar, relative to the American dollar, benefits exporters. However, increased costs of imported inputs, including equipment and technology, impacts farmers' and processors' bottom lines. Increasing interest rates could impact both equity and cash flow.
- **Rising input costs:** Fertilizer, feed, seed and labour costs have continued to increase, negatively impacting farm income and adding risk.
- **Rising cost of land:** The cost of land is rising at a rate far outpacing inflation, making farm startup and growth cost prohibitive. Farmers may have to look at new technologies that improve efficiencies and create better returns on current land bases, rather than the gains traditionally made through land base expansion.

  Incompatible land use: Growth of residential and commercial developments, land fragmentation (sales to non-farmers) and other uses (ex: Hydro) may generate conflicts that further increase land value or limit farm production and food processing capacity.
- **Bio-security and food safety:** Canada has a world class reputation as a reliable, high-quality supplier and is backed by a food labeling system, traceability and food safety standards .Emerging and re-emerging zoonotic diseases, pests (diseases, weeds, insects), food borne pathogens and increased access to private and public lands make bio-security, traceability, surveillance and emergency management even more important.
- **Climate change:** Anticipated changes in climate are predicted to increase the frequency and intensity of extreme weather events, such as droughts and floods. This will increase the risk of crop losses and reduced crop yields. This uncertainty will increase reliance on business risk management (BRM) programs. However, current results show that the early stages of climate change have not negatively impacted Manitoba, crop yields are still increasing and variability has remained stable.
- **Sustainability demands:** These demands add complexity to the efforts of farmers, food processors and rural communities to maintain long-term profitability while remaining good stewards of land, air, water and other natural resources. For example, the sustainability efforts of non-government organizations to maintain land for ecological goods and services may conflict with the use of farmland for food production purposes.

Political/regulatory factors

- **Federal policies:** Agriculture is a shared federal, provincial and territorial jurisdiction and federal regulations, programs and investments may impact the agriculture and agri-food sector in Manitoba. Federal priorities may provide opportunities and challenges in the following areas:
    - climate change adaptation and mitigation
    - clean technology (bioproducts)
    - agricultural genomics
    - transportation infrastructure
    - broadband Internet
    - regulatory modernization
    - ability to fund BRM programs
    - increased stakeholder engagement, including aboriginal groups

  Ongoing federal, provincial and territorial collaboration will continue to contribute to the sector's success and encourage investment, adaptation and growth in the sector.
- **Regulatory requirements:** These requirements can affect sector competitiveness. Examples include hog barn requirements and changes in the Temporary Foreign Workers Program. This will require federal and provincial alignment, communication and coordination.
- **Climate change:** Pressure to reduce agriculture's carbon footprint could negatively impact farm income through imposed levies and taxes on farm inputs. A cap and trade system could provide opportunities for producers to sell carbon offsets, depending on design.
- **Technical trade barriers:** These barriers are an ongoing concern. Examples include: Lack of Low Level Presence Policy (LLP) on GMOs; established Maximum Residue Limits (MRLs); market demands for due diligence in food safety, and unpredictability of American border requirements on antibiotic use, animal disease and labeling.

Technological factors

- **Innovation:** Breakthroughs in technology, robotics, genomics and automation are transforming the sector. Increased efficiencies and productivity, drones and satellite imagery in real time, precision agriculture and advancements in pathogens or chemical identification are some of the potential benefits of this trend. These technologies may also pose challenges in terms of management and trade implications.

- Access to information: Opportunities to access information are increasing exponentially. Greater data management capacity facilitates decision making related to production practices, detection of emerging risks and mitigation. Manitoba farmers face challenges from inaccurate or biased information. This may affect their business or decrease public confidence in the sector.
- Research: Research is becoming expensive and sector specific. The federal government is moving away from commercialization and enabling private industry to take the lead on research and development, however smaller sectors have limited capacity to support their own research needs.

Industry structure

- Consolidation: The trends of fewer young operators and fewer farms show no signs of reversing and suggest more consolidation and significant turnover in farm assets will occur in the future. An aging farming population increases demand for succession planning in Manitoba.
- Barriers of entry: Consolidation of farms (fewer but larger farms) results in a lower level of equity if farmers use debt financing to acquire capital assets and operate their farm. This may also create a barrier for new, young Manitoba farmers who want to enter the market, as it will cause farmland values to increase. Consolidation in the food retail market also increases challenges to food processors to access new and restructured channels for food retail and distribution.

Customer, Client, Citizens

- An emphasis on local: Increased demand for locally produced food products provides opportunities for increased value-added processing of commodities.
- Maintaining public trust and social license: Among the non-farming population, there is little understanding of how modern agriculture and agri-food processing operates, its interrelationship with other industry sectors and the opportunities that exist for a career in agriculture. In addition, there is now an increasing demand for detail on where food comes from. Market access to clients and consumers is now underpinned by traceability, third-party certification and labeling requirements to support their decision making.

- **Attributes**: Consumer choice on products with specific attributes will continue to shape the market and open up market opportunities to Manitoba producers and food processors. Those attributes include: environmental sustainability, animal welfare and use of hormones and antibiotics.
- **Increased industry expectations on service delivery**: Industry expects faster responses and turnaround times. A challenge for government is to be proactive in recognizing the needs of the agriculture sector, which is supported by establishing relationships of engagement and trust.