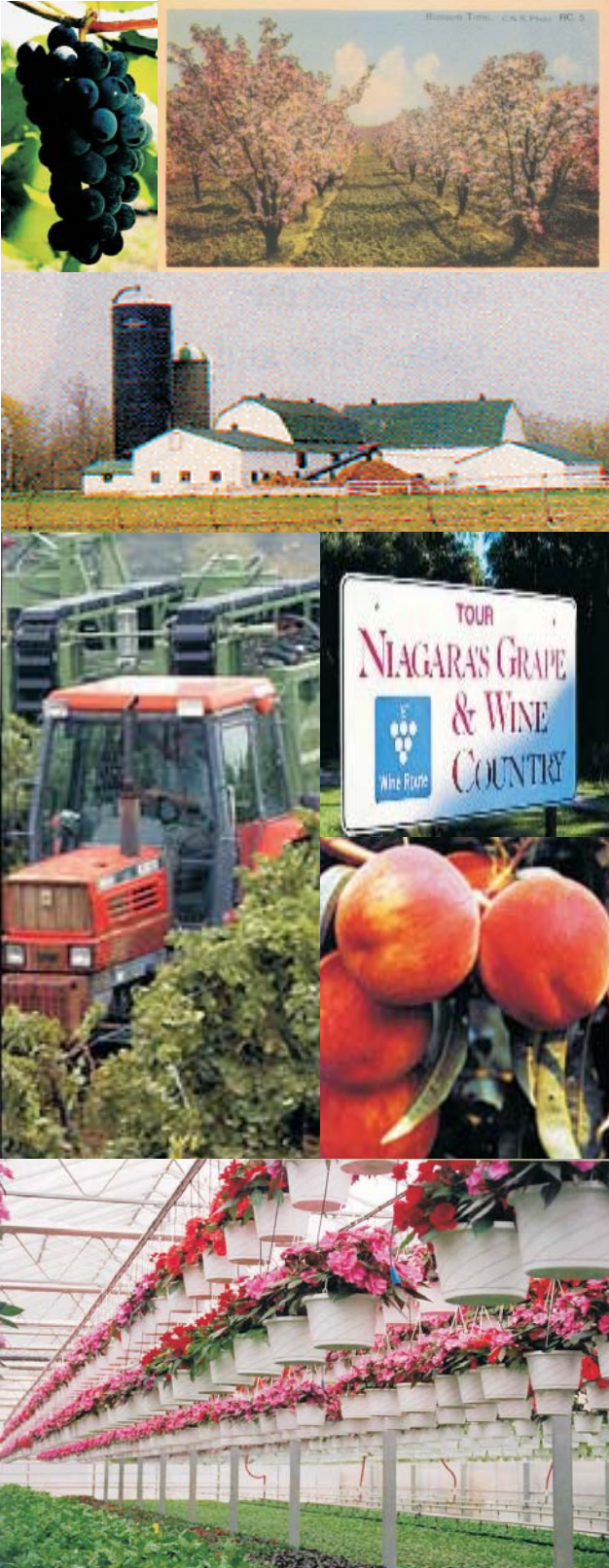




REGIONAL MUNICIPALITY OF NIAGARA



REGIONAL AGRICULTURAL ECONOMIC IMPACT STUDY

EXECUTIVE SUMMARY

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Government of Canada

Niagara North Federation of Agriculture

Niagara South Federation of Agriculture

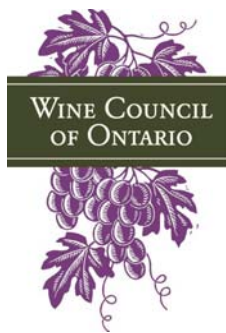
Niagara Training and Adjustment Board

Wine Council of Ontario

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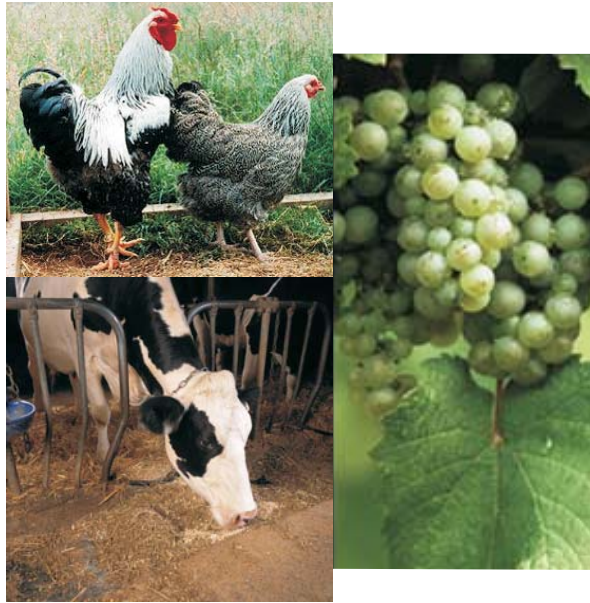
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*"The opinions and interpretations in this publication are those of the author
and do not necessarily reflect those of the Government of Canada."*



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Background and Purpose

In the fall of 2001, Regional Council commissioned a study to assess the nature of agriculture in Niagara. The Regional Agricultural Economic Impact Study Steering Committee, comprised of representatives from the agricultural community and the Region of Niagara, was established to oversee the study. The study was conducted during 2002 using both primary and secondary data sources.

Assessing the importance of agriculture to the Niagara economy was the main objective of the study. A profile of the agricultural and agriculturally related businesses in Niagara was prepared and issues including the societal value of agriculture, labour market trends, human resource issues and economic opportunities were examined.

Niagara Land Base

Niagara is an area of outstanding agricultural potential. The location of Niagara between the moderating influences of the Niagara Escarpment and Lakes Ontario and Erie create a unique microclimate that supports agricultural production not possible in other parts of the country. For example, the unique combination of geography and climate combine to make portions of Niagara one of the few areas in North America where the sensitive vinifera grapes and peaches can be grown. Niagara is also recognized as one of the most stable stone fruit producing regions on the continent.

The majority of the land base in Niagara is classified as prime agricultural land under the Canada Land Inventory. Given that only 5% of the Canadian land mass is prime agricultural land, the amount of such land in Niagara is extremely significant. In addition to a benevolent climate and good soils, Niagara farmers have access to one of the world's largest supplies of fresh water. This is an advantage which tends to be underestimated, considering the scarcity of water in other food producing regions of the world.

