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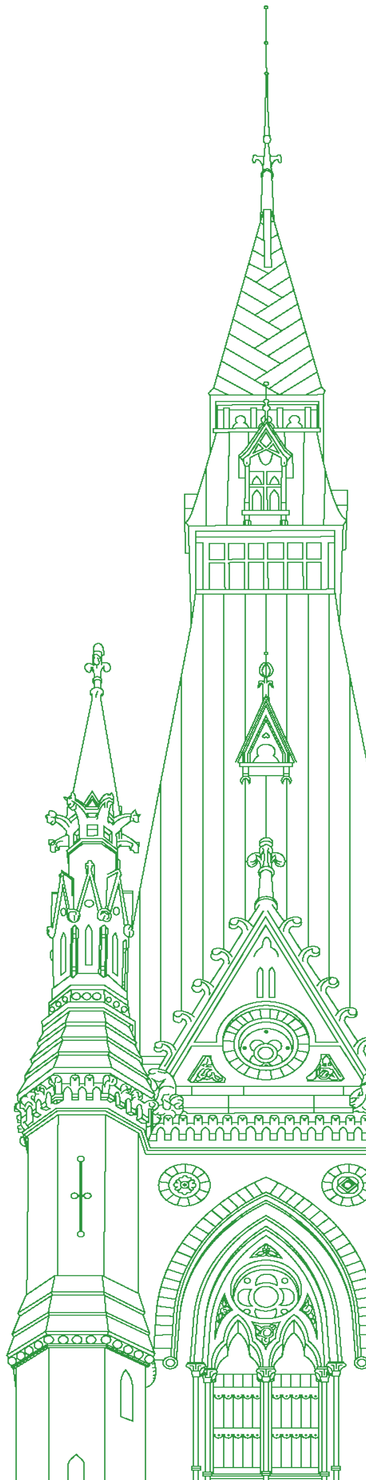

Chair: Mr. Kody Blois

Standing Committee on Agriculture and Agri-Food

Thursday, October 31, 2024

● (0815)

[*English*]

The Vice-Chair (Mr. John Barlow (Foothills, CPC)): Good morning, colleagues and witnesses.

Thank you to everybody for being here, bright-eyed and bushy-tailed, on a Thursday morning and to Ms. Murray for being here really bright and early out in B.C.

Colleagues, I call this meeting to order. This is meeting 116 of the House of Commons Standing Committee on Agriculture and Agri-Food.

We have a couple of witnesses who have not been with us before and a few who are no strangers to this committee. I will try to go over a couple of our housekeeping rules for our witnesses.

For our witness Mr. Docherty, you can speak in the language of your choice. I hope you have this figured out. Where it's plugged into the side for the microphone, you can switch to ensure you're hearing the English.

[*Translation*]

My colleague, Mr. Perron, has access to the French interpretation.

[*English*]

When you're ready to start speaking, you can press the button on your microphone. The red light will come on and then you know that you are up. Just make sure it's off when you're not speaking. Speak slowly and clearly, as best you can, for our interpreters, who are here today as well. All of your comments are to be addressed through the chair.

You'll have five minutes for your opening statement. I'll put up my hand when you have about 30 seconds or so left, just to tell you to wind it up. We do have a good amount of time today, and we will try to make sure you get your statements in.

Colleagues, we are starting the first meeting of our study on the capital gains inclusion rate change and intergenerational transfers on the family farm.

I'd like to introduce our first panel of witnesses. As I said, we have a few who we have certainly come to know.

With us today, we have, from the Canadian Federation of Agriculture, Scott Ross, executive director, and Julie Bissonnette, a director with the CFA.

It's good to see you.

We also have with us, from the Grain Growers of Canada, Kyle Larkin, executive director.

Kyle, it's good to see you.

From Skye View Farms, we have Alex Docherty, president, and Logan Docherty, secretary.

Welcome to all of you who are here today.

We will start with Mr. Larkin for his opening statement for five minutes, please.

Mr. Kyle Larkin (Executive Director, Grain Growers of Canada): Thank you, Chair.

Thank you, members of the committee, for inviting us today.

My name is Kyle Larkin. I'm the executive director of Grain Growers of Canada, also known as GGC.

As the national voice for Canada's grain farmers, GGC represents over 65,000 producers through our 13 national, provincial and regional grower groups. Our members produce over 280 million metric tons of grain annually for Canadians and over 150 countries worldwide, creating $40 billion in export value. As the farmer-driven association for the grains industry, GGC champions federal policies that support the competitiveness and profitability of grain growers across the country.

We would like to thank the committee for studying intergenerational transfers and succession planning, as this is critical for family farms. In fact, over 97% of farms across the country are family operated. However, due to the challenging realities of farming, Canada is losing 500 to 1,000 family farms each year. This is due to an increase in the challenges that farmers are facing, which includes increasing input prices, changing weather patterns and increasing taxes. When operating a farm is already so difficult, the last thing farmers need is increased taxation from the federal government.

That is why we have opposed the capital gains tax increase since its introduction in budget 2024. In response to this tax hike, GGC, in conjunction with farm tax accountants, conducted research to understand the effects of the policy change on family farms at the time of succession. Our research showed that farmers would generally pay 30% more in taxes due to the increased capital gains inclusion rates. This capital gains tax increase targets farmers' retirement plans, moves the goalposts for the next generation of farmers and prices out many families from their own operations.

With the average cost per acre at $6,900 in Alberta and $19,275 in Ontario, young farmers are already facing significant financial challenges. National farmland values appreciated 11.5% last year alone, further increasing the burden. The capital gains tax increase moves the goalposts for these future farm owners, adding hundreds of thousands or even millions of dollars to the cost of taking over family farms.

In August, the government released draft legislation on capital gains, which included revisions to the Canadian entrepreneurs' incentive, which now allow farmers to access it. Through further research, we noted that the overall changes to the capital gains inclusion rate, even with the addition of this incentive, will continue to represent higher taxes for most farmers, who produce the majority of the food that Canadians and the world rely on.

For example, farms with revenues above $500,000 comprise only around 25% of Canadian farms yet account for nearly 90% of farm revenues. While smaller farms will see some benefit from the CEI, mid-sized farms and larger, which produce most of the food, will see an increased capital gains tax bill.

Lastly, these changes further complicate the tax code at a time when most economists and financial experts are asking for a simpler code. The added complexity introduced by these changes will drive up accounting and legal expenses for all farmers, putting further pressure on their finances. While larger accounting firms will benefit, grain farmers will be forced to spend more in fees.

To protect and support family farms, we're calling on the government to allow intergenerational farm transfers, as enshrined in law through Bill C-208 and clarified through subsequent budgets, to be taxed at the original one-half inclusion rate. This will ensure that government can be an equal partner in supporting family farms, ensuring they remain the backbone of Canadian agriculture.

Thank you. I'd be happy to take any questions.

● (0820)

The Vice-Chair (Mr. John Barlow): Thank you very much, Mr. Larkin. You even gave us some time. I appreciate that.

Now we'll go to the Canadian Federation of Agriculture. We have Mr. Ross and Ms. Bissonnette.

[*Translation*]

Ms. Julie Bissonnette (Director, Canadian Federation of Agriculture): Thank you, Mr. Chair and committee members.

Thank you for inviting me here today to talk about a key issue for Canadian agriculture.

My name is Julie Bissonnette. I'm an administrator at the Canadian Federation of Agriculture, or CFA. For the past 10 years, I've also owned a dairy farm in the municipality of L'Avenir, Quebec. I acquired this farm through a non-family transfer.

Before sharing our recommendations, I would like to set the stage. Over the past 50 years, the average farm size has almost doubled. In 30 years, the average price of farmland in Canada has jumped by 727%. Since 40% of farmers are expected to retire within the next 10 years, billions of dollars in farm assets will change hands.

Whether you're new to the industry or already living on a family farm handed down through the generations, in many ways, the challenges remain quite similar. No model is straightforward.

The first challenge concerns access to assets. Modern farming operations amount to millions of dollars in fixed assets. Farmers invest everything in their operations to innovate, adapt or become more efficient. They rely on these fixed assets to fund their retirement. That said, they must also face climate, market and supply chain risks largely beyond their control. They must be able to count on an effective risk management program to ensure the long-term financial health of Canadian agriculture. Every dollar lost to uncontrollable risks means a dollar no longer available to support the financial health of the next generation. Remember that cash flow remains a key issue for the next generation of farmers.

In addition to asset limitations, the complexity of farm management can discourage farmers from handing over the reins to the next generation, or even from simply passing on management advice. At the very least, the complexity can delay the process. This may discourage the next generation and create additional risk for the business. Farmers are discouraged by the idea of spending years planning to successfully hand over their farm.

