

## AGRICULTURAL CROWN LANDS PROGRAM (ACLP) FORAGE LEASES

### Project Overview

The Agricultural Crown Lands Program (ACLP) facilitates use of provincial land for agriculture, in the form of cropping leases, forage leases and hay and grazing permits. Forage leases make up the majority of the ACLP activity. Leases and permits are available to farmers and ranchers to provide an additional land base for agricultural activities. The ACLP recognizes the value of agricultural Crown land as a public asset – agriculturally, environmentally, economically and socially.

Manitoba Agriculture is committed to continuous improvement for the ACLP. Modernization of the ACLP began as a Ministerial mandate in 2017 and continued through 2020. The Agricultural Crown Lands Leases and Permits Regulation was amended in 2017, 2019 and 2020, as follows:

- Shifting to a tender system from a points system to an in-person auction, to the current online auction.
- Forage rents calculated using a market based formula: 3.5 per cent of the market price of beef multiplied by the number of cows that the land can sustain (i.e. “animal unit months”, or AUMs, which is a measure of the productivity of the land). Prior to the changes, rental rates were frozen at very low rates since 2014.
- Eliminating unit transfers (transfers of an ACL lease to a third party, generally as part of a farm sale). Leases can now only be transferred between immediate family members for those leaseholders that held leases prior to the modernization policy (i.e. “legacy leaseholders”). For partnerships and corporations, legacy leases can be transferred to an existing ownership interest in the partnership or corporation.
- Lifetime leases were eliminated with leases now having a maximum 15 year term.

Since 2018, Manitoba Agriculture has heard from forage leaseholders through letters and various meetings. Several concerns were raised about rents, lease terms and conditions, land productivity and programs/services. This survey is to gather feedback on strengths and weaknesses of the program and to identify areas for additional policy adjustments.

## Engagement Overview

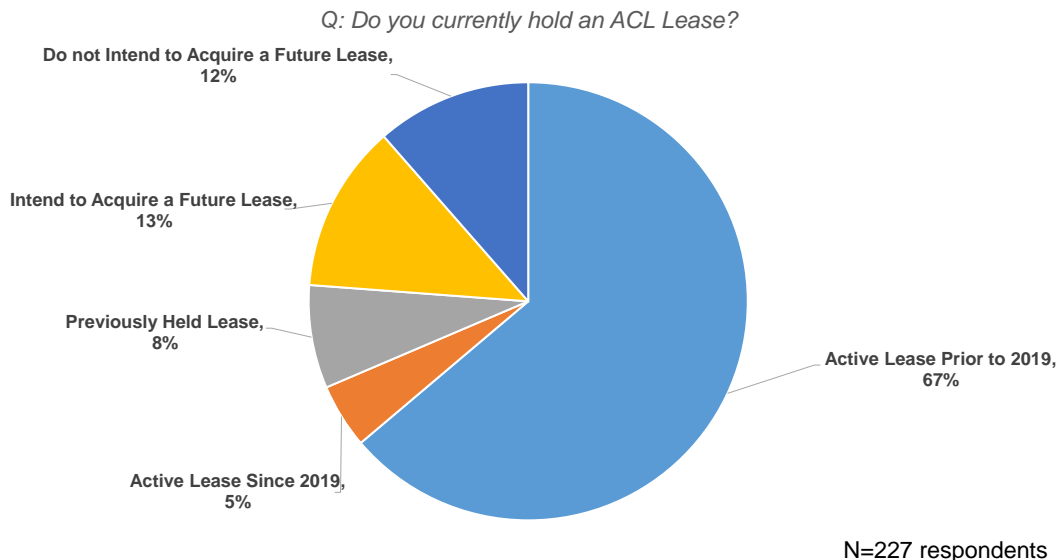
The public was invited to participate in an Engage MB survey specific to ACLP forage leases. The survey was announced in a Government of Manitoba news release on September 28, 2022, along with a three-year plan for rent reductions on forage leases.

The survey remained open until October 28, 2022. Links and deadlines for the survey were shared with several stakeholder groups to share with their membership to encourage participation. Paper surveys were provided to those with internet connectivity challenges.

A total of 227 surveys were completed. Of these respondents:

- 67 per cent are active ACL leaseholders and obtained their lease prior to the 2019 regulatory amendments
- 5 per cent had obtained their lease since the 2019 regulatory amendments
- 8 per cent previously held an ACL lease and no longer hold one
- 13 per cent have not held an ACL lease but intend to acquire one in the future, and;
- 12% of respondents had never held and ACL lease and don't intend to hold an ACL lease in the future.