The richness of Niagara's physical attributes allows the area to produce much more than fruit and grapes. The greenhouse, poultry and egg, cash crop, livestock, and dairy commodity sectors also thrive in Niagara.

The planning framework that manages agricultural land in Niagara has been relatively effective in protecting the resource. This success can be attributed to a number of factors including:

- Identification of the protection of agricultural land as a primary goal against which other decisions are tested;
- Strong urban area boundaries designed with the specific intent of controlling urban expansion and identifying and protecting agricultural areas;
- Consultation with the agricultural community on policy decisions affecting agriculture;
- Flexibility in agricultural land use policies which allows the farm community to make some adjustments; and
- Consistency in the application of policy.

Niagara has not enjoyed absolute success in protecting the resource. Pressure for growth is significant and decisions of the past such as the construction of the Queen Elizabeth Way in the area of the tender fruit lands continue to negatively impact the resource. Disjointed decisions about

expansion of infrastructure and inconsistency at the local versus the regional level can be problematic. Overall, Niagara is well served by the planning process in place in the Region. The process is established and has been fairly and consistently administered over enough time to provide a level of comfort. The agricultural community is integral to the process, with input being listened to and sought out. Global, national, provincial and local issues affecting agriculture are consistently identified, analysed and acted upon.

Agriculture is an incredibly diverse industry and what may be appropriate to support one commodity group may not work for another. Flexibility and the ability to respond to change are integral to the success of the industry. Niagara seems to understand this and to have established a supportive environment for farmers.

Agricultural Profile

According to Statistics Canada, in 2001 there were 2,266¹ farms in Niagara generating in excess of \$511 million in gross farm receipts. In terms of productivity, Niagara farms ranked first in the Province in 2001 with average gross farm receipts of \$2,195.00 per acre.

The higher productivity in Niagara can be attributed to the superior land base, benevolent climate, nature of the commodities produced, higher value added activities and access to services and the market. A market of 120 million people is accessible within a day's drive of Niagara, providing a huge advantage to farmers in this area.

