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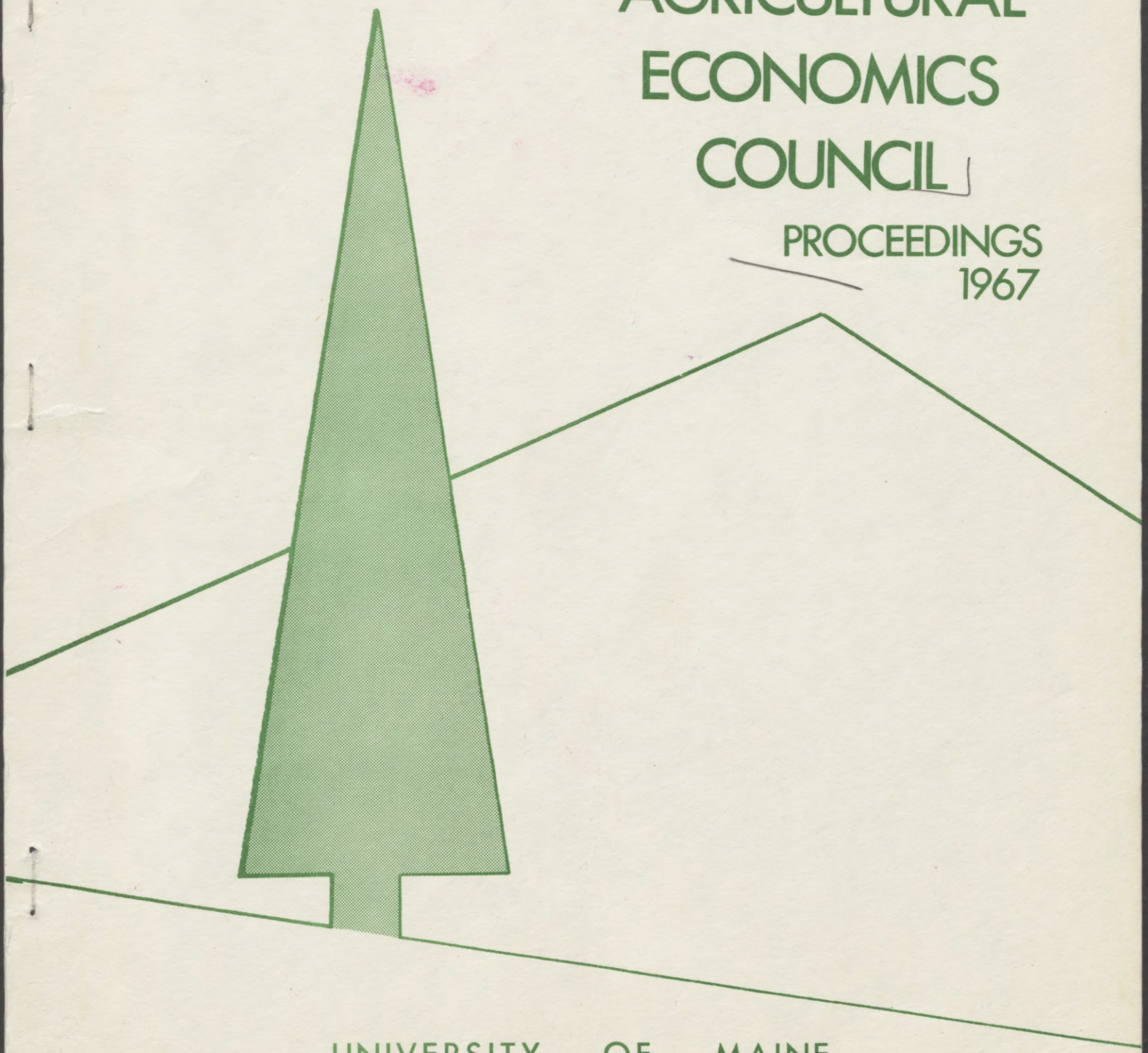
NEW ENGLAND AGRICULTURAL ECONOMICS COUNCIL

PROCEEDINGS 1967



UNIVERSITY OF MAINE

NEW ENGLAND
AGRICULTURAL ECONOMICS
COUNCIL

PROCEEDINGS
1967 ANNUAL MEETING

UNIVERSITY OF MAINE
ORONO, MAINE

JUNE 26, 27, 28, 1967

MARITIME AGRICULTURE IN TRANSITION

Walter V. Grant

The Maritime Provinces of Canada consist of Nova Scotia, New Brunswick, and Prince Edward Island. There are about 1,440,000 people in the region which represents about seven percent of the Canadian population. The total rural population accounts for almost 50 percent of this population.

