

*Income Tax Act*

am sure you must be aware that farms have modernized, that farmers have been willing to make the expenditures necessary to provide a highly mechanized farm unit and that they have been willing to increase their basic herd content and thus have been able to upgrade their stock.

Farmers have been able to conserve their land. They have put fertilizer on it. They have done all these things mainly at the expense of receiving an income from the farm which should be in keeping with the investment they have made over the years. In many cases while changing our tax laws we have made it not only possible but mandatory that we lose some of our best agricultural land. We have done this through our tax structure, by allowing high taxes in respect of agricultural land and by claiming in many cases that land adjacent to a city should be used for subdivision purposes. We have allowed and made necessary the selling of such land to municipalities for subdivision at the expense of the Canadian public.

We might consider the Niagara escarpment, located in an area which could produce fresh fruit. However, if one went to a market this summer or into a local groceteria to buy fruit from the Niagara peninsula I doubt very much that this would be possible in many cases. Most of the fruit would have been from the United States because we have disposed of almost all the agricultural land that has produced for Canadians a very reasonably priced product by allowing taxes on such land to increase to the extent that it was no longer possible for farmers to retain it as a family farm unit.

A great controversy is raging between economists in the taxation branch. This was evident in the presentation of the white paper and other documents which have been presented by all kinds of interested parties. This controversy has involved the exceptions that could be made in the agricultural field without destroying the basic concept of tax reform. There are 264 members of this House who should be interested, in agricultural production. This question affects every Canadian. If we are to impose taxes as if this were an industry, then we will produce an industrial agricultural segment in our economy which obviously should have the same kind of profit motive as other segments of the economy.

Many small farms today in the province of Ontario—this is also true of the province of Quebec—have a resale value as a viable agricultural unit of probably \$250,000. That is a good deal of money. It is also very interesting to consider the number of occasions in the past year when farms in many areas of Ontario and Quebec were foreclosed by the Canadian Farm Credit Corporation. These foreclosures were necessary because there was not a sufficient margin of profit. If the income tax department expects every year to take its share of the capitalization of the family farm unit, it will find that all it will be doing is killing the goose that lays the golden egg and the general public will have to compensate for that through increased costs. If Loblaws or any other major integrator is to own the family farm and produce a major portion of the agricultural production for consumption in Canada, it will operate in a way that will make the income tax department very satisfied.

As I indicated in respect of Bell Telephone Company—and this is the case with most industrial corporations—it will operate with a 10 per cent mark-up. They have the

money. They prepare for the tax they will have to pay. They will not have to take a large slice out of the farm income. I do not know how the big farmer or even the integrator will relate the price of his commodity to the market so that he can earn the kind of income that will give him enough to pay his taxes and the other things he has to provide.

It would be interesting if the parliamentary secretary would give us an indication, with regard to the few years in which the Canada Pension Plan has been in operation, how many farmers have earned sufficient income to make payments under that plan. These payments are geared to income. I think a large number of farmers would not have earned that kind of income and therefore have not been contributing under the Canada Pension Plan.

This is all part of the parcel of the family farm. The government may consider it is something else and that they are not abusing the farmer. The establishment of a basic herd really is equivalent to establishing factory machinery. I agree that it is not depreciated. You cannot have it both ways. Hopefully, the basic herd would appreciate. It would be a very poor farmer who would have 40 milk cows and did not find at the end of 20 years that he had 40 much better cows in his basic herd. Something would be wrong if he did not. So there is an appreciation. There is appreciation in everything else. The cost of living goes up, the price of land and everything else goes up, and it would be very surprising if the price of his basic herd did not appreciate due to his entrepreneurial skill and the up-breeding of his cattle.

• (9:10 p.m.)

I am not suggesting that we depreciate cattle every year as you do factory machinery. The basic herd concept is such that when you establish such a herd you maintain it and it does not depreciate. You are not asking for depreciation, but also you are not asking to evaluate periodically and to pay a capital gains tax on it because you have stood still in a changing world in terms of the industry.

It may also surprise the committee to know that this happens in other fields. My brother bought a tractor 25 years ago and on several occasions the implement dealer offered him more for it as a trade-in than he initially paid for it. After 25 years it is worth more as a second-hand tractor than it was when it was new. But he depreciated it over the years until there was no value left in it. He could have benefited from another tax system when he traded-in that tractor, because obviously he had a greater asset than when he bought it.

If the government are not interested in establishing in Canada industrial agriculture, with all the problems that will flow from it in the changing environment of rural Canada, if they are not interested in providing food to consumers who carry all the costs necessary to run a viable industrial development in any other segment of the economy, if they are not interested in increasing the price of our commodities by five or ten times, I strongly urge the parliamentary secretary, in discussion with his officials, with the Cattlemen's Association, with the Federation of Agriculture and all the other agencies representing farmers to consider making exceptions for agriculture so as to maintain the family farm.