

# Food, Agriculture, and Economic Opportunities in Lanark County

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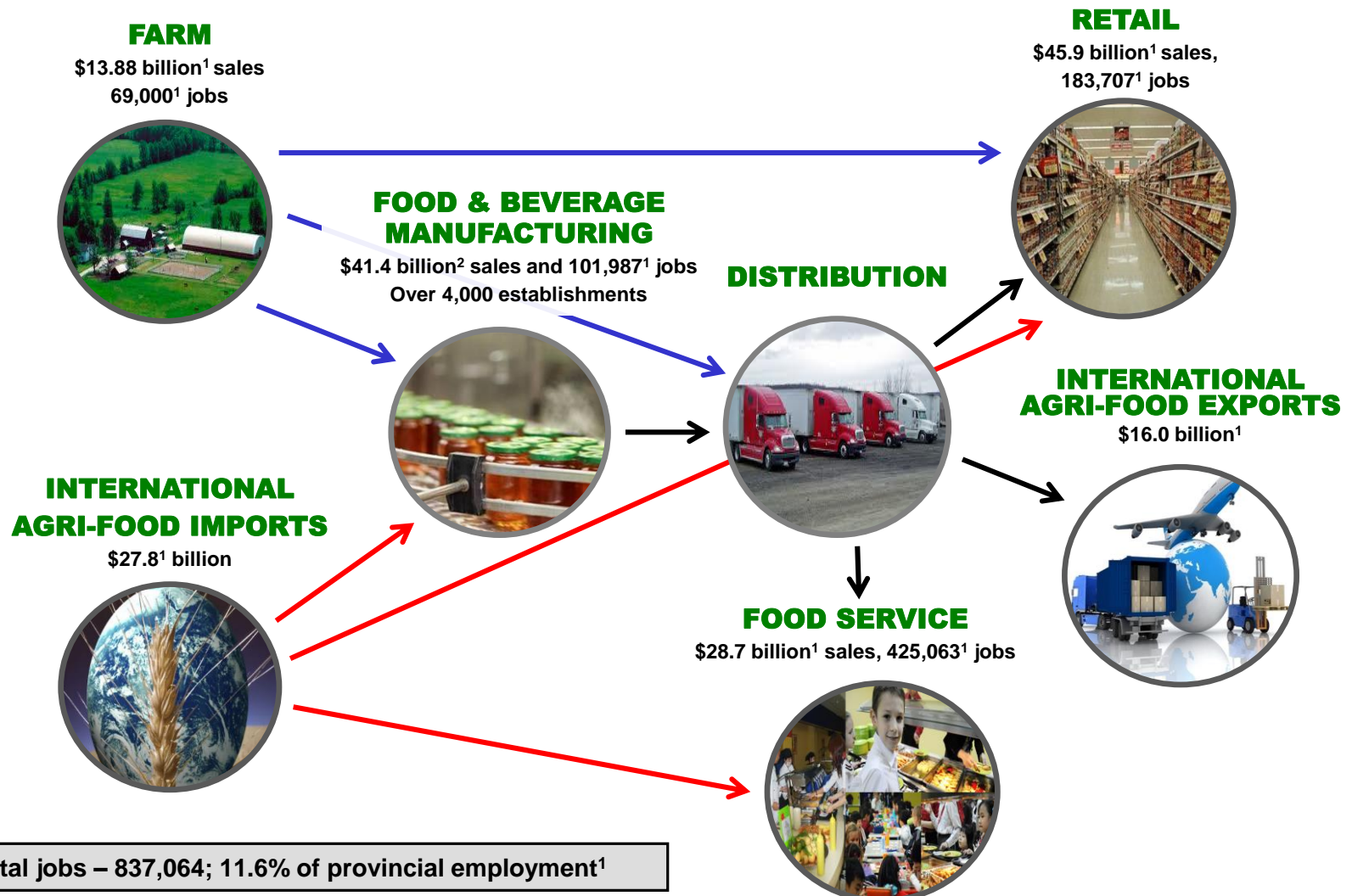
# Overview

- How does a shifting global trade environment affect our local food systems?
- What does the profile of agriculture and the rural population of Lanark County tell us about the importance of the local food system and opportunities it may provide?
- How does the local food system create economic value both for its consumers and its producers?



