

Agricultural Crown Lands Program Modernization Public Consultation

What We Heard Summary Report June 2018

Executive Summary

On February 20, 2018, the Manitoba government released a public consultation document to solicit feedback on the modernization of the Agricultural Crown Lands (ACL) Program.

Manitoba's entry into the New West Partnership Trade Agreement, along with British Columbia, Alberta and Saskatchewan, required Manitoba to make a number of legislative changes that affected the ACL program. These changes afforded the opportunity to review and 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.

This consultation focussed primarily on forage dispositions, which represent 99 per cent of the ACL program. However, eligibility requirements also apply to cropping leases. During the formal consultation period, Manitoba Agriculture hosted 14 meetings with key stakeholders and received 37 written responses from Manitobans related to the ACL program.

Key stakeholders included ACL clients, Manitoba Beef Producers, Keystone Agricultural Producers, Manitoba Bison Association, Manitoba Forage and Grasslands Association, Manitoba Conservation Districts Association, National Cattle Feeders Association and the Appeal Tribunal.

Stakeholders made it clear that modernization of the ACL program is needed. It was also clear that future program goals and options to achieve these goals were very diverse, and there was some reluctance to change. Slower, incremental changes were often sought by existing clients, while those not deeply involved in the program were more receptive to larger wholesale considerations.

In support of updating the policies by which agricultural use of Crown lands is managed, general discussion areas included land management, limitation on the area of ACL under lease, length of terms and renewability of forage leases. Stakeholders offered feedback on eligibility, the tendering process, and the establishment of rent and fees.

The feedback received from this consultation process will contribute to policy development regarding eligibility requirements, and implementation of the forage tender process.

Several aspects of the ACL program that are outside the scope of this consultation were also brought forward. These have been captured and will be considered in future policy development, following the completion of this initial phase.

Eligibility and the Application Process

Management of Lands

What we said:

- Support the sustainable expansion of the livestock herd.
- Contribute to ecological goods and services.
- Provide mitigation and adaptation to climate change.
- Promote appropriate agricultural use of Crown lands.

What we heard:

- Care should be taken to ensure that ACL leases are allocated to bona fide farmers and ranchers, who will use the land to supplement their agricultural operations.
- There should be recognition of the various forms of livestock ownership and management models used in modern agriculture.
- Lessees who assume a financial risk associated with the leased ACL are more likely to sustainably manage the agro-ecosystem.
- The ACL program should increase compliance monitoring and enforcement activities to ensure appropriate use of ACL to support program objectives.
- There was recognition that all types of livestock operations needed to be engaged to support growth in the livestock industry.
- Eligibility should be restricted to participants in good standing, with no prior program compliance issues.

Limitation on Area

What we said:

- An animal unit month (AUM) is the amount of forage required to feed one mature 454 kilogram (kg) cow, with or without calf at foot, for one month.
- The current policy restricts the ability of an individual to obtain additional Crown lands once they have reached a capacity of 4,800 AUM of combined agricultural Crown land and private land holdings.

What we heard:

- There is support for a limitation on area in some form, to enable more producers to access the ACL program and restrict excessive accumulation of land.
- It was recognized that inclusion of private land holdings may not be suitable going forward, due to challenges introduced with potential out-of-province clients.
- Some operations would favour a lower limit, recognizing benefits of intensive management and smaller footprints.
- There was recognition that the 4,800 AUM level may be too low for commercial livestock operations in Manitoba, stifling expansion and farm succession planning. So a larger limit may be warranted.

- Alternatively, it was suggested that any limitation on area artificially limits agricultural growth potential and interferes with market signals, and that there should be no limit.

Length of Terms and Renewals: Forage

What we said:

- Forage leases currently expire when the lessee turns 65 years of age, and can be renewed in five-year intervals, provided the lessee remains eligible.
- Renewable permits for hay and grazing expire on an annual basis, but are automatically renewed, provided the lessee remains in good standing.