## Demographics



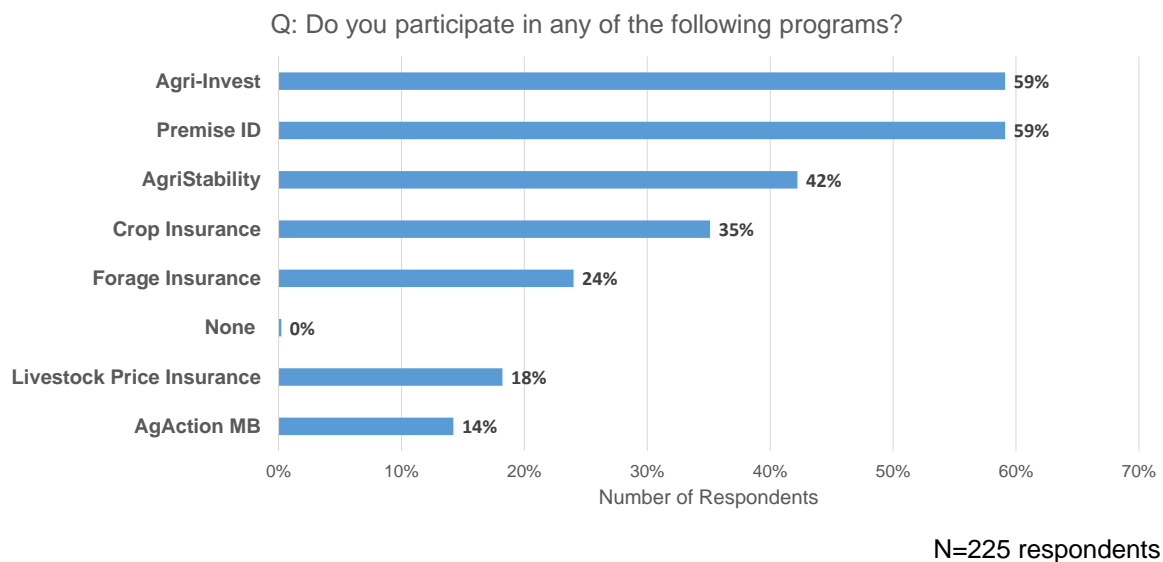
## What We Heard

Respondents were asked to select which government programs they participate in. AgriInvest and Premise Identification are the most widely used programs among respondents, with:

- 59 per cent of respondents participating in these programs, followed by:
- AgriStability (42 per cent)
- Crop Insurance (35 per cent) and;
- Forage Insurance (24 per cent)

Only 14 per cent of respondents have made use of the AgAction MB program that provides cost shared support for beneficial management practices, including an ACL pilot program offered in 2021.

## Participation in Programs



### LEASE TERMS & CONDITIONS

Forage rents are calculated using a market-based formula: 3.5 per cent of the market price of beef multiplied by the number of cows that the land can sustain (i.e. “animal unit months”, or AUMs, which is a measure of the productivity of the land).

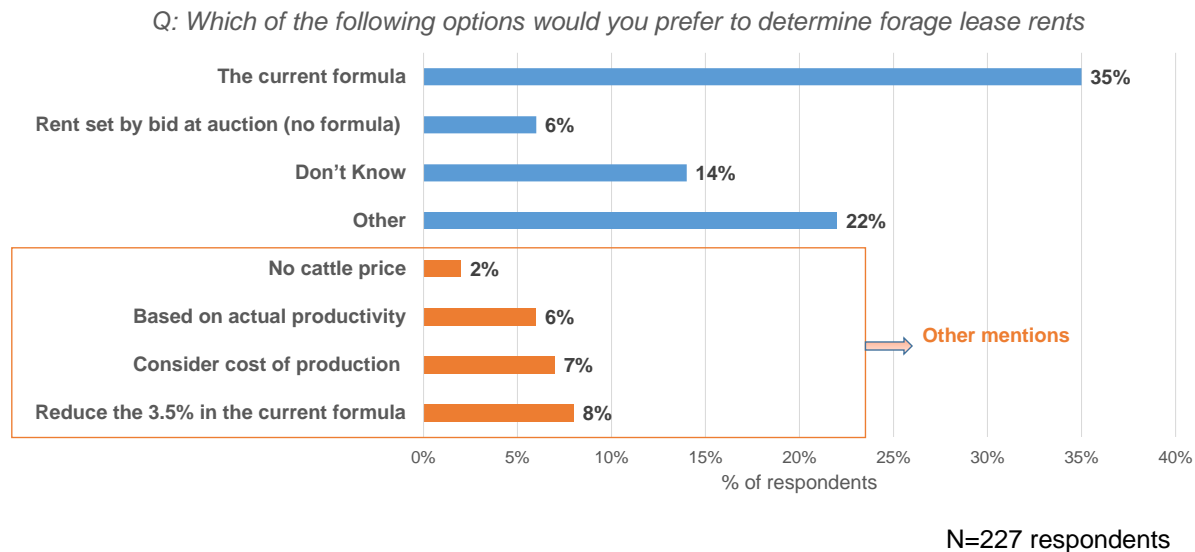
Lessees are currently paying \$7.19/AUM, or about \$48 for five months of feed per cow-calf pair. For reference, Saskatchewan 2022 grazing rates are \$8.18 per AUM.