In Quebec, 44% of young farmers work outside the home in addition to being full-time farmers. The struggle to secure suitable child care means added pressure for farm families. Juggling the realities of working outside the farm and arranging child care, not to mention the human component, while managing a complex farm transition or purchase project makes transferring or selling a farm business a complicated process.

The recent increase in the capital gains inclusion rate has only made matters worse for people preparing to transfer or sell their farms. All business structures, schedules and established plans must be reassessed and adapted. For large farms, the tax owed will likely be much higher than anticipated. This could compromise the financial health of a future business.

Given these realities, the CFA has five recommendations.

Our first recommendation is to review the increase in the capital gains inclusion rate, together with farmers, to avoid compromising the financial health of family farms.

Our second recommendation is to make the rules for transferring family farms more flexible. For example, expand the current provisions on the transfer of family farms to other family members when a working relationship on a family farm can be proven; apply the lifetime capital gains exemption to family farms in the event of a retirement or a transfer to the next generation; and increase the lifetime capital gains exemption for farmers to take into account the significant rise in farmland values and capital requests.

Our third recommendation is to immediately launch a review of the Government of Canada's business risk management programs to ensure that they keep pace with changing risks, while also taking measures to support young farmers. For example, raise the limits on interest-free cash advances under the advance payments program for new farmers and increase the support provided to new farmers by AgriStability and AgriInvest. This all ties in with the cash flow referred to earlier.

Our fourth recommendation is to work with the provinces to invest in suitable child care in rural areas to ensure the delivery, availability and non-standard schedules of these services.

Our fifth recommendation is to invest in young farmer networks across the country to promote peer-to-peer learning and information sharing and to help prepare the next generation of farm managers.

In closing, the financial health of the next generation of farmers remains a highly complex and multi-faceted issue. Each of our proposed measures would help to directly support this group.

Thank you for this opportunity to speak. I look forward to answering your questions.

● (0825)

The Vice-Chair (Mr. John Barlow): Thank you, Ms. Bissonnette.

Mr. Docherty, you now have the floor for five minutes.

[*English*]

Mr. Alex Docherty (President, Skye View Farms Ltd.): Good morning, everyone.

My name is Alex Docherty, and with me is one of my sons, Logan. I am the president of Skye View Farms Ltd. We are a seven-generation seed potato farm in Prince Edward Island, and we're honoured to be here this morning to discuss farm issues as they pertain to our farm and all farmers across Canada. My comments today are on behalf of all of us, including my other son, Jordan, who is home on the farm.

Too often, we wonder who the federal government is really trying to help when it comes to agriculture. Today actually marks 1,085 days since the Department of Agriculture and Agri-Food Canada, with a stroke of a pen, destroyed what it took our farm generations to build. To this day, we still cannot sell our high-quality seed outside of our own province, even though potato wart has never been exported from P.E.I.

Another major issue we are also facing daily as Canadian farmers is climate change, and how too many uneducated Canadians automatically blame farmers for causing it.

Our farm spent over five years being dragged through the court system by the federal government. Why, you might ask? Because a one in 740-year rain event caused disastrous flooding on our farm, resulting in fish being killed. If we had been a small town or a community that experienced this disaster, the government would have tripped over itself for photo ops and funding to say it was there to help. What happened to us? The federal government kept appealing each loss at every level in the provincial court system. Knowing what my legal fees were, I expect the federal government wasted at least $1 million of taxpayers' money.

The two most recent issues the federal government has imposed on agriculture are affecting the future of our family farm and every other one across Canada.

First, in my mind, is the carbon tax. I estimate this new tax has increased our own farm costs by approximately 20% in the last year. This is onside with Dr. Sylvain Charlebois, a professor at Dalhousie University, who stated the number to be 19% on most farms. If this hidden tax were allowed to continue increasing every year, I would have to wonder what the magic number of Canadians forced to food banks and fewer farms operating would have to be for the government to recognize that things have gone way too far.

Second, and even more personal for me, is the capital gains changes on June 25 this year. This change in taxes has affected the succession of our family farm and every family farm across this country. On our own farm, had we sold after June 25, we would have paid an extra 24% in taxes, which, in turn, would mean 11% less income from the sale. This income is what most of us farmers see as our retirement. I often joke that I am on the “freedom 85 plan”, but I cannot afford to retire with returns like this.

Further to the capital gains issue, I want to note a few more situations that this increase has caused.

One, it's just another hit to the viability of family farms, the same farms who struggle with increasing costs and shortages of labour, despite the profession being something they passionately love.

Two, on P.E.I., many generational farms have decided agriculture is too much to deal with. They are now either selling their farms, dividing the land or subdividing the land, for which there is no replacement.

Three, the new Canadian entrepreneurs' incentive is not an option for us. It is only for individuals, not incorporated farms.

Four, most farms carry very large debt, yet if farmers have an asset sale, the capital gains exemption increase will do nothing to benefit the farmers, as they still pay tax on the value of the asset, which may be fully leveraged.

How would each of you feel if, last June 25, you learned that someone reached into your pension or your RRSP and took 12% of it overnight?

Ladies and gentlemen, farming is not an easy way of life, but most of us do it because we literally love what we do. Succession planning is very challenging at best. Instead of adding unnecessary stress by increasing the tax burden on our future farmers, governments should be doing everything they can to inspire our young farmers in generations after them, rather than throwing roadblocks in their way at every chance possible.

Thank you for your time today. Logan has a couple more comments.

Thank you.

● (0830)

Mr. Logan Docherty (Secretary, Skye View Farms Ltd.): Good morning, everyone.

My father has said everything that I feel needs to be said here except for two things.

As a young farmer who wants to see our next generation continue farming, I have to wonder if any of you care about family farms.

This fall, we harvested our 400 acres of seed potatoes. The machinery and the buildings used to make this happen are worth more than $6 million. Also, you need to know that this does not include any of our land. How do you expect young farmers to buy into an existing or start-from-scratch farm?

My second concern is in some ways more important than my first. It is a comment made by the MP for Malpeque, my riding, who sits on this committee. He publicly stated on March 22, 2022 that nothing comes out of these meetings anyway. We came here to try to make you understand the difficult situations the federal government has put us in, and now I need to understand if you really care.

Thank you.

The Vice-Chair (Mr. John Barlow): Thank you, Mr. Docherty. We appreciate your candid comments.

Now we will turn to the question-and-answer opportunity. We will turn to the Conservatives for the first block of six minutes.

Go ahead, Mr. Steinley, please.

Mr. Warren Steinley (Regina—Lewvan, CPC): To answer your question, we definitely do care.

I come from a third-generation farm, a beef farm in southwest Saskatchewan, so we know exactly some of the struggles you're going through.

In this very committee, we had the agriculture minister here, and I asked him point-blank who he talked to about the capital gains increase before the budget. I asked him twice, and he finally admitted that he couldn't talk to anyone, because he did not know that the capital gains increase was in the budget.

My question is for the Docherty family. The Minister of Agriculture is from P.E.I. Has he talked to any producers about the capital gains increase since it was announced? Who do you think he's really listening to?

Mr. Alex Docherty: I'll answer that.

To my knowledge, no, he certainly never contacted us, but he certainly never contacted us on the seed issue.

Now, he may have had a meeting at a phone booth maybe with a few locals. I don't know. He also went on record saying that the people he's talked to think the carbon tax is a great thing. Now, I'd really like to meet those people. They're obviously not farming, so you can take all that with a grain of salt.

Mr. Warren Steinley: Logan, you mentioned that capital gains is probably one of the biggest hurdles to young farmers. To your knowledge, has the minister or anyone consulted with the young farmers in P.E.I. about how the capital gains increase is going to affect the intergenerational transfer of a family farm?

Mr. Logan Docherty: As far as I know, there hasn't been a single meeting with any young farmers of P.E.I. There hasn't been any reaching out to the MP for Malpeque.

Unfortunately—to get back to my question—do they really care? They're all going to have a cushy pension, so why would they worry about us?

Mr. Warren Steinley: This probably won't make you feel better, but you're not alone in not being listened to.

I have a press release from the Government of Saskatchewan. On August 9, at the federal-provincial-territorial meetings of agriculture ministers across the country, seven ministers, those from Saskatchewan, Alberta, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Manitoba, all the provincial ag ministers, asked for this to be reversed, because it does nothing to help the agriculture sector in our country. You're not alone with this agriculture minister not listening to anyone in the sector.

I'm going to shift to the grain growers. You have some documentation. If you have any other documentation when it comes to capital gains, I'd love for you to table it for this committee. I want to read one of the line items you have here. It says, before June 25, the capital gains tax would have been $3,020,000. After June 25, on an average farm in Saskatchewan, the capital gains payment went up to $3.9 million, an increase of $924,000.