# Ontario's Agri-food Sector

# Ontario Agriculture and Food at a Glance



Source: <sup>1</sup> OMAFRA Statistics 2018; <sup>2</sup> OMAFRA Statistics 2017, Adapted from Statistics Canada

# Integrated North American Food Market

- Since World War II - steady increase in % of imported foods due to rising incomes, population, changing demographics
- Now about 40 percent
- Top imported foods to incl fruits and nuts, beverages and spirits, vegetables, and pasta and other grain preparations.
- Fully integrated North America and world food market
- Global trade has led to specialization which has helped to keep food prices low, but has also increased complexity in the food sector.
- Growing complexity has led to a rise in efforts by companies, and governments to design and implement food traceability initiatives.

# Integrated North American Food Market

- Ontario's vast scale and geographic and climatic diversity, and its immense reserves of fresh water, provide a wealth of natural resources to support food production.
- Combination of our cold climate and a relatively small population means that the potential for domestic growth is somewhat limited
- Companies seeking to expand significantly are putting a large focus on growing their businesses through exports.
- We can create the conditions that support growth while contributing to safe and healthy food, sustaining our environment, and providing greater access to food in Ontario, Canada and around the globe.

# Integrated North American Food Market

- Exports are not the only way to create opportunity.
- Another strategy is to tailor products to specific markets or in some cases market niches.
- Strong opportunity to displace imports in many specific markets but to do so in large volumes requires cost competitiveness.
- It is not always about the lowest cost and largest scale.
- Sometimes it is about innovating to explore specific markets.
- Tailoring to specific strategies are often easier for smaller firms to pursue.