Responses were mixed on how forage lease rents should be determined. While 35 per cent of respondents indicated the current formula is preferred, 22 per cent of respondents indicated some other method should be used to calculate rent.

Of those indicating some other method should be used to calculate rent:

- 8 per cent wanted to see a reduction in the rate of return from 3.5 per cent to something lower.
- 7 per cent wanted the cost of production to be considered in the rent formula, and;
- 6 per cent want rent to be based on the actual productivity of the land.

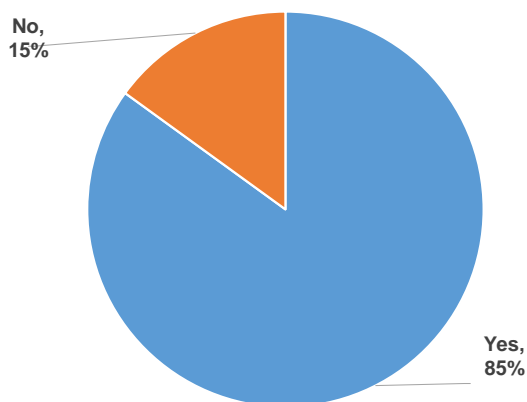
## Forage Lease Rent



84 per cent of respondents supported allowing leaseholders to transfer a lease to someone else. In several written comments, respondents mentioned a preference for a return to unit transfers, which was eliminated in 2019.

# Lease Transfers

Q: Do you support allowing leaseholders to transfer their lease to someone else?



N=227 respondents

## IMPROVEMENTS

A key goal of the Manitoba government is to maximize livestock numbers and improve forage productivity. We asked respondents what it would take to invest in their lands to improve its productivity (ie: cross fencing, watering systems, rejuvenating forage stands, managing bush encroachment).

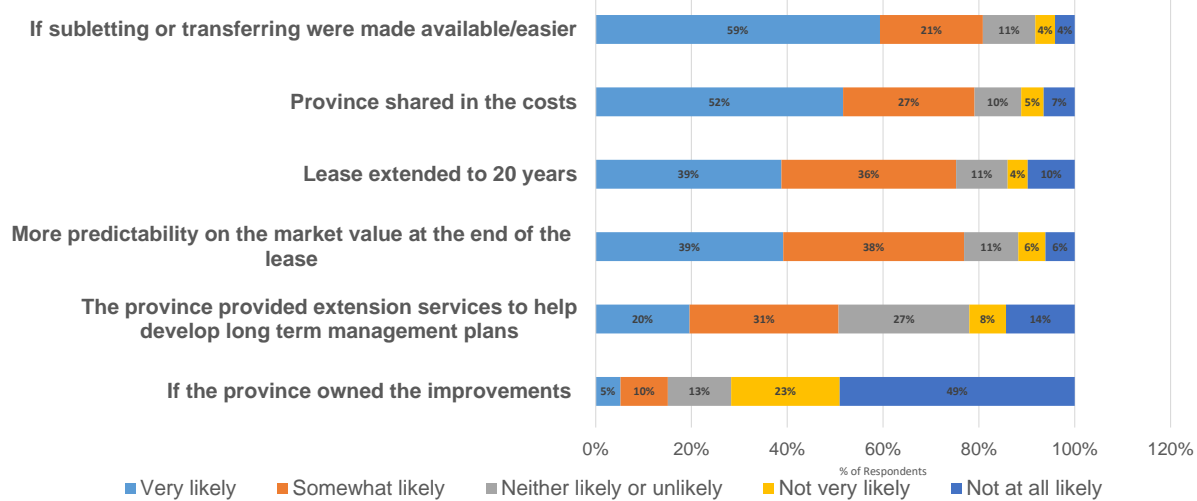
Respondents told us that they are likely to invest in the land's productivity if:

- Government allowed leases to be transferred (81 per cent), or;
- Government shared in the cost of the improvements (79 per cent).