Do you think any farm can withstand that hit and make the next generation viable in farming in Saskatchewan or any other province?

● (0835)

Mr. Kyle Larkin: No, absolutely not. As we know and as the Dochertys certainly know, young farmers are already facing millions of dollars in debt to take over their family farms.

What I said in my opening remarks when I mentioned that the government has moved the goalposts for those young farmers is that they've moved the goalposts by either $900,000, $1 million, $2 million or $3 million. It depends the size of your farm and your operation, obviously, but most farmers across the country are going to face a very much higher capital gains tax bill at the time of succession.

Mr. Warren Steinley: I'll move back to the Dochertys for a second.

I have a simple question. Over the last nine years of this Liberal government, can you think of one agriculture policy that they've implemented that's helped the family farm?

Mr. Alex Docherty: I certainly can't. I guess my mind gets boggled with the fact that our federal government last year gave $15.5 billion away, not to Canadians but to other countries, yet we have farmers struggling. We're feeding the country, and there's absolutely no recognition for that. I don't know of a thing they've done, but they've pretty well destroyed anything they've touched.

I'm speaking especially on behalf of the seed potato growers in Prince Edward Island.

Mr. Warren Steinley: You said your costs have gone up by about 20% just because of the carbon tax. Can you share with the committee how much you've received back in rebates on the carbon tax?

Mr. Alex Docherty: We've received absolutely nothing, zero. I just don't get it.

The problem with the carbon tax is that it's hidden. We have no idea.... I'll give you an example. I bought a bearing for my potato digger this fall at $180. How many times was the carbon tax put on that bearing, from the cardboard it was packaged in to the plastic? We have no idea.

We just know it's 20%. Over the next five years, how much is our cost going to go up, 100%?

There are two million people going to the food banks now. What do they want, 50% of the country starving to death?

Mr. Warren Steinley: Thanks for that.

Mr. Larkin, you've done some numbers when it comes to the carbon tax as well. Can you tell us what it's going to cost the grain growers across the country when the carbon tax is fully implemented by 2030?

Mr. Kyle Larkin: That's a great question. I don't have the numbers with me right now, but the research that we just did through the Agriculture Carbon Alliance found that the average grain farmer right now is paying around $18,000. That's going to increase, obviously, exponentially going into 2030.

Throughout the life of the carbon pricing scheme, we see individual farmers paying upwards of $400,000, which could be spent on more innovative technologies, such as the most innovative grain dryers that exist today.

Mr. Warren Steinley: How much would they be getting back?

The Vice-Chair (Mr. John Barlow): That's time. I'll let Mr. Larkin answer that later, perhaps.

Now we'll go to the Liberals and Mr. Morrissey for six minutes, please.

Mr. Robert Morrissey (Egmont, Lib.): Thank you, Chair.

I have a couple of questions to get some perspective here.

Mr. Larkin, you referenced mid-sized, small and large farms. I direct the question to Mr. Ross as the executive director of the Canadian Federation of Agriculture.

What's the asset size of a small farm? Would you know that? If you don't, could you provide it to the committee?

Mr. Scott Ross (Executive Director, Canadian Federation of Agriculture): The challenge in answering that question is that, depending on the commodity and the form of production, it differs dramatically.

Mr. Robert Morrissey: I understand.

Mr. Scott Ross: We could certainly pull some numbers together with that, but there's not really a one-size-fits-all answer to it. I would say it's more often categorized across the amount of gross revenue they're generating on an annual basis.

Mr. Robert Morrissey: Okay, so you do not know the asset level of each category of farm.

Mr. Scott Ross: There are different definitions. I would typically suggest that the numbers that Mr. Larkin referenced around something under $250,000 in gross annual revenue would typically be considered a very small operation. Then, when you get over $500,000 to about a $1 million or $2 million, you're in the middle sizes and then upwards from there.

● (0840)

Mr. Robert Morrissey: Okay, but you do not have it by commodity. It would be, I expect, easy on a dairy farm to categorize that.

Mr. Scott Ross: There are different definitions of this as well, but I can certainly bring those numbers to the committee's attention.

Mr. Robert Morrissey: I would ask you to do that by various commodities and various impacts for the benefit of the committee and those outside the farm community who often do not fully appreciate the contribution from the farm community on that asset side.

On the net profit of a farm, like any other business, what's the marginal tax rate today, Mr. Larkin or Mr. Ross? You said you had a financial analysis done to back up the comments you made to this committee. What is the tax rate?

Mr. Kyle Larkin: I can't speak to the marginal tax rates because we've only done research on the capital gains tax rate, which takes effect during succession planning and the transfer, that intergenerational transfer—

Mr. Robert Morrissey: To build that asset, the asset is tax deductible as you build—

Mr. Kyle Larkin: I don't have that number with me, but I can table it afterward.

Mr. Robert Morrissey: For the net profit from any business, including a farm, what's the tax rate you pay on that?

Mr. Kyle Larkin: I can't speak exactly to net profit because, as Mr. Ross was saying, every year is different and every farm is different.

Mr. Robert Morrissey: I realize that, but the tax rate—

Mr. Kyle Larkin: We can speak of net loss as well.

Mr. Robert Morrissey: That's fair.

I would like to know what analysis you've done, because the marginal tax rate on small business in general has come down, I believe, by about 18% over the past number of years.

Mr. Ross, do you have information on that?

Mr. Scott Ross: I think the challenge is what Mr. Larkin spoke to. The concern about the capital gains is just at that moment of succession, where there is that more significant capital gain. It does vary significantly by farm size.

Mr. Robert Morrissey: On a small farm, there was actually more of a shelter. Is that correct?

For the record, it went from $1 million to $1.25 million.

Mr. Scott Ross: Our assessment is that with a smaller size of operation, there is a—

Mr. Robert Morrissey: That's within each shareholder within the farm, so if there are multiple partners, you could multiply that $1.25 million. Is that correct?

You've said you've done the analysis—

Mr. Scott Ross: The assessments we've seen to this effect.... We didn't reference that we've done an analysis, but I do agree that we have looked at it. The assessment we've seen is that, once you get over around $6.25 million, that is where the cost starts to increase dramatically for farms.

One of the important points to make is that people often—

Mr. Robert Morrissey: To clarify then, the impact is felt at the sale of an asset of $6.25 million.

Mr. Scott Ross: Yes. The numbers I'm referencing are coming—

Mr. Robert Morrissey: What would be the tax impact difference on the sale of a $6.25-million asset?

Mr. Scott Ross: I would have to look at that. A number of individual variables will affect this, to the point of your comment about what the shareholder structure is—

Mr. Robert Morrissey: I realize that, but the accountants will structure to maximize the benefit and minimize the tax gain, as well they should. Everybody who operates a particular business has the right to do that.

I'm familiar...and I have met extensively with farmers in my community on this issue, as well as every other issue. There were farmers who expressed a concern to me about the amount of movement. Could you explain a bit more? A lot of people do not understand the intergenerational transfer size. That's an issue that comes up from time to time.

That's for Mr. Ross or Mr. Larkin—whoever feels comfortable on that.

We don't have much time left.

Mr. Scott Ross: I'm not sure I understand the question.

Mr. Robert Morrissey: The intergenerational has always been a sticking point in the farm community and some other family-owned businesses.

You referenced in your opening statement the impact on that versus where it was before.

Mr. Scott Ross: One of the most immediate impacts is that those who have active plans in place.... We do regularly hear that succession planning can take upwards of a decade to operationalize and work through.

One of the challenges we heard right away with the sudden increase in the capital gains inclusion rate was the reality that anyone who was midway in that process had to go back, reassess, retool and potentially change what could be a plan that has been in place and been completed for years at that point in time. That is one of the most immediate concerns.

● (0845)

Mr. Robert Morrissey: That was verified by CRA.

The Vice-Chair (Mr. John Barlow): Thanks, Mr. Morrissey. That's your time.

Thanks, Mr. Ross.

[*Translation*]

Mr. Perron, you have the floor for six minutes.

Mr. Yves Perron (Berthier—Maskinongé, BQ): Thank you, Mr. Chair.

I want to thank the witnesses for joining us today. We all know that their time is valuable and that they have other things to attend to on their farms.

Ms. Bissonnette, I would like to address your five proposals.

First, you proposed a collaborative review of the increased capital gains inclusion rate with the community. Can you take about 30 seconds to explain your position on this?

Ms. Julie Bissonnette: As with all agricultural measures, we prefer to be involved. Sometimes, the government thinks that it's taking the right approach. However, we can see that it isn't working in reality. The approach may work for a few years in other businesses, but not in agriculture. It's important to work with us to establish common criteria or objectives.

