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The Importance of Rural Manitoba: A Discussion Paper

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MAY 2015



Rural Development Institute, Brandon University

Brandon University established the Rural Development Institute in 1989 as an academic research centre and a leading source of information on issues affecting rural communities in Western Canada and elsewhere.

RDI functions as a not-for-profit research and development organization designed to promote, facilitate, coordinate, initiate and conduct multi-disciplinary academic and applied research on rural issues. The Institute provides an interface between academic research efforts and the community by acting as a conduit of rural research information and by facilitating community involvement in rural development. RDI projects are characterized by cooperative and collaborative efforts of multi-stakeholders.

The Institute has diverse research affiliations, and multiple community and government linkages related to its rural development mandate. RDI disseminates information to a variety of constituents and stakeholders and makes research information and results widely available to the public either in printed form or by means of public lectures, seminars, workshops and conferences.

For more information, please visit www.brandonu.ca/rdi.

Introduction

The **Rural Development Institute** is celebrating 25 years as an academic research centre at Brandon University. In recognition of this anniversary, the Institute has commissioned a series of **Rural Factsheets**. The eleven Factsheets detail ongoing changes to Manitoba's rural demographics and economy. The intent of the factsheets is to compile and make more widely available, information about rural Manitoba that is currently difficult to access. The Factsheets were supported by two **Workshops** where representatives of a dozen organizations (see Appendix A) working in rural areas or on rural development, commented on the utility of the Factsheets, and how they could be used to guide policy. This discussion paper builds upon aspects of the Factsheets and comments from the Workshops and identifies emerging challenges and policy pathways.

Rural Manitoba continues to build on its proud history and significant achievements while facing a challenging future. Identified primary challenges include declining population in some regions, youth retention, changes to immigration policy, the changing nature of primary farming, and significant infrastructure deficits. Yet rural Manitoba is a major contributor to the provincial economy and deeply integrated into the national and international economies. The rural economy is important in and of itself; and due to its integrated nature, the overall provincial economy is reliant on the health of rural areas.



A Picture of Rural Manitoba

Overall, the population of rural Manitoba (defined by StatsCan as all areas outside of the Winnipeg CMA) has grown slowly since 1996, and now stands at 489,000, or about 40% of the provincial population. However, variations exist across Manitoba. Winnipeg and Census Divisions (CDs) close to the city have shown consistent growth since 1996. Northern areas have also shown population growth, due to higher birth rates in the Aboriginal population. Four CDs in the Parkland region have had population declines since 1996. Census Divisions close to Winnipeg have also shown positive migration from within Canada over this period, contributing to their growth. Immigration from outside Canada has been an important contributing factor to rural growth since the late-1990s. Immigrants have mainly settled in three rural Census Divisions: CD#7-Brandon area, CD#3 Winkler, Morden, Altona area and CD#2-Steinbach area.

Contrary to many people's expectations, primary agriculture is not the main economic sector in rural Manitoba. Rather, the rural economy is made up of the following sectors, in order of size: wholesale and retail trade; manufacturing and services that support agriculture; natural resource development, health-care services, and lastly, primary agriculture. **Rural development should be understood as developing these sectors**, in conjunction with agriculture. These sectors of the rural economy present opportunities for the future, even as employment in primary agriculture has declined steadily for decades.

The rural economy (called the non-metro economy by StatsCan) is also an important component of the overall Manitoba economy, constituting 35% of provincial GDP. This is a larger share than the national average of 30%, making Manitoba's rural economy larger than the national average. Rural areas are also important for employment, generating 34% of all jobs in Manitoba. There has been slow rural job growth across the province since 1998, but this trend has also been interrupted by periods of decline. As well, the combined 'Parklands and North Economic Region' has not shown job growth during this period.

Challenges & Opportunities

Rural areas of Manitoba continue to grow in the face of ongoing challenges. Changing demographics are presenting several of these challenges. These include the effects of out-migration, an ageing population, and changing immigration patterns. For instance, in the 2011 to 2012 period, seven rural Census Divisions experienced a loss of population primarily from out-migration. Firm data on age-group changes in rural areas are not available, but Chambers of Commerce research suggests that youth moving to metro areas is a significant component of this challenge. Youth retention is a critical issue for rural areas, and some communities have begun to address the challenge. A cohesive strategy to address this issue would benefit communities.

