

**Agriculture and  
Rural  
Restructuring  
Group**

**TOWARDS A WHOLE RURAL POLICY  
FOR CANADA**



**ARRG WORKING PAPERS SERIES**

**NUMBER 7**

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**TOWARDS A WHOLE RURAL POLICY  
FOR CANADA**

A presentation by the  
Agricultural and Rural Restructuring Group  
(ARRG) Research Network

to the  
Joint Commons/Senate Standing Committee  
on Agriculture, Agri-food and Forestry  
Ottawa

October 4, 1994



THE CANADIAN AGRICULTURAL AND RURAL RESTRUCTURING GROUP

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# CONTENTS

<i>Preface</i> .....	1
<i>Introduction</i> .....	3
<i>Presentation One:</i> .....	7
<b>A Community and Family Perspective</b> Bill Reimer and Frances Shaver	
<i>Presentation Two:</i> .....	11
<b>Rural Community Rationalization</b> Jack Stabler	
<i>Presentation Three:</i> .....	21
<b>Farming and the New Rural Economy</b> Peter Apedaile	
<i>Questions and Answers</i> .....	29
<i>Towards a Vision for Rural Canada</i> .....	39
<i>List of ARRG Publications and References</i>	
<b>ARRG Publications</b> .....	41
<b>ARRG Network Members: Relevant Publications</b> .....	43
<i>List of Members:</i> .....	49
<b>The Joint Senate/House Standing Committee on Agriculture, Agri-food and Forestry</b>	

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## PREFACE

The restructuring of the global economy is ongoing. From within, it is difficult to discern exactly what are the impacts and implications for rural Canada. The House of Commons Standing Committee on Agriculture and Agri-Food and the Senate Committee on Agriculture and Forestry are jointly examining the issue by considering the long-term future of the agri-food system in Canada. This mandate in itself is a clear indication of the new realities and demonstrates the need for strategic vision and planning. In addition to dealing with the universal interest in efficiency and competitiveness, the Joint Standing Committee has also invited submissions that address issues of sustainability and fairness. As well, the committee is concerned with the long-term viability of rural Canada.

The ARRГ (Agricultural and Rural Restructuring Group) Research Network was invited to make a presentation to the Standing Committee on the relationship between rural and agricultural futures. Few analysts focus on the connection between the agricultural and rural sectors of society and economy in Canada, but ARRГ emphasizes that the two are heavily interrelated.

The material and ideas in this document are based on the research of ARRГ members, research both commissioned by the Canadian Rural Restructuring Foundation (CRRF) and that which preceded the formation of ARRГ in 1987. The list of references at the back are divided into ARRГ publications and those published by ARRГ members in association with their other professional activities. Because there is little documentation of results or mention of methodology in the brief to the Standing Committee, a complete list of references is provided to assist readers to cross-check the research results and the research methodology.

For helping to provide the opportunity to submit a brief to the Standing Committee, the ARRГ Research Network would like to thank Ken Donnelly of Human Resources Development Canada. Ken Donnelly has consistently promoted the betterment of rural Canada through his support of research and training initiatives for rural Canadians. For the bulk of the research referred to herein, we would like to acknowledge the Social Sciences and Humanities Research Council of Canada, Statistics Canada, the Donner Canadian Foundation, the Arkleton Trust (Scotland), and the Aspen Institute (U.S.A.).

The purpose of this brief is to broaden the scope of our thinking and to realize the interconnectedness of the many parts of the restructuring puzzle. The future of agriculture and all primary sectors is deeply intertwined with the future of rural Canada.

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## INTRODUCTION

It was an honour to be asked by the Joint Standing Committee to talk about what our research means for the future of rural and agricultural Canada. We hope that we have not let you down with bias, poor science, or jargon. The ARRG Research Network is one of the activities of the Canadian Rural Restructuring Foundation. The other activities are annual "think-tank" workshops and national conferences. These activities started in 1987 and are reflected in our publication series (see List of ARRG Publications and References). CRRF is a charitable volunteer organization devoted to the betterment of rural Canadians. CRRF is incorporated under the Societies Act of Alberta and has operated nation-wide since 1991. Our presentation to the Standing Committee represents some of the diverse research and experience of the ARRG Network. The presenters are:

**Leonard (Peter) Apedaile**

Agricultural economist. President of CRRF and ARRG Research Network Co-ordinator. Currently the McCalla Research Professor at the University of Alberta.

**Bill Reimer**

Sociologist. President-elect of the Canadian Society of Sociology and Anthropology and Associate Professor of Sociology at Concordia University.

**Jack Stabler**

Regional economist. Professor and Chair, Department of Agricultural Economics at the University of Saskatchewan.

The presenters are supported by four other members of the Network:

**Frances Shaver,**

Sociologist. Treasurer of CRRF and Associate Professor, Concordia University.

**Ray Bollman**

Agricultural economist and statistician. Chief of Research and Analysis in the Agriculture Division of Statistics Canada.

**Tony Fuller**

Geographer and rural development planner. Secretary of CRRF and Professor, University School of Rural Planning and Development, University of Guelph.

**Phil Ehrensaft**

Sociologist. Vice-President of Research, CRRF and Professor, Université du Québec à Montréal.

The other members of the network have all been consulted for this presentation. They are David Freshwater, University of Kentucky; Bruno Jean, Université du Québec à Rimouski; Steven Schilizzi, Institut National de la Recherche Agronomique à Montpellier, France; and Richard Rounds, Director of the Rural Development Institute, Brandon University.

You will hear a diversity of conclusions based on our research. We do not apologize for this. Our network involves several disciplines, with wide experience from living and working in different parts of rural Canada and in rural areas abroad over many years. We thrive on debate.

## OVERVIEW

We want to talk about what our research suggests for improving the performance of agriculture and the rural economy to the benefit of both rural households and the national interest.

There is a need to reexamine the reliance of agriculture in Canada on agricultural policies. The new reality is that complex and inseparable relationships of agriculture to its community and to world economies now seriously limit the scope for sectoral policy. Sectoral approaches to policy no longer appear useful, are expensive, and add to the complexity of doing business and building community by rural Canadians.

## SEVEN POINTS

The following points summarize the important issues that arise from our research. We must:

- **Broaden the context of agriculture**  
Agriculture can only be understood in its full economic, social, and environmental context.
- **Realize the economic and social potential of rural women**  
The massive potential of women's contribution to the rural economy has been underestimated. Women are more than labour, more than skill. They are pivotal in managing the uncertainty facing agricultural and other rural enterprises seeking to expand through trade.
- **Improve the quality of rural life**  
Farming must offer people a satisfactory quality of life if agriculture is to compete successfully for high-performance human resources. Farming is more than a production business. It is a way of life which manages well the special kinds of uncertainty associated with agriculture. A good quality of farm life will help to sustain rural communities.
- **Understand the dynamics of rural restructuring**  
Rural restructuring is fundamental to healthy rural communities. Municipal governments, co-operatives, churches, school boards, health services, and volunteer organizations change their structure to cope with new responsibilities, revenue shocks, and new technologies. There is no status quo in a dynamic world.
- **Strengthen rural community networks, not places**  
Rural volunteer organizations, networks, and social services are essential to the tenacious pursuit of competitive advantage for rural enterprises. The places where these support activities take place are consolidating. The original locations of villages, towns, and hamlets may not all be preserved. Some, however, can thrive and prosper with "people economics" more than place economics.
- **Respond flexibly to manage complexity with local initiative**  
Rural development opportunities and constraints are idiosyncratic, complex, and community-specific. More localized responsibility for development is necessary, following the lead of emerging European programs.
- **Use systems thinking to cope with complexity**  
A systems approach to determining governments' relationships with the rural economy is the new essential basis for solving agriculture's problems. The science of complexity is reducing the need to divide rural policy into parts which never quite seem to come together for rural people.

## ROAD MAP

The brief proceeds with a section each from Bill Reimer with Frances Shaver, Jack Stabler, and Leonard Apedaile.

The Reimer/Shaver section provides three arguments for a more inclusive approach to agricultural policy. The first rests on the fact that people involved in agricultural production are often dependent on income from other economic sectors. Policies affecting their options in one sector are therefore likely to affect their options in another. Their second argument concerns the under-representation of women's contributions to agriculture. Women are much more directly involved in production than the official statistics show, and their support through farm labour, household organization, and crisis management often makes the difference between the success and failure of an enterprise. Their third argument concerns the importance of rural communities and their networks of volunteer organizations and social services. Communities and their networks provide a significant support for agriculture through training, improving the quality of life, and maximizing flexibility. Reimer and Shaver conclude that the integration of sectoral policies, the recognition of women's contributions, and support for social services and informal networks are all crucial elements for a strong agricultural sector in viable rural communities.

The Stabler section demonstrates that commercial services are well-distributed throughout rural Saskatchewan and correspond to the labour market areas and to the growth of manufacturing in rural places. Growth of employment and numbers of firms are stronger the more trade-oriented the manufacturing. One of the strengths of prairie rural economic restructuring lies in the eclectic nature of the manufacturing and its independence from agriculture. Stabler makes these observations by integrating findings from research on the consolidation of prairie towns with the development of manufacturing and rural labour markets.

The main conclusion in the Apedaile section is that the sequencing and pace of change in policy harmonization will determine whether about 25,000 prairie farms adjust out of commercial food production to other agricultural and rural activities in a humane, manageable, intergenerational manner or with an adjustment crisis within one generation similar to that of the east coast fisheries. The second finding is that the development of rural trading activities, which are the source of growth in rural employment in pluriactive farm households, as identified by Stabler, is likely to be slow because entrepreneurs are poorly positioned to engage in trade through alliances, and inter-provincial trade barriers hit rural business disproportionately harder than urban business. The last conclusion is that predator prey models of complexity can shed new light on how to improve the predictability in agriculture and why crop insurance and income stabilization are expensive and relatively ineffective.

The brief concludes with answers to questions raised by the members of the Standing Committee. In addition we offer a few notes on "Towards a Vision for Rural Canada," which suggests directions in which rural Canada is headed and how policy alternatives may offer guidance. Importantly, we suggest a process of building a national vision for rural Canada.



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## Presentation One:

# A COMMUNITY AND FAMILY PERSPECTIVE

*by Bill Reimer and Frances Shaver*  
Concordia University

### 1 Introduction

- We will not be providing solutions, but we welcome the opportunity to put before you some of the insights and perspectives which my colleague, Frances Shaver, and I have gained as the result of twenty years of research.
- We have investigated three general issues of relevance to non-metro Canada:
  - the effects of changes in farm technology on farm households and farming communities,
  - the contribution of women to agricultural production, and
  - the significance of formal and informal institutions of social support in non-metro communities.
- These issues are not unrelated and the history of why we moved from one to the other provides a convenient framework for the points we wish to put before you.

### 2 Farm households and farming communities

- When we came to Quebec in 1972 we chose our field of research as an extension of the work on forestry communities which we had done in B.C.
- Using a sectoral approach to non-metro Canada, we decided to focus on agricultural communities since this was a more prominent feature of rural life in Quebec than it was in B.C.
- After several years of research, and especially a year of field work in a small Quebec parish, we realized our sectoral approach was wrong.
  - Rural people do *not* operate as if sectoral differences are important.
  - As Jack Stabler and Peter Apedaile show, work in non-agricultural industries is often mixed with farm work, especially at the household level.
- If we continue to hold the view that agriculture is independent from forestry, fishing, recreation, or public service then we create programs that are inappropriate for rural life, and we remain blind to the opportunities that emerge when all aspects of rural life are taken into account.
- Our appreciation of this new perspective emerged as the result of our interest in the role of women on farms.

