It is of vital interest, in the long-term interest of all Canadians, that every possible effort be made to bring together a greater understanding and fuller appreciation of our urban and rural elements of society. On the surface, these two groups appear to work separately and apart from one another, yet in fact nothing could be further from the truth. Each is completely dependent upon the other, tied together by the common bond of necessity. This vital relationship is a prime example of the old adage that "no man is an island unto himself."

If you will allow me, Mr. Chairman, I would like to shift the emphasis of debate to the income and capital gains tax structure which, because of its many inequities, places an undue hardship on many of our agricultural producers. It is my intention to expand on a couple of the more outstanding examples of inequity at this time. I would like to join the Canadian Federation of Agriculture, the Canadian Cattlemen's Association, the Joint Dairy Breeders Association, and the Ontario Milk Marketing Board, to name but a few interested and concerned organizations in supporting the adoption of the principle of replacement at full value of animals ordered to be slaughtered due to contagious diseases. Furthermore, I believe it is now necessary to seek changes in the taxation treatment of the compensation. Entire herds of cattle may be lost on such occasions. Already, in the past year, cattlemen have had to suffer through outbreaks of both brucellosis, in eastern Ontario particularly, and blue tongue disease in B.C., perhaps spreading eastward. The present system, whereby compensation received in a given year is fully taxable in that year, is clearly inadequate and unacceptable to those involved. I suggest that where compensation is paid there should be no taxation on the proceeds, at least until such time as the quarantine has been lifted and the producer has had a reasonable chance to reconstitute his operation with a clean bill of health or has had the opportunity to restock his herd.

● (1600)

What I am saying is that there should be provision for the livestock operator to maintain intact the receipts from the forced disposal until such time as he has had an adequate opportunity to re-establish his livestock or cattle operation. In such situations, the immediate cash flow problem caused by this catastrophe is of vital importance and I think it is time that this fact received the support of the Minister of Agriculture and the recognition of the Minister of Finance and, hopefully, that recognition will become evident next Tuesday, May 25.

In the past, the government has taken the position that by using a year of low or negative income to balance more favourable years by income averaging, the producer is not subject to undue hardship or financial loss. I suggest, however, that the present averaging provision is only of secondary importance. It must be recognized that the problem of forced slaughter has taken on new dimensions in the past year as the numbers of these distasteful occurences have increased. Cattlemen are worried at the prospect of losing all or part of their valuable herds, and they are concerned and disappointed that the income tax provisions regarding compensation discriminates against them.

The government has always pointed to the relatively low incidence of total herd depopulation in Canada as justification for rejecting previous representations for a better taxation deal on compensation. During the fiscal year 1974-75, 105 herds were depopulated. During the following fiscal year, 1975-76, an additional 120 herds were ordered depopulated. The rate of forced depopulation is expected to continue its rise during the next few years, and over and above that the extent of blue tongue infection creates another real danger.

What is also on the increase is the total number of cattle which are subject to forced slaughter. The loss of any significant number of cattle can be just as demoralizing and equally as enduring, financially, as the loss of a complete herd. As of February 5, 1976, figures indicate that some 864 herds of cattle were under quarantine in Canada, and this confirms that at least one, and possibly several animals in each herd, was ordered slaughtered. In the ten-month period ending January 31, 1976, a total of 16,332 cattle were led to forced slaughter. Some would have us believe that this is an insignificant problem. Indeed, the magnitude of the difficulty need not be the guiding factor in assessing the need for a change in the provision for taxation of compensation. On a strictly individual basis, the small operator can be as badly hurt by the loss of a few high quality cattle as the larger breeder can by a more substantial loss in terms of numbers. There are those in the agricultural industry who believe that compensation payments should be totally exempt from taxation. We in the official opposition will be content to settle for the deferral of payments, for we feel that this request is fair and right and that any excuse offered by the government to sidetrack this request can only be looked upon with scorn and indignation.

Farm organizations are unanimous in supporting the request for a tax change on compensation payments, and it is fair to say that health of animals officials are also sympathetic to representations on this matter and support the seeking of more reasonable tax treatment in this area. I would like to lend my support to proposals made recently by the Canadian Federation of Agriculture on the subject of capital gains tax. The present federal regulations clearly discriminate against the transfer of family-owned farms when they are incorporated, organized in partnership or in other types of family organization. As this discrimination seriously threatens the transfer of such farms to succeeding generations, the federation proposes that the rules for transferring farms to succeeding generations be the same regardless of the type of organization, as long as they are family-owned.

The government could well consider, too, exemption from capital gains tax of income received from land sold by a farmer or a family-owned corporation where the money is reinvested in another farm within a period not exceeding two years. An opportunity may arise for a farmer to sell one farm and buy another in the case of a more efficient operation. In many cases the farmer does not take advantage of this opportunity because of the present capital gains tax regulations. Since money received from expropriated farmland is not subject to capital gains if reinvested within two years, it would seem appropriate that a voluntary sale should be excluded from this tax as well.