It is generally accepted that agriculture is less important to the economy of the region than to the economy of Canada generally. The industry accounts for 8.8 percent of the total net value of production in comparison with 10.4 percent for Canada. Manufacturing and construction activity together account for about 68 percent of the net value of production in the Maritimes, but agriculture exceeds the value of forestry, fishing, mining, and electric power. Since 1952 the commodity producing industry activities increased by about 37 percent. Agriculture's share, however, declined by the same amount in relative terms and about 15 percent in absolute terms. Prince Edward Island relies heavily on the agricultural industry with about 26 percent of value added coming from this sector. Nova Scotia and New Brunswick have 6.1 percent and 7.6 percent respectively.

While there has been a definite growth in agriculture production throughout Canada, value of the regional agricultural net value of production has changed very little in the last two decades. The growth in Canada amounted to 20.5 percent in Central Canada, 95.9 percent in Western Canada, and 2.7 percent in the Maritime Region.

In 1961 only 6.3 percent of the regional labor force was engaged in primary agriculture as against 9.9 percent in Canada generally. The results of the 1966 census are expected to show further declines in the labor force.

The Atlantic region relies heavily on an export sector which is mainly dominated by a small number of primary resource-orientated industries. In a study conducted by J. F. Earl, Atlantic Provinces Research Board, Fredericton, on the export trade, it was shown that fruit and vegetables, the main agricultural export, account for only 2.6 percent of the total exports from the region. Pulp and paper make up 40 percent of all export trade. The two significant agricultural products exported from the region are potatoes and apples.

R. K. Fletcher reports in a recent Atlantic Provinces Economics Council study on agriculture that between 1950 and 1962 agriculture's contribution to aggregate Maritime economic activity decreased by 60.9 per cent as against a 42 percent increase in Canada.

A review of the structure of Maritime Agriculture shows that about 4.4 percent of the land area in the region is in occupied farms. There has been about a 39 percent decrease in the last 20 years in occupied farm land. This drop in farm acreage results from the movement of a large number of smaller farmers from the industry and the abandonment of areas in the province for agricultural production. The increasing regional competition in Canadian agriculture has contributed to a decline in Maritime agriculture. There has been a faster rate of decrease of farms in the region than other Canadian regions.

At the present time reports on the 1966 census of agriculture for Canada are being awaited with great interest. Thus any further analysis of such trends would be somewhat superfluous because of the changes which have occurred in farm numbers during the past five years.

About 48 percent of the commercial farms in the region concentrate on dairy farming and livestock sales. Field crop sales, poultry, and egg production ranked second and third as farming types. Based on cash farm income received, sales from field crops accounted for 33 percent of cash farm income, livestock 24 percent, and dairy production 23 percent.

Fletcher in his study has drawn together estimates of changes in overall Maritime agricultural productivity. He shows that there has been a fairly constant downward trend in the value of farm capital employed on all Maritime farms since 1945. However, there has occurred a more rational distribution of capital and an increase of capital per farm. In all three of the Maritime Provinces there has been an upward trend in the physical volume of agricultural production. It is thus concluded that some increase in farm productivity is being experienced.

There has been increases in mechnaization, growth in average farm size and a large scale decrease in the farm labor force. In the 20 year period, 1941 to 1961, the productivity of Maritime agriculture measured by constant value added per worker grew by over 140 percent. However, output per worker in the region is still less than in western or central Canada. During the same period the real capital stock per agricultural worker grew by 165.9 percent -- the largest increase for any Canadian region. This no doubt accounts for a great deal of the increased output per farm worker.

General Trends

Throughout the Maritime region there is a great interest on behalf of all sectors in the general economic development of the region. Through the aid of several federal and provincial programs, industries are being encouraged to locate in the area. Providing more activities to enable an accelerated rate of growth is a primary objective of all governments. The area typically has had a higher rate of unemployment than other regions. To overcome this and to provide a means to absorb surplus labor from those industries which are expected to decrease employment in the next five years, has placed a major responsibility and challenge on governments and other agencies. The accelerated growth rate is also important if the area is to absorb a portion of the labor force who are now migrating to other regions. The Maritime situation provides an excellent study in regional economic growth. Agriculture is affected by such developments and while it is known that farming as such will not provide more jobs, it is realized that growth in the industry can stimulate economic activity in many of the rural areas. There is thus a general interest and concern on behalf of governments to provide for the continued adjustment and growth of the farm industry.

