Government has placed so many taxes on gas being used by farmers.

There are millions of acres of land in Western Canada which produce extra food for the world and bring this country something like $6 billion worth of foreign exchange. Every acre has to be gone over four or five times a year. The seed bed is prepared in the spring, it is then seeded, chemicals are placed on the crop as it is growing, it is swathed, harvested and then must often be worked in the fall. That amounts to six operations. It takes two hours to fly over these acres in Western Canada, yet there has been a Government tax amounting to 60 cents on every gallon of gasoline and some 40 cents on diesel fuel. The Pepin proposals would be nothing for the western farmers to absorb if it were not for these other taxes.

What are the losses? First of all, farmers have lost the right to general averaging and we now have this new forward averaging. I want to say how that is hurting the farmers. They have lost block averaging which permitted farmers to average over a five-year period. Now if they have a sale of a capital item, the block averaging is interfered with and they cannot block average during that five-year period. That will result in distortions and will cost them more for accounting fees and legal advice.

Before this legislation, a farmer almost always sold his land by way of an agreement for sale or would sell it outright and take a mortgage back. Based on the productivity of land, those agreements for sale were almost always over 15 years and in some cases were over 20 years. The fact is that, as a result of the huge Government deficit and the inflation which results, the value of land has risen much higher than the productivity of the land would justify.

Now when a farmer sells the land to the next generation or even to a stranger, and if that stranger or son or daughter cannot raise the money from some financial institution—and they certainly cannot from the Farm Credit Corporation because it does not have enough money—then the farmer who is selling it is forced to finance it. Based on the productivity of the land, the agreement must be for at least 15 years and often 20 years. Under these tax changes, if the agreement is within the family the maximum length of the agreement is ten years. If the farm is sold to someone outside of the family, the agreement can last only five years.

This means that a farmer is not free to sell to whom he might wish, either to someone within his family or perhaps the neighbour's boy who was born and raised in the community and wants to be a farmer. These farmers want to keep their communities alive. It is impossible to sell the land if there is a five-year payout deadline because the productivity of the land cannot justify it. So what happens is that it goes into the hands of large corporations or into the hands of foreigners who purchase land through trust agreements or fictitious companies.

• (1240)

We are also coming to a situation where the land is not as productive as it once was. I hope to make a statement in the next few days which will show that the salinity of the soil in Western Canada is increasing at dramatic rates. Within 10 or 15 years we are going to have a shortage of food in this country because the soil salinity in the western plains is increasing enormously.

I am amazed that Government Members are not speaking on this subject. I would like to hear why they feel that farmers can pay these extra taxes, because I am telling this House that they simply cannot. This is not a tax on capital gains, it is a tax on capital per se. We know from all of the evidence that huge deficits caused inflation, which caused the fair market value of land to go higher than the productivity will justify. The Government is taxing that increase, saying that it is a capital gain, but in fact it is purely an inflationary gain. If the indexing formula for the ordinary cost of living were applied to the 1971 value of the land, it would be obvious that there has been no gain and that all of the farms that are being sold now should not have any tax applied to them.

However, a tax is applied, and I have just worked out an example for an average sized farm in the drylands area, which could be about 1200 acres. That land now sells for about $600 an acre. That leads to a taxable capital gain of $250 per acre. Therefore, on the sale of a 1200-acre farm the farmer could expect to pay $124,200 in the first year because the forwarding averaging means that the farmer has to pay all the taxes as at the date of sale. Over the next five years if it is sold to a stranger, or ten years if it is sold within the family, the farmer applies for a tax credit and gets some taxes back. It is impossible to sell under an agreement for sale and to raise $124,200 tax in the first year on a small farm, a mere 1200 acres. I suppose in Ontario and Quebec a farm of 300 acres or 400 acres would be the equivalent. It simply cannot be done, and I would like to hear Liberal Members give me an example of where it is being done successfully. We are talking to farmers every day and we know that it has become an impossibility.

There is an even more serious dimension with forwarding averaging for farmers which relates to the situation of a retiring farmer who dies before the agreement is paid out. I wrote to the Parliamentary Secretary and he had his officials send me some documents on this. They did not tell me what was in this explanation, I found it on my own. I am not saying that they tried to mislead me, but they certainly were not telling me everything. Before this tax Bill came in, if a farmer had sold his land under an agreement for sale for 15 years and had the misfortune of dying after five or six or ten years, the estate could be kept going and the capital gains could continue to be spread out over the rest of the period of the agreement. The agreement could pass to a wife or children or other beneficiary, and could be carried on.

Under this new forward averaging provision, Clause 120.1(2)(b) sets out the rules that apply when a taxpayer dies at a time when he had an unclaimed accumulated averaging