

vided for by statute. Second, let us recognize that some incorporated family arrangements, which were established before valuation day, must now be entitled to a reverse amalgamation process. I have referred to that in the second case history which I cited. Third, why not give serious consideration to a new valuation day which would be much closer to present-day circumstances? Fourth, we could always examine the experiences and tax provisions in the United States where the intergenerational transfer principle has been available for some time now, provided the new generation stays in the business for a reasonable time frame. This is the principle of capital gains forgiveness, as distinct from the roll-over principle.

This principle is recognized already in Ontario and British Columbia succession duty legislation. A condition for such existing legislation is that the new generation continue to operate the farm for at least a ten year period, which is a sensible and reasonable provision. If a specific time frame presents administrative problems, perhaps a more general once-in-a-lifetime roll-over provision could be permitted.

Before leaving this subject, I want to remind the House, during this important debate, that the recent Commission of Inquiry into the Marketing of Beef and Veal received widespread input comment on this subject during their nation-wide hearings. As a result, their recommendation No. 14 reads as follows:

● (2217)

The deferral of capital gains tax, as it now applies to the family farm should be extended to cover family farming corporations.

It did not mention partnerships, but I am sure that the commission would want to include partnerships in that recommendation.

On a philosophical note, I would remind all parties concerned over this tax item that farmers, especially western farmers, have traditionally reinvested their profits, at least most of them, back into their farms and ranches for many generations. This no doubt developed as an aftermath of western pioneer days and, more particularly, as a result of ten years of drought and depression in the thirties.

That was followed by at least another ten years of adjusting to an agricultural economy when farmers had to learn all over again how to use financing and how to use cash money. An entire generation of farmers were affected in this way. It was as a consequence of this phase of western farm history that the observation has often been made that farmers, especially cattlemen, are broke most of the time without knowing it, but very often end up the richest men in the graveyard. There is a very obvious update to that quote today. Capital gains taxation has brought about an abrupt end to that continuing possibility.

I would like to make some appropriate remarks about another aspect of western agriculture that has a direct relationship with the income tax amendment. I am referring to the matter of the continuing and worsening drought across southern Alberta and southwestern Saskatchewan. This House has heard me comment on this subject over the past year on a

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number of occasions. I suppose it is a sort of labour of love, if one can really love a disaster. After all, the recent news stories of excessive rain in western Canada and the serious threat to our grain harvest, which is now over, most people, especially here in central Canada, assumed that the western drought was over. I must say that over much of the straight grain producing areas it is over, but all across southern Alberta, except, our irrigation areas, and the entire southwest part of Saskatchewan, the serious drought continues and worsens.

We have now had in this area three winter droughts and two summer droughts. In severity, they are at least the equivalent of the three worst years of the thirties, at least as I remember them. That was 1931, 1932 and 1937. That is with respect to soil moisture or more properly, the lack of soil moisture. However, the surface water situation that is needed for stock watering is much worse, the worst I have ever seen.

The cabinet committee of eight ministers that was formed early this year, with the Minister of Agriculture (Mr. Whelan), as chairman, was established last spring as a direct consequence of this widespread and serious western drought.

At various times I was concerned enough to make specific recommendations to this committee and its Regina task force. My personal letters of May 10, June 28, August 11 and, more recently, November 3 are a matter of record. The last one dated November 3 went to the Minister of Finance. I am genuinely pleased to report that a number of my suggestions have been acted upon. But perhaps my most important suggestion, a tax deferral provision, has not been accepted and it would appear it has been rejected.

A fundamental fact of farm life we learned during the drought of the 1930's was that the prudent course to follow was to reduce the number of our cattle, mostly cows, to a level which could be supported on our depleted winter ranges, augmented by local feed supplies, and then to buy back in, or, more often, to grow back in by natural increase after the period of drought was over. This might take years, but in 1977 it is still the prudent thing to do.

● (2222)

Starting a year ago now, cattle have been reduced in number to a considerable extent, and many more will have to move in the course of the next two months in numbers well above normal fall culling. There is no panic selling. After three or four years of disastrous cattle prices the market upturn is now well established. All categories of cattle are selling approximately \$10 a hundredweight above levels of a year ago.

There is a very significant difference between this drought and the drought of the thirties. There was no income tax then. Cattle producers had no need to concern themselves about excessively high taxable incomes due to much larger cattle sales. They do now, of course. It just does not make sense to feed hay at \$75 to \$80 a ton to a \$200 cow for five or six months. It will be a long, hard winter, regardless of how mild temperatures may be, because of severely depleted winter grass and feed reserves. Twice the value of a cow could easily