What we heard:

- 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.
- Existing clients hold a strong desire to maintain longevity of leases to provide stability for farmers who utilise ACL as part of their livestock operation.
- Shorter lease agreements (five to 15 years) that would be renewed (conditional upon maintaining eligibility criteria) were also supported.
- Concerns were expressed regarding the ability to recoup investments in improvements with a shorter term lease, if renewability of the lease wasn't an option.
- From the perspective of potential clients, there is a strong desire to bring leases back into the allocation process on a regular basis (five to 10 years). It is felt that ACL in the current system is likened to private land, and that ACL as a public asset should become more available to new farmers and ranchers on a regular basis.

Tender Process: Forage

What we said:

- A new tender system will be used to set the annual fee/rent for forage leases and renewable hay and grazing permits.
- The tender process will promote transparency and accountability, afford predictability in budgeting, and provide trade resiliency by being market relevant.

What we heard:

- It was suggested to use a similar approach to cropping leases on agricultural Crown lands to ensure consistency.
- It was often noted that there would be more transparency in the form of an auction, which would also facilitate price discovery in a previously unknown market.
- Guidance materials should be developed to facilitate the transition to a market-based system to aid in price discovery, due diligence and process understanding.

- There was discussion on the timing of payment, and there was support for submission of full payment up front with a tender offer. In addition, lease payments should be made prior to season of use to allow for reallocation if necessary.

Setting Initial Rental Rates Through Allocation

Tender Process

What we said:

- A new tender system will be used to set the annual fee/rent for forage leases and renewable hay and grazing permits.
- Cropping leases use a minimum bid rent, based on land assessment values.

What we heard:

- Setting a minimum bid allows government to be fiscally responsible in the management of ACL as a public asset. However, there is a risk of introducing market influence in the setting of a minimum rental rate.
- It was suggested that having no minimum bid would be a truer reflection of market value, and would encourage growth of the livestock industry on parcels with minimal interest.
- 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 stay out of the tender process, or at least be offered a discounted rental rate to encourage investments made in development of lands. This could improve the longer term value of Crown lands, as well as support additional forage capacity to grow the sector.
- Parcels with limited access or only one logical use, would require some sort of price determination that the market could not accurately provide.
- While price determination by participants through a market-based tool such as tendering was generally well received, it was apparent that an auction approach was preferred over that of a tender to aid in price discovery and transparency.
- There are concerns that an initial five-year window, on which tendered value determines rent, may encourage speculation and inflate pricing. A longer term may deter this.

Adjusted Forage Rental Rate

What we said:

- The average tendered value gained through allocations will be used to set the annual fee/rent for forage leases and renewable permits after the first five years, as well as for pre-existing forage leases and renewable permits, and for casual permits.

What we heard:

- It was generally agreed that the forage rental rate was long overdue for an update, as the current rate has been in place for several years.
- It was suggested that in the calculation of the average tendered value, policy development needed to ensure that outlier bids are removed from the calculation.
- It was also suggested that there be a maximum increase allowance (e.g., 25 per cent) for annual forage rental rate calculations. This could facilitate predictability for budgeting, and moderate extreme fluctuations in forage rental rate values.
- There was concern that the average tendered value may not be appropriate on a province-wide basis. Consideration may need to be given to regional variance to account for factors such as distance to market, availability of private land, or categories of forage capacity to account for fixed costs (e.g., fencing).
- Caution was given to the methodology to be used, due to the dependence on enough ACL being available for tender in a given year. There needs to be turnover of ACL in order to maintain enough volume in the tender system mechanism to statistically set future forage rental rates.

Other Information

At this time, the focus of policy development for the ACL program is to enable implementation of a forage tender process for 2019 allocations, and it is centred around eligibility and allocation 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.

Suggestions brought forward outside the scope of this consultation process include:

- enabling growth through incentives to young farmers
- obligating timely payments as an eligibility condition to apply or renew
- working with other departments to minimize impacts of multi-resource use
- reconsidering public access in support of agricultural biosecurity
- establishing criteria to enable continuation of lease transfers
- facilitating pest control (plant/animal) to increase agricultural productivity
- facilitating sales of agricultural Crown land to lessees
- facilitating appeals of assessment values on agricultural Crown land

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Available in alternate formats upon request.