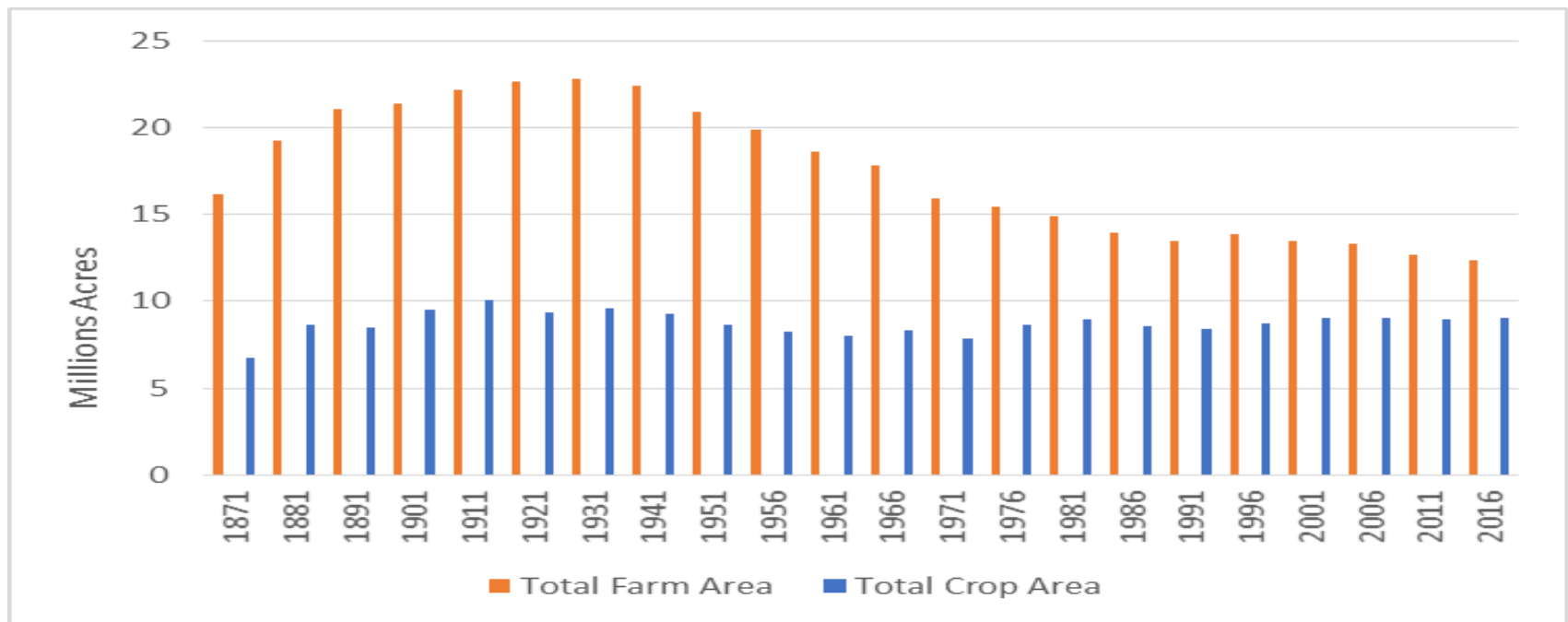


# Ontario Agriculture Profile

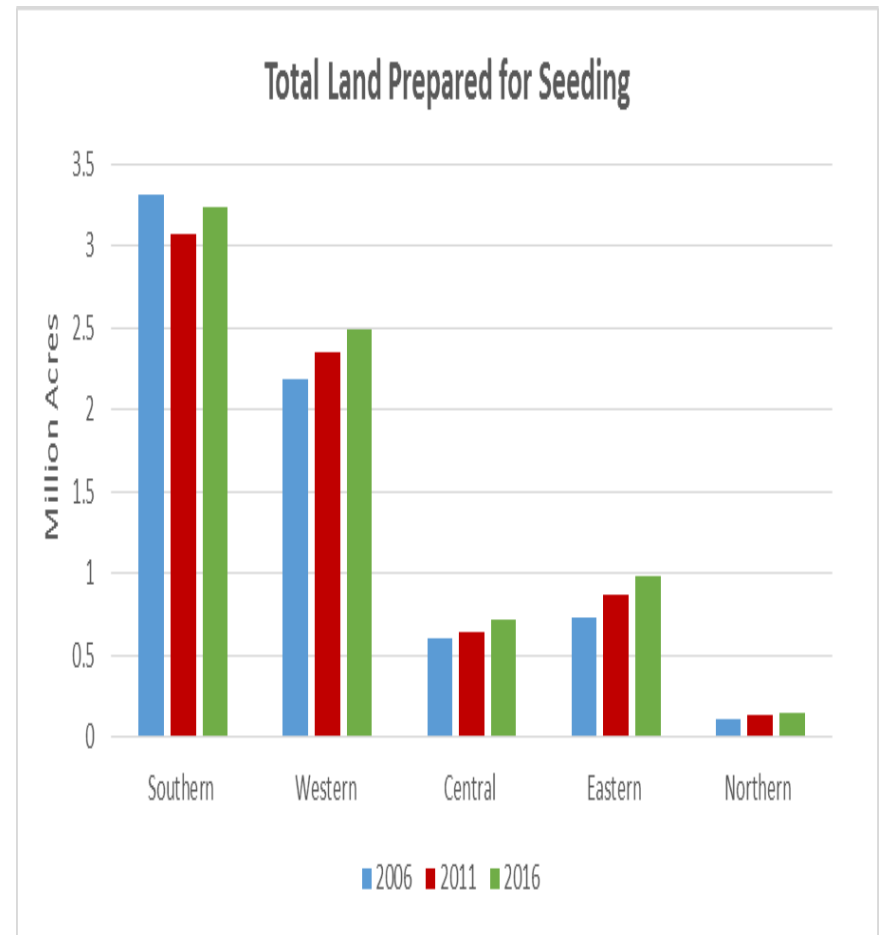
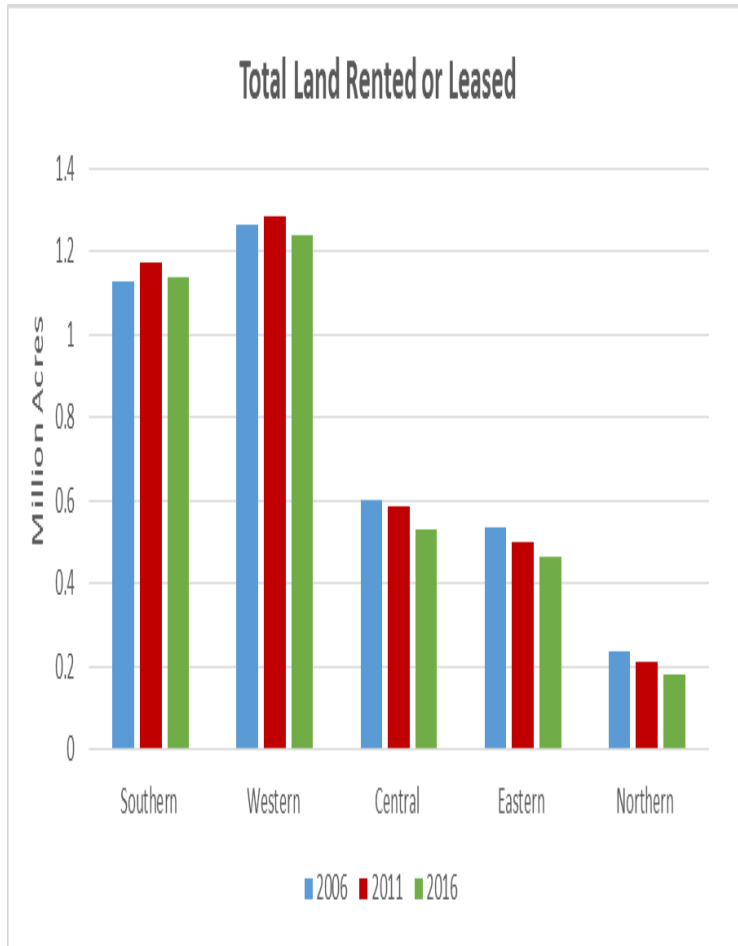