### 3 The contribution of women to agriculture

- As part of our field work, we measured the contribution women made to the operation of the family farm in three different ways.
  - One was modelled after the labour force survey,
  - a second was based on the identification of which family member was responsible for a series of tasks directly related to agricultural production, and

- the third was a time-budget, in which each member of the household was asked to itemize his or her activities over a full day.
- The first measure reflected almost exactly the rate of women's participation provided by the official figures (around 30 per cent of farm labourers). The time-budget data revealed this to be an underestimation, however, since most of the households which indicated there was no women farm labour showed women spending some of their time on farm-related tasks.
- An examination of the task responsibilities confirmed the inadequacy of the official figures. When we looked at those tasks directly related to farm work, we found that in 71 per cent of the farm households, a female member had sole responsibility for at least one of the activities, or she was jointly responsible with a male.
- This led us to explore, in more depth, the various ways in which women's contribution to agriculture is unrecognized and under-evaluated.
- We found that women are the primary managers of uncertainty — in the farm, in the family, and in the community. For example:
  - they are the major producers of goods for consumption by members of their households (for example foodstuffs, household articles, and clothing). In most cases these goods directly contribute to the operation of a family labour farm by reducing purchasing costs.
  - Even in those enterprises where they are not the principal operator, they continue to provide a significant source of support for the farm in terms of health care, crisis management, and the reproduction of the labour force.
  - They are often the major link between the farm and the surrounding community since they are frequent participants in voluntary associations and broader social support networks.
- It was when we investigated the contribution of women that we became aware of a further limitation in our perspective.
- By focusing on the farm alone and the household alone, we had missed the crucial role which social networks and institutions play in maintaining and reinforcing agricultural activities.
- Once again we were forced to expand our vision of the farm, this time to recognize the crucial role which local community support structures play in the maintenance of agriculture.

#### 4 Social support institutions

- We turned to examine the extent to which non-metro people were involved in formal and informal support networks and institutions.
- Across Canada, about 57 per cent of non-metro adults are involved in the more formal of these organizations: service clubs, religious organizations, social clubs, sports, political, or business groups.
- This sector of the economy has been estimated to handle nearly one-third of Canada's income and employ more people than all levels of government (Quarter, 1992: xi).
- If we expand our view to include informal networks, we find that more than 90 per cent of the non-metro population receives financial or service help from these sources.
- They provide a significant resource for community development and a better quality of life. For example, strong community networks have been shown to:
  - minimize the intensity of social conflict (Jackson, 1975)
  - reduce crime rates (Freudenburg and Jones, 1991)
  - increase commitment to the local community (Goudy, 1990)
  - provide a source of information and contacts for economic endeavours (Granovetter, 1973)
  - establish a climate of trust in which such ventures can take place
  - train people in organizational skills which are highly transferable to other contexts.
- They are also an important ingredient in the ability of a local community to respond to more general economic and social changes.

- This is especially important in the current conditions of uncertainty and change.
  - In order for creative adaptation to take place, people have to know how to inform themselves, organize themselves, and mobilize resources.
  - They best learn these skills in informal groups: playing baseball, raising money for a church, organizing a picnic, or putting on a play.
  - Best of all, these are the same activities that build trust and confidence so that crises can be met with appropriate responses.

## 5 Implications for policy

- In conclusion, we would like to provide a number of policy suggestions which flow from this work.
- To reduce the sectoral divisions in our policies, interaction should be increased among both social and economic departments of the government.
- This is why the establishment of a federal rural secretariat is promising. It needs to be strengthened along with the other places where such exchange takes place, such as:
  - the Interdepartmental Committee on Rural and Remote Canada, and
  - the Community Futures Program. This is especially important since it includes a strong intersectoral component at the local level.
- We must explore mutually beneficial ways of integrating the various aspects of rural Canada:
  - the transfer of skill from one sector to another,
  - education appropriate to the requirements of rural Canada,
  - the organization of work to meet the demands of farm family pluriactivity (or multiple job holding),
  - support and make use of the existing networks and institutions in rural Canada — not duplicating or competing for the resources which they require;
  - in this regard it is particularly important to formulate policies in such a way that they are appropriate for varying local conditions. This is one more way where local flexibility can be encouraged.
- We must establish programs that recognize and support the roles women play in agriculture and rural communities. These include:
  - accessible child care,
  - gender-equitable training,
  - fair legal recognition,
  - pensions,
  - employment arrangements which are flexible.
- *Above all, we must recognize the importance of vital communities to the future of agriculture. This means building on the social resources which they now have and developing those which will enhance rural Canadians' ability to assess and respond to a constantly changing economic, social, and ecological environment.*

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**Presentation Two:**

## **RURAL COMMUNITY RATIONALIZATION**

*by Jack Stabler*  
Department of Agricultural Economics  
University of Saskatchewan

*The headings in the following presentation refer to figures found on pages 14 through 20.*

See Figure 1:

### **Average Non-Farm Employment Income and Net Farm Income Per Family Farm, Saskatchewan, 1991**

Two dramatic facts are revealed by the numbers in this figure. The first is that non-farm employment income exceeded net farm income by a substantial margin for farm families in Saskatchewan in 1991. While net farm income was unusually low in this year, the conclusion is unchanged when data for other years are used for comparison. While net farm income exceeded non-farm employment income for families on farms with more than 1,280 cultivated acres, only about 15 per cent of farms exceed this size.

The second point to note is that on-farm diversification is not nearly as financially rewarding as diversification of the family's labour resources. This can be seen by comparing lines with a plus symbol (which identifies farms diversified into a second enterprise such as hogs or beef cattle) with the (unsigned) lines in the identical size group which identifies enterprises which produce only crops.

At this time approximately 60 per cent of farm women and 30 per cent of farm men hold off farm jobs.

See Figures 2 and 3:

### **Saskatchewan Trade Centers by Functional Hierarchy, 1961** **Saskatchewan Trade Centers by Functional Hierarchy, 1990**

The second and third figures identify viable trade centers in Saskatchewan at two points in time: 1961 and 1990. The dark squares identify cities (wholesale-retail centers) while the dark triangles identify towns (regional shopping centers).

Comparison of these two figures illustrates the nature of trade center consolidation which has taken place during the past three decades.

The number of viable centers decreased from more than 130 to 62 between the 1960s and the 1990s. However, as shown on the third figure, the thinning out process has left one or more viable centers in each area of the province. Further, the group of 62 centers gained in terms of businesses and population during the period under consideration. These are the communities in which most farm women and a portion of farm men, along with many other rural dwellers, find employment.

See Figure 4:  
**Change in Manufacturing and Trade/Service Establishments  
 in Saskatchewan Communities  
 1961-1990**

In the fourth figure the present average population size of Saskatchewan communities is shown along with the change in number of trade, service, and manufacturing outlets.

The smallest (536) communities lost more than 2,200 trade and service outlets between the 1960s and the 1990s, while the largest 62 communities gained approximately 6,500. All classes of centers gained manufacturing plants. These gains were not large enough, however, to offset the loss of trade and service outlets for the smallest two size-groups of communities. For the largest 62 centers, however, gains in manufacturing outlets complemented the growth of trade and service outlets.

An additional important observation that can be made based on the information summarized in this figure is that nearly one-half of the gain in manufacturing establishments between 1961 and 1990 occurred outside of Saskatoon and Regina. Manufacturing is one of the activities that is growing in rural areas. These plants are small operations oriented towards niche markets; most of them produce products not directly related to Saskatchewan agriculture. The fact that the manufacturing activities are somewhat diversified is good news. Their business cycles are not related to the agricultural business cycle.

See Figures 5 and 6:  
**1990 Saskatchewan Trade Centers by Functional Hierarchy  
 Largest 15 Labour Market Areas (LMAs), 1991**

The circles on the fifth figure show the retail market-areas of the 16 communities in the three largest size groups. The (uncircled) triangles identify the locations of the 46 communities in the fourth largest size group, the partial shopping centers. This map graphically portrays the dominance of these largest communities in the provincial trade-center system.

These communities are also the most important employment centers in the province, as indicated on the sixth figure. The spatial labour market identified on this figure shows those areas which experienced net job creation between 1981 and 1991. The shading (core, adjacent, periphery) classifies rural municipalities according to the intensity of their interaction with the communities that constitute the focal points of their labour market areas.

The two largest LMAs (Labour Market Areas), centered on Saskatoon and Regina, provided jobs for more than 18,000 commuters and more than 170,000 resident non-commuters in 1991. The next largest 13 LMAs (the remainder of the shaded areas on Figure 6) employed more than 23,000 commuters and nearly 72,000 non-commuters in 1991. All of these areas gained in terms of jobs for both commuters and non-commuters between 1981 and 1991. The overall gain in employment for these 15 LMAs was 33,600. The remainder of the province lost jobs — for both commuters (-985) and non-commuters (-3,380) alike. Growth became increasingly urban-based during the 1980s as resource-based industries, including agriculture, lost jobs while service industries and service type occupations gained.

See Figure 7:  
**Positive Aspects of Rural Restructuring**

The final figure summarizes the points made in the previous figures. Market income earned from agricultural activities (especially in the grain economy) has been depressed for a decade. Farm families have responded by diversifying their labour resources. Off-farm income now provides more support for farm families than net farm income. Farm families have become more like their urban counterparts, with most households characterized by two income earners.

An off-farm job has proven to be a more rewarding source of additional income than on-farm diversification, especially for farm families within commuting distance of a viable urban labour market. Families living on more remote farms face more limited choices: non-agricultural diversification on the farm or diversification of the agricultural enterprise.

The participation rate of rural women is approaching that of urban women. Many farm women now have career aspirations apart from, or in addition to, those held for their farm enterprise. Many, if not most, will continue to work off the farm in the future regardless of what happens to commodity prices.

Federal and provincial policies need to take into account the interdependent and interrelated nature of the rural economy. Infrastructure, natural resources, and transportation policies need to consider explicitly their potential contribution to maintaining and strengthening the remaining viable rural communities. Small-scale, niche-market, export-oriented manufacturing needs to be recognized for its contribution to job creation in rural areas and the contribution it could make to further growth.

This final figure summarizes the integrated nature of the rural economy. It also emphasizes the positive aspects of the restructuring process. Policies need to (a) recognize this interdependence and (b) build upon these strengths.

**Figure 1:  
Average Non-Farm Employment Income and Net Farm Income  
Per Family Farm, Saskatchewan, 1991**

Land Base Size (cult. Acres) and Farm Type	Est. <sup>2</sup> Avg. Non- Farm Empl. Income		Realized <sup>1</sup> Avg. Net Farm Income		Average Off-Farm Empl.	
	<60 yrs.	All	<60 yrs.	All	<60 yrs.	All
	(\$)	(\$)	(\$)	(\$)	(wks.)	(wks.)
1-640	12,332	8,632	-2,206	-795	21.8	15.2
1-640 +	7,137	5,785	946	1,182	12.9	10.5
641-1280	7,394	6,417	221	1,380	11.0	9.5
641-1280 +	4,476	4,070	2,032	2,635	6.6	6.0
1281-2500	7,539	6,911	8,455	9,058	8.5	7.8
1281-2500 +	5,542	5,012	7,640	8,278	5.7	5.1
>2500	7,936	7,018	22,403	22,643	8.1	7.1
>2500 +	5,545	4,988	20,810	19,737	5.2	4.7
<b>Total</b>	<b>8,430</b>	<b>6,761</b>	<b>864</b>	<b>1,418</b>	<b>14.2</b>	<b>11.3</b>

Source: Statistics Canada, 1991 Census Ag. Pop. Linked Data Base,  
Special Tabulation, 1994.