Mr. Yves Perron: Thank you.

We're working on something a bit vague here. We don't have any details regarding the implementation of the increased capital gains inclusion rate. That's why we invited you here. We wanted to hear from people in the farming community so that they could make recommendations for us to implement.

Can you explain your proposal to relax the rules surrounding the transfer of farms to other family members? I thought that Bill C-208 resolved a good portion of this issue.

[*English*]

Mr. Scott Ross: The challenge in that regard is specific to a couple of issues. One is that treatment is available to the majority shareholder and not necessarily to minority shareholders in those corporations. Therefore, when we see multiple families operating as shareholders under a single farm, some may not have access to that treatment.

The other is also for unincorporated farms. There is still not the same breadth of family relations included in those treatments around the agricultural rollover provisions.

[*Translation*]

Mr. Yves Perron: Okay. Thank you.

At just about every committee meeting, I talk about business risk management programs. At times, we can get a bit discouraged too.

Ms. Bissonnette, how do you feel about a government that seemingly wants to wait until 2028 less two days before starting to consult the farming community, when we know full well that the business risk management programs simply aren't working? Nothing's working anymore. I bet that you can hardly wait to get started now, tomorrow morning.

Ms. Julie Bissonnette: I personally considered it vital to point out this aspect, meaning farm transfers. We've been saying all along that these transfers are worth millions of dollars. In addition to the transfer, we have the human component, the agreement with the family, the new inputs, and so on. The pressure of millions of dollars is then placed on young farmers. If it rains all summer, they could lose their crop. Risk management programs must be adapted to meet our needs in the face of climate change.

It's also important to control everything beyond our control. This would mean less stress for young farmers. They're asked to take on so many millions of dollars in debt, even though they may not end the year with any income. It's really necessary to insure, if you will, everything beyond our control. That's all.

It's important to eliminate as much stress as possible. We're talking about farm transfers, but we also need to consider the interests of young farmers. Families used to be large. However, as the years go by, families are shrinking, farms are growing and the situation is becoming more complex. It's vital to look beyond the issue of farm transfers. It's really important to ensure that young people will continue to enjoy farming. This can be accomplished by removing sources of stress and by relieving pressure. This definitely figures into the next solutions to consider, in order to achieve tangible results.

Mr. Yves Perron: Okay. Thank you.

I see that my time is running out. I would like you to send the committee your five recommendations in a clear written format so that we can analyze them properly.

I'll give you time to explain your fourth and fifth proposals in greater detail.

Ms. Julie Bissonnette: I spoke a bit about child care earlier. People work outside the home and farming in general requires many hours of work to begin with. At the very least, we need child care services adapted to farmers' schedules. We start work early in the morning and finish late in the evening, depending on the crops. Pilot projects are under way, but they must be made available across Canada. This would also take some of the pressure off the daily lives of all families, including grandparents at times. This would take the pressure off everyone.

Second, I think that it's important to focus on young farmers' organizations. It's a real asset to have networking opportunities. Each farm transfer is different. For some transfers, the process moves quite quickly, while for others, it takes a long time. We might take part in training courses and conferences, but each case is different. The networking opportunities available to young farmers give us the chance to talk about these issues. By talking to each other, we come to understand things, which helps us to grow. We're always alone on the farm, and farming isn't easy. It's important to have a place to go out, to network, to share ideas and to give young people support, training and information. In my opinion, the next generation of Canadian farmers must be well represented across Canada and in the provinces.

● (0850)

Mr. Yves Perron: Thank you, Ms. Bissonnette.

Ms. Julie Bissonnette: Thank you.

The Vice-Chair (Mr. John Barlow): Thank you, Mr. Perron and Ms. Bissonnette.

[*English*]

Now we go to Mr. Cannings for six minutes, please.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you.

Thank you, all, for being here. I'm going to start with Mr. Larkin.

It's good to see you again. It was only yesterday or the day before, I think, that we met and had a conversation about this.

I think it was you who mentioned the increasing complexity of the tax structures. I think the government brought in this change to the capital gains to try to capture some of the income that other—I'm not talking about farmers here—groups, other individuals and corporations, who were using that capital gains benefit...because really, it's a benefit because you're only getting taxed on half your income. They wanted to try to capture more of that and make that less of an easy win for wealthy individuals or corporations.

By making that increase, you have farmers caught in the crossfire. They're innocent bystanders who are seemingly caught up in this, even though they're not part of that group that are trying to get around paying their fair share of taxes. The government increases the complexity of all this to try to do this. I know your solution is to make it less complex, to kind of go back to where we were, but then we would lose the benefits as a Canadian society in trying to make the wealthy pay their fair share.

I'm just wondering if there's a solution that would increase the complexity even more by excluding farmers from this, especially family farmers. I don't know how that would work or how it would be structured, but is that a possible solution here? If so, how might that work?

Mr. Kyle Larkin: That's a great question. In my remarks, I noted that the tax code is becoming more complicated for all farmers. No matter if you're a 10-acre farm or a 10,000-acre farm, I can guarantee you that, when you call your farm tax accountant at the time of succession planning, you're going to be paying more fees now because the tax code has become more complicated because of all these changes.

Let me dig into that a little more. Prior to these changes, we had a 50% capital gains inclusion rate. It was pretty simple. Now we have a 50% capital gains inclusion rate up to $250,000. Then it goes up to 66% after $250,000. You also have this new program or policy called the Canadian entrepreneurs' incentive that somehow digs into there. You have the lifetime capital gains exemption. It's complicated, very complicated. It's complicated for us, and it's complicated for farmers and tax accountants as well.

That's why our ask to the government is to have a very targeted exemption specifically for farmers and specifically for intergenerational transfers. That's why we've been asking the government to bring the capital gains inclusion rate back to 50%, just a simple 50% for intergenerational transfers. If the father or mother is transferring the farm to their son or daughter, they'd be captured in that, but if the father or mother are selling to a developer, for example, they wouldn't be captured in that.

Our ask is really to support family farms and the continuation of family farms, which are quite simply dying by a thousand cuts almost every single day.

● (0855)

Mr. Richard Cannings: I'm sorry. I must have misunderstood that simplicity. I thought you just wanted to move things back to where they were. You want to have that exclusion for the transfer of family farms and that would be under the old regime or whatever, so that all that family transitional planning that's been going on would stay the same.

Mr. Kyle Larkin: Yes, we want the government to be an equal partner with family farms. Family farms, as I mentioned in my opening remarks, are already facing death by a thousand cuts, be it from the rising cost of inputs, our international markets, labour strife across the country, increased taxation, changing weather patterns—you name it. The life of a farmer is more difficult nowadays than it ever was. That's why we're seeing 500 to 1,000 family farms lost in Canada every single year. If we keep going down this path due to increased government taxation and regulation, at some point in time, family farms aren't going to be the backbone of our agricultural sector and that will be a real shame.

Mr. Richard Cannings: Ms. Bissonnette or Mr. Ross, do you want to comment on that as well?

Mr. Scott Ross: We would suggest very similar treatment. It's what we would prefer to see as an outcome as well. There are measures that were employed, as Mr. Larkin noted in his opening remarks, through Bill C-208 that can characterize whether something is a real, genuine intergenerational transfer, and we would look to see that test applied to ensure that there is a targeted exemption for intergenerational farm transfers as well.

Mr. Richard Cannings: In 30 seconds, could you just remind us what Bill C-208 did to help that transfer?

Mr. Scott Ross: It essentially levelled the playing field for those who were looking to do real transfers to those who were deemed not at arm's-length—or family members—versus those who were selling to a third party at the time, specifically for incorporated businesses.

Mr. Richard Cannings: Thank you.

The Vice-Chair (Mr. John Barlow): Thanks, Mr. Cannings.

We'll now go to our second round of questioning with Ms. Rood for five minutes, please.

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair.

Thank you, witnesses, for being here.

Thank you to the Dochertys for being here. It's great to see a seventh-generation potato farm, nonetheless. We have that in common, as I'm a third-generation potato farmer.

I'm just curious, Mr. Docherty—either one of you—how you feel today knowing that you've come all the way from P.E.I. You mentioned earlier that your own member of Parliament hasn't consulted you and didn't consult you on any of these changes to the capital gains. I'm wondering how you feel here today when we have a member from P.E.I who's actually sitting on the committee subbing in for somebody today, and you didn't even get a question from a member of Parliament from P.E.I.

How are you feeling right now?

Mr. Alex Docherty: I guess it really doesn't surprise me. I don't know whether they were under a gag order not to talk to potato growers. I assume so.