# Total Farm Area - Ontario

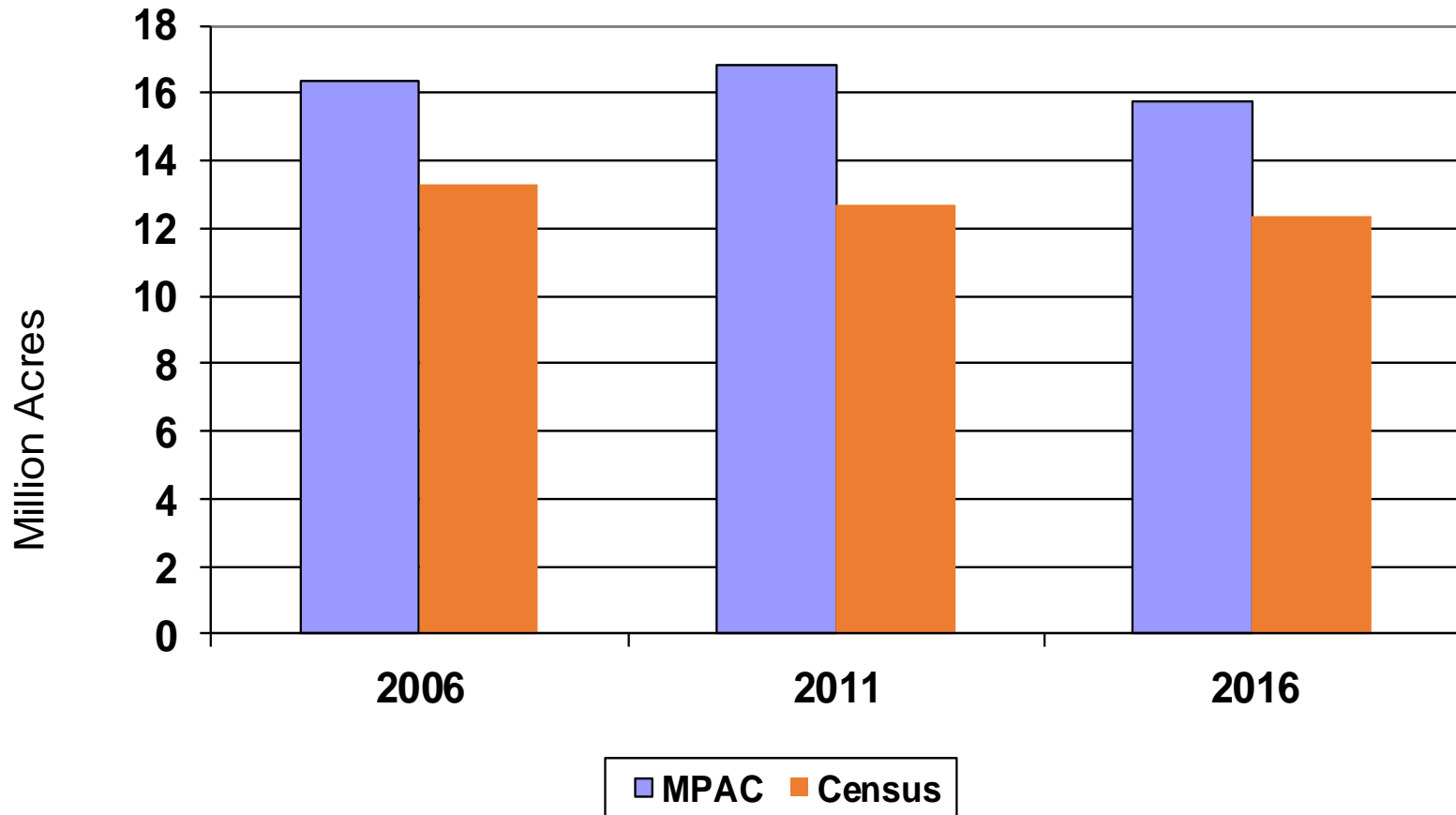
- The **Census of Agriculture** takes place every five years and is conducted by Statistics Canada
  - Only true inventory of farm production assets
  - Only inventory of assets at a sub-provincial level
- Total farm area measures the land used by farmers
  - Includes both owned (workable and non-workable) and rented land (generally just workable)
  - Does not include vacant land could be used for agricultural purposes



