

Agricultural Crown Lands Program Modernization Stakeholder Consultation

What We Heard Summary Report
September 2019

Executive Summary

Following the 2018 public consultation, the Manitoba government sought amendment to The Crown Lands Act to support modernization of the Agricultural Crown Lands (ACL) Program.

Manitobans requested that the allocations of agricultural Crown land leases be done via public auction to facilitate transparency and fairness in the ACL Program. To enable auction as an allocation methodology, Manitoba was required to make legislative changes that affected the ACL program. This afforded an opportunity to further consider aspects to modernize the ACL program, with the goals of improving the productivity, processes, utilization and stewardship of ACL, and contributing to the growth of the livestock industry in Manitoba.

With the announced pause in the sales program for all Crown land dispositions, it was recognized that Crown land sales opportunity is a demand driver for lease transfers. As such, there was a coordinated pause in the unit transfer program within the ACL Program as well. Transfers, both family and unit, are closely aligned with lease terms, and became a significant component of this consultation phase.

Further engagement was undertaken through letters and invitations to provide feedback and seek further information about the program with key stakeholders. In this consultation phase, Manitoba Agriculture hosted seven meetings with key stakeholders and received 25 written responses from Manitobans related to the ACL program.

Key stakeholders engaged through this process included ACL clients, Indigenous communities, municipalities, Manitoba Beef Producers, Keystone Agricultural Producers, Manitoba Bison Association, Manitoba Forage and Grasslands Association, Association of Manitoba Municipalities, the Northern Association of Community Councils, Manitoba Conservation Districts Association, National Cattle Feeders Association and the Appeal Tribunal.

Stakeholders reaffirmed that modernization of the ACL program is needed. It remained clear that future program goals and options to achieve these goals were very diverse, and there was some reluctance to change. Making changes to the ACL Program essentially becomes an exercise in finding balance as diverse perspectives are considered. Slower, incremental changes were often sought by existing clients, while those not deeply involved in the program were more receptive to larger, wholesale considerations.

The feedback received from this consultation process, and summarized below, contributed to regulatory and policy development regarding eligibility requirements and implementation of the auction process.

Eligibility and Lease Rights

Eligibility

- It remains a priority to ensure that ACL leases are allocated to bona fide farmers and ranchers, who will use the land to supplement their agricultural operations.
- There are many ways to prove eligibility, although perhaps it is better for a farmer or rancher to self-identify rather than government define who is a farmer.
- Corporate leases may not be necessary, as a shareholder who is a bona fide farmer can obtain a lease, and policy can enable the use of the leased lands by the corporation.
- The ACL program needs to support the objective of optimal utilization of the land, ensuring that forage lands continue to be used to support livestock production. The program should increase compliance monitoring and enforcement activities to ensure appropriate use of ACL.
- Eligibility should be restricted to participants who demonstrate sustainable agricultural management and are in good standing, with no prior program compliance issues.
- A limitation on area, if maintained within the program, needs to be significantly higher than 4,800 Animal Unit Months. A more appropriate level may be close to double the current limitation.

Lease Rights

- Existing clients hold a strong desire to maintain longevity of leases to provide stability for farmers who use ACL as part of their livestock operation.
- Potential clients hold a strong desire to bring leases back into the allocation process on a regular basis (five to 10 years), in recognition that ACL is a public asset that should become available to new farmers and ranchers on a more regular basis.
- Current transfer processes facilitate the transfer of leases to enable succession planning. Family transfers support the concept of the family farm through facilitating intergenerational transfer. Unit transfers contribute value to private land holdings and retain the viability of the farm unit.
- Transfers are relied upon by those in regions where private land holdings are limited, to ensure the viability of the farm unit, and thus, the recognition of the value of private land holdings.
- Transfers are not well supported by those who do not use them, as they afford private benefit for the use of a public asset.
- Improvements made to the Crown land need to be recognized at the expiration of a lease or permit, and existing processes do not always recognize true value.

Rent and the Auction Process

Setting Rent: Cropping Leases

- The new auction approach was widely supported to aid in price discovery and transparency.
- The use of the auction process in place of a tender process will be an easy transition for both the allocation and setting of rent for cropping leases.
- The use of assessed land values to set a minimum bid for cropping leases remains relevant. However, there may be a need to re-evaluate the percentages used.

Setting Rent: Forage Dispositions

- The new auction approach was widely supported to aid in price discovery and transparency.

- The setting of a minimum rent was more controversial for forage dispositions, recognizing both the fiscal responsibility of the government in the management of a public asset, and the potential to influence (and make irrelevant) the market value of the lease or permit.
- Additionally, there is a need to consider a market relevant way to assess rental rates for pre-existing and long-term forage leases and renewable permits, limited logical user dispositions, and casual permits.
- Recognizing administrative costs associated with lease assignments, it was suggested that a flat administration fee be implemented, rather than a minimum bid.
- Some lands may need to be offered a discounted rental rate to encourage investments in the development of lands. This could improve the longer term value of Crown lands, as well as support additional forage capacity to grow the sector. It was suggested this approach could be taken for vacant dispositions where little or no interest has been expressed.
- It was suggested that the auction process be related to the allocation of the lease or permit and independent of rent, as per the Saskatchewan model. A rent formula could be uniformly applied to existing, new and limited logical user dispositions.
- Use of a rent formula that is tied to forage productivity recognizes the value of the specific parcel, but may not fully account for regional variances relating to cost of production.

Auction Process

- The auction process will promote transparency and accountability, afford predictability in budgeting, and provide trade resiliency by being market relevant.
- It was suggested to use the same approach for both forage and cropping dispositions on agricultural Crown lands to ensure consistency.
- It was suggested that the auction process be related to the allocation of the lease or permit and independent of rent, as per the Saskatchewan model.
- There was support for submission of full payment up front with a successful auction bid. In addition, lease or permit payments should be made prior to the season of use, to allow for reallocation if necessary.

Other Information

At this time, the focus of policy development for the ACL program is to enable implementation of an auction process for 2020 allocations. It is centered around eligibility, allocation and rent policy development. However, it is recognized that there are several other issues related to the use of agricultural Crown lands that need to be addressed in future policy development, as the program continues to modernize its approach. It is recognized that consideration of a sales program, whereby Crown lands become available for purchase, is of particular interest to stakeholders.

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