The major agricultural commodity groups in Niagara as a whole, measured in terms of percentage share of gross farm receipts, are greenhouse (42.6%), fruit (18.9%), poultry and egg (17.7%), nursery (5.4%), and dairy (4.6%). When broken down by individual municipality, the mix of major commodity production changes and the distinctive characteristics of agriculture above and below the Escarpment is evident. In 2001, poultry and egg were the largest commodity group in terms of gross farm receipts in Fort Erie, Port Colborne, Wainfleet, West Lincoln and Niagara Falls. Greenhouse production was first in Pelham, Thorold/Welland, St. Catharines, Lincoln and Grimsby. Fruit was first in Niagara-on-the-Lake and second in St. Catharines, Lincoln and Grimsby.

Over the past fifteen years, the face of agriculture in Niagara has shifted. In 1986 poultry and egg and fruit were the top two commodity groups in terms of gross farm receipts while greenhouse ranked third with 18.6%. In 2001, greenhouse commodities generated 42.6% of gross farm receipts. Poultry and egg and fruit had dropped slightly to 17.8% and 18.9% respectively.

Overall, the profile of agriculture in Niagara reflects the unique nature of the resource on which it is based. In addition to a strong traditional agricultural sector, Niagara produces specialized crops that cannot be produced in other parts of the province. The proximity of agricultural areas to large urban markets provides opportunities to produce products that benefit from rapid delivery, a large consumer base and a strong established agricultural service network.

Farmland Loss

There was a consistent decline in the number of farms across Ontario during the period from 1971 to 2001 and Niagara was no exception. Between 1971 and 2001, the number of farms in Niagara decreased by 1926 farms². This represents a 49% decline as compared to declines of 42% at the provincial level and a 43% for southern Ontario. The decline slowed somewhat between 1996 and

¹ Based on Census Definition of Farm.

² Based on Census Farms generating in excess of \$2,500 in gross farm receipts per annum.

2001; during that period 245 farms disappeared. This represented an 11% decline, higher than in Ontario where the number of farms declined 8% during the same period, and higher than in the southern Ontario area where the decline was 10%.

A reduction in the number of farms does not always provide a true indication of changes in the industry. There is an overall trend in agriculture toward larger farms and rationalization of operations. Therefore an assessment of the change in farm acres is more representative. In Niagara, between 1971 and 2001, 19,727 acres of farmland³ went out of production. This represents a decline of 7.8% as compared to the provincial decline of 15% and 4% in southern Ontario. The loss in terms of actual area is lower than the provincial average.

Between 1996 and 2001 there was a slight increase in Niagara farmland acreage from 229,832 acres to 232,817 acres. Wainfleet saw the largest increase as an additional 6,001 acres of farmland was reported. Welland and Thorold saw increases of 463 acres and 3,508 acres respectively. The largest decreases were experienced in Niagara Falls (1,638 acres) and Lincoln (4,165 acres). This is significant in Lincoln, considering the average farm size was 65 acres in 2001, this would be the equivalent to a loss of 64 farms.

Across the province there has been a consistent increase in the size of farm operations. In Niagara there has been a decrease in average farm size in Welland, Niagara Falls, and Lincoln. However, the nature of the farming operations that dominate these municipalities, namely the fruit, greenhouse and poultry and egg sectors, can operate economically on smaller acreages.

The balance of the municipalities saw an increase in average farm size. Thorold is the only Niagara municipality with an average farm size larger than the provincial average. The average farm size in Port Colborne and Wainfleet is consistent with the average southern Ontario farm size, which is 214 acres.

In 2001, 39% of the land being farmed in Niagara was rented. This percentage is higher than the average of the Province (31%) and southern Ontario (34%). However it is lower than the average in Hamilton (46%), Halton and Peel (54%) and York (57%). The percentage of rented land in Niagara has increased slowly from 30% in 1986 to 39% in 2001.

There is some variation in the amount of rented land across the Region. The lowest incidence of rented land occurs in Grimsby, Niagara-on-the-Lake and St. Catharines and the highest in Thorold and Fort Erie. While a high incidence of rented land can point to vulnerability of the industry, it can also just be a reflection of the prevalent type of agriculture. In an area where cash cropping dominates, a high incidence of rented land is often found because of the quick turn-around time and the need for a large land base.

Overall Niagara has a healthy agricultural sector. Although fruit and grapes tend to receive more attention, if the number of farm operations is considered, traditional sectors of cash crop, dairy and livestock, horse and pony, nursery and greenhouse are also well represented. The diversity of the agricultural industry in Niagara speaks well for its future.