# Tenure and Land Prepared for Seeding - Regions



# Land Assessed for Farming (MPAC) vs Total Farm Area (Census) - Ontario



Source: OMAFRA calculations based on MPAC and Statistics Canada data

# Observations about Ontario Farms & Farmers

- Average farm family has a before tax income of roughly \$132,000 – (\$25,000 in net farm income and \$107,000 in off farm income)
  - Provincial average household income is about \$98,000
- 51% of Ontario farm operators don't work full-time on the farm
- As farm sales rises – off-farm income decreases in importance
- Even the largest farms in Ontario have significant off-farm income
- Off-farm income isn't just employment, it can be other businesses, rental or investment income
- It generally takes a large scale farm to generate a total family income equivalent to the provincial average family income
  - Sales of at least \$750,000
  - Minimum of about 1,000 acres of cash crops
  - About 100 dairy cows
  - Minimum 250 beef cows
- Farming today is much more of a complement to other forms of employment and income



# **Lanark County Agri-food Profile**

# Lanark County – Agri-food Sector Employment

- Agri-food sector is a much larger presence in Lanark than most other parts of the province
- [http://www.omafra.gov.on.ca/english/stats/county/eastern\\_ontario/lanark.xls](http://www.omafra.gov.on.ca/english/stats/county/eastern_ontario/lanark.xls) - key source is 2016 Census employment based in Lanark
  - Agri-food sector employed 3,725 within Lanark in 2016 which was 17% of total employment and the county's largest employer – compared to 12% provincially
  - Primary ag makes up about 3% of total employment which is double the provincial level of about 1.5%
  - Primary ag makes up 19% of county agri-food employment compared to 11% provincially
  - Food manufacturing is a much smaller portion of agri-food employment in Lanark than rest of Ontario

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# Lanark County – Agri-food Consumers

- The permanent year round population of Lanark is both a challenge and an opportunity for the agri-food sector
- While the population is growing at the provincial rate, it is aging much more rapidly which means less food consumption overall but higher age and incomes can mean more demand for fresh foods
  - Small permanent population that is declining slightly
  - Proportion over 65 is growing and represents 20% of population compared to 16% at the provincial level
  - Average household size is 8% lower than provincial average
  - Average household income is strong compared to most small rural counties
  - Slightly lower than provincial average unemployment



## Lanark County – Primary Agriculture Impact on Overall Ontario Agri-food

- Lanark in general produces more specific primary agricultural production than its permanent year round population can consume
- Lanark farmers sell their products in markets all across Ontario for fresh and processing purposes
- In 2017, OMAFRA estimates that Lanark farms produced over \$50 million in farm cash receipts from a wide range of commodities
  - <http://www.omafra.gov.on.ca/english/stats/finance/fcr2017.xls>
- OMAFRA estimates that the over \$50 million in farm production from Lanark generated roughly \$153 million in direct GDP across the overall Ontario agri-food value chain through the primary to processing to retail sectors. This in turn supported 3,190 jobs in the agri-food value chain across Ontario
  - [http://www.omafra.gov.on.ca/english/stats/economy/Attribution\\_County.xlsx](http://www.omafra.gov.on.ca/english/stats/economy/Attribution_County.xlsx)