I'll go back to March or April of 2022. The same MP who is subbed in here this morning took offence, he said, to a question about the seed potato industry being in chaos in P.E.I. He made a very vocal point that it wasn't, yet here we are. I think Monday makes three years, and we're still not allowed to sell seed, so I take offence to the fact that—or I'm offended, I guess, by the fact that he was offended by our saying it was chaos.

It doesn't surprise me. I live six miles from my local MP. We invited him many times to come to our farm, and he never showed. The Malpeque riding produces 80% of the seed potatoes in P.E.I., but not a peep, so the gag order, I guess, is working. That is all I can say.

Ms. Lianne Rood: Thank you.

I can say I've been to P.E.I. a couple of times in the last couple of years and visited with many potato farmers out there. I know when our operation was going at size in Ontario, we were buying seed potatoes out of P.E.I. I just want to commend you all for the work that you do.

You did mention earlier that you saw a once-in-700-years type flood. I'm wondering if you can comment a little bit further, because as sixth- and seventh-generation farmers, I'm sure you've seen a lot of different weather patterns over the years.

Have you seen it changing a lot in the most recent years? How have you been affected by the weather changes lately in the operation? Is this something that is cyclical, in your opinion, after all these years?

Mr. Alex Docherty: I guess what happened on our farm that day was very rare. It hasn't happened again, and I don't expect it to or don't plan for it to. The problem is within our court systems. There was another farm that, again, two years before our situation, had it happen, and the judge said, "You know, they could have done more to prevent the problem."

Had we known in advance, six months ahead of time, what was going to happen and built a 40-foot cement wall to keep the water from going in the streams and it still went over the top, they would have said, "They should have built it higher."

There's no common sense; that's the problem.

● (0900)

Ms. Lianne Rood: Do you have any idea what the land values are in P.E.I.?

We heard earlier what they would be in Alberta and Ontario.

Mr. Alex Docherty: Yes. They're anywhere from $6,000 an acre, depending on where it's located and how big the field is, up to probably $10,000 or $12,000.

Ms. Lianne Rood: All right.

Mr. Ross, I might turn to you here. We do see with intergenerational transfers.... My family is no different in trying to do succession planning. Are there obstacles specifically in each province to those intergenerational transfers?

We also hear a lot of people talking about farmers selling their land and having it paved over and turned into subdivisions. Mr. Docherty spoke earlier about succession and how farmers have all of their money tied up in assets. Assets are not always paid off, contrary to what we heard from the Liberal members earlier today. Assets don't mean that you are rich; assets mean that you probably still owe a lot of money. As a farmer, I know that.

Being a young farmer trying to get into the business is very difficult. We heard earlier that six million dollars' worth of equipment is needed for these potato farmers, and that's for a seed potato operation. That's not for a fresh market operation like I've been involved in over my lifetime, where it's far greater than that.

What do you see as the biggest impediment to farmers who are trying to transfer their farms intergenerationally?

Mr. Scott Ross: You rightly pointed out that we are at record levels of farm debt in Canada. We are at roughly $140 billion of farm debt being held across the country right now.

The land prices vary dramatically from province to province, but I think the common burden is twofold. One part is the access to capital and the cost of taxation associated with the transfer. The other is the fact that, increasingly, these large farms are sophisticated operations and there needs to be a long-term planning process. Sudden changes, like those made this year with the capital gains, destabilize that fundamentally for those intergenerational farm transfers.

The Vice-Chair (Mr. John Barlow): Thanks, Mr. Ross.

Thank you, Ms. Rood.

Now I understand we're going to split some time. I'll go to Mr. Drouin for the Liberals.

You have five minutes. I'll let you control your time.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

On the capital gains issue, I'll go to the Grain Growers of Canada.

I just want to know if the tax analysis that you guys have was prepared by BDO or MNP, because I know you guys came out pretty quickly after the budget. You came out before the law was even written.

Normally, I wouldn't come to you. I would go to BDO or MNP to get their tax analysis to find out the change. If you have that, can you provide the research you've cited to the committee?

Mr. Kyle Larkin: Yes. I'm happy to provide that research, and I can answer your question.

It was done in conjunction with farm tax accountants, but we didn't have time to wait. I can tell you that there was a report from MNP that came out about a month ago. That was three or four months after this capital gains inclusion rate decision. We didn't have time to wait. That's why we came out with research as soon as possible that showed that this is going to be a 30% tax increase at the time of succession planning for family farms.

Mr. Francis Drouin: Yes. I know that, in Alberta, they don't use family income trusts as much as we do out east, so there are differences in the way people do succession. There are obviously some variations across the country in the tools that farmers use for succession planning. I understand that.

I will move over to the CFA.

[*Translation*]

I'll ask you a question in French, Ms. Bissonnette.

We talked about the Act to amend the Income Tax Act (transfer of small business or family farm or fishing corporation), or the former Bill C-208. I know that the Ordre des comptables professionnels agréés du Québec didn't want to use this tax measure. I want to know whether any changes have been made since then, given that there have been more announcements concerning this new measure.

Ms. Julie Bissonnette: The challenge lay in aligning Quebec with Canada. That's why we were waiting. However, all the changes have been made and everything is under way.

Mr. Francis Drouin: So this has been done and accountants are now comfortable using this tax measure.

Ms. Julie Bissonnette: We often heard in the past that the issue was resolved. However, so far I haven't heard anyone say that this measure has really worked on the ground. I prefer to wait before making a comment.

● (0905)

[*English*]

Mr. Francis Drouin: Okay.

I have a question for the two folks we have from P.E.I. You made some comments that you haven't met with the member for Malpeque, or that the minister was not there, but I actually have a picture of you guys at an April 24, 2024, meeting in Cornwall at a round table.

You were there. Is that correct?

Okay, so they are talking.

Mr. Alex Docherty: We were listening.

Mr. Francis Drouin: Okay, but you had interactions with the member for Malpeque and the minister.

I know that during the potato wart issue, the minister was in direct conversations with the P.E.I. Potato Board. The natural associations he goes to have these certain discussions.

The way you've presented it today is that they weren't engaging at all. I have some evidence that they obviously were engaging. I've had some personal conversations with the P.E.I. Potato Board, so I just want to make sure that we're up front and honest here when we say nobody is engaging.

Mr. Alex Docherty: I didn't say they weren't engaging with the industry. I'm talking about us, as seed growers. We're still affected three years later. It all started with incompetence and it's still going on.

Mr. Francis Drouin: Yes. Well, it's the U.S. that's putting on pressure. It's not necessarily Canada. There is no rationale for Canada to put on unnecessary pressure. I'm sure my folks from P.E.I. would have preferred that this hadn't happened. Obviously, we wouldn't want to create a situation where we have phone calls for no reason. I recall this issue, and it is still something that we're working on.

However, I know the minister and members from P.E.I. were engaging with your sector on a weekly basis when that happened, because I was sure getting calls from them.

Mr. Chair, I will cede my time to Mr. Louis now.

The Vice-Chair (Mr. John Barlow): You have one minute.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you. I have more than one minute's worth of questions.

Thank you all for being here.

I'll ask a simple question of Skye View Farms in the last minute. I really appreciate your being here.

Where I live, we have rural farms next to cities, and farmland protection isn't.... We can't do intergenerational transfers if there is no farmland and no soil.

How important is it, as our country and our economy are growing, to make sure that this fertile soil you have in your farms and I have here in southwest Ontario, where I live, is preserved from development? How important is it to save the land?

Mr. Alex Docherty: It's incredibly important.

The problem we see with our neighbours who are quitting farming.... I honestly don't blame them, but let's say land is worth $6,000 an acre to sell to me, and they're going to get taxed. They're going to lose half of it, right off the bat, to tax. Now they have $3,000. If somebody, a builder or a contractor, decides they want to buy that 100-acre field and give them $25,000 an acre, then it's out of production, and it's gone for good. However, they still end up, if they lose half of it, with $12,000 an acre.

I don't blame them. It's their retirement package too, but we really have to do something as a country to control what becomes of farmland because they're not making any more of it. Every day, there's getting to be less. It's probably the same for young farmers. There's 1% of the people in the country farming. I guess if it was easy, there would be more doing it.

The Vice-Chair (Mr. John Barlow): Thanks, Mr. Docherty.

Thanks, Mr. Louis.

Now we will go to Monsieur Perron for two and a half minutes, please.

[*Translation*]

Mr. Yves Perron: Thank you, Mr. Chair.

Ms. Bissonnette, the key issue is land value. We've already passed the tipping point. It's now impossible for the next generation to acquire land and hope to make it profitable one day, given the high purchase price. Is there a way to make transactions based on the agronomic value of the land?