<sup>1</sup>Realized average Net Farm Income is defined as Gross Receipts minus Expenses and Depreciation. Depreciation is calculated using the declining balance method, rates vary by province but range between 10% and 13%. The rate for Saskatchewan in 1991 is 11.5%.

<sup>2</sup>Estimated Average Non-Farm Employment Income is derived by multiplying the weeks of off farm employment by the 1986 wage rate, inflated by the national average to 1991 wage rates.



**Figure 2:**  
**Saskatchewan Trade Centers by Functional Hierarchy, 1961**

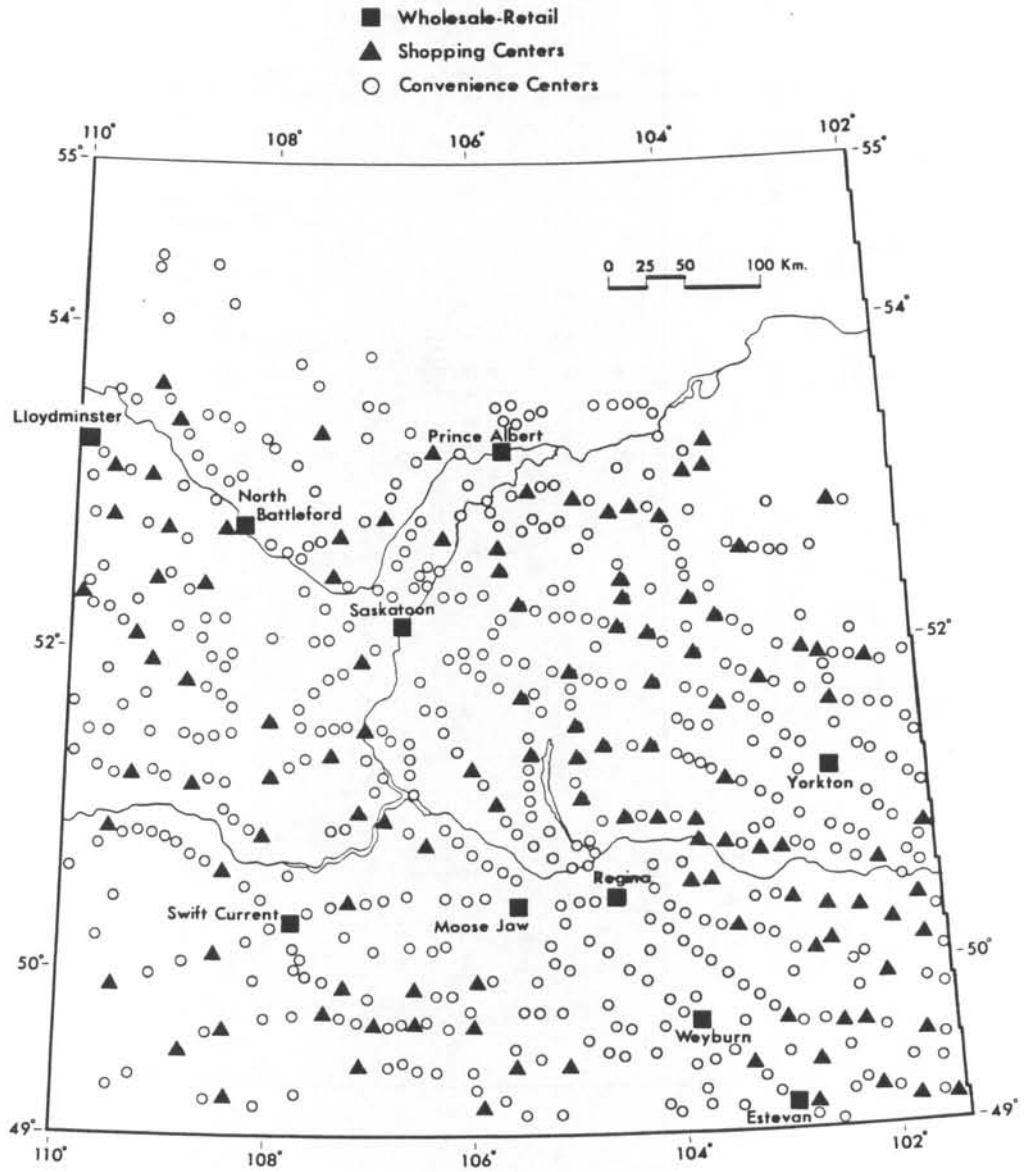
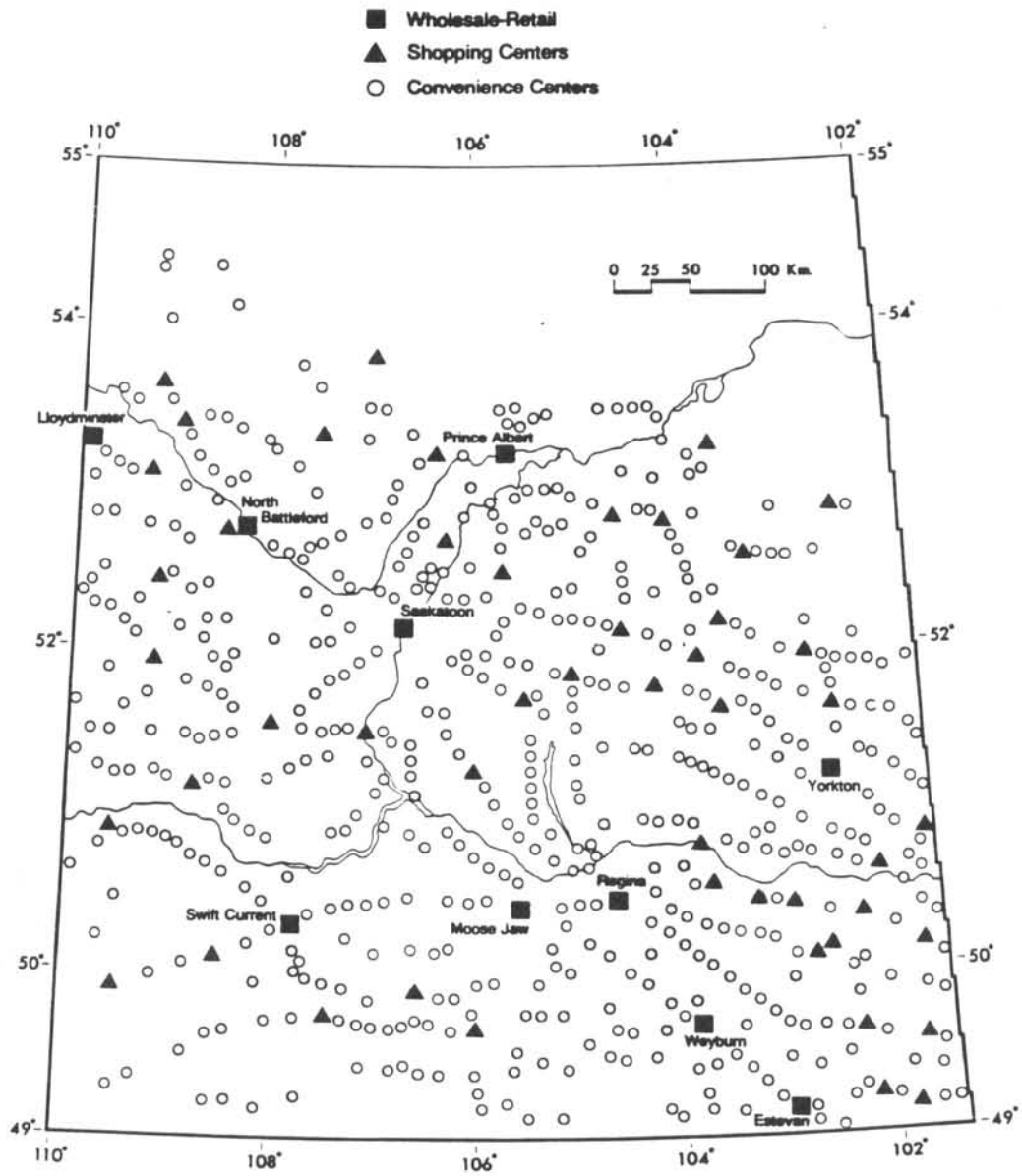


Figure 3:  
Saskatchewan Trade Centers by Functional Hierarchy, 1990

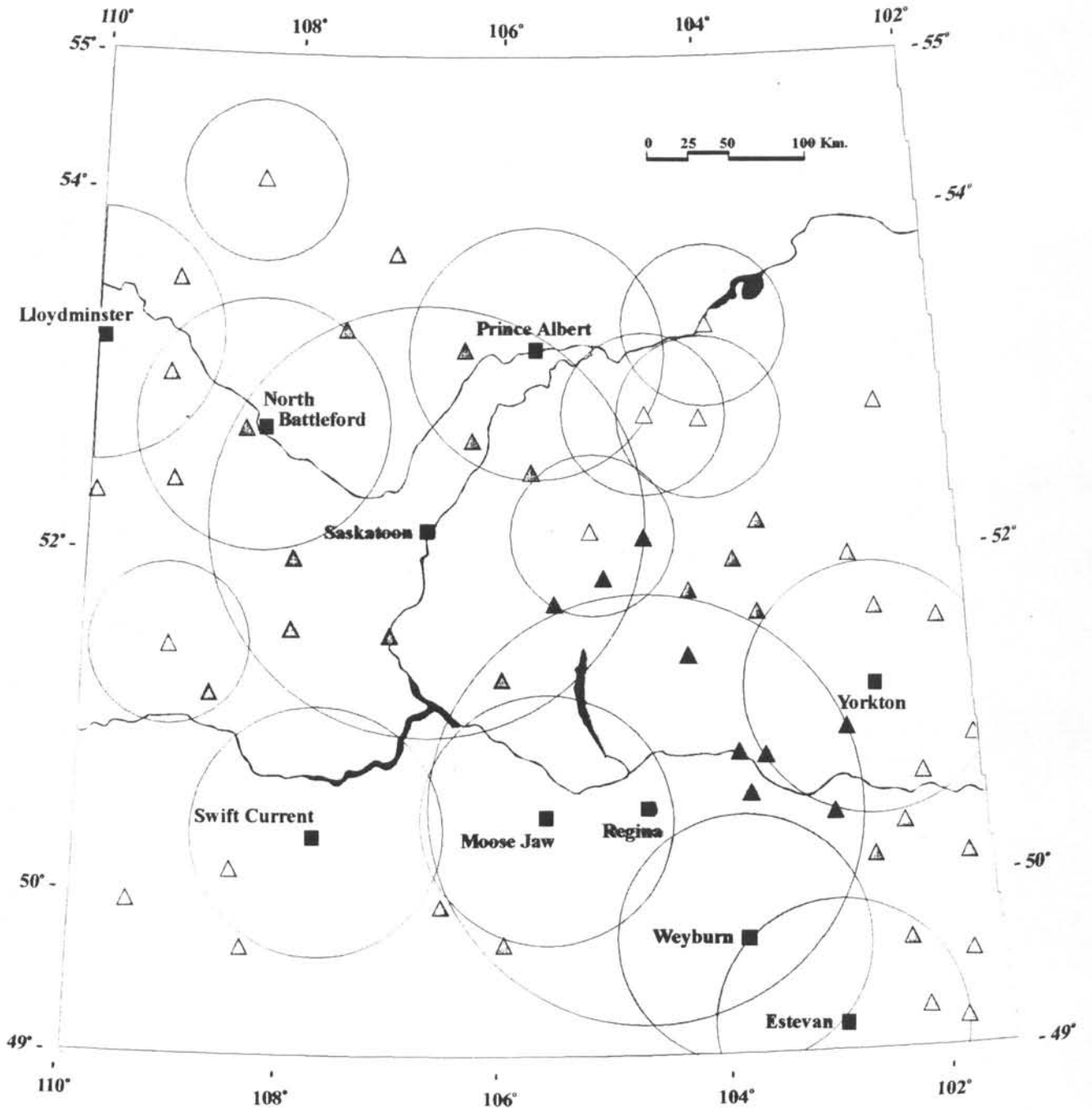


**Figure 4:**  
**Change in Manufacturing and Trade/Service Establishments**  
**in Saskatchewan Communities, 1961-1990**