To a lesser degree, respondents are also likely to invest in their ACL if there was predictability of the market value of the improvements at the end of the lease (77 per cent) or if lease terms could be extended (75 per cent). If government retained ownership of the improvements, leaseholders are unlikely to invest in their ACL (72 per cent)

# Invest in Improvements

Q: How likely would you be to invest in productivity improvements if:



N = 223 respondents

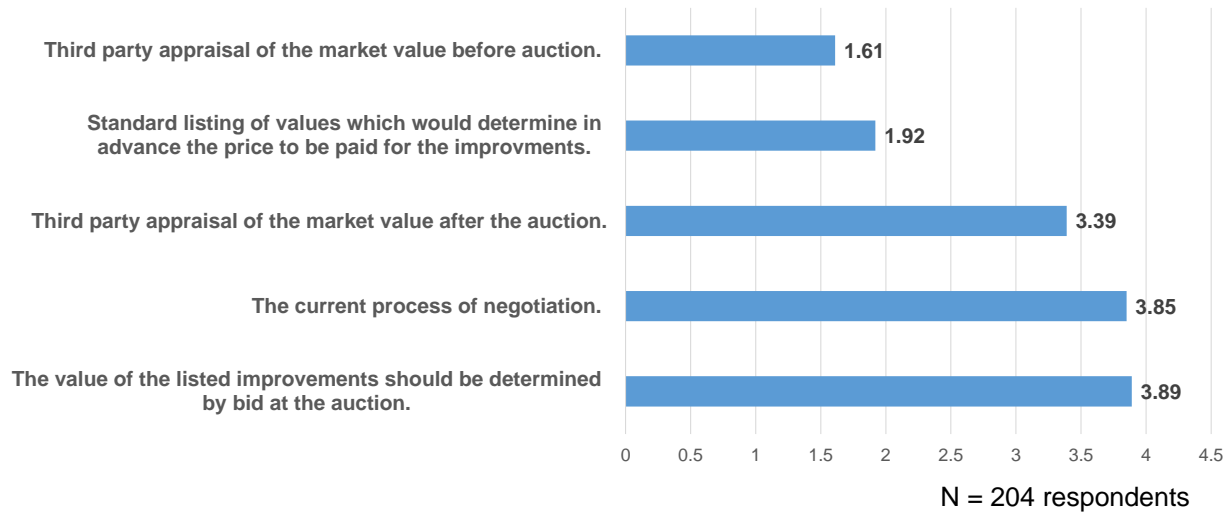
The value of improvements on forage leases is settled privately between outgoing and incoming leaseholders within 30 days of the auction. If agreement cannot be reached, the matter is referred to formal arbitration under The Arbitration Act.

Only 9 per cent of survey respondents have participated in negotiating the transfer of improvements under the current process, with the majority of those leaseholders (81 per cent) being incoming leaseholders. Responses were mixed on whether the process produced a satisfactory outcome. The sample size is too small to draw any meaningful conclusions.

Respondents were asked to rank their preference for this method of valuing improvements against other options. Respondents' preference for valuing improvements is through a third party appraisal of the market value before the auction, or by having 'a standard listing of values which would determine in advance the price to be paid for the improvements. The current process of valuing improvements and other options tested are not preferred.

# Valuing Improvements

Q: Rank your preference (from 0 to 5) for the following options for determining the price for improvements between the incoming and outgoing leaseholder.



## ENFORCEMENT & COMPLIANCE

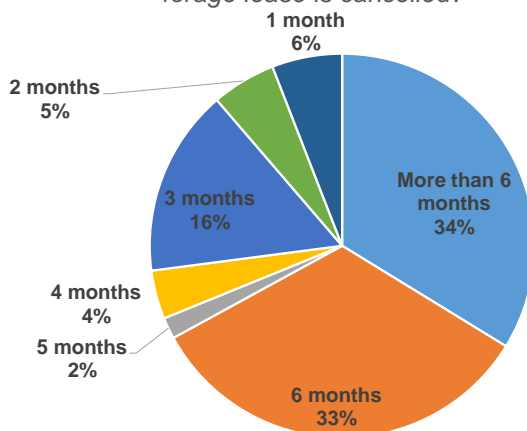
Respondents were asked to rate their support for a range of consequences when lessees reduce the productivity of leased land. Responses were mixed: 34 per cent agree the lease should be canceled, however 39 per cent said they don't know, or have offered other suggestions.

