income published for the annual agricultural outlook conference by the Canadian government. These figures show that in 1959, $610 million, or just over 10 per cent of the $5.4 billion total food bill, was paid to Canadian farmers. In the year 1971 the amount was $440 million, showing a decrease of 6 per cent in a food bill of $7 billion. In other words, Canadian farmers received two-thirds the amount they received 12 years ago. In terms of constant value dollars, this represents about half the amount.

This fantastic situation has been created by the steady improvement in farm productivity over the years, which means fewer and fewer farmers producing more and more goods. In addition, there has been a chronically low level of returns in agriculture, and 1971 was an especially bad year for farmers. While the number of farmers has decreased, the capital investment made by farmers has risen. This is why I think the provisions of this bill are important.

I cannot help but feel that Bill C-259 is going to increase the exodus from the land of small farmers. I am not one of those who contend that the small farmer is necessary to the economy. If a farmer cannot make a reasonable living from the land, then it might be better for him to become involved in some other occupation that provides him with a better living. I travelled around my riding recently and found many farmers with considerable capitalization voicing the opinion that people on welfare were as well off as they were. At first glance one wondered how this could be, but a study of their financial situation revealed that although these farmers might have invested a lot of money in livestock, machinery and so on, they have very little consumer or spending money of their own. I think it is important to recognize this fact.

Another sector of agriculture that is depressed as far as level of income is concerned is the grain producer. The minister in charge of the Wheat Board (Mr. Lang) suggested that we had exported a great quantity of grain in the last crop year. However, he neglected to mention that the grain was sold at record low prices. When the farmer receives 60 cents a bushel for barley, having received 75 cents for it in the late thirties, it is easy to see that in this day of high prices and high cost of farming the grain producers cannot be said to have things rosy.

The phasing out of straight line machinery depreciation will not be of benefit to the farmers and will increase their cost of capitalization. Thus, our grain producers will become less efficient than they have been in the past. We have to compete with United States farmers, and the United States has just introduced the DISC proposal designed to assist their producers. While it may not be directly applicable to agriculture, the United States is going all out to help U.S. producers. Since we compete with U.S. farmers, I suggest the phasing out of straight line depreciation on farm machinery is just one more measure that means farmers will be less efficient than they were. Being efficient is the only way they can stay alive economically. The straight line depreciation on machinery allowed the farmer to use good machinery. This was reflected in production and helped to make Canadian grain competitive in world markets.

[Mr. Ritchie.]

• (8:10 p.m.)

The other place has indicated that they do not favour the phasing out of the basic herd concept. If we consider the case of a livestock producer who has built up a herd over 20 years or so, who has not been on the accrual basis or had a previous basic herd, we find that if he should dispose of the herd he will be liable for income tax on the sale as though it had all been earned in one year. If he sold his herd for $50,000 he would be liable for about $20,000 tax in that year. If he could not take advantage of averaging then he would have to sell the herd in five year lots in order to take advantage of personal income tax.

The government should consider this whole question because it applies to fur farmers, swine herds or any herd that takes a while to build. Some sort of averaging should be available to these farmers. Under the present provisions many people who sell the whole herd in one year will be assessed for income tax in that year. It may be a good thing for the farmer to sell off the herd over a period of five years or longer in order to gain a tax advantage. If a herd is sold for $100,000, the income tax for that year would be nearly $50,000, whereas if it is sold over five years the income tax would amount to about $20,000. The government has been deficient in this area and I think they should bring in regulations to ease this situation.

The transfer of land from one generation to another will be made very difficult by imposition of the deemed realization at death and the capital gains tax. The treasurer of Ontario, Hon. W. D'Arcy McKeough, in his submissions to the meeting of the Ministers of Finance on November 1 and 2 said:

> Following the significant strengthening of federal estate and gift taxes in 1968, it became apparent, to Ontario at least, that imposition of capital gains tax on top of existing death taxes would amount to confiscatory taxation of wealth.

This was because the capital gains tax would not mature for some time and as it and death taxes came together it would be very severe. He continued:

> We were pleased that Bill C-259 recognized the interdependence of these two forms of taxing capital and the need to reduce death taxes upon introduction of a capital gains tax. However, the complete reversal by the federal government from a severe gift and estate tax regime in 1968 to total withdrawal in 1972 seems unreasonable.

The problem of a capital gains tax on farmers is an especially severe one. The farmer, as any small businessman or person holding property locked into capital gain, will find the payment of that tax a severe strain. An hon. member from the government side mentioned before the supper hour that there will be no estate tax. But, Mr. Speaker, tonight the Ontario government announced an estate tax and at the weekend the Premier of Manitoba said that they were considering it.

Last year, Manitoba's share of the estate tax was $3 million. If this tax is to be collected it will have to be substantial in order to be worth the bother. Unless the provinces and the federal government dovetail their arrangements on these taxes we will find ourselves in an almost impossible situation. The imposition of a capital gains tax as well as a provincial estate tax will make the transfer of land from one generation to another terribly complicated.