I have an idea. I don't know whether it's realistic, since it may require a great deal of public funding. A farmer could agree to sell their land to a person in the next generation based on the land's agronomic value. This would take the land out of the vicious circle of land speculation. Could this be a viable option? The person who agrees to sell their land would need some form of compensation. Maybe there could be a pension fund for farmers, or something of that nature. What are your thoughts on this?

Ms. Julie Bissonnette: There are a number of possible solutions. It's a complex issue. There isn't any perfect solution either. We've been talking about this for such a long time, but not much is happening.

For Quebec's next generation of farmers, the creation of a pension fund was just one of our requests. This would take the pressure off the transferor in terms of the need to have money set aside. This is certainly one of our requests. Tax measures should also then be introduced to facilitate the sale of land to the next generation of farmers. These measures are the best way to encourage people when they help put money in their pockets. Something must be done in this area.

In Quebec, less than 2% of land is farmland. The pressure on this land is enormous. It must be made available to the next generation. Yes, access to funding matters, but the first step is to obtain access to the land. Sometimes, young people don't even know that the land is for sale. Given its scarcity, it sells quickly. That's one possible solution. Everything must be studied. After all these years, something must be put in place, because the problem keeps getting worse.

● (0910)

Mr. Yves Perron: If you have any specific recommendations for federal initiatives, we would be grateful to receive them afterwards.

[*English*]

The Vice-Chair (Mr. John Barlow): Thank you very much, Mr. Perron.

Now we will go to Mr. Cannings for two and a half minutes, please.

Mr. Richard Cannings: Thank you.

I'm going to start again with Mr. Larkin.

I think we were talking the other day about the fact that there are grain farms on many scales. Most of them.... At least from my perspective in the Okanagan Valley, where I grew up in an orchard, even the small ones are big, and some of them are really vast. I imagine that the bigger ones are more and more owned by corporations rather than by families.

I'm just wondering if you could give me an idea of where that shift happens, in terms of size and value, from predominantly family grain farms to more corporate-owned farms.

Mr. Kyle Larkin: It's a good question. The good news here in Canada is that still 97% of farms are family farms. They're owned by mothers, fathers, sons and daughters. They could have multiple shareholders that include cousins, nieces, nephews, etc., but the challenge we're facing is that we're losing, again, 500 to 1,000 family farms each year.

The other challenge we're facing, which I think the CFA could speak to a little more, is that there are around 190,000 farms across the country, but about 25% of those produce 90% of the food that we export globally and use here in Canada. There are a lot of farms out there that I would consider hobby farms. I have a friend who lives in Kemptville, for example. He has a nine-acre farm. I wouldn't necessarily consider that a major operation.

When we're talking about farms that are actually producing the food that Canadians and the world rely on, we're talking about farms that are 3,000 acres, 4,000 acres or 5,000 acres in the Prairies. In Ontario, you're probably looking at 400 acres to 800 acres. If you just do quick math on farmland value, that's where the challenge with the capital gains happens.

I'll give you some statistics. For the data, we could go as far back as 1996. In Alberta, the cost per acre was $554 in 1996. Today, it's worth $6,900. In Ontario, the cost per acre in 1996 was $1,620. Today, it's worth over $19,000. It's really just a question of the increasing farmland value. That's why farmers are getting hit in general by capital gains, but now they're being hit again by a capital gains tax increase.

Mr. Richard Cannings: Mr. Ross—

The Vice-Chair (Mr. John Barlow): You have about five seconds left.

Mr. Richard Cannings: Thank you.

The Vice-Chair (Mr. John Barlow): Thanks, Mr. Cannings.

Thanks to our witnesses.

If you don't mind, colleagues, I have a couple of quick questions to ask.

Mr. Larkin, to go back to my colleague Mr. Drouin's question, he was mentioning that there are different tax codes and stuff within each province. I believe that, in the data you submitted last spring, you did have a breakdown of the difference in each province, but the average was 30%. Am I accurate in that assessment?

Mr. Kyle Larkin: Exactly. We considered all the different tax schemes in different provinces. You know, everything kind of changes, but on average we saw 30%. Some provinces were 29% and some were 32%. Taken across the country, we saw a 30% tax increase.

The Vice-Chair (Mr. John Barlow): Thank you.

Mr. Ross or Mr. Larkin, it seems that we have this ongoing every spring. We had the underused housing tax and the bare trust tax change, and now we have the capital gains inclusion rate change. You were talking about the impact on accountants and the farmers who are going to their accountants. What kind of frustration is this?

It just seems to be this stop-and-go where they're putting these new taxes on producers every spring. Is this happening? Is it not happening? They had to back off on the bare trust at the very last minute.

What kind of frustration is this putting on your members and your discussions with financial advisers and accountants?

● (0915)

Mr. Scott Ross: I would say it's adding considerable frustration, but also uncertainty. To Mr. Larkin's point earlier, we could not get definitive assessments of the impacts of these changes, which were implemented very quickly, until months after the initial announcement took place, because we were waiting on draft legislation. Then, as you suggested, there's this back-and-forth of potential changes and tweaks that follow.

The net result is that advisers weren't even in a position to provide financial advice for some time after the announcements were made. That creates immense frustration, especially when you're in the midst of a very long, drawn-out succession plan that you could be nine-tenths of the way through when suddenly this throws a complete curveball into what you've been working on for upwards of a decade.

The Vice-Chair (Mr. John Barlow): Do you want to add to that, Mr. Larkin?

Mr. Kyle Larkin: I can tell you a small story that I think really highlights the issue. I know a farmer in Saskatchewan who used to owned an 8,000-acre family farm. When this was announced through budget 2024, that individual still had five years in their succession planning. They didn't have a son or daughter or nephew or niece who could take over. Their succession plan was always to sell it to another farm. They still had five or seven years to go in their farm, but because of this quick announcement that was then implemented on June 25, they decided to quickstep their succession plan. They actually sold out their 8,000-acre family farm to a large corporate farm of 100,000 acres plus.

That's a small example of how this is accelerating the loss of family farms across the country.

The Vice-Chair (Mr. John Barlow): I have just two last quick ones.

I know that the government has talked about the Canadian entrepreneurs' incentive. You did talk about changing the rules to allow farmers to qualify for that. It's my understanding that, if you are an incorporated farm, which the vast majority would be, even though it's in the family, they do not qualify for that program. Is that correct?

Mr. Larkin or maybe the CFA, if you guys could submit how many farms of those 190 farms would actually qualify for that incentive and how many would not, I think that would help us out with this analysis as well.

My last question is for the Dochertys. It's good to see Logan here as well. We need the voice of that younger farmer.

In my conversations with my constituents all summer on this issue, the number one thing that came up with succession planning was the mental health toll this has taken. When you've done years of transition planning and this has completely scrapped it, you have to start over.

As a young farmer looking at getting into this industry, what is your frame of mind here with this capital gains inclusion rate change? Your father talked about the carbon tax and other input costs. Do you still see farming as a viable option? What is your outlook?

Mr. Logan Docherty: My personal outlook is, if I knew nine years ago, or whenever the Liberal government took government, that they were basically going to try to do everything they could to destroy my family farm....

Mr. Alex Docherty: I'll take over for that.

It's hard to describe everything we've been through. We've been at this for probably four years now. I talked to our accountant the other day, and he said maybe it's going to take another five years to finish, which is insane.

The way I look at it, and I've said it for quite a number of years—if I give the farm to the boys, forget about the money, but I would hope they could keep going and not go broke. I always said, “Just don't lose the place.” It's so sad, the state of the country now, and I don't believe farmers perhaps even understand, but on the advice of my accountant, I had to buy a $2-million life insurance policy for the fact that, if I get hit by a bus this afternoon when I walk out of here, the Government of Canada is going to destroy our farm just for taxes. It's insane.

The Vice-Chair (Mr. John Barlow): Thank you very much, Mr. Docherty.

Mr. Docherty, I can certainly sense your passion and the pressure you feel you're under. Thank you very much for sharing your story with us.

Mr. Larkin, Ms. Bissonnette and Mr. Ross, thank you very much for coming.

We will suspend for a couple of quick minutes and welcome the next panel.

The meeting is suspended.

● (0915)

_____________________(Pause)_____________________

● (0930)

The Vice-Chair (Mr. John Barlow): Colleagues, let's get started.

I believe that most of you understand what occurred. Unfortunately, Mr. Mount, who is the vice-president of operations for the National Farmers Union, does not have the right headset. What we will do, colleagues, is allow Mr. Mount to read his statement. His copy was given to the interpreters so they can read it. We can ask Mr. Mount questions throughout the last hour of our meeting here, and Mr. Mount will submit his answers to those questions in writing to the committee. He won't be able to physically answer, but he will just take the questions and respond in writing, and they will be submitted.

I need agreement from this committee to allow us to proceed in that manner and to append his answers to the minutes.