The aging workforce across Manitoba and Canada is also resulting in fewer people entering the labour market entries than those retiring. This is already the case in four census divisions in rural Manitoba (CD#1-Lac du Bonnet area, CD#5-Killarney area, CD#15-Minnedosa area, CD#18-Gimli area). This trend is expected to continue across Manitoba until 2021 to 2027, depending on economic growth and immigration rates. This tightening of the labour market will reduce the ability to grow the workforce and the economy in rural areas; and puts further emphasis on the need for youth retention and attraction strategies in rural areas. At the other end of the spectrum, three northern census divisions have nearly three new entrants to the job market for each retiree (CD#19-Berens River area, CD#22-Thompson area, and CD#23-Churchill area). These areas will have to increase job opportunities, or face youth out-migration and the high social costs associated with high unemployment levels.

For some rural areas, immigration from outside of Canada has driven growth. Immigration has been particularly attracted to rural areas where jobs and services are available. Immigration to rural areas peaked in 2008-2009 and has declined since. Several reasons have been suggested for

this decline including: new limits to the fees that immigration consultants can charge, competition amongst provinces for new immigrants, the recent repatriation of immigration services to the federal government, increased language requirements for status, and new limits to the public services available to temporary foreign workers. Although immigration to rural Manitoba continues, the large number of immigrants arriving over the last decade is trending down, and this limits the use of immigration as a growth strategy for rural areas. Attracting newcomers and retaining youth also requires high levels of employment and services in rural areas. Yet, many areas need to grow before such services can be offered efficiently. A strategy successful in some communities is targeting growth opportunities in particular sectors outside of primary agriculture. We see the success of attracting food-processing operations in Brandon and Neepawa, multiple small manufacturing operations in the Winkler area, and health-care growth in Portage la Prairie. Each of these initiatives has attracted new immigrants, created growth, and enabled an increase in services. Targeting migration from within Canada and from northern Manitoba are possible opportunities for growth as well. Emulating the marketing and planning of areas successful in attracting immigrants, such as Winkler-Morden and Brandon, may be useful to other rural regions. Immigration in itself is innovation, bringing knowledge and productivity to rural areas.

Provision of services in rural areas is a key component to attracting and retaining new growth. Health services were especially seen as critical, but also 'business critical' services that allow small communities to exist. Essential building blocks for rural communities are the basic businesses of a gas station, grocery store, hardware store, and pharmacy. Challenges to ensuring the continuance of these businesses include populations too low to support them,

aging business owners who have little prospect of selling the business on retirement, competition from larger urban areas, and low profit margins. Long-term strategies and actions, especially succession planning, are needed to maintain these services in rural areas.

With the understanding that the rural economy is largely driven by wholesale / retail trade, manufacturing, natural resource development, and health-care services; it is to these economic sectors that workshop participants looked for the future. The ongoing success of food-processing operations was seen as a significant opportunity for expansion. Noted were opportunities in canola and hemp-oil production. Imagined, was a future where Manitoba ships pasta to the world instead of wheat. Shifting to this kind of value-added production will entail creating the conditions for such development. Production facilities have large impacts on rural communities and need to be strategically located, close to suppliers, workers, and infrastructure. This has a high probability of creating winners and losers amongst rural areas.

The ability to grow rural economies is also directly linked to infrastructure. In rural areas, this is the ability to move agricultural and manufactured goods on highways, roads, and railways. Workshop attendees argued that these systems have not been developed sufficiently to support the growth of rural economies. Challenges in developing highways to support the oil and gas industry in southwest Manitoba is an example; as was the difficulty in moving grain by rail in 2013. The rail backlog in particular, significantly impacted the final price farmers saw for their record harvest that year. Infrastructure also affects the day-to-day lives of people living in rural areas, and therefore the ability of those areas to attract people and growth.