Agency Programs in Relation to Agricultural Development

Agricultural Rehabilitation and Development Act

Members of this council have been involved in prior discussions on some of the more significant developmental agency programs and their relation to agriculture in general. The ARDA legislation enacted by the Federal Government is one of the most comprehensive of such programs. This act provides for joint cost shared programs in Rural Development and Soil and Water Conservation. The emphasis is placed on projects initiated at the community and provincial level which will affect a fuller utilization of resources. Through the Rural Development programs, emphasis is being placed on community development and action programs. A significant development in ARDA is

the attention given to the retraining of marginal farmers, relocation and early pensions for persons unable to assume a productive place in the labor force.

In the area of land use, emphasis is being placed on a complete inventory and classification of land resources and consolidation of farm lands. More attempt is being made to guide and plan agricultural development on class 1, 2, and 3 agricultural land.

Programs in the area of water are being focused initially on river erosion control and substantial grants are being made for farm drainage projects.

There is also a number of projects in the area of forestry aimed at the improvement of farm woodlot management and productivity per woodlot farmer.

During the past two years there have been joint federal-provincial Task Forces established under this program. Such Task Forces have been engaged in the preparation of what is termed comprehensive economic development plans for an area. There are special Federal Government funding programs to provide for a share of the cost of initiating such plans. To date, there are three Task Force plans being studied in the Maritimes for possible adoption by provincial authorities. Agricultural development is considered in all plans.

Atlantic Development Board

The Atlantic Development Board is a federal agency which has been granting funds in the area to assist local and provincial authorities carry out infrastructure investments. The Board has provided another source of Federal Funds for water and sewage systems, highways, industrial development parks, and other similar projects. A planning division of this Board is now giving widespread study to all industries in the region with a view of determining where future investments should be made. Agriculture is included in this planning study.

Area Development Act

The Area Development Act is administered by the Federal Department of Industry and provides grants to new manufacturing industries locating in the region in what are termed disadvantaged areas. The Area Development Act grants apply to agriculture if there is a plant being constructed to process agricultural products. These grants have been designed primarily for secondary manufacturing.

Provincial Government Programs

I would like to review briefly some of the objectives and programs being initiated and carried out by the Provincial Governments in their attempt to stimulate more agricultural development and aid adjustment.

In all three provinces, maximum use is being made of the opportunities offered under ARDA legislation to construct programs which will assist agriculture. While I am not familiar with all provincial programs, I would like to identify some of the more significant ones in Nova Scotia.

The land consolidation program involves the purchase of farm lands and leasing such land to an operating farmer. The lease is for a five year term and may be renewed. There is a $50.00 grant per acre of land. The leasing fee amounts to the

cost of taxes and insurance the first two years and in the third year the cost includes as well one percent of the original purchase price which increases to three percent in the fifth year. This program is already having an effect on size of farm units and there is evidence that a great deal of farm consolidation is taking place.

To complement this program, provisions have been made to provide for an intensive type of counselling program to aid those people who are transferring from agriculture to some other employment. This Rural Manpower Development program will provide for individual counselling and retraining of present farmers.

In the area of farm credit, there have been major changes made in existing legislation. In New Brunswick, farmers can secure long term loans at three percent interest for commercial farm development. These loans are subsidized at the rate of two and one-half percent. This same province also has enacted a Farm Adjustment Program to provide capital to those farms who may not be able to borrow funds from established agencies. Such loans are made at five and one-half percent.

In Nova Scotia farm credit is being made available for young farmers under 35 years of age at no interest cost for two years, and after that, at a five and one-half percent interest rate. Farmers over 35 years borrow at the five and one-half percent rate. There is a definite attempt being made to assist farmers carry out the necessary adjustments in their farm business programs. Subsidized capital is one way to assist in this process.

There is an income disparity between Maritime farmers and Central Canadian farmers and while our adjustments have been significant in terms of transferring labor from the industry, more adjustment must take place. To overcome the low income farm problem, additional measures are being employed. Extension programs are being renovated and increased, and substantial grants are being made to assist commercial farmers rationalize their farm programs. There is an attempt being made to ensure that the farmer has an economic farm plan before any grants are made for capital improvement. In Nova Scotia, grants are made for land clearing, construction of farm ponds, purchase of fertilizer, construction of silos, grain storage, and drainage systems. In New Brunswick there are similar grants with some types of farm buildings included.