Some hon. members: Agreed.

The Chair: Thank you.

I welcome Mr. Nelson, who is with Oakhurst Farm. We appreciate your being here.

Mr. Mount, thank you for being accommodating to the situation here. We have to protect our interpreters, and we have some strict guidelines around that.

Mr. Nelson and Mr. Mount, you will each have about five minutes for your opening statements. If you go a bit longer, don't worry. There are only two witnesses today. We won't be too strict on that.

Mr. Nelson, from Oakhurst Farm, I begin with you for five minutes, please.

Mr. Mark Nelson (Farm Owner, Oakhurst Farm): Firstly, Mr. Chair, thank you for inviting me here.

This is tremendous. I'm so excited to live in a country where we have this opportunity, where people like me, regular citizens who have an issue, can come talk to people and be listened to. I'm very proud to be Canadian.

I'm an owner of Oakhurst Farm, with my wife, and we've been working on the farm for about 32 years. We are second generation. It is considered a small to medium-sized farm based on Mr. Larkin's description of a farm....

I'm sorry. I'm mildly nervous.

I am here today to discuss how capital gains changed my plans, my life. When I was 22 years old, my wife and I started investing in our future, putting a little money away and doing all the things we were told to do. We succession-planned our farm from her parents, which took about 10 years, in large part because there were things that just had to be decided—her father died along the way, so we had to deal with that.

We paid down our mortgage and invested in our business. We raised our two children on the farm. It was a wonderful place for them to live, but at this point we're empty nesters and our children do not want to succession-plan the farm. They grew up in the life and saw how difficult it was, so we're in a situation where we would like to scale things back, think about our retirement and slow down.

We put our farm up for sale. It was looking quite promising that we were going to sell it, and then this capital gains tax change came into effect. Our plan, with our financial experts, which we had in place for quite a few years, was no longer a valid plan. They informed me, “This is not something that you are financially able to do right now.”

I'm just here to let you know that this is a real problem and something we are genuinely experiencing. I just want to thank you for the opportunity to tell you.

Thank you very much.

● (0935)

The Vice-Chair (Mr. John Barlow): Thanks, Mr. Nelson. There's no need to be nervous. We're all regular folks here, for sure. We really appreciate your being here to tell your story. That's important.

Now, Mr. Mount, you have up to five minutes, please.

Dr. Phil Mount (Vice-President, Operations, National Farmers Union): Thank you, Mr. Chair.

Thank you, all, for the opportunity to speak to you on this very important question.

My name is Phil Mount. As you know, I'm the NFU vice-president of operations.

I think you've heard from your first panel today many of the important questions on the transfer of intergenerational farms to family members. I want to broaden this out because, right at the end of that session, you started to address some important questions on intergenerational land transfers to other farmers, non-family intergenerational transfers.

All across Canada, members of the NFU, the National Farmers Union, have prioritized research and action on policy enabling young and new farmers to succeed in business. Many of us own our own farms, so why is this top of mind? Well, it's because many of our members are also the determined, dynamic, young, new immigrant farmers who are our future. They are struggling to make it, particularly in years three to 10 of farming. They're often unable to access capital, equipment to scale, knowledge and, especially, farmland. Prices driven up by speculation and the use of farmland as an investment vehicle have put the cost of land well beyond the productive value of that land. Mr. Perron touched on this near the end of the last session.

Those eager farmers are stopped before they begin because they often do not inherit land. If they rent, they pour years of work and sweat equity into the land, often only to find it sold just as the soils are improved.

We need those keen farmers to succeed. The National Farmers Union is pleased to be offering a program to increase the possibility of new and young equity-deserving farmers succeeding in agriculture. Our program “The Exchange”, which is supported by the AAFC AgriDiversity program, is oversubscribed with eager young farmers who want to learn all they can. In Ontario, we're pleased to be working with other organizations to provide training to new entrants and to farm employers.

There's much more to be done—and quickly—because Canada's loss of farmers is alarming. We're all getting older. I'm a case in point. In fact, if our younger farmer members were not working so hard today, they would have been speaking to this panel. However, they are working—on rented land, in co-operative structures, however they can make it work—because they believe in wresting control of their lives through farming.

Canada's total outstanding debt, as has been mentioned earlier today, is close to $146 billion. This means that retiring farmers generally need to sell their farms to pay off debt and have an income to live on in retirement.

Strategic policy action is needed to ensure that this next generation of farmers succeeds, with better access to land, equipment, education and training that doesn't result in crippling debt and unmanageable risk. New entrants must have access to affordable land through non-family farm succession supports and financial support for the critical first decade of their establishment.

I'd like to sort of echo and follow up on Mr. Perron's suggestion toward the end of that last session. We have many options for how we might accomplish this. I want to focus on two.

The first we're calling a foodshed lands program. In collaboration with community-owned land trusts and land banks, we develop a non-market farmland acquisition program in peri-urban areas of every province to ensure that class one and two farmland is available for food production at rental and lease rates aligned with the land's food production value. Therefore, farmers who produce food for sale in a nearby city with low-emissions production methods that protect water quality and biodiversity would be provided secure tenure on these lands.

This fund would buy three billion dollars' worth of farmland annually. This would promote long-term food security and rural livelihoods, and it would prevent our best farmland from becoming urban sprawl or highways. Look at it like this: Prudent and forward-thinking municipalities protect their drinking water sources through watershed protection. This program would protect the long-term agricultural value of our municipality's foodshed lands.

The second suggestion here is an income stability supplement. Income stability is the single biggest challenge to new farmers as they start their new business or take over an existing farm operation. An income stability supplement would allow younger people to commit to farming in a manner that bridges the seasonal income gap or reverses the trend of aging farmers, and perhaps reduces the need for off-farm employment as a survival strategy.

● (0940)

With a guarantee of stable income year-round, farmers would be more able to invest in their own infrastructure, improve their production equipment and practices, and potentially hire staff and create jobs. This supplement could also allow for farmers to make more ecological improvements to their farm production methods to improve biodiversity and adapt to a changing climate.

While an income supplement for new farms would not directly address high farmland prices, it would make it easier for young and new farmers to take on the risk of farmland ownership and possibly slow the rate at which farmland is being bought by foreign investors. It would also help new farmers develop viable businesses. The guarantee of a consistent cash flow would encourage them to spend in their communities, circulating cash through the local rural economy.

In the future, an expanded income supplement for all farmers could also reduce the pressure on older farmers to sell their land—since their biggest retirement asset is often their land—and open up new avenues [*Technical difficulty—Editor*] for both new and retiring farmers. Along with the young farmers, we strongly recommend that the project be designed to encourage participation from women, visible minorities, indigenous peoples and persons with disabilities.

Programs like the two I've discussed here would directly address the biggest challenges we face in addressing the intergenerational transfer of farms and ensuring sustainable farming communities in this country.

Thank you.

The Vice-Chair (Mr. John Barlow): Thank you, Mr. Mount.

I appreciate your understanding of our situation here. As colleagues ask you questions, do not respond; just jot those down. We'll get the questions to you and you can respond in writing.

Now we will go to our rounds of questioning.

For Mr. Nelson, who's new with us, each party will have an opportunity to ask a question in each round. The first round will be six minutes for each member of Parliament for each party.

We'll start with Mr. Epp for six minutes, please.

● (0945)

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, Mr. Chair.

Thank you to both witnesses for being here this morning.

Mr. Nelson, your story is remarkably familiar, as I'm third generation. I'll maybe come to that in a moment.

With this sudden change.... I'm going to assume that you and your wife were doing some planning for a while. I was in the same situation, watching my children grow and then realizing that neither my own life path nor theirs was going to lead to a next generation, in my case.

Where do you go from here? Can you expand?

I know it's been a relatively short period of time. Even though it's been several months, I know how long succession planning takes.

Can you comment perhaps a bit on what your options are, ideally? If this change had not come into place, would you have carried on with what you and your wife had planned?

Mr. Mark Nelson: At this point, we're in a holding pattern. Like I said previously, we were looking to the next step, but that's been completely put on hold currently. We have downsized what we can, but we're also cognizant of the fact that the business is still a machine that requires a certain amount of revenue just to run and stay open. We're cutting back as much as we can.

My wife has actually been doing a lot more off-farm work. It's curious that this seems to be coming up more and more. That has alleviated a lot of pressure for us. We're doing things like this—coming out to tell people my story and hoping that there are some solutions to come in the future that are going to work for us.

Thank you.

Mr. Dave Epp: Thank you.

Mr. Chair, I'm going to depart from the normal process for a bit.

Certainly, Mr. Nelson, if you have anything else to add and, Mr. Mount, if you want to supply any other comments in response to this as well, please do so.