# Lanark County Agriculture Profile

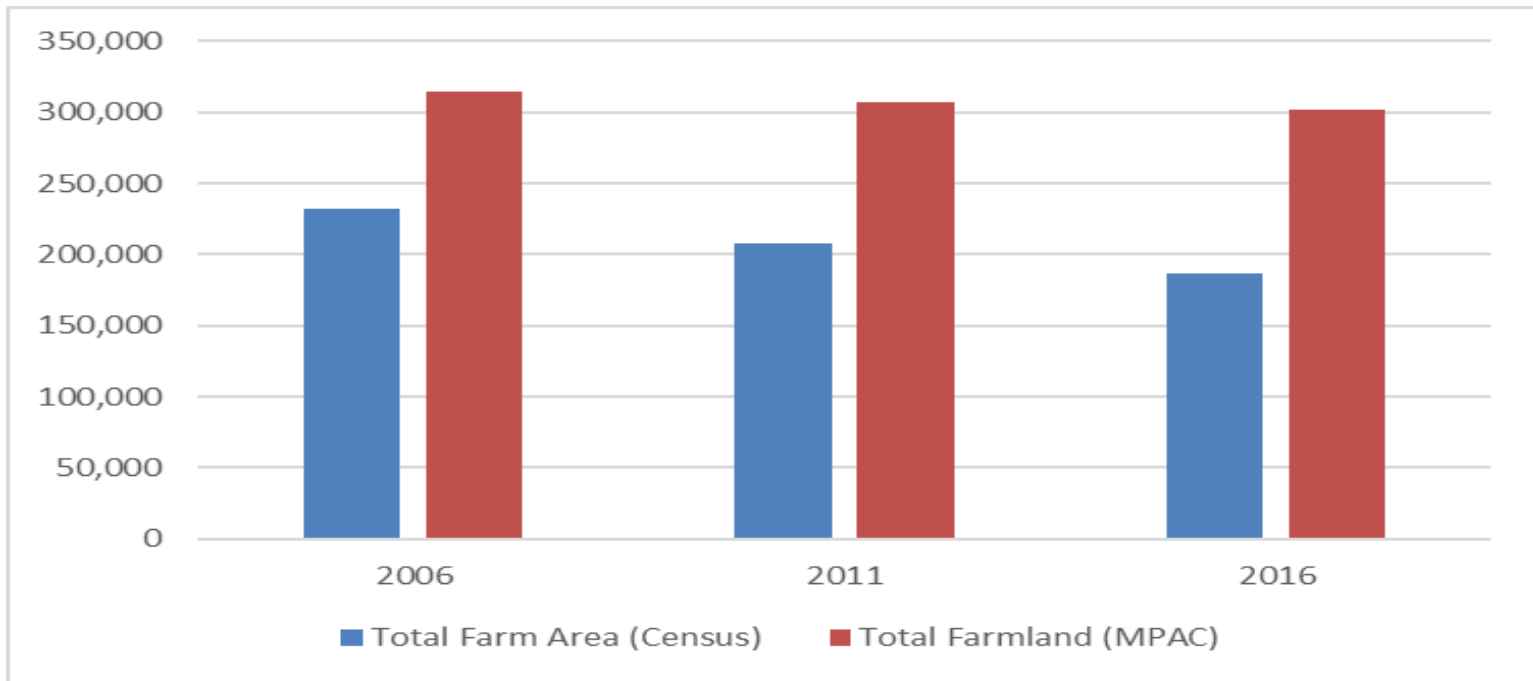
# Observations about Lanark County Farms & Farmers

- Characteristics of farmland in Lanark County like many parts of central and eastern Ontario has meant that large scale agriculture is not the norm:
  - 27% of farmers work **full-time on the farm** compared to provincial average of 49%
  - 20% of farmers work **full-time off the farm** compared to provincial average of 27%
  - 59% of farms have under \$50,000 in gross farm sales compared to provincial average of 50%
  - Proportionally more beef and small livestock farms

# Observations about Lanark County Farms & Farmers

- 185 farms sell direct to consumer which is 26% of total farms compared to provincial average of 14%
  - 166 of these farms sold via farm gates sales while 40 sold through farmers markets suggesting some do both
- 23 farms sold value added products direct to consumer
  - 3% of farms selling direct did value added products compared to provincial average of 12%
- 14 farms have organic production and the number growing has close to doubled since 2006 far outpacing the rest of the province

# Land Assessed for Farming (MPAC) vs Total Farm Area (Census) – Lanark County



<http://www.omafra.gov.on.ca/english/stats/county/localfood.xlsx>

# Further Observations about Farmland in Lanark County

- 35% of total land used by farmers is unimproved land (woodlands and wetlands) compared to provincial average of 22%
- 41% of total land used by farmers is for crops compared to provincial average of 78%
- Over 9% increase in land prepared for seeding compared to 6% at provincial level
- In 2016, average value of land and buildings per acre was \$3,615 up 85% from 2006 and compared to provincial average of \$9,580 i
- Data suggests farmland rental rates in Lanark close to the lowest in the province compared to farmland value
  - <http://www.omafra.gov.on.ca/english/stats/county/farmvalue.xls>

# Further Observations about Farmland in Lanark County

- Roughly 57% of all land in Lanark County is currently assessed for farming by MPAC – farmland for crops and grazing – not including managed forest property
- Roughly 115,000 acres of land assessed for farming that is not actively farmed – most is likely in small, non-contiguous parcels with about 35% that couldn't be effectively farmed due to woods, or wetlands
- Since 2006, there has been a steady increase in land used for farming if the landowner is a non-farmer – 158 parcels totaling 10,110 acres – average of 64 acres
- Since 2006, there are considerably fewer farmers owning and farming land with a residence used by some other than the farmer themselves