Level of Centre	<u>Communities</u>		<u>Chg. in No. of Outlets</u>	
	No.	Avg. Size	Mfg.	Trade/ Serv.
MCC	419	141	42	-2012
FCC	117	575	61	-220
PSC	46	1,759	90	621
CSC	6	4,872	44	498
SWR	8	18,088	139	1490
PWR	2	183,488	414	4013

**Figure 5:**  
**1990 Saskatchewan Trade Centers by Functional Hierarchy**

- Primary Wholesale-Retail
- Secondary Wholesale-Retail
- △ Complete Shopping Centers
- △ Partial Shopping Centers



**Figure 6:**  
**Largest 15 Labour Market Areas (LMAs), 1991**

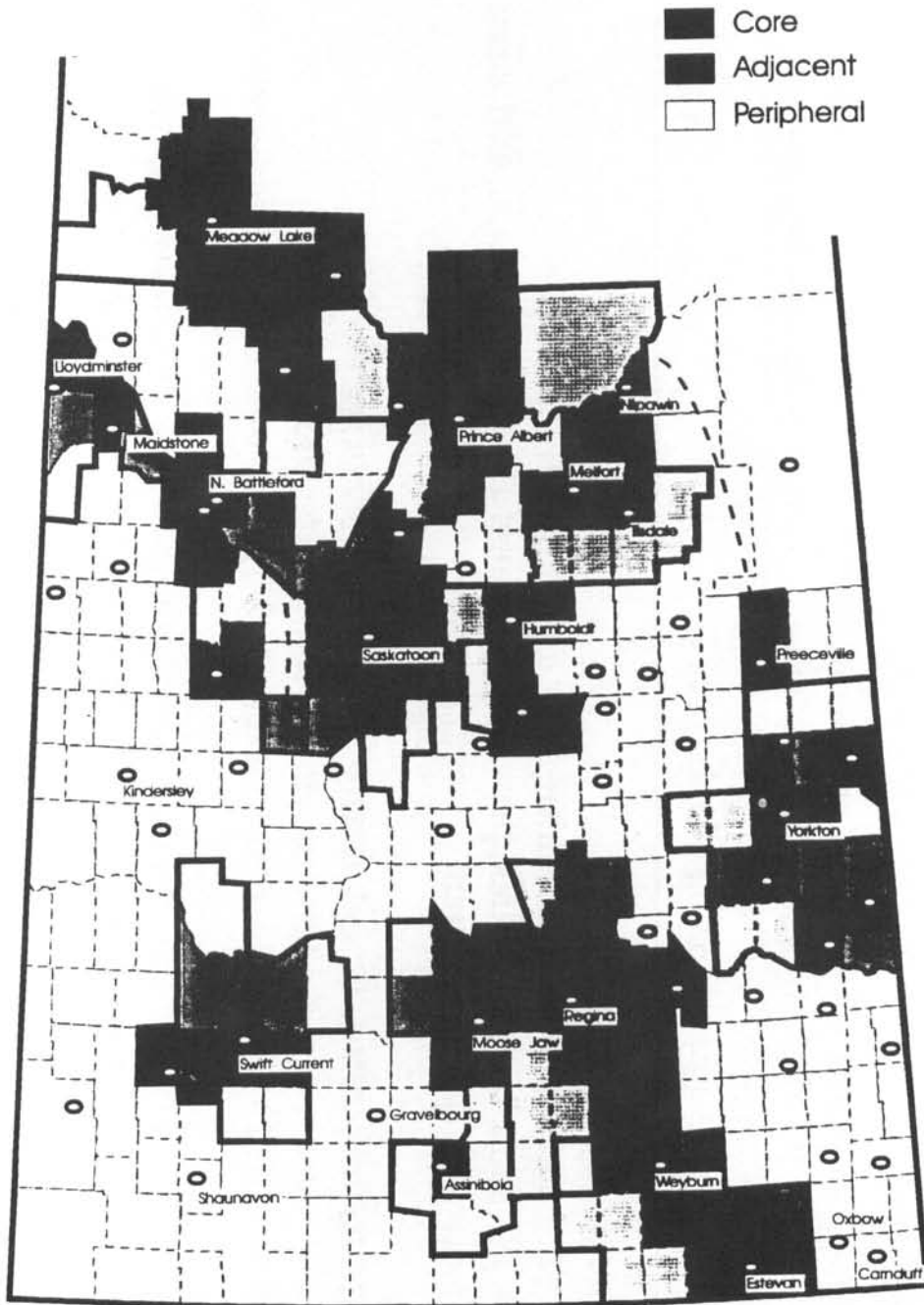


Figure 7:  
Positive Aspects of Rural Restructuring

### *I. Agriculture*

- == > on-farm diversification is costly
- == > but diversification of farm labour increases family income
- == > women's participation rates are increasing
- approaching urban rates

### *II. Rural Communities*

- == > some rural communities are growing - are viable
- == > rural communities provide most jobs for rural women and some jobs for rural men

### *III. Manufacturing is Growing in Rural Prairies*

- == > small scale, niche market oriented manufacturing
- == > the firms produce an eclectic variety of products, not necessarily related to agriculture
- == > the greater the export orientation of these firms, the faster their growth and the greater their optimism for the future

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**Presentation Three:****FARMING AND THE NEW RURAL ECONOMY**

*by L. P. Apedaile*  
Department of Rural Economy  
University of Alberta

**Conclusions from three research endeavours****ONE:**

Four conclusions are taken from sixteen soon-to-be-published comparative studies of Canadian and U.S. agricultural structure. The research involves the ARRG Research Network with social scientists at Statistics Canada, six universities in both countries, Agriculture Canada, and the Economic Research Service of the United States Department of Agriculture.

1. Tax, social, and regional policies have greater influence over restructuring than do agricultural policies.
2. Pluriactivity, or multiple income-earning activities, are now diverse and pervasive in Canadian agriculture as they are in agriculture in all OECD countries. Pluriactivity reflects a maturing of the rural economy and greater flexibility for coping with uncertainty than ever before.
3. Contradictions between rural employment objectives and environmental imperatives are impediments to rural and agricultural development. The rural economy may be viewed as the economic buffer zone between human interests in economic growth and the need for a long-term perspective on the environment. Metro waste is processed in rural places while the natural resource base of the rural economy is under tougher and tougher scrutiny for sustainable logging, farming, and fishing.
4. Agricultural policy processes managed by federal and provincial departments of agriculture are replacing weather and markets as the greatest source of uncertainty for farming. Canada has a poor record of dealing with the capriciousness of government programs and policies.
5. Harmonization of the agricultural structures of the U.S. and Canada foreshadows income problems for mid-sized Canadian farms, especially in the West, possibly approaching the scale of the east coast fisheries crisis. The rates of growth of off-farm income opportunities would not be able to cope with a rapid withdrawal of direct agricultural subsidies. Market-based net farm income in Western Canada is a structurally weak component of agricultural household earnings. Market-based net farm income was negative for about 90 per cent of farms in 1991.

**TWO:**

We are also studying ways to strengthen tradeable activity in rural places. Our project compares non-agricultural enterprises involved in trade in typical rural areas of Alberta, Nebraska, and Sonora (Mexico) in the context of the North American Free Trade Agreement (NAFTA). These results are complementary to the work reported in this brief by Jack Stabler on rural manufacturing and Bill Reimer on social networks.

1. Rural entrepreneurs are generally inward looking and not export oriented in all three provinces/states. We do not know why this attitude exists, but it has to change to take advantage of new opportunities for trade and business alliances. We think it can change as businesses broaden their financial bases, are better prepared in social and cross-cultural processes to allay anxiety, and as they experience the constraints of local markets.
2. Rural business in Alberta is proportionally disadvantaged by inter-provincial trade barriers relative to metro business. Provinces have a long history of supporting restrictive trade practices legislatively and by procurement practices. These raise the prices of inputs to rural firms, harming their efforts at obtaining a competitive advantage in North American markets. Provincial and federal rural development programs like those of the Prairie Farm Rehabilitation Act (PFRA) do not have a good understanding of the principle of competitive advantage either. Rural firms tend to source locally in metro markets of their province or state for their production of exports. The economic multiplier effect of exports is stronger this way, but at the expense of expanding exports.
3. Disintegration of rural communities is reducing, possibly irreversibly, the ability of rural entrepreneurs to become more trade oriented. Strong social and volunteer activity in a community cuts across business and social barriers to make business more secure by reducing uncertainty of supply, financing, labour relations, and markets. This security and support networks for crisis management enable entrepreneurs to trade further afield. Our work in Alberta and Nebraska is underway to determine the relationship between social networking and gender participation, and the share of international trade on business balance sheets.

### THREE:

The above conclusions are more revealing when considered in light of our work on applications of chaos theory to the agricultural economy based on quantum physics and predator prey economics. We contend that the relations of agriculture with industry and the environment are not so much competitive as predatory. We also argue that strong social networking is the main way predation is mediated and mitigated to maintain a healthy prey, without which predator interests could not be realized in the long run.

Predation is not "bad" in itself, until it violates ethics and other rules to prevent things like over-fishing and opportunism harmful to long-run interests.

1. The main responsibility for a public policy on agriculture and rural affairs is to improve predictability for business decisions. Uncertainty appears to be a major force leading to concentration in markets and disorder at the farm and business level. This enables predatory behaviour on the part of the rest of the economy to extract value-added from rural enterprises, the environment, the work force, and social institutions.

Tax, social, and technology policies govern much of this predatory behaviour which is why they are so important to agriculture. The uncertainty in policy processes is generated by the lobby style of these processes fostered by the sectoral structure of cabinet portfolios. Contradictions between employment and environmental needs are an outcome of predatory relations, with natural resource enterprises being the predators.

Lack of predictability consumes large amounts of business time to protect market shares and maintain just-in-time relations with suppliers. This time could be better used in export development. Better skills at personnel relations and delegation of responsibility within the family structure of most rural enterprises would release time for export promotion.