The most common suggestions included warnings, working with the producer one on one on management plans, and losing the right to bid at further auctions.

Previously, stakeholders have told us they want to see available auction lands earlier, so better assessments of its condition can be undertaken prior to winter. However, in some cases, the department can't always provide early listings due to the generous lease cancellation policy for non payment. Respondents were asked to indicate an appropriate length of time between non-payment of rent and lease cancellation. The majority of respondents (67 per cent) said leaseholders should be given six months or longer to pay their rent.

# Non Payment Cancellations

Q: In the case of non payment of rent, how much time should lapse before a forage lease is cancelled?



N=222 respondents

## CUSTOMER SERVICE

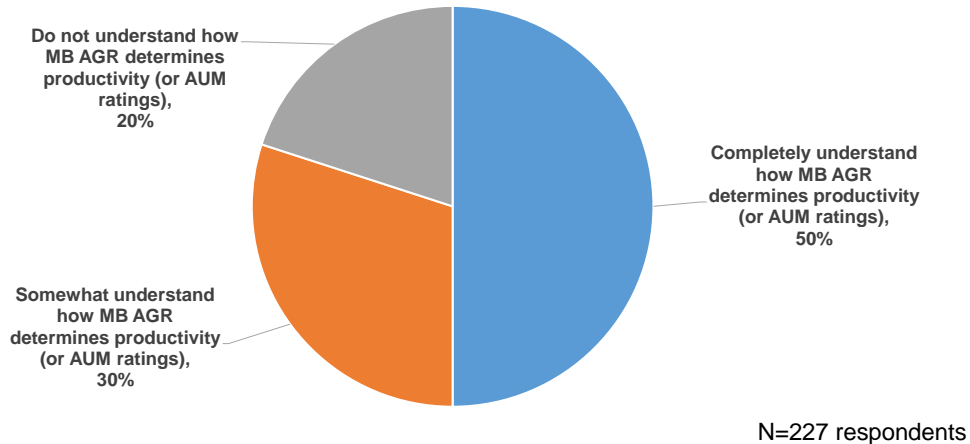
Animal Unit Months, or AUMs, are a measure of the productivity of lands. This is critical for leaseholders because AUMs are a key part of rent calculations. Rent is calculated as 3.5 per cent of the market price of cattle per AUM. Lands are assessed for AUM using scientific methods based on region, soil type, type of vegetation and other conditions. AUM assessments are always conducted prior to Crown land auctions. Forage lessees are expected to manage the land to maintain or increase long term productivity. AUMs are not adjusted downward if leaseholders are not actively maintaining the land, including controlling encroachment.

The survey suggests the way the department determines productivity is not clear to everyone. Only half of respondents feel they completely understand the process. It is important for leaseholders to understand how the department evaluates lands because it is a key feature of how lease agreements are managed. For example, not only is productivity half the rent calculation, but maintaining the productive capacity of the land is a condition of the lease agreement.



# Understanding Productivity Calculations

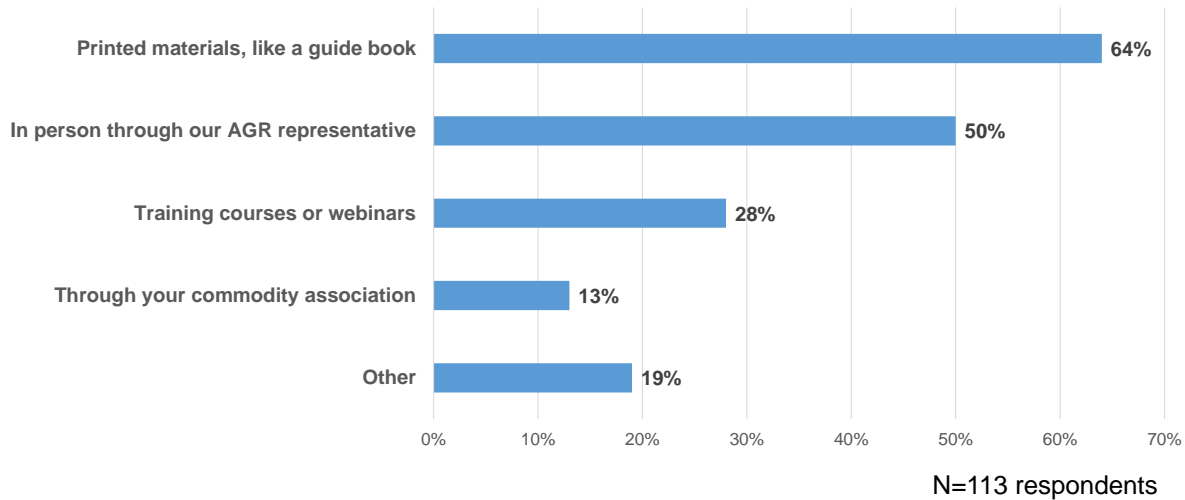
Q: To what degree do you understand how the department determines productivity (or AUM ratings) of the land?



