

we have had an opportunity of studying it and would commend it to you as being entirely in line with the policy the Federation has been advocating for some years.

Under this plan, a farmer would be permitted to establish the number of breeding animals on hand at the beginning of a certain year, say 1940, and this number, as a basic herd, would be regarded as a capital asset. In any subsequent year in which a farmer commenced making income tax returns, he could establish a basic herd equal to the number of breeding animals on hand at the first of that year. If the farmer keeps accounts on a cash basis, no value need be given; if accounts are kept on the accrual basis a fair value should be given to remain constant in succeeding years.

Advantages of such a plan are:

First, that the capital nature of the breeding herd is recognized.

Second, that farmers who sell out and retire and may be dependent upon the returns they get from their capital assets for their living in the future, will have the returns for their basic herd protected against taxation along with other capital assets.

Third, it is simple and workable. By accounting for the basic herd as a unit, complex records regarding original cost, depreciation, disposal and replacement, are unnecessary.

4. *Wartime Depreciation:*

We wish to draw the attention of the committee to the fact that many farmers expanded buildings and equipment to meet the emergency requirements of the wartime program. In respect to wartime industries certain income tax concessions were granted, such as accelerated depreciation. Similar consideration has not been granted to farmers. Let us illustrate. Surely we will readily admit that Canada's production of hogs was not expanded from a pre-war production of some 3½ or 4 million head annually to nine million, to meet the wartime program, without a very considerable investment in additional plant and equipment on the farms, much of which will not likely be needed in any postwar program of hog production Canada will have.

The same thing applies in other branches of farm production.

We would urge that the same policy that has been applied to wartime industry with respect to accelerated depreciation, be granted also to agriculture.

The CHAIRMAN: Before we proceed with the questioning, which I think should be led by our expert, Mr. Stikeman, I would say it is quite evident that briefs should be in the hands of members of the committee a little before their presentation, so that the discussion arising on them may be carried on to better advantage. That is no reflection on you, Mr. Hannam.

I suggest now that Mr. Stikeman lead the examination.

Mr. STIKEMAN: Mr. Chairman, I should like to ask Mr. Hannam a few questions which occur to me on the first reading of his brief. They will not by any means be exhaustive because I have not had a great deal of time to study the brief.

You make a statement on page 1 of your brief, Mr. Hannam, which indicates that you feel that farming merchandising methods or farming business as a whole differs fundamentally from other forms of business. I realize you mean that the difference may be found in the background of the farmer, that is, emergency conditions arising from weather and varying prices. But have you any further thought on that point, such as the difference in the merchandising or accounting methods which would be germane to this discussion?

Mr. HANNAM: Yes. Farming is somewhat more of a family affair than most businesses; that is, the family enters into farm operations more so than does the family of even the small business man. Another point is the difficulty