2. Economic and environmental recovery rates appear to play a major role in stabilizing the dynamics of agriculture. Recovery rates determine resilience to the detrimental effects of weather, markets, or policies. Farm family pluriactivity has become a prominent way in which agricultural recovery rates have been improved. However, there is a great need for



substantial increases in socio-economic research funding to improve recovery rates. To date this area of research has been all but ignored by Agriculture Canada and science and technology policy.

3. Elements of chaos in the relations of the agricultural system to industry, the environment, and across national borders explain why stabilization programs and crop and income insurance deplete our treasuries and do not solve farm problems. Unpredictability rooted in chaotic performance of agriculture is associated with predatory relations. For example the economic relations between the United States and Canada are essentially predatory, whether in agricultural chemicals markets, livestock markets, trade in durum wheat, biotechnology, or church pews.

### **Work to be done to get rural Canada moving**

1. Begin to solve the financial problem of rural Canada on both the public and private accounts. Reduce the dependence on government-managed income transfers and grants. They are unreliable and the major reason that policy processes are replacing weather and markets as the major source of uncertainty for rural life. These policies are also increasingly dysfunctional. Rural Canada is in danger of becoming a sub-culture of dependency with welfare payments destroying the social and cultural fabric and individual initiative.

Establish the metropolitan willingness to pay for fulfilling the already existent broad rural and agricultural mandate in Canada. Develop creative new tax initiatives to finance rural development. Keep the accounts distinct from the general revenue account. Negotiate the social and environmental standards to be maintained while servicing this mandate.

2. Establish a balanced social and bio-physical investment approach to research and development. Technological change and the effects of publicly funded research exert powerful forces, shifting entitlements to income away from farmers. These forces are central to the Canadian farm and rural income problem and need to be integrated into science and technology research and policy.

Mechanical, information, and biotechnologies have a common effect. They help develop the rural economy, but extract much of the value added from that development. Agriculture, for example, is more like an open-air assembly plant combining inputs produced in metropolitan factories and feeding downstream industries also in metropolitan areas. Since all transactions are by nature predatory and transactions costs especially so, income transfers to agriculture enable greater value added to be extracted than otherwise would be the case. The absence of a strong social science component in technological research is part of the reason for costly subsidy programs which attempt to correct the associated income problems.

3. Orient government programs to stimulate rural economic development to business and alliances which promote exportable goods and services. Otherwise the rapid diversification of services is making rural economies less and less tradeable and stifling growth prospects. As Jack Stabler has demonstrated, an eclectic mix of new trading enterprises is required to make rural economies less resource dependent at this time of expanding trade opportunities and vulnerabilities.

The following short sections elaborate on the actions which can be taken.

### **Willingness to pay for the broad mandate for agriculture**

The traditional domestic food security and export mandate for agriculture in Canada is outdated. Farmers do much more than produce food for the nation. They provide countryside

amenities to urban people. They pay for rural roads through property taxes. They process urban waste ranging from landfill and industrial and metropolitan effluent, to servicing the urban poor and illiterate. Farmers maintain the rural environment for future generations of rural and metropolitan people.

In Canada, 60 to 70 per cent of agricultural households are no longer significant contributors to the food mandate, contributing only 25 per cent of the nation's agricultural output. This group is likely to increase to the 90 per cent already achieved in the United States. Yet the development and income policy requirements for these farm households is entirely built around commodity and agricultural programs.

Farm programs for this large majority of farmers are less and less credible, and more and more expensive. Taxpayer patience is beginning to waver. These programs not only do not address the issues but appear to be dysfunctional in achieving rural development, sustainable competitive advantage for agriculture, and trade harmony.

Financial and regulatory support for farming cannot be pulled out, however, without having alternative policies up and working. A rapid reduction of direct subsidies places the 10 per cent of households operating larger farms in greater difficulty than the 70 per cent of smaller operations. Households in Western Canada with \$55,000 in sales earn 21 per cent of their income in the form of direct agricultural subsidies (Column 5 of Figure 1).<sup>\*</sup> Those with \$232,000 in 1990 earned 35 per cent of their income from subsidies (Column 15 of Figure 1).

In Eastern Canada, households with equivalent status had \$85,000 of sales with 20 per cent of their earnings as subsidies, and \$267,000 of sales with 28 per cent of household earnings in the form of subsidies (Columns 5 and 15 respectively of Figure 2). The higher values of farm sales in Eastern Canada are bolstered by supply management.

Figures 1 and 2 provide clear evidence that the roughly 70 per cent of agricultural households represented by the first five bars of the graphs are extremely pluriactive. This is the basis for their resilience as farming households. Their relative importance will swell as farms consolidate, requiring steady growth of non-agricultural activity in rural places. This pluriactive majority of farms is an important source for skilled labour, new entrants to highly commercial agriculture, and entrepreneurs for non-agricultural enterprise.

The roughly 30 per cent of agricultural households represented by the remaining 15 bars in the graphs have less time available for pluriactivity and are more dependent on subsidies. Net farm income from market sources is limited. These farms are the most vulnerable to reduced government payments because alternative sources of earnings are restricted by institutional market problems, the time needed to handle a rapidly growing farm operation and the limited rate of growth of off-farm employment.

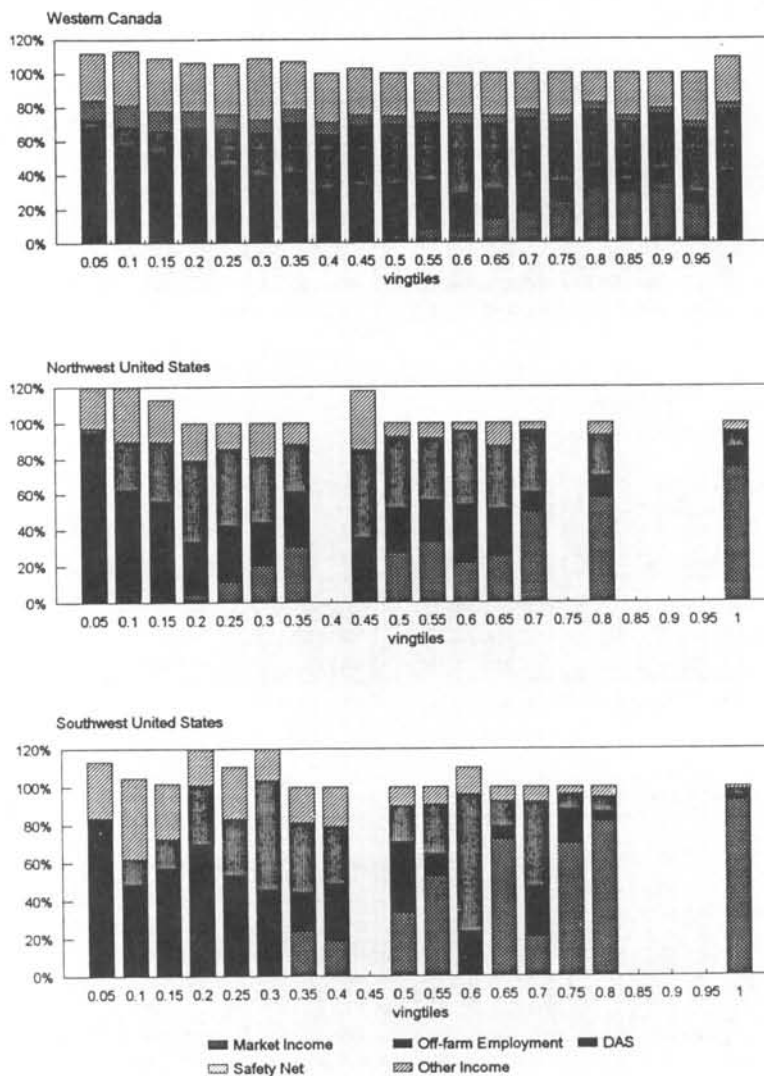
The federal policy of farm adaptation appears to miss the issues. Agricultural households are already among the most adaptable economic units in Canada. They have diversified their sources of income. They have coped with constantly shifting agricultural policies. They are resilient in that their numbers are not declining as rapidly as in the past. If anything, the pace of change is too rapid now for social and economic stability of rural communities and their inhabitants.

The first step to revitalizing agriculture and rural economies is to broaden their mandate through a process of rural/urban negotiation. The process would lead to a new basis for payment for services corresponding to mutually agreed environmental and social standards for the new broadened agricultural and rural community mandate. The payment process could involve a modest tax on food products, now exempt from GST and PST, earmarked for rural uses and payments to rural households for services rendered. The reported use of a municipal sales tax in Minot, North Dakota to fund integrated metro and rural development is a fledgling example of this option.

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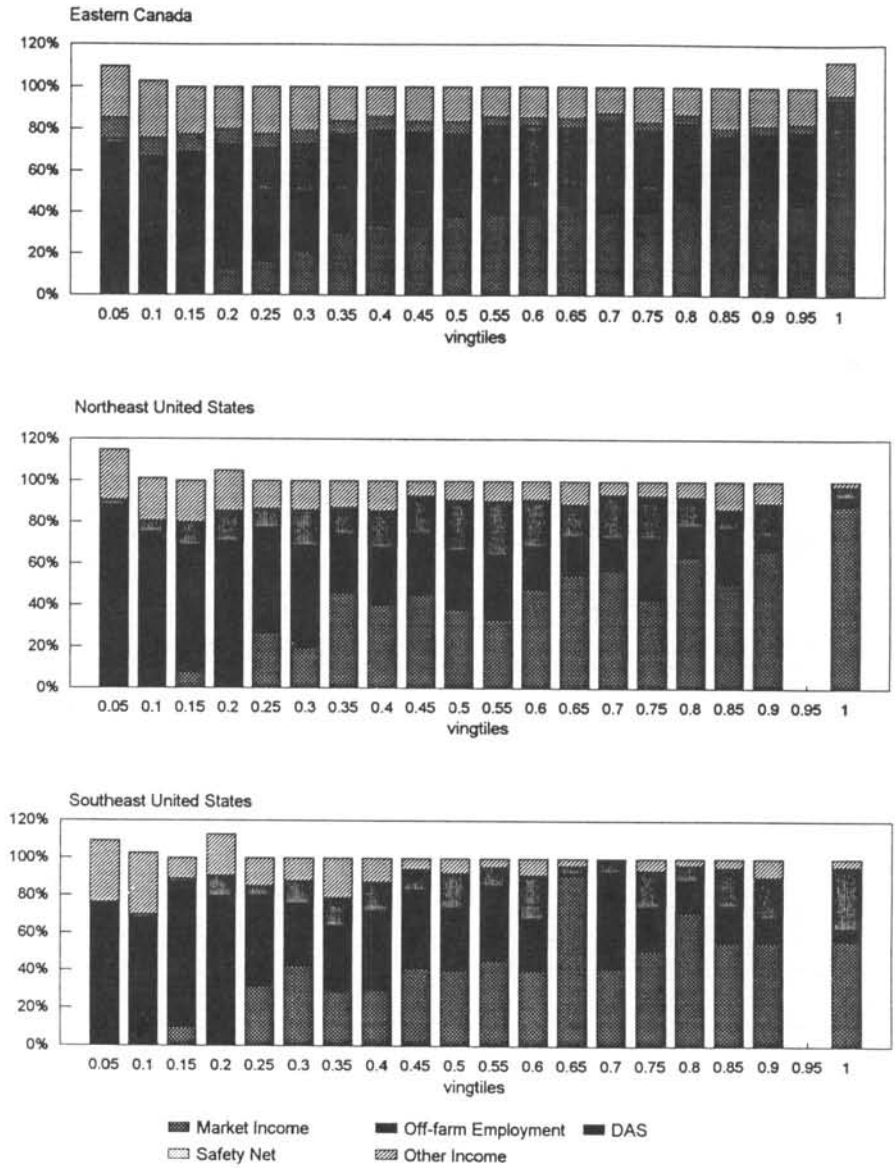
<sup>\*</sup> Each bar (Figures 1 and 2) represents farming households whose farms contributed 5 per cent (1/20th, a vingtile) of aggregate production. Note that about 40 per cent of farming households are found in the first vingtile.