Because of the importance of AUM calculations to leaseholders, providing more information to leaseholders on how the measurements are conducted and how to protect (or enhance) productivity is critical. Respondents that didn't fully understand the process were asked how they would like to receive more information about AUMs. Most would like to see printed material, like a guidebook (64 per cent) or would like to be able to discuss it with their department representative (50 per cent). Another option that could help respondents is to set up a course or webinar (28 per cent).

# Productivity / AUM Information

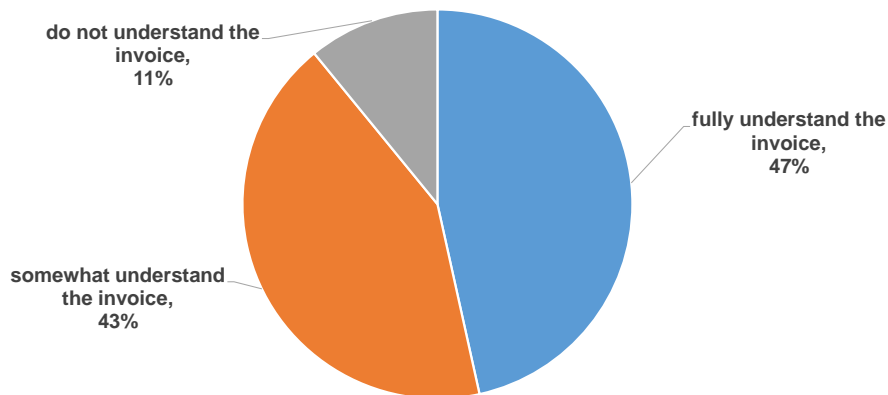
Q: What could we do to help you understand the process better?



While understanding how AUMs are determined is complex for many, rent invoices are also difficult to understand. Fewer than half of respondents (47 per cent) feel they fully understand their invoice.

# Invoice Information

Q: How well do you understand your annual rent invoice?

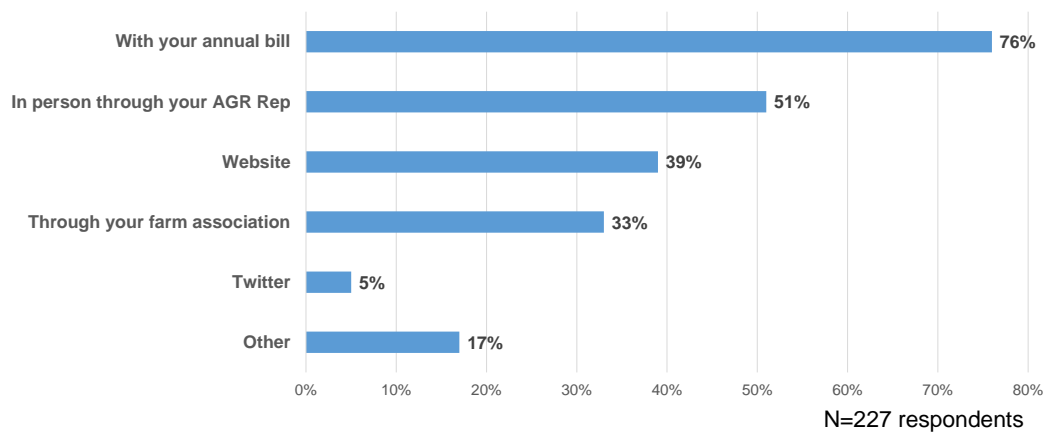


N=227 respondents

Invoices are important sources of information to leaseholders. Respondents identified annual invoices as their preferred method of receiving information on programs and services, with 76 per cent of respondents indicating this is how they would like to receive information. Other important methods of receiving information include in person from their department representative (51 per cent), through the department's website (39 per cent) or through their farm association (33 per cent).