The rural economy is undergoing significant long-term change. Corporatization of farms continues. Vertical integration by large firms gives market advantages to large companies and presents challenges to smaller independent farmers. Risks undertaken by independent farmers are increasing. The cost to put a crop in has risen from \$75 to \$200 an acre. Average farm size in Manitoba is now over 1100 acres (2011), so the yearly risk to “putting in a crop” is averaging a quarter million dollars. Farming is also capital intensive (machinery, equipment, buildings, land, and land-improvements). Profits for livestock operations are declining. These factors are shifting farming from small independent businesses to larger corporations. Workshop participants questioned who will own the land when this generation of farmers retires.

Climate change presents additional challenges and interesting opportunities. The growing season and rainfall levels are changing resulting in changes to in the types of crops that can be grown and where. Opportunities may exist in the future to growing higher margin crops. This shift in crops may also impact distribution patterns and transportation systems; because such crops may be better marketed in a U.S. Midwest integrated system, rather than the current east-west Canadian system. Research needs to be undertaken here to help predict climate adaptations on agriculture and the rural economy.

The Shifting Importance of Data

The above discussion of Manitoba's rural demographics and development is informed by access to good quality information. Data, information, and research on the demographics and economy of rural Manitoba are increasingly important for planning and development. This information is also increasingly lacking. Workshop participants identified key areas where information is lacking that could inform policy decisions (see Appendix B). The current voluntary National Household Survey (NHS) did not collect as thorough information on rural areas as did the 2006 Census. Thirty-three percent of rural Manitoba census subdivision datasets (97 of 292), were suppressed because of low response rates. Differing collection methodologies between rural areas and Indian Reserves may also have exaggerated changes in ratios between these two. StatsCan uses a very specific set of definitions to define rural areas, as well as using the analysis of 'rural metro-adjacent regions'. These definitions are useful for cross-Canada comparisons but the 'rural metro-adjacent region' does not align with Manitoba's current planning framework for the Capital Region. Further, StatsCan defines agricultural workers as 'primary agriculture' only. This excludes all the other jobs that occur in rural areas and those that may be integrated with agriculture (manufacturing, goods, retail, and service). This means that Manitoba's 'agricultural economy' can appear under-emphasized in StatsCan data.

Several solutions to data challenges have been utilized by communities and organizations to overcome these data limitations. Some organizations are purchasing data from private businesses. These businesses base their datasets on StatsCan data, the labour survey data, and other sources while extrapolating to fill gaps in the data for rural areas and small towns. Others have begun using Manitoba Health data in order to get a different level of information. This dataset also has the advantage of yearly collection. For the 2011 census, the RM of Stanley provided translation service in the Modern-Winkler area, which substantially improved their survey response rates and therefore improved the quality of data for this census division.

These solutions raise significant questions about the quality and consistency of privately sourced data, and the fair accessibility to data for RMs and organizations that have to pay for it. With the diminished role of data collection played by StatsCan, private firms have stepped into the gap. However, there is a role for the Province to play in collecting and collating missing data, and funding research. This will be essential in policy areas where data is missing including details on immigration, understanding changing age cohorts in rural areas, and the impacts of a variety of input and market prices on the rural economy (see Appendix B).

The 'Landscape View' of Manitoba's Economy

Rural development is often thought of in isolation from urban economies. Likewise, discussion on urban economies is often void of rural issues, unless a more regional question is being considered. But the landscape of the Manitoba economy is **both rural and urban**; it includes all sectors of the economy, and is integrated provincially, nationally, and internationally. For example, food processing that occurs in Winnipeg is reliant on rural primary agricultural inputs, as well as transportation and market systems. The price of canola is reliant on the global oil seed market, so Canadian farmers have little control over the prices they will receive. Prices for many other agricultural commodities are set in Chicago, and Manitoba exports are dependent on Canada/US dollar exchange rates. The current high value of the Canadian dollar is impacting exports of potatoes, as has happened in the past with sugar beets. Increased production of hogs in China is impacting the export of Canadian hogs. Agricultural prices are also dependent on production in the American Midwest. Drought that affects the Midwest may raise commodity prices but will likely also affect output on the Canadian prairies. The 2013 situation of record crops and record prices was likely an anomaly.

Manufacturing and retail are also affected by global factors. Prairie agriculture is export-dependent and goods produced in rural areas are shipped worldwide. Economic down times on the prairies may result in less sales in Canada, but increased sales overseas.