**Figure 1:  
Earnings Source Structure  
All Western Households (1990-91)**



note:  
 -Bars may extend beyond 100% because of negative net farm income from market sources.  
 -Absence of a bar signifies insufficient information for sampling reasons.

**Figure 2:  
Earnings Source Structure  
All Eastern Households (1990-91)**



note:  
 -Bars may extend beyond 100% because of negative net farm income from market sources.  
 -Absence of a bar signifies insufficient information for sampling reasons.

## **Agricultural trade strategy**

We would argue the need to reintegrate family and business interests in the operation of the agricultural household economy to manage the uncertainty of specialization needed to pursue trade opportunities. These interests have long been separated in farm management counselling. The Canadian Farm Business Management Council continues to advocate the separation.

Uncertainty is among the unique features of agriculture. One of the roles of women in agriculture appears to be to manage the uncertainty of shifting specialization strategies on the farm and the angst of the clash of agrarian and industrial values in households. The "farming is a business" ideology advocated by governments and financial analysts over the past thirty years separates women and family interests from criteria for agricultural decisions. One may reason that the separation of family interests from business promotes costly diversification while integration favours the specialization needed for a successful response by agriculture to trade opportunities.

A second argument is that government needs to change the form but not the substance of its alliances with agriculture and rural economies to meet both its obligations to trade agreements and to distribute the gains from agricultural trade to their source. Liberalized trade requires the strengthening, not the weakening, of the commitment of government to agricultural and rural development, the economic integrity of farm households and farm/business relationships based on mutual interest. The Community Futures Program needs strengthening as part of this commitment. The Canadian Wheat Board and supply management are important institutions in the mercantile alliance of government and agriculture in a strategic trade environment.

In principle there is no status quo when specialization is going on. Specialization requires a constant flow of new sources of competitive advantage, whether from efficiency of strong family relationships, better quality resources, alliances with government, or market power. Consider these sources of competitiveness again. They are all elements in managing uncertainty.

Government alliances with agribusiness and household and rural economies require constant strategic restructuring harmonized with trade partners. Alliances are particularly powerful elements in reducing uncertainty to enable competitiveness. Alliances involve things like tax relief, subsidies, grants, exemption from environmental standards and social obligations. The latter are prominent features in the emerging contract structure of the U.S. livestock industry seeking access to the Canadian market. The GATT and the NAFTA may change the forms of these alliances but not their fundamental role for Canada and its trade partners in fulfilling their national objectives for market share, regional development, employment creation, shareholders or political advantage.

Governments should not try to choose or to thwart specialization, unless their treasuries are well endowed. The most difficult policy for governments to resist is the feeling that they need to accelerate adjustment/adaptation and to steer specialization. Policies that do these things are trade distorting and often socially destructive and inhuman.

Constantly changing signals for shifts in specialization contribute greatly to the uncertainty of open borders. Signals include futures markets, exchange rates, interest rates, commodity prices, and political statements. Attention is required to prevent the uncertainty inherent in the unpredictability of these signals from inhibiting the specialization dynamics in rural places, converting them to costly diversification strategies. Already, one of the main planks in the rural policy of some Canadian provinces, such as Alberta, is diversification of the economic base. Federal funding is also organized along diversification lines into a Western Economic Diversification Office for the Canadian Prairies and similar institutions in the other regions of Canada. Diversification is exactly the opposite of the approach needed to capture gains from trade.

## **Science and technology policy for agriculture**

Technology is powerful in changing agriculture because it shifts the entitlements to income among the players. The players are upstream industrial suppliers, onstream farming, and downstream industrial assemblers, handlers and processors of commodities.

Agriculture has become like factories and open air assembly plants, combining industrially produced materials to produce crops and livestock. The artisan, integrated mixed farm producing everything from draught power to butter is but a nostalgic remnant of history.

Let's take a brief look at what technology does. Mechanical technology first shifted most of the on-farm value added in tillage, transport, and harvest to metropolitan factories and assembly lines. Biotechnology is currently shifting the value added by on-farm skills and talent for agronomy and animal management to pharmaceutical firms globally removed from agriculture. Knowledge successfully accumulated by intergenerational family processes used to entitle those families to higher incomes. No longer. Information technology is shifting entitlements to farm value added, attributable to knowledge and information, to global telecommunications industries. Such shifts will become a major everyday feature of the "information highway" as transactions costs are used to move value added around.

The advantages of technology are clear. The strategy to capture and hold the gains is less clear. Our work provides evidence that grain production technology, for example, originating in the south and midwest United States, performs less and less well township by township from south to northern Alberta. The growing reliance on off-shore research and development in Canadian agriculture seems to ensure continuing competitive disadvantage in global grain trade based on productivity and efficiency.

It seems clear that this off-shore reliance requires offsetting advantages by some other means, probably by government to government alliances. The alternative for western Canada is declining exports of grain, and a return to a grassland prairie economy. More than 90 per cent of eastern Canadian farm households will become involved primarily in providing amenities and non-food services to urban residents.

A national debate is needed to determine the role for agriculture in Canada. A much broader mandate requires discussion and study. Should Canadians obtain food security from the United States? Are agricultural exports still in the national interest? Are valued countryside amenities and domestication of the rural space backed by a willingness to pay?

### **Tradeable rural economies**

Business development to reduce dependency on notoriously unstable resource economies needs to focus on firms trading or capable of trading beyond their rural market. The rate of development should be at least as fast as the relative decline of the importance of agriculture and the rapid appearance of a rural service economy.

Our exploratory research indicates that these two tendencies have the effect of closing the rural economy. Closing means that business is not involved in selling beyond the community boundary. Closing chokes off growth and opportunity, chasing off youth, devaluing retirement assets, locking in seniors, removing public services, and reducing commerce sales volume to uneconomic and uncompetitive levels.

We are currently exploring the relationship between social networks and volunteer organizations, and the capability of rural business to reach out to build financial, technical, and strategic market/sourcing alliances within the NAFTA area. This study is in the same vein as integrating family and spousal interests with business interests in agricultural households. The idea is that strong relationships and trust within create the ability to handle the increased uncertainty in building alliances with outsiders.

We have also found that inter-provincial trade barriers and diversification and import substitution policies of provincial governments may be locking rural firms into relatively high cost sourcing, which impedes competitive advantage in export from rural places. Transactions costs, particularly transport and business licensing, also hold back development of tradeable activities.

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## QUESTIONS AND ANSWERS

A compilation of answers to questions posed to members of the ARRG Research Network  
by the Standing Committee on Agriculture, Agri-food and Forestry.

ARRG Network members responding to the questions:

L. P. Apedaile, Jack Stabler, Bill Reimer, Frances Shaver, Tony Fuller, and Ray Bollman

*Question from Jerry Pickard:*

**The low level of market income for farms (see Figures 1 and 2, pages 25 and 26) paints a bleak picture for agriculture. What does this mean when government involvement disappears? What should we do?**

- Direct agricultural subsidies are very important in the structure of the rural economy. There is very little net farm income at the lower (smaller farm size) end of the graph, but there is a tremendous contribution to the economy through off-farm work, through employment in manufacturing, and through employment in service industries. There is at the same time a considerable social benefit that comes from the existence of those households in the rural economy, not only in terms of the economy but also the social life and the quality of life of the surrounding community. The picture is not necessarily bleak if you take a broader view of the rural economy.

- Figures 1 and 2 (pages 25 and 26) demonstrate that when direct government subsidies are withdrawn there will be financial distress among many farm households in Canada. This can be ameliorated by withdrawing subsidies over a long period (ten years), with adequate notice and with transition programs. Research should tell us where in the farm community withdrawal will hurt the most (size and type of farm business) and when. It is also crucial to know where in Canada the incidence of financial stress will be the greatest over the withdrawal period.

Alternative business supports (transition programs) need to be sponsored which will offer farm households an alternative during the years of subsidy withdrawal such that a proportion of the farm households will stay on the farm and in the rural community. For example, an expansion of the Canadian Rural Opportunities Initiative (already designed) would be welcome. Substitute programs would cost only a fraction of the savings from withdrawing direct subsidy. Retaining farm families in the countryside is a basic requirement in the sustainability of rural Canada.

- If one focuses on rural Canada instead of agriculture alone, then there are a number of promising features of this data. Off-farm incomes have provided a means to preserve the viability of households, and to some extent communities, in the face of agricultural restructuring for some time. If other economic sectors in rural areas are strong, they may prevent or reduce the negative impacts on rural communities.

Government should expand its view of the problem beyond agriculture to include other economic sectors that are part of rural Canada: manufacturing, services, and other primary industries. In addition, consider programs and options that take advantage of the economic and human resources outside of agriculture. One option involves the integration of off-farm with farm work at the level of the individual, the household, and/or the community. Another would mean the provision of infrastructure and services that make flexibility possible: communication to overcome distances and to facilitate networks; worker benefits that do not penalize unconventional work histories (more likely the experience of women than men); education and training that reflect the needs of rural areas (the types of jobs available, the development of transferrable skills, the preparation for changes in demand over the life cycle of the worker).

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"•" indicates a change of respondent and perspective.

- Both federal and provincial agricultural programs have encouraged farmers to continue to produce products that the market does not want — at least in the quantities being supplied. Governments should get out of the programs that support commodities — including supply management. The withdrawal should be staged over (say) a ten-year period in order to allow producers a sufficient time to plan for adjustment to a market-driven agricultural environment. An abrupt end to government support should be avoided, however, as this would bring chaos to the entire rural economy.

- We are not suggesting that the picture is bleak for the agricultural industry as a whole. The contribution of agriculture to the gross domestic product continues to grow in absolute terms — this is not the case for some other primary sectors!

\* \* \*

*Question from Senator Mira Spivak:*

**The only way that agriculture can be viable is if it is reorganized. Why is agriculture not viable yet the distribution of agricultural goods is viable?**

- Agriculture is viable in the sense that its contribution to gross domestic product continues to grow in absolute terms — admittedly some other sectors are growing faster and thus agriculture's share continues to fall. Some farms might look as if they are not "viable" in the sense defined by the 1970 Task Force on Agriculture — i.e., the farm alone cannot provide a satisfactory standard of living for the farming family. However, we would argue that the idea of a "viable farm" is an inappropriate objective. Much of our research suggests that the idea of a "viable family income" for families associated with farms is a more appropriate objective. We see that regardless of farm size, families associated with farms have "on average" a "viable family income." Thus, we would conclude that agriculture as a sector is viable and that families associated with agriculture have viable family incomes. If government support to agriculture changes, certain farming families will have to change and governments may facilitate this change constructively.

\* \* \*

*Question from Senator Mira Spivak:*

**What is the threat for the future?**

- The threat for the future is that as farms become fewer there will be a deleterious effect on rural communities. Similarly, impoverished rural communities will have a deleterious effect on agriculture, as a low quality of social and civic life will deter farm families from living on farms, even if the farms are marginally viable.