## How Information on Programs and Services Should Be Provided

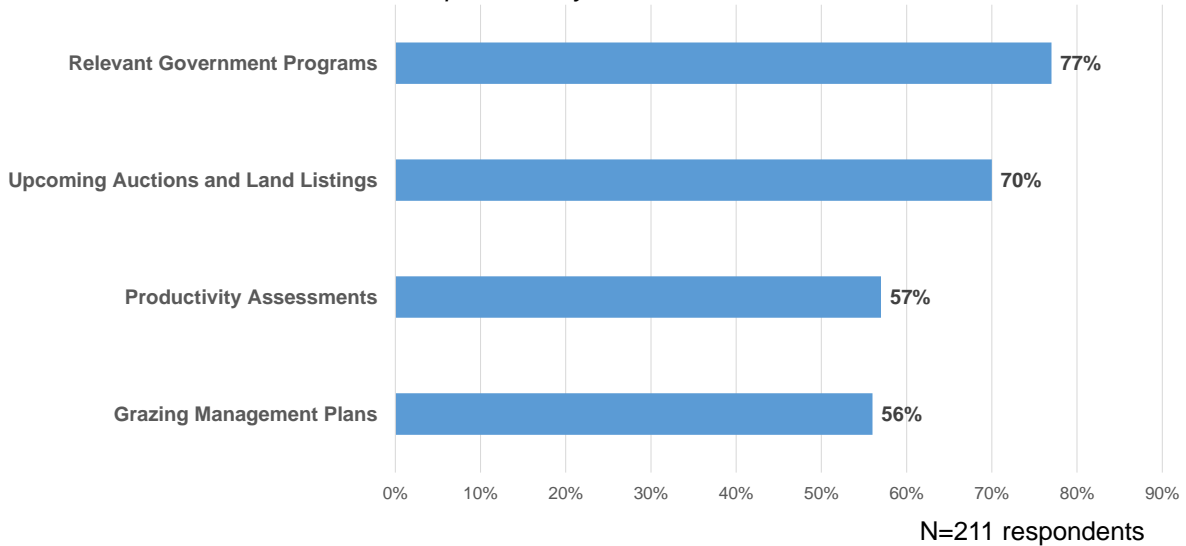
*Q: How do you want to receive information on programs and services related to the ACL?*



Leaseholders want to receive more information from the department. Most importantly, they want information on relevant government programs and services (77 per cent). Interestingly, more than half of respondents would like more information on grazing management plans (56 per cent). This is not surprising given that grazing management plans are the starting point for managing productivity (i.e. AUMs) – a key component of the lease conditions.

# Information Topics of Interest

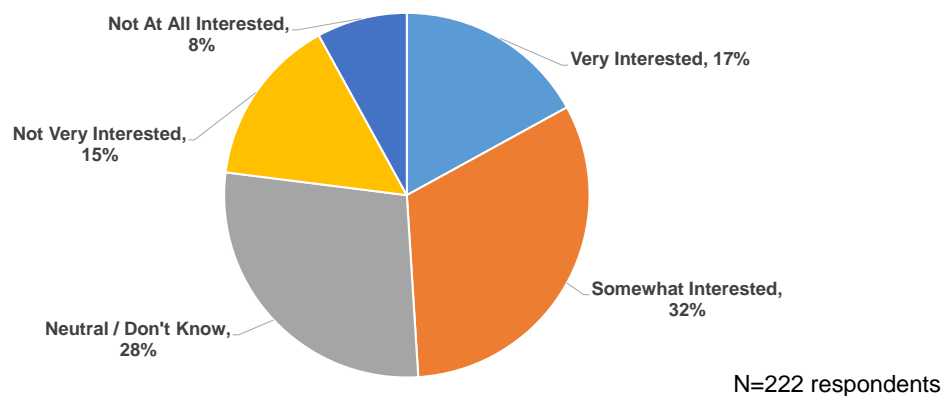
Q: What kind of topics would you want to receive more information on?



In addition to wanting more information on grazing management plans, half of respondents are interested in working with the department to develop grazing management plans (49 per cent are either very interested or somewhat interested).