Economic Impact

The agricultural economy in Niagara is a very significant component of the local economy and has a major economic impact on the Regional and Provincial economies. Based on the analysis done for

³ Based on total farmland acres.

the study, it was determined that agriculture had a \$1.8 billion dollar effect on the Niagara economy annually. This estimated \$1.8 billion dollars can be broken down into approximately \$400 million in direct sales, \$562 million in indirect sales and \$832 million in induced sales.

Nursery is the sector with the most propulsive economic impact followed closely by tender fruit, grape, cattle, hog and greenhouse. Notably all of the top ten commodity sectors are extremely propulsive in terms of positive impact on the economy and there is very little difference between them. The greenhouse sector, because of its dominance in generating approximately 43% of gross farm receipts in Niagara, makes a very significant contribution to the regional economy.

In the questionnaire administered to farmers, the majority indicated that they buy services within Niagara. In a similar questionnaire administered in Hamilton, Niagara was identified as a destination for buying agricultural services.

Niagara is home to a significant number of agriculturally related businesses including food and beverage manufacturers. While Ontario generally is experiencing a decline in employment in this sector, Niagara has seen an increase and demonstrated a competitive advantage in attracting growth in the food and beverage manufacturing sector. Centres such as Port Colborne have recognized and actively promoted the advantage Niagara has in food processing and agriculturally related business.

Agricultural Tax Base

There have been few studies that have looked at the contribution of agriculture to the local tax base in relation to the cost of providing services to different end users. When the demand for services generated by various sectors is considered, it is apparent the draw on services does not come from agricultural land. The farm community is not a negative draw on property tax revenue.

In 2002, the estimated contribution of the agricultural sector to the tax levy in Niagara, excluding regional and educational levies, was in excess of \$3.9 million. In Lincoln, Wainfleet, West Lincoln and Niagara-on-the-Lake, the agricultural sector was second only to the residential sector in terms of tax generation. In West Lincoln, the farm community generated over 25% of the local taxes.

Social, Cultural and Environmental Benefits

The benefits of maintaining a strong agricultural community include the:

- Preservation of our history and traditions;
- Control over food security, quality and safety;
- Ability to respond to changing cultural demands for variety in food;
- Enhancement of the environment through careful agricultural management techniques;
- Opportunities for alternative lifestyle and employment choices that are land based; and
- Provision of agri-tourism opportunities for non-rural residents.

These benefits are not easily quantifiable and are often ignored in economic analysis. However these are benefits that improve the quality of life and make an area a desirable place to live. In Niagara the presence of a healthy, vibrant agricultural community contributes to its attractiveness as a place to live and visit. The link between tourism and agriculture and the benefits enjoyed because of it is something that deserves closer examination.

Human Resources

In 2001 there were 3,335 farm operators in Niagara. This represented a decline of 655 operators, or 16% between 1996 and 2001. The average age of farm operators was 51.3 years. As the value of production rises, it is notable that the average age of the operators declines slightly.

Training needs for agriculture are multifaceted and are catered to by a number of institutions. Interviews with farmers confirmed that there is potential for apprenticeship and cooperative programs. In addition to primary training needs, there are numerous ongoing requirements for farmers to ensure that they remain current with ongoing developments associated with pesticides, nutrient management, veterinary medicine and equipment operation.

One of the largest challenges for the agricultural community is to ensure that there is informed understanding of modern agriculture in society generally. As Canada has moved from a rural to an urban-based society, the understanding of the rural lifestyle and the opportunities it has to offer have also declined. This lack of understanding acts as a natural barrier to urban dwellers from considering the agricultural industry as a career option.

Conclusions

This study confirms that agriculture is of tremendous importance to the Niagara economy both directly and indirectly. The industry generated in excess of \$511 million in gross farm receipts in Niagara in 2001. It is estimated that this \$511 million in gross farm receipts generated approximately \$400 million in direct sales, \$562 million in indirect sales and \$832 million in induced sales for a total impact across all sectors of the Niagara economy of \$1.8 billion.

The face of agriculture is changing. Innovative practices are leading to new products and improvements in traditional sectors. Increasing interest in innovative food and natural products, particularly in urban areas, is opening new markets and opportunities. Niagara is already positioned as a leader in the agricultural sector. The unique products of Niagara are known and valued. Although strong, there are issues currently affecting Niagara's agricultural industry. Continued support and attention to these issues will ensure that this world-class industry will prosper in the 21st century.