- The major threat is the decline in the quality of life in rural communities. Without viable communities, not only will agriculture be threatened, but so will social cohesion and the environment. This is why the focus must be on rural, not just on agriculture.

\* \* \*

*Question from Senator Mira Spivak:*

**Did we do something wrong by instituting free trade?**

- For the grains sector, Canada was essentially operating in a free-trade scenario before CUSTA, NAFTA, and the recent GATT agreement. For the red meats sector, the value of the



trade agreements depend upon how you would have predicted the future without the agreements — if you would have predicted that U.S. protectionism would have closed the market for pork and beef to enter the U.S., then probably the CUSTA has been beneficial. If you predicted U.S. behaviour to be different, then perhaps CUSTA was less beneficial.

- In the final analysis, it was probably impossible to avoid a free trade agreement even if we had wished, as the rest of the world was moving to a much freer trade environment. The fact that regional trading arrangements were being formed made it logical for Canada to become a member of both CUSTA and NAFTA.

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***Question from Senator Mira Spivak:***

**How are women going to perform their roles on the farm if they work off the farm as well?**

- Senator Spivak's questions reveal the complexity of the problem and the interconnectedness between the agricultural and rural worlds. Women have been working off the farm and in non-agricultural business on farms for some time and most have made the adjustment, not without sacrifice, to accommodate the extra burden. In a recent small-scale study in Ontario, approximately 40 per cent of the women respondents felt resentful that they had to work off farm, while 60 per cent felt that it provided some relief, personal income, and career fulfillment. Farm women, in general, are certainly more flexible than men in coping with crises and stress, in seeking alternatives, and in acting on options. They are vital in agriculture and their roles as farmers, as co-managers, and as contributors to farm and family welfare should be more fully recognized. Barriers to women's farm involvement, including alternative businesses, should be systematically examined and eliminated wherever possible. The "Barriers to Participation" study showed that more women need to be involved in agricultural organizations and boards, that their participation has not been token but valuable and integral to the success of organizations.

- Adjustments to policies should be considered to support flexible work patterns during the week, the year, and over a lifetime. This would include benefits programs, retirement, worker's compensation, work leaves, etc. Sufficient support should be provided for locally appropriate child care, and also for formal and informal organizations that assist those affected by additional stresses, including kin and friendship-based support arrangements as well as community groups and general institutions. The infrastructure for networks should be established so that women can exchange insights, experiences, and support.

\* \* \*

***Question from Allan Kerpan***

**Given the problem of rural depopulation, what role does the federal government have in rural development?**

- Governments must recognize that agricultural and rural affairs are heavily interdependent and that action needs to be taken on both fronts to ensure a healthy transition into the twenty-first century. Government action, therefore, needs to be coordinated across departments to ensure a "common-sense" approach at the community level. It also requires co-operation with the provinces, many of which now have rural development units. Rural development means less emphasis on subsidies and grants, and more on employment, with risk capital schemes, human resource development, and joint ventures to encourage small business growth at the local level. Continuing support for the Community Futures Program would be a positive commitment.

- All policy instruments should be considered -- transfers, fiscal policy, taxation, and health, environmental, and labour regulations. To minimize the socially disruptive effects of readjustments in rural areas, governments should consider retraining, housing, and social security programs, as well as supporting informal groups and associations that are conducive to community integration (especially for mobile populations). The government can maintain the infrastructure for rural populations.

- Rural areas outside the influence of metropolitan labour markets are losing population. One role for governments is to maintain a minimum level of services, sometimes by maintaining spending levels that are a bit higher on a per capita basis compared to urban populations.

- The federal government has outstanding commitments, the management of which will have an impact on the viability of agriculture and the health of the rural economy. Foremost among these is the way in which the "Crow Benefit" is paid out. The greatest contribution that could be made to agriculture and the rural economy in the West is to pay this sum out to producers (difficult though the paperwork might be). The form of the payment should be convertible bonds. This would facilitate the retirement of the large number of farmers who would like to retire but cannot afford to do so. Most of the farmers would retire locally, keeping the money in the rural economy. Land prices would decline quickly, facilitating consolidation and exacerbating rural depopulation. For those recipient-farmers who stayed in agriculture the fund would provide funds for financing a new enterprise, replacing equipment, etc.

\* \* \*

*Question from Allan Kerpan:*

**Should governments be involved in diversification? Should they be involved in initiating the value-added process, for example?**

- When you use value added as a basis for developing your rural economy, you do two things. You continue to tie the development to price instability and markets, because your value-added enterprise is only successful if it operates at global prices for cereals or oilseeds or special crops. You do not really get rid of the instability factor at the agricultural household level.

The second point is that very often you introduce technology that is not global in its size, so you have problems with economies of size in the value-added enterprises. And you get into a third issue, and that is plant obsolescence. You are competing with large operations internationally. You are working on a much larger scale and against much faster technological change. You change the point of competition from competing, for example, on how well you grow canola to how well you crush it and process it and how well you keep up technologically and how well you keep a handle on consumer demand.

These are real problems on the value-added side, problems that will have to be solved with ethanol or the other bright stars we look to. The point here is that it is the eclectic nature of the manufacturing diversification that is really important.

- Governments should be involved in diversification. However, governments should not ask individuals to diversify their operations -- in general, this is distracting and the individual is worse off. However, the government may constructively ask each individual to specialize in different things so that the economic base of the community is diversified. Also, supporting family income diversification will diversify the economic base of the family.

- Diversification in the sense of encouraging a variety of responses to the current conditions should be supported. This diversification should occur at a number of levels, however, not just economic. New institutional arrangements should be explored, as well as new programs for the labour force, for community organizations, and for household structure. An openness to new forms of response is the best way to manage uncertainty.

\* \* \*

**Question from Allan Kerpan:****Is there any hope for the future of family life?**

• There is a great deal of hope, although family life may take different forms from the nuclear family model of popular belief. The major impacts on recent family life are reduced fertility, increased longevity, the industrialization of housework, the increased labour force participation of women, and an increase in the rate of divorce (and remarriage) — see Margrit Eichler, *Families in Canada Today* (Toronto: Gage, 1983). These are not problems of "moral decay," nor are they likely to be significantly influenced by government policy; however, the consequences are significant. Thus, it is important to formulate policy that is appropriate for the new forms of family life, not dwell on the old ones. For example, we should:

- > redefine the "family" for taxation, health, housing, and social security purposes to be sensitive to new forms. A wide range of government programs makes reference to family and/or marital status for their application (eg. pensions, OAS, UI, Child Tax Credits, health care, child care, education). The ambivalence regarding the vision of "family" employed by most of these programs has meant that they often disadvantage those for whom they were designed (see Eichler);
- > target programs to individuals, not families, in order to encourage co-operative living units;
- > revise the maternity and child-care policy so that women are not economically penalized for giving birth and fathers are not largely precluded from caring for children full-time.

\* \* \*

**Question from Jean-Guy Chretien****Rural areas are in decline. Will the next generation be able to support agriculture and rural communities?**

• Rural areas that are not adjacent to metropolitan labour markets are declining in population. We expect that the land now in production in agriculture will, in general, remain in production. Also, we expect that the absolute gross domestic product from primary agriculture will continue to increase. However, rural communities cannot rely on farming families to provide the population base as was the case only 40 years ago. Rural communities will maintain their populations *if and only if* they find a commodity or a service that they can export to provide jobs in compensation for the jobs that are now being lost in all primary sectors. The next generation will be able to live in rural communities, but the challenge to find suitable jobs is larger than it ever has been. We expect that most farms in the future will be family farms.

• By way of a general response, many of the problems in rural areas are not altogether different from urban problems. Many of the issues are issues of society in general, of a changing society. They are exacerbated in rural areas by the fact that communities are smaller and have many spaces and distances in between, but the social nature of the problems to do with child-rearing and family support are problems of a restructuring society in general.

We should take the opportunity to consider as a national concern what we want our rural areas to do and to look like in the future, given that changes, difficulties, stresses and strains are occurring and that the social and fiscal costs of these changes are extremely high, especially as we will have to withdraw or downsize some supports. If we are to accept that rural life is changing and will go on changing, then what role do government agencies have as national guiding instruments? There does not seem to be any coherent vision of what we would expect rural Canada to look like. The main task of the federal government and its agencies will be to help guide

the transition and to show clear leadership in the transition. Simply supporting old-style agriculture is like shutting the door after the horse has bolted. It will not do much good.

Our speakers have talked about the changing role of support services and the changing nature of communities. However, change requires orderly transition. The federal position might well be to provide clear leadership by accepting that the rural and agricultural spheres are interdependent and that they need one another. There are programming possibilities for assisting in the transition. The government must promote new ventures and the new rural reality, rather than keep closing down rural Canada and putting up the shutters. So there is a question of leadership. That leadership depends on having a coherent policy and a vision of what rural Canada in the year 2000 will look like. It will not look like it did in 1950 or 1980. That is evident.

- Family farming has shown immense durability over the years and remains a flexible business structure for the primary production of food and fibre. It is important to recognize, however, that it will go on changing with the changing times and that pluriactivity and off-farm incomes will remain significant, not only for earnings, but for the diversification of activities. As families pass through the modern household cycles, they supply flexible labour for the changing requirements of modern farms, renew their skills and resources through education and training, and provide the best opportunity for inter-generational farm transfers. Family farms are one of the most successful and flexible business structures in Canada.

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*Question from Paul Steckle:*

**If tax, fiscal, and other policy have more effect than agricultural policy, how do we come to grips with the necessity of dealing with multiple policies?**

- This question is very big -- bigger than any of us. That is what makes it difficult to answer. The dependence of agriculture on tax policy, social policy, regional development policy, and technology is pretty clear, as the question notes. Technology is a major force stripping income out of rural areas, but that is how learning and inventiveness proceed. It is industrializing agricultural activities. A farm now is much more like an automobile assembly plant than a farm as we knew it. It brings in many industrial inputs. That industrialization has happened because, in many cases, we have provided to agriculture tax exemptions and special types of tax privilege which favour and advance this industrialization process. Technology is always a good thing to advance, so we have rapid write-offs on depreciable types of equipment. This policy keeps changing the mix as we try to steer development.

The United States is now giving away environmental entitlements at the local level. In other words, if a farm or an industrial process can be characterized as agricultural, it is exempt from environmental regulations. That has been a major feature in the rapid move to contract farming with livestock in the U.S. It is merely a local entitlement to an environmental exemption, or an exemption from an environmental rule. That is why it is so influential.

In Canada and in the United States, we have given away fiscal privileges to firms and to agricultural land. One of our studies found that an area in Nebraska is in major difficulty because the fiscal base has been given away in concessions to attract new employment or new enterprises that create employment. As a result, municipal governments do not have the resources to maintain the roads. They do not have the resources to keep the schools open, so they bus their children farther and farther. They do not have the resources to manage crime. They do not have the resources to support social networks and social services. That is why we are saying that fiscal policies, social policies, and regional policies are more influential.

What we might actually do to make the policy coherent is restructure fiscal authority among the three levels of government. This has long been talked about, but it deserves priority attention.