# Working Together on Management Plans

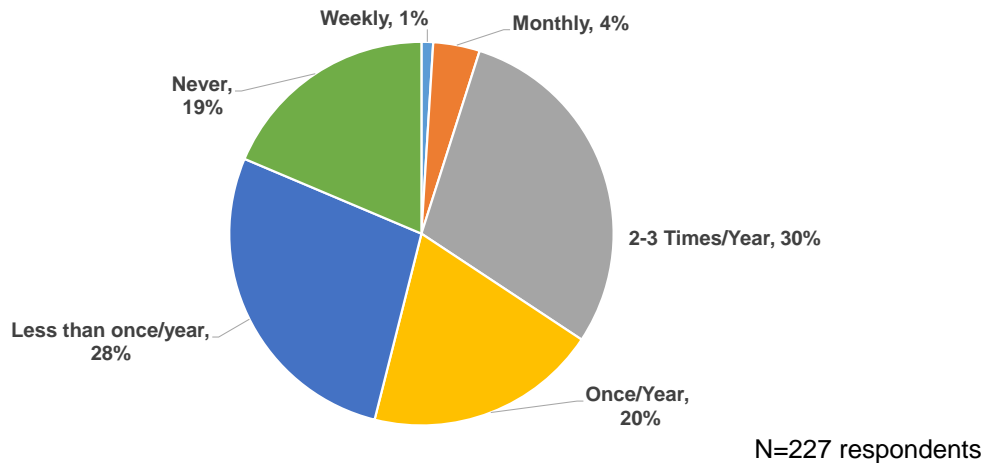
Q: How interested would you be in working with your AGR representative to develop long-term management plans for your ACL?



More than half of the respondents communicate with their department representative at least once a year. This is a good level of communication for those who want to work on developing the productivity of their ACL.

## Contact With AGR Representatives

Q: How often do you communicate with your Department of Agriculture representative?



### YOUNG FARMERS

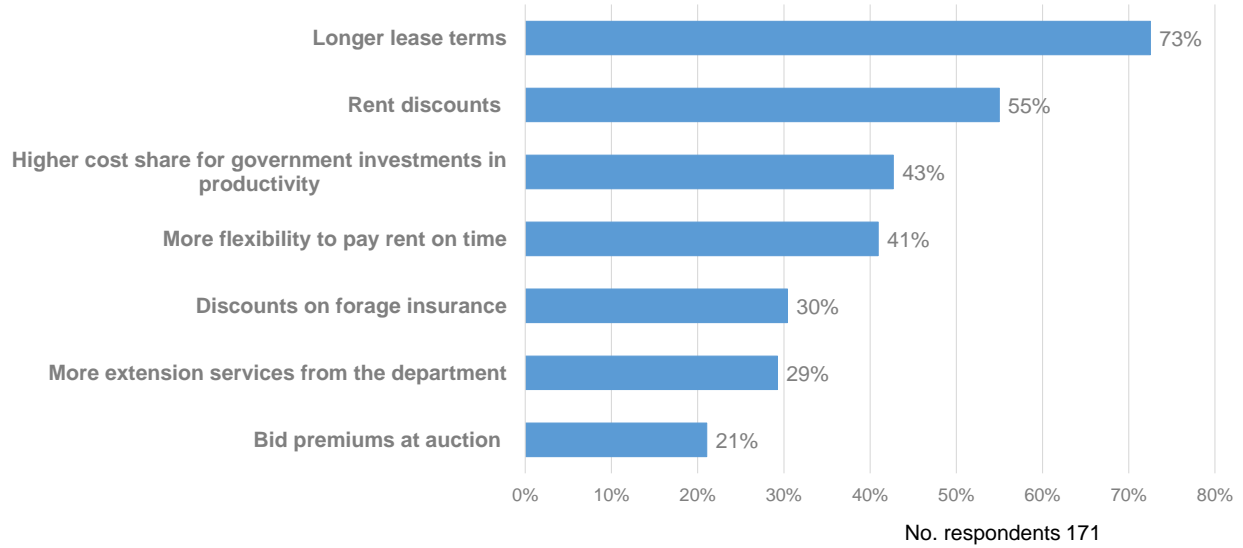
Eighty per cent of respondents support young farmers receiving additional supports or being provided with programming to support their access to agricultural Crown lands.

Incentives that received the greatest support included:

1. Longer lease terms
2. Rent discounts
3. Higher cost share from government to invest in productivity
4. More flexibility to pay rent on time

# Young Farmers

Q: Additional supports you would like to see for young farmers



## Active Offer Statement

This information is available in an alternate format on request. Please contact [agrpolicy@gov.mb.ca](mailto:agrpolicy@gov.mb.ca)

## Questions?

Industry participants are welcome to send questions to [agrpolicy@gov.mb.ca](mailto:agrpolicy@gov.mb.ca)