# **Cost of Living in Rural Ontario**



# Rural Ontario Living Expenditures

- Based on a custom run of the Statistics Canada 2016 Survey of Household Spending, the average Ontario rural household spends \$28,377 per household member per year on living expenses including food, shelter, transportation
  - Almost \$3,000 more than in Toronto or average Ontarian

Category	\$ per Person	% Compared to Toronto
All Expenditures	\$28,377	112%
Food	\$3,889	115%
Accommodation	\$7,006	90%
Heat & Hydro	\$1,907	208%
Transportation	\$5,554	127%
Clothing	\$1,005	68%
Recreation	\$2,652	184%

# Lanark County Living Expenditures

- Average Lanark County household has 2.4 people meaning their total annual living expenditures equal roughly \$68,105
- Average Lanark County household has an annual income of \$84,789 before taxes – this leaves a lot more room for other spending than most other rural communities
- It's likely that due to the high proportion of over 65 residents, that Lanark residents younger than 65 have considerably lower income
- In today's society, consumers have more discretion in controlling food costs than they do transportation, or housing as an example
- This means that many rural Ontario and Lanark County residents are likely to look at their food purchases, sources and budgets in a much different manner than the average Ontarian.
- Rural residents as well as any lower income consumer are increasingly concerned with stretching their food dollar

# Lanark County Food Expenditures – Permanent Residents

Lanark County at a Glance	Estimated Per Household Consumption (2016)	
	Total Amount (\$)	\$ Per Person Per Year
<b>Average Household Income - from Business Profile</b>	<b>84,789</b>	
Total household expenditure: including taxes - based on number of people per household from Business Profile	68,105	28,377
<b>Total Food expenditures</b>	<b>9,334</b>	<b>3,889</b>
Food purchased from stores	6,749	2,812
Bakery products	588	245
Cereal grains and cereal products	362	151
Fruit, fruit preparations and nuts	977	407
Vegetables and vegetable preparations	727	303
Dairy products and eggs	965	402
Meat	1,584	660
Fish and seafood	187	78
Total Food purchased from restaurants	2,585	1,077
Shelter	18,826	7,844
Household operations	5,491	2,288
Source: Statistics Canada Survey of Household Spending - Rural Households - 2015		



# Local Food Consumption

# Local Food Demand vs Production

- Like the province itself, no one county or community in Ontario is truly self-sufficient in balancing food demand and production
- Lanark is much closer to self-sufficiency in fruits and vegetable production than virtually any other county
- In most rural communities while food is a much larger portion of incomes, food is also something with much greater visibility and understanding.
- The ability of a community, and its food producers to understand the local balance of food demand and production and the income situation of its residents is vital to maintaining an economically resilient local food system

# Local Food Demand vs Production

- Lanark faces several opportunities because it has:
  - Residents and tourists from many other counties shop in the county
  - A higher summertime population
  - A TBD% of summer time population own a cottage in area
  - Over TBD% of visitors stay for at least 5 days at a time
  - Most visitors have a considerably higher income
  - A large number visitors are families with children
  - A TBD number of visitors passing thru to Rideau Lakes and south
  - A relatively very high percent of farms that sell fresh products direct to consumer – primarily from small acreage operations
  - Considerable underutilized small parcels of land assessed for farming or that could be used for small scale farming
  - Considerable amounts of land owned by summertime residents that are non-farmers and may be willing to rent some of their land at what are some of the lowest rates in the province

