

Income Tax Act

Mr. Peters: Mr. Chairman, we are interested in these provisions dealing with agriculture primarily from a mundane point of view. For many years the Liberal party, through its legislation, has been saying that like everything else agriculture must become industrialized, that there is only room in this country for large, integrated farming operations. Most of the legislation brought in by the Liberal party during the past 20 years has been directed to that end. As a result, certain difficulties have been created.

If we are to treat agriculture in the same way as every other segment of the economy, then the Liberal party is right and it should be incorporated. Agriculture should consist of large farming operations. The sale of agricultural products should be sufficient to produce enough income to maintain this industrialized segment of the economy. The old concept that it was nice to produce cheap food and to make it available to all individuals in Canada regardless of income is now being thrown out.

The fact is that no other industry except the fisheries has the same low individual return as agriculture. Bell Canada comes before one of our commissions to ask for an increase in rates in order to meet capital expenditures or to pay dividends to its shareholders. Last year Bell paid something like 91 cents on the first quarter, 93 cents on the second quarter and 95 cents on the third quarter. I may be wrong because I am quoting those figures from memory.

Mr. Francis: Would the hon. member permit a question? Is he quoting earnings or dividend rates?

Mr. Peters: These are dividends paid on the shares.

Mr. Francis: By Bell Canada?

Mr. Peters: Yes.

Mr. Francis: Then the hon. member is mistaken.

The Chairman: The hon. member for Ottawa West rose to ask a question because the hon. member for Timiskaming was making certain comparisons. As I explained earlier, hon. members should as much as possible try to speak relevant to the sections before the committee.

Mr. Peters: Mr. Chairman, just because the hon. member for Ottawa West asked me a question does not mean I was out of order. The point I was making was that here we have a company incorporated under Canadian legislation which we allow to make a 9.2 per cent profit each year on its operations. I suppose there are very few industrialized operations in Canada operating on less than a 10 per cent profit margin per year on capital investment. I think it is safe to say that the average farmer has a declared taxable income at the end of the year of about 1 per cent of his capital investment, and this is why I think he should be placed in a special category.

If we were to reorganize agriculture in this country and give farmers a return of 10 per cent on their capital investment, I do not think there would be any problem at all for family farms to save enough money to pay valuation tax, estate tax and any other kind of tax we might try to collect when farms are transferred from one generation to another, from one farmer to another or when the prop-

[The Chairman.]

erty is disposed of in some way. However, we do not do this. We established a long time ago that in order for agriculture to develop it was necessary for a farmer, his wife and children to work on the farm. As a result of their labour the enterprise increased in value, size and efficiency because everything that the farmer, his wife and children earned was plowed back into the business as a capital investment.

We are now discussing the problem of a breeding herd. I am not sure how a breeding herd was established in the first place but it is one of the capital assets of a farmer. Over the years it is true that if a family worked hard and the farming operation was successful, the basic herd would be upgraded. However, the income tax authorities can be very tough if they discover just one extra cow in the basic herd. They would object if a farmer kept an extra two or three heifers to see whether or not one of them would be fit to join the basic herd. For example, on a number of occasions they objected to the number of calves my father kept as possible additions to his basic herd.

This type of cattle is easily identifiable. Most cows in a basic herd are registered and have a better pedigree than most of us adults. They have a social security number traceable further back than the social security numbers we have. So a basic herd is an easily identifiable asset as far as a farmer is concerned. This is why I am worried about what is going to happen to the small farm, the establishment of a basic herd, the improvement of the herd and, as a result, the farming operation itself.

It has been said, and I think everyone will agree, that quite often a farmer is poor all his life but he dies rich. This is partly true. I know of no other endeavour where practically the total wages earned in a lifetime are plowed back. Perhaps when Carter said that a buck was a buck he was right, and I am not sure that our tax structure will not eventually be based on that precept. But the fact is that if we adopt this change in the Income Tax Act we will see the end of the family farm at least by the end of the next generation. This will mean the end of a whole way of life in our rural economy—the small grocery store, drug store and all the small businesses associated with a farming enterprise.

• (9:00 p.m.)

The industrial farm of the future, the industrial farm of the Liberal party, will be the type of farm that will buy wholesale in very large quantities and will make a profit on its production. The integration will be complete in respect of purchases as well as the utilization and sale of its products. That may be the Liberal way. It may be the way of the future. However, I believe we will lose something in the process. We must make an exception if we are to maintain the family farm unit. This is not a unit which has been a great problem in Canada.

We have the lowest food costs of any country which has a standard of living equal to Canada's. We do not subsidize the production of agricultural commodities. They are subsidized by the farmer, by his children and by his wife. They subsidize the very food that is consumed by the people of our nation. This has not been a very expensive process. It is true many farmers have not paid income tax, but if you travel around in this country, Mr. Chairman, I