

year but has put it into the farm expecting that that farm will produce his retirement savings money when he has to retire, only to have it eroded, presents serious problems.

**Senator Aseltine:** He might almost have to go on relief when he retires after he is 65 years of age.

**The Chairman:** It does not strike me that that kind of position can be justified. I am inclined to the view that Senator Phillips' has at present, and I would suspect Senator Welch too.

**Senator Isnor:** I would like to go on record as saying that I too approve of the policy and views outlined by Senator Phillips. The witness made a statement about 20 acres. Is that the average?

**Mr. Peill:** It is always very difficult to deal in averages, because one might give a wrong figure. Right now the average acreage is 14 acres in the Annapolis Valley. But smallholdings are rapidly disappearing, and we see more and more blocks, economical blocks, of 20, 30 and 40 acres being planted within one year.

**Senator Isnor:** That is what I thought, that it was larger than 20. Are there many sales of orchards in the Annapolis Valley?

**Mr. Peill:** Right now orchard sales are more and more difficult, because orchards still contain older varieties that used to be grown for the British market, varieties that even processing plants do not want today, because they are hard to process, they do not yield enough. I would say that the price paid for old orchards is relatively low.

**Senator Isnor:** That has been corrected, has it not, in regard to the number of types of apples for sale?

**Mr. Peill:** Maybe we are planting too much, but there are a lot of young plantings; people are trying to correct this by eliminating older orchards and setting out young, new varieties. They have committed themselves to considerable capital investment.

**Senator Isnor:** Are many mortgages being taken out in respect of orchards in the Annapolis Valley?

**Mr. Peill:** We are very fortunate in that the Nova Scotia Farm Loan Board has supported the farming industry, particularly those who show promising signs of creating economic units. That applies in all phases of agricul-

ture, fruit growing included. It is extremely difficult to get money from the banks; land is still not considered a good collateral for long-range credit. We have the Farm Improvement Loan Act under which we can borrow money up to \$15,000 per individual, and this is as far as it goes. To take mortgages from conventional mortgage companies is out of the question because the rates are too high.

**The Chairman:** Is there any other point, Mr. Peill, which you would like to talk about?

**Mr. Peill:** There is one point which we mentioned in summing up our brief and this is the municipal taxation which is a tax level, not at the ability to pay, but on capital investment. If the tax structure is going to be changed, a close look should be given to these factors. This is an operating expense now which has nothing to do with whether the operation was successful or not.

A survey made by the Canadian Department of Agriculture of seven fruit growing farmers showed that the municipal tax paid amounted to 5.5 per cent of the net farm income, or 2.2 per cent of the gross farm income. I suggest that this is a sizable sum.

**The Chairman:** The only way it strikes me, subject to what the committee might think, is that municipal taxes as such are a separate and distinct problem from what we are looking at. From the point of view of the farmer and the fruit grower, whom you are representing, they are part of his cost and he has to find the money to pay for them. Certainly he would be in a better position if some of the ideas we expressed this morning were passed into law. He will be in a better position if the individual tax rates proposed in the White Paper for a lower base of income are implemented, but I do not see how we can directly deal with the problem of municipal taxes. This is not under our jurisdiction at all.

**Mr. Peill:** I realize that, but it was put into the brief to be taken into account as part of the whole tax burden, and if the suggestion that an active farm be exempted from capital tax gains comes through I would think this is a minor matter.

**The Chairman:** I would think that a farmer, carrying on a fruit growing business, in preparing his income tax return, would include the municipal tax as part of his operating expenses and he would get a reduction in that sense.

**Senator Phillips (Rigaud):** That is the point I was going to make, that the municipal tax is