# Local Food Demand vs Production

Lanark County at a Glance		Population		67,205							
Produce	Annual Consumption per Capita <sup>1</sup>		Consumption for Population		Ontario Average Production <sup>2</sup>	Area Required to Feed the Population		Crops Grown in 2016 from Ag Census	Fresh Produce Required for a 3-Month Summer		
	Fresh (kg/cap)	Total (kg/cap)	Fresh (kg)	Total (kg)	Yield (kg/acre)	Fresh (acres)	Total (acres)	Total (acres)	Consumption (kg)	Area (acres)	
Apples	10.16	17.45	682,803	1,172,727	10,676	64	110	13	170,701	16	
Asparagus	0.64	1.01	43,011	67,877	2,093	21	32	-	10,753	5	
Beans (Green & Wax)	0.91	2.15	61,157	144,491	2,915	21	50	3	15,289	5	
Beets	0.87	1.19	58,468	79,974	12,736	5	6	3	14,617	1	
Broccoli	2.70	3.79	181,454	254,707	3,518	52	72	x	45,363	13	
Cabbage	4.28	4.28	287,637	287,637	11,395	25	25	2	71,909	6	
Carrots	7.50	9.59	504,038	644,496	20,560	25	31	3	126,009	6	
Cauliflower	2.87	3.03	192,878	203,631	7,062	27	29	2	48,220	7	
Celery	3.05	3.05	204,975	204,975	23,414	9	9	1	51,244	2	
Cucumber	2.65	2.65	178,093	178,093	9,817	18	18	4	44,523	5	
Dry Onion	8.72	8.72	586,028	586,028	15,701	37	37	4	146,507	9	
Peach	1.12	1.80	75,270	120,969	3,382	22	36	0	18,817	6	
Pears	1.92	2.13	129,034	143,147	2,894	45	49	x	32,258	11	
Green Peas	0.18	1.30	12,097	87,367	1,906	6	46	3	3,024	2	
Peppers	4.06	4.06	272,852	272,852	10,478	26	26	2	68,213	7	
Potatoes	22.71	55.98	1,526,226	3,762,136	8,618	177	437	x	381,556	44	
Pumpkins	3.26	3.26	219,088	219,088	7,623	29	29	37	54,772	7	
Radishes	0.58	0.58	38,979	38,979	5,496	7	7	3	9,745	2	
Rutabagas & Turnips	1.07	1.07	71,909	71,909	10,326	7	7	2	17,977	2	
Spinach	0.93	1.37	62,501	92,071	2,807	22	33	2	15,625	6	
Strawberries	3.18	3.97	213,712	266,804	3,178	67	84	13	53,428	17	
Sweet Corn	3.07	6.67	206,319	448,257	4,507	46	99	19	51,580	11	
Tomatoes	8.19	30.52	550,409	2,051,097	29,617	19	69	7	137,602	5	
<b>Total</b>						<b>776</b>	<b>1,342</b>	<b>123</b>		<b>194</b>	

1. Statistics Canada, "Food available in Canada", CANSIM 002-0011;

2. Fruit and Vegetable Survey, Statistics Canada.



# **Economic Resilience of Local Food**



# Local Food Value Proposition

- No agreed-upon definition of local.
- Local food does however resonate with three major ideas:
  - Close relationship with those who grow food;
  - More likely to be grown and distributed in a sustainable and ecologically-sound way; and
  - Helps support local businesses
- To foster economic resilience, a fourth point needs to be considered which requires there to be a value proposition to the farmer – presumably in the form of larger returns
  - In the case of small scale farms this is more about providing supplemental household income and wealth creation thru land assets

# Local Food Value Proposition

- Every product needs a value proposition
- Value proposition is how a product is distinguished from all others in its domain so that target customers consciously select it as a superior option.
- Well-defined and effectively articulated value propositions can transform ordinary products into extraordinary experiences.
- A strong value proposition is an attempt to achieve customer loyalty by setting appropriate expectations about a product and ensuring these are consistently confirmed at high levels.
- Setting appropriate expectations is extremely complex

# Local Food Value Proposition

Lanark County example: In summer, local stores offer California strawberries, at the same time as local strawberries

- Consumers: taste, freshness, convenience, assurance of safer production methods or price?
- Farmer: increased production, reduced costs, reduced waste, higher price
- Are these value propositions enough for the farmer to ensure a reasonable profit and for the consumer to choose local over California?
- An economically resilient local food system balances these questions.

# Economically Resilient Local Food

- A local food system balances these questions by first recognizing that the answers lie at the individual farm and consumer level.
- Farmers need to:
  - Know their costs in order to appropriately price their products
  - Develop a sound value proposition to articulate to consumers
- Consumers need to:
  - Understand what value propositions matter most to them: price, quality, other attributes
  - Understand what attributes the product offers
  - Recognize seemingly similar products may be different due to value propositions that are not physical in nature – e.g local food
- Balancing these questions enables each party to maximize its own value proposition and adjust their decisions if their value propositions are not adequately met

# Summary

- In many respects all food produced in Ontario is local
- Like the province itself, no one county or community is truly self-sufficient in balancing food demand and production
- Local food production in Lanark County is extremely visible but of smaller scale and size than most other parts of Ontario.
- Food is also a much bigger issue for many residents due to higher overall living costs and lower average incomes.
- The ability of a community, and its food producers to understand the local balance of food demand and production and the income situation of its residents is vital to maintaining an economically resilient local food system.
- The larger, relatively well off summertime population is a significant opportunity for local food demand
- The data would suggest Lanark County has already to some degree embraced this reality but there is considerable room for growth of this trend