I would now like to briefly review the trends in commodities and the developments taking place. Throughout the Maritimes there is a general trend towards the growing of more local produced feed for the livestock industry. At the present time a large portion of the feed grain used in the New Brunswick and Nova Scotia area for the hog and poultry industry is imported from Western Canada. A transportation subsidy is paid by the Federal Government of about $9.00 per ton and upwards. With rising grain prices, it has become economically feasible to grow more acreage of feed grains in the region. There is likewise a gradual increase in corn acreage which is becoming an important crop on both dairy and beef farms.

Dairy farmers are classified as fluid milk shippers and manufactured milk shippers. Fluid milk dairy farmers are under the jurisdication of provincial dairy commissions for quotas, price, and other regulations. The other class of dairy farmers, known as manufacturing producers, come under the jurisdiction of the Federal Dairy Commission as far as price and quota arrangements are concerned. Such producers are now receiving a subsidy of about $1.21 per hundredweight of milk produced, less a ten cent export subsidy. There is little doubt that at the present time there are major problems associated with our dairy industry. While dairy farms are consolidating and size increasing, the fact remains we have about twice as many

fluid milk shippers as there should be for individual farmers to have the size of dairy farms which we know is required at current price levels. Conversely, there is room for more producers in the manufacturing class. A very large part of the dairy barns need to be renovated or replaced. At current price levels, and with restrictions on markets, dairymen may need assistance in making these investments.

Significant developments are occurring in the area of small fruit production. Strawberry acreage is being expanded in Nova Scotia with the expectation that the increased crop will be sold on the Boston and New York markets during July and early August. This industry is very efficient with growers employing a high degree of technology. One farm in the region has now reached 100 acres of berries, all of which will be exported to American markets.

The poultry industry has been concentrated with relatively few producers. Broilers are marketed under provincial marketing boards and there is a strong trend to eggs being marketed direct from farm to store outlets. Production controls are being exercised by the broiler marketing boards in an effort to stabilize marketings and price. These marketing boards have been established during the past year.

Apples have long been a major export commodity from Nova Scotia to Britain. At the present time the future of this market is in question with the expansion of European apple production. Presently about 70 percent of the three million bushel crop is processed.

In the area of potato production, which is a most significant crop in New Brunswick and Prince Edward Island, there continues to be major adjustments in size of farm acreage, major investments in harvesting machines and storage structures. A large part of this crop is exported from the region and processing will probably be the key to the future of this industry as competition increases in Central Canada.

Summary

Any attempt to view Maritime agriculture statistically is confounded by the large number of small farmers who are classified in the Census as farms but who in effect derive most of their income from other sources. Policy measures are being developed recognizing this fact and a definite distinction is being made in those policies for commercial and part-time farmers. There are widespread adjustments occurring in the overall industry which are being aided by government participation.

In an area such as the Maritimes, the question of developing farm policies to aid development becomes a major task for the regional governments. Canadian or National Farm Policy is not designed to directly stimulate agricultural production. Thus, the Maritime farm problem must be viewed in a regional sense and this means there are problems associated with local provincial governments financing such programs.

At the present time, local farm organizations have petitioned to governments for a major Capital Grants program. These organizations are using the argument that there is a cheap food policy in Canada, and thus there is not enough income generated within the industry to provide for the needed investment. There is such a capital grants program for the ship building industry in Canada. Maritime governments have indicated they would require federal financing to institute such a policy.

In the long run we will probably see more direction, control, and planning of agriculture. This will be inevitable as more grants are made to farmers. It would seem that if Maritime farmers are to compete with other Canadian farmers, there must be a continual rise in productivity, price levels will have to adjust upwards on those products under provincial jurisdiction such as dairy products, movement towards the sale of premium price products and a more integrated livestock-feed economy. Livestock, poultry, and hog producers may have to start producing more of their own feed, and thus derive part of their farm income from crop sales to livestock.

I would summarize our future program emphasis and the direction of adjustments as follows:

1. More productive dairy industry.

2. An integrated livestock-feed economy.

3. Greater investments in land improvement.

4. Expansion in the production of small fruits, namely strawberries and blueberries, with such crops marketed in the New England area.

5. No major expansion in broiler or egg production.

6. Continued expansion in hog production.

7. General shift in crops produced towards more livestock feed grains.

It would appear that general policy will be directed towards a capital grant type of program; more marketing controls, strongly supported Extension Service and a more extensive program of agricultural education with strong emphasis on technician training.