Agriculture has a large impact on the Winnipeg and Manitoba economies. Without farming, there would be huge losses in the manufacturing, retail, and service sectors that support agriculture. This would affect jobs throughout the province. Workshop participants asked, 'How different would downtown Winnipeg look if there wasn't the grain trade and immigrants?'

Policy level

Planning and policy play important roles in Manitoba's rural-urban development. For most rural areas policy will be about **driving growth**, but for Winnipeg and a few growing rural communities, policy will be about **managing growth**. Therefore, **policy and planning needs to be place-based and differentiated to build upon local and regional assets**. It is injudicious to treat all Rural Municipalities the same. Some need more assistance for growth, some none at all. Sector opportunities must be strategically located.

Participants questioned:

- Do we want to grow rural Manitoba populations, and how is that advantageous?
- Where should resources be invested; be it areas of growth or areas in decline, or balanced. As well, how and why are such decisions made?
- What should be done with declining rural areas? Can such areas be serviced?
- Should we encourage regional centres in rural areas or not? Where should service-centres be strategically located?
- Is rural growth mostly exurban (surrounding Winnipeg)? And if so, what are the implications?
- Most internal population growth in Manitoba is Aboriginal. This is a hugely under-utilized human resource. How do we more fully engage this community in the provincial economy? How can we increase education and skills to increase greater labour force participation?

Workshop participants emphasized that without strong rural communities, there is only Winnipeg. This would be insufficient for stability and growth. Without a strong rural foundation, there will not be a robust provincial economy. Public policy, therefore, should reflect the value of having prosperous rural areas that contribute substantially to the provincial economy.

Policy makers need to look farther to the future. Demographic changes are happening on the scale of decades; climate change impacts will increasingly occur over this century. Adaptation will need to be planned for, and funded. The province is entering a period where new entrants to the job market will not be able to replace those retiring. By 2030, there will be fewer births than deaths in Canada and population growth will only occur via international migration. Continuing to attract new, young immigrants is critical for Manitoba's and Canada's economy. Understanding immigration will help plan for future retention and service requirements.

In rural communities, providing services, jobs, and infrastructure, will be critical to maintaining viability and growth. Programs and policies that support rural communities will continue to be needed. Other growth strategies than immigration will also need to be pursued, including:

- Encouraging value-added production over primary production (ship pasta, not wheat),
- Strategic investments in sectors outside of agriculture,
- Tax-share agreements with local communities to support growth,
- Supporting local immigration planning, especially in smaller communities without planning and development capacity,
- Pursuing other economic opportunities including tourism/recreation strategies.

Recognizing that prairie agriculture is export-dependent, that the commodities market is highly variable, and that these factors impact the success of rural communities; there is a need to stabilize this industry. The current federal program, Agri-Stability, is ineffective. Participants also worried that efforts to stabilize the primary agricultural sector may result in greater corporatization of farms.

Corporatization and the future ownership of land in rural Manitoba need to be addressed.

Estimates suggest that between 65% and 70% of the farmland in North America will change hands over the next fifteen years, as current farm owners retire. Who will own this land in the future? There are people who want to buy farms but the inherent risks and low service levels in rural areas favour increasing corporate ownership of land. This will affect the requirements for services in rural areas. In this scenario, large companies own vast tracts of land and provide their own services, thus further diminishing the need for rural communities.

Jobs in primary agriculture continue to decline, but other opportunities present themselves, particularly in health services, manufacturing, food processing, and wholesale and retail trade. Jobs in these sectors will be important for the ongoing health of rural areas. Rural Manitoba has much greater potential for growth than only the primary agriculture sector.

Lastly, needed is a broad rural policy that can tie these many disparate opportunities and challenge-responses together into a coherent strategy. Such a strategy will recognize the interplay between changing demographics and economic development; the need for service provision and infrastructure for economic development to happen; and rationalize the 'when' and 'where' of these investments.

Conclusion: Why is Rural Important?

It is too easy to disregard the importance of rural Manitoba. But the Factsheets show the numbers. Forty percent of Manitoba's population lives in rural areas. Rural areas generate 35% of provincial GDP, and 34% of all jobs. This makes the rural economy important in and of itself; but large segments of Manitoba's economy rely on the health of rural areas because the rural economy is integrated throughout Manitoba's economy and beyond.