- You do *not* need researchers to tell you as politicians that the art of balancing multiple objectives in policy formation is more complicated than ever. It may seem to be paradoxical but globalization is driving both internationalization and localization of policy discussions. International trading agreements and international political accords, not to mention international corporate decision-making, have reduced the potential for unilateral policies by national governments. At the same time, many "important" policies that affect the everyday life of citizens are now decided locally -- education policy and environmental policy are two examples. To achieve closure on the local policy agenda, institutional structures to bring all stakeholders to the table are essential. The "round tables" on the environment and the economy are one example. The Community Futures Program is another example of an institutional structure that can facilitate consensus of competing policy agendas.

- Neither the federal nor the provincial government has coordinated the programs delivered in a rural context. Conscious consideration of the impact that agricultural, transportation, mining, forestry, and infrastructure (schools, hospitals) programs have on each other or the spatial arrangement of economic activity in the rural economy is almost totally lacking. Recognition that the rural economy is a system and that programs designed to affect one sector potentially affect everything is a necessary precondition to dealing with multiple policies. Federal-federal, provincial-provincial, and federal-provincial program analysis and coordination are necessary to the creation of a coherent, focused approach to the rural (and agricultural) economy.

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*Question from Wayne Easter:*

**Is there any research regarding the impact of either spouse working off the farm?**

- Research conducted in the Department of Agricultural Economics at the University of Saskatchewan indicates the following with regard to one spouse working:
  - Farms with at least one family member with off-farm employment have a lower incidence of financial problems than those without.
  - Farm families with some off-farm employment have higher family income than those without.
  - When one spouse works, there is a greater tendency to specialize on the farm in order to free up time to participate in off-farm work.
  - Farms within 50 miles of a viable community (employment center) are both more specialized and the associated families have a higher incidence of off-farm employment than families on farms in more remote locations.
- Off-farm work and off-farm income would not be an issue if farming families did not borrow money with the full knowledge that the cash flow from farming activities would not service the debt. Some farming families (perhaps too many farming families) will knowingly sign farm loans that require cross-subsidization from off-farm income sources. To understand farming families, analysts collect information about farm family off-farm income. The data indicate that farming families are obtaining more and more income from off-farm sources to maintain a viable family income. We are not saying that farming families should or should not be expected to have family members who work off the farm. However, we are saying that many families are using off-farm work by family members to maintain viable family incomes. Analysts need to understand the size and place of off-farm income in order to understand the behaviour of farming families. If farming families stopped using off-farm income to pay off farm loans, analysts would not need to consider off-farm income to understand the relationship of families to farming.
- There is much more to be learned (see Frances M. Shaver, *Women in Canadian Agriculture: a Bibliography* (Ottawa: Farm Women's Bureau, 1993). Additional research is needed to investigate this issue at the level of the individuals involved, the household, and the community,

since all are affected. We know that women remain primarily responsible for domestic work, even with the additional burden of off-farm work. They are more likely to be involved in work activities traditionally considered "male" than men are to be involved in those traditionally considered "female" (washing, ironing, child care, food preparation, mending, canning, sewing). We know that non-agricultural income in a farm household usually offsets farm-related losses, and that non-agricultural work is often sought by women.

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***Question from Wayne Easter:***  
**To what are we adjusting?**

- We are adjusting, as a nation, to the combined effects of globalization of markets and of technology. The international economy requires global sourcing and Canada's primary products are still required as long as they are competitively priced. In order to be competitive we have continuously adopted (through policy and preference) labour-saving technologies such that we appear to have arrived at a point of crisis in terms of the traditional rural labour market. While the volume of production of primary products increases, the labour force decreases and has done so to the point that community viability in the resource hinterland is threatened. The transition from a primary production economy to the new rural economy is what we are adjusting to.

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***Question from Marlene Cowling:***  
**What should the government be doing to continue women's involvement in agriculture?**

- The government should adjust policies so that women's work in agriculture is recognized and supported. This includes recognition for part-time as well as full-time work, adequate benefits, compensation, leaves, and gender equity in training programs. Formal recognition of women's work on the farm will significantly affect the willingness of women to stay in or go into agriculture. The government should also grant women a more equitable status regarding property ownership, especially at the dissolution of marriage. We need to remove the gender and marital-status bias in access to capital, remove the gender bias in agricultural training, provide sufficient backing for locally appropriate child care, and provide assistance for formal and informal support groups.

- Regarding improving women's participation in agriculture organizations, one thing that the government might do is accept to meet delegations from farmers only when the mix of men and women in the delegation is equal to the gender mix of operators as reported in the 1991 Census of Agriculture.

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***Question from Marlene Cowling:***  
**The government is getting out of the subsidy business. What does this mean, especially regarding farm support programs?**

- It is not clear that the government is getting out of the subsidy business or changing the way it will be doing business. Direct payments to farmers based on commodity production are probably going to be seen less and less in the future. However, issues of research, training, technology

transfer, diversification, maintenance of the resource base (including the scenic value of the countryside), etc. will remain appropriate for government attention.

- The process of removing supports should be a gradual one, preferably over the period of a generation. Otherwise there will be a significant decline in the quality of life in rural communities since alternative employment is not adequate to absorb the shock at this point in time.

- If only a small proportion of the funding saved from the withdrawal of direct subsidies were spent on rural development programs, then the impact could be quite positive.

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*Question from Senator Daniel Hayes:*

**How would a whole farm income program affect things?**

- *We should think in terms of a whole rural income policy.*

- Regarding the specific issue of a whole farm income program, there is a major policy choice as to whether policy should help the winners or the losers. Certainly, the Russian army strategy during World War II was to help only divisions that advanced — divisions that were not advancing did not deserve reinforcements. If the objective is to win the war, you must reward strength. Note that the present NISA program rewards strength, and if Canadian agriculture is to remain competitive this is entirely appropriate. Farm businesses with larger net income can contribute more to the program and receive an equally large contribution from the government. However, other policy analysts will suggest that governments should be kind to the losers. The choice of helping the winners or helping the losers is the first choice to be made in the design of a whole farm income program.

How would a whole farm income program affect things? If it operated similarly to NISA, then funds would be transferred to the more profitable farm businesses (generally the larger farm businesses). This would support the price of land and operators of less profitable businesses would be able to retire from farming with dignity.

- The whole-farm approach to an income safety net would base program benefits on some measure of total farm income, rather than income from a particular commodity(ies). For example, the national tripartite stabilization program for cow-calf operators was based on the margin existing in the cow-calf industry and GRIP is based on a basket of specific crops. A mixed farm with both cow-calf and cash-crop operations would participate in both programs and divide the operation into separate production units for the purposes of program participation. In contrast, a whole-farm safety net would be based on total farm income rather than commodity-specific income.

While the whole-farm approach can be applied to a number of safety net designs, the primary focus to date has been on the conversion of NISA, or some form of NISA, to whole-farm. In the existing form of NISA, the producer contributes two per cent of eligible net sales (defined as gross sales minus non-agricultural input expenses) each year and the government matches the contribution, to the individual's account. Currently, the livestock portion of an operation's income is converted to grain income equivalents for input into the program design. This would no longer be necessary under the whole-farm approach. A withdrawal from the NISA account is made when the current year's gross margin falls below its preceding five-year moving average. There have been many proposed forms of NISA and the final policy decision has not been made. Income from supply-managed commodities is currently not eligible for NISA. These commodities have not been included in any of the proposals so far, at least to my knowledge.

The primary purpose of NISA-type programs is to stabilize income. There is also an expectation of income support through the program from the matching contributions by governments. Under the current levels of contribution, a whole-farm NISA has very little stabilizing potential and provides minimal income support. It also has the effect of providing greater benefits to larger farms since the government contributions are based on eligible net sales

rather than profitability. Analysis of the effects of increasing the level of contributions is currently being conducted, as this is one of the proposals suggested to improve the stabilizing ability and increase the level of support of a whole-farm NISA.



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## TOWARDS A VISION FOR RURAL CANADA

- We cannot expect a major revitalization of rural Canada, but absolute population growth is likely to be positive, particularly in non-farm regions and those close to large urban centers. Rural areas have the capacity for modest economic growth with employment levels to match. This requires:

- > a general rural vision which includes all the economic and social sectors, to co-ordinate their activities,
- > exploration of a wide variety of economic activities and organizational modes in order to remain flexible in response to change.

We cannot expect urban standards of service delivery, but with appropriate monitoring and exploration we should be able to make more efficient use of the means at our disposal. For example:

- > education and training — the development of communication technology and multiple uses for school and community facilities;
- > health — long-distance diagnosis and treatment options, paramedic training, fast evacuation units, and expanded preventive medical approaches;
- > social welfare — the integration of education, health, and training facilities as well as increased co-ordination with voluntary associations;
- > housing — support for co-operative ventures and the development of regulations appropriate for owner-maintenance;
- > justice — community based policing and locally based sentencing options.

The identification of general benefits and resources provided by rural areas would serve as a basis for justifying the transfer of funds from urban to rural areas as well as the limitation of costs that are exported to the rural areas. Benefits would include:

- > economic resources,
- > green spaces,
- > social and cultural diversity,
- > reproduction of labour,
- > retirement locations.

\* \* \*

- Rural Canada in agricultural areas will look like open space with social and commercial centers spread fairly evenly through space serving agricultural households. The space will look less agricultural as grassland farming replaces some grain farming in the West and wetlands and hilly areas revert to forest and wild lands in the East.

The economy will cater more and more to retirement and recreational use with greater occupational and educational diversity in the makeup of the population. Large-scale commercial agriculture will be subject to well-enforced environmental protection legislation which, among other things, will prevent large concentrations of livestock in one place.

Some places will develop a strong service economy for temporary residents, visitors, and retirees. The source of growth will be remittance income and population density. Governments will manage public goods and services and regulate predator prey relationships between land

owners and inhabitants with regard to land use. The density of restaurants and other typically urban R and R businesses will increase.

Other places will base their growth strategy on building alliances throughout North America and the rest of the world for product design, financing, market strategies, and process technology. Governments at all three levels will be strongly involved in these rural economies as a companion to develop competitive advantage, streamline rules, and entitle firms to infrastructure, tax breaks, and help in complying with environmental standards.

Schools will be reduced in size to provide focal points for learning and social networking in most of the remaining commercial and social centers. Health care services will involve more voluntary and part-time workers and less institutionalization of the chronically ill. Rural Crime Watch could develop into a full-fledged preventive process with a shift of responsibility to citizens from police services. Religious institutions will consolidate their premises and become less formal in their community services.

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### **Developing a Vision for Rural Canada**

- It is evident that we need to develop a clear and coherent vision for rural Canada, one that could lead to a sustainable rural policy for the twenty-first century. Agreement that a policy for rural Canada is required provides an attractive opportunity to build such a vision through a genuine and wide-ranging consultative process. Such a process would be participatory, produce some new ideas, and strengthen commitment to a collective vision. It would be educative for all concerned and would bring agricultural and rural interests together.

The visioning process is politically attractive in that it would attract all the interests that relate to rural economies and to rural society. It should be an inclusive approach that helps to identify new interests and alliances and that enables the federal government to show leadership and commitment to rural Canada.

The idea of consulting with rural Canadians and business interests raises a number of positive ideas about how such a consultation might be done. Interaction and feedback from farm communities, for example, might take the form of the Farm Radio Forum, using the new information technology. Inviting Community Futures Committees to respond would bring in another perspective as well as show cohesion between the many programs and regions of the federal government. Developing a rural vision for Canada could have a very positive effect on all those concerned, while providing information and support towards a Canadian rural policy.

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