Rural areas are worthwhile investments in our future. They are places of growth, prosperity, and opportunities, for Manitobans and newcomers alike. There are clear opportunities, and significant challenges to ongoing growth. Rural communities can meet these challenges. Encouraging the growth of rural Manitoba will require significant policy and planning for the future. In this, there is a strong role to play for rural communities, businesses, and the provincial government.

Appendix A

Rural Factsheet Workshop Attendees, June 16th & 18th, 2014

Ruth Mealy	Business Development Specialist, MAFRD
Mona Cornock	Director VAREA, MAFRD
Darrell Racine	Brandon University, Native Studies program chair
Doug Ramsey	Rural Development, Brandon University
Kim Beilby	Acting Director, MAFRD
Tara Newton	Demographics and Census Statistician, MB Bureau of Statistics
Nedzad Brkic	Policy Analyst, MB Credit Union Central
Chris Leach	Regional Manager, Municipal Government
Cory Kolt	Director of Policy and Communications, Manitoba Chambers of Commerce
Alison Kirkland	Women's Enterprise Centre
Alanna Keefe	Women's Enterprise Centre
Jeff Fidyk	Agri-food and Rural Economic Division, MAFRD
Daryl Domitruk	Director, MAFRD
Craig Senchuk	President of the Brandon Chamber of Commerce
Mona Cornock	MAFRD
Kim Beilby	MAFRD
Dan Maizer	Ag Committee, Brandon Chamber of Commerce
Grant Palmer	Policy Economist MAFRD
Maureen Cousins	MB Beef Producers
Carol Duma	Senior Analyst, Strategic Policy Centre, Industry Canada
Dr. Craig Martin	Dairy Economist, CMU
Alanna Gray	Policy Analyst, Keystone Agricultural Producers
Peter Reimer	Strategic Planning Leader, Policy Development and Analysis Centre, MAFRD

And the research team:

William Ashton	Director, The Rural Development Institute, Brandon University
Scott McCullough	Research Associate, The Institute of Urban Studies, University of Winnipeg
Xanthe Zarry	Research Assistant, The Rural Development Institute, Brandon University
Robert Galston	Research Assistant, The Institute of Urban Studies, University of Winnipeg

Appendix B

Areas of Data Research Needed

Workshop participants identified many areas where further research and data may help to guide policy. Some of these include:

Demographics:

- Data is needed on changes in age structures for each economic region. It would be useful to know if youth are leaving some rural areas, or if retirees are leaving, as this will affect jobs markets and service requirements in those areas.
- Changes in population should take into account Aboriginal and non-Aboriginal peoples. For example, Parkland has a declining overall population, but it also has large Aboriginal population with high birth rate. The implication is that for the non-Aboriginal population, the decline must be even greater than the overall population count suggests.

Immigration:

- Detailed information on retention rates for new immigrants in rural areas may help with planning and understanding effective retention strategies.
- Details of where migrants are coming from, and going to, are useful for planning service delivery and retention strategies. This information is currently difficult to get because different government levels use different datasets and typically do not release this information.

Rural Economy:

- Data on incomes categories is needed for rural areas.
- Cost of living comparisons between rural and urban areas, and between economic regions, are needed.

- Estimates of absolute numbers of potential new entrants to the job market, rather than percentage of potential exiters from the market would be more useful. This will be important when considering opportunities for people living in Parklands and the northern economic regions.
- GDP should be available by the seven non-metro economic zones, rather than combining all of non-metro MB together, in order to determine where growth is occurring.

Agricultural Economy:

- Corn prices should be included in the rural factsheets because of ethanol production in the U.S., which has strongly affected feed prices over the last decade.
- The price of energy and its effect on the rural economy is not emphasized enough. Farming is an energy system, and highly dependent on these input prices.
- A comparison between commodity prices and output levels would be useful for understanding changes to the agricultural industry.
- The effect of the exchange rate on exports is a factor that should be examined. The Canadian prairies are export-dependent regions, and commodity prices are mostly set in Chicago.



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