I want to start with some questions that came out of the first panel.

My personal experience is that my wife and I got married in 1985 and purchased a farm. We were lucky. It was backstopped by my father and mother for the guarantee, but we purchased a large farm at the time. It was $360,000 of debt. Therefore, we had $360,000 of assets.

I think, when the Canadian public watches this, they all of a sudden think we're rich. Well, no, I had $360,000 of assets offset by $360,000 of debt. That's how I began as a third-generation farmer.

When we hear about the numbers today, imagine $360,000 from 1985. In today's dollars, that's maybe $1.6 million to $1.8 million. I wasn't automatically rich. I just had that much in assets and that much debt to begin a business career. I think that, at times, Canadians don't fully appreciate the business of agriculture, which is capital intensive, and how to begin that process.

I've been through succession now twice—once on the way in and once on the way out. I see from the Library of Parliament, which always does such a good job of providing background information, that only 12% of farmers have succession plans in place. Any policy that this committee would recommend, I think, would be great in spurring more farmers to have a succession plan.

This actually triggers a question, Mr. Nelson.

Did you have anything written down that you developed, together with your wife or your family, as far as where you wanted to go?

Mr. Mark Nelson: Yes, with our financial adviser and accountant, we've been developing this plan for several years now. It's based on the life expectancy of an average Canadian and having a reasonable retirement from the age of 65 on.

Mr. Dave Epp: You were also a part of the 12% who were proactive in working ahead, recognizing the kind of business that you were in, only to have the government throw a curveball into years of planning.

● (0950)

Mr. Mark Nelson: That's correct.

Mr. Dave Epp: I will also put on the record that we went through a similar process. My brother and I used the incorporation as a process to buy our parents' assets out over time. It took us about six years. We then became an incorporated model from a private partnership prior to that. We also tried to do everything right. We worked with professionals and developed our own—between my brother's family and mine—succession plan. We dealt with the three Ds, and we forgot something. I've had numerous conversations with other farm families, and that's why I feel somewhat obligated to put this on the record here.

If you're in a business relationship, through insurance, it is possible to deal with the death, divorce and disability processes. Also, in the face of disagreements, it's also possible to set up mechanisms inside a business plan that, over time, can develop transfers.

One thing our family forgot, and perhaps you might be close to the situation, is dealing with something called voluntary withdrawal of a partner. In discussions with many farm families where one partner now wants out... Quite frankly, I'm blessed with four daughters. They're going in four different directions, and none were on the ag side. I hear that in your testimony as well.

We didn't have a formal mechanism short of the blunt instrument of shotgun clauses, which, for those of you who don't understand, is where one partner offers to buy the other out and then makes him or herself vulnerable for the reverse offer back. To deal with and negotiate through a process of voluntary withdrawal that, first of all provides an income to the departing partner, but, secondly, doesn't strangle the operation in its cash flow going forward.... I think you would be in a similar situation with your operation.

I see, Mr. Chair, that my time is coming to an end, so I will perhaps pick this up in another round.

The Vice-Chair (Mr. John Barlow): Thanks, Mr. Epp. I do have to admit that, when you said you were going to go off script, I was a little worried about what you were going to do, but it was a good life experience, for sure.

Now we'll go to the Liberals and Ms. Murray for six minutes, please.

Hon. Joyce Murray (Vancouver Quadra, Lib.): Thank you very much for the opening remarks.

I am very interested, Mr. Mount, in the union's concept of creating some solutions so that the price of farmland is not a constraint to succession or to young farmers buying into this as a business.

What are the barriers? What is the range of barriers that you're addressing with your program? How, if at all, do you see the capital gains changes that apply to the farming sector being addressed in the structure that you set up?

I also wanted to reinforce my admiration for taking this tack, so that other pro-social values, like tackling climate change, reducing greenhouse gas emissions and having sustainability and ecological initiatives, are not huge barriers to the effective transition of farms, given the price of farmland. I know you'll be giving your answers in writing, but I wanted to put those questions to you and to congratulate you on the initiatives that your organization, the union, is putting in place.

I'm also interested in your comments and Mr. Nelson's comments on a question I have about farming and intergenerational transition, and how it differs, if it does, from other entrepreneur's family-owned businesses that produce valuable goods and services for fellow Canadians or internationally. They are businesses that were built by families, by early family members, including the kinds of capital that might not be land. It might be land, where the operations are based, but other investments have been made in capital.

How is that different from, or is it different from, this situation? If there was an exclusion of farmers from these capital gains changes, what would be the rationale for that, while not including other family-owned businesses that also have a succession plan for the young generation to take over the family business?

I'm going to ask Mr. Mount to give me his response in writing, of course, but I'm also interested in Mr. Nelson's view. What's special about family farms compared with family businesses that also require some thought with respect to transition?

● (0955)

Mr. Mark Nelson: The family farm.... When I first started on the farm, I was working as an employee, so I had the advantage of about 15 years of learning and growing with the farm and developing it. When we were about to succession plan, I already had a really good idea of how we were going to grow it and pay for the expense of buying it.

We very much did it at the right time. It was far less expensive when we did our succession plan than it would be today. That's one of the biggest problems facing young people right now. It's just the astronomical increase in the cost of everything—equipment, machinery, land, all the things, all the inputs and the cost of labour.

I'm sorry, but I'm trying to stay on topic here. Everything has just gotten to be more. Succession planning has become more difficult. The rules have become more complicated. As I said, we did it at the right time, and now we just kind of want to get out.

Hon. Joyce Murray: I'd like to go back to this question: Is succession in a family farm business substantively different from succession in any other similar-size business with assets that is not about farming and that may be about a range of different things, from forestry to manufacturing? How is it substantively different? If there were to be exclusions for the farm sector, would that then create an inequity with non-farm family business succession challenges?

The Vice-Chair (Mr. John Barlow): Thanks, Ms. Murray.

Mr. Nelson, I'll give you a couple of seconds to answer that, if you can.

Mr. Mount, I see you frantically writing down the questions. I appreciate that, but we will send you the questions in writing via email. Don't get carpal tunnel syndrome on our behalf today.

Mr. Mark Nelson: Thank you.

How is it different? In large part, there are a lot more threats to farming. You have unexpected weather changes. You have a lot of things you just can't control. Planning becomes more difficult. The expense is just huge, I think, in large part, compared with other businesses. A lot of other businesses have gross annual sales that are pretty consistent. We have years where we're in a loss.

I don't know what else to say.

The Vice-Chair (Mr. John Barlow): Thank you, Mr. Nelson.

Now we'll go to Mr. Perron for six minutes.

[*Translation*]

Mr. Yves Perron: Thank you, Mr. Chair.

I want to thank the witnesses for joining us today.

Mr. Mount, it's a real shame that we can't have a discussion. I think that we have a great deal in common here. You heard the questions that I asked Ms. Bissonnette earlier about land pricing and transition solutions. For example, when a farmer agrees to sell to a person in the next generation, it might be a good idea to add exemptions and perhaps to compensate the farmer if they sell the land for its agronomic value. Given the current land prices, this could help the next generation to make a profit. This would be virtually impossible without a parent sacrificing half their retirement to ensure that the next generation takes over the business. The same applies to productions under quotas. This transition calls for inventiveness.

Naturally, I'm extremely interested in your proposals. I look forward to receiving a detailed submission and reading it carefully. We'll try to make the most of the proposals in order to provide sound recommendations to the federal government in its areas of jurisdiction. I may contact you to discuss certain issues in greater depth and to make sure that I understand the main thrust of your proposals with a view to providing appropriate recommendations. I'm grateful for your input, even though we can't speak directly to each other. I look forward to receiving a fine document.

Mr. Nelson, you're in luck because you have plenty of opportunity to respond today. Witnesses often don't have much time.

You talked about the challenges facing the next generation and the fact that your children don't want to take over the business. You're feeling a bit stuck with the latest changes announced. I want to know your reaction to the fact that these announcements were made in June, but no details have been received as of today, in early November. What does this mean for the community and for a business such as yours? Please answer the question quickly.

● (1000)

[*English*]

Mr. Mark Nelson: In the short term, my business has always been a fairly profitable business. It's afforded me a decent living. It's not broken. In large part, my wife and I are planners. We're long-term planners. As Mr. Epp said, we're one of the 12%. I didn't get into this knowing that the farm was going to be my retirement right away. I planned for an eventuality of it taking, maybe, five years.

Here we are. We're several months from June 25, and my feeling is that I hope there will be a solution from the government presented to people like me within the next four and a half years. It's not a comfortable place to be, but that's where I'm at, at this stage. I don't see any other options right now.

[*Translation*]

Mr. Yves Perron: It's hard to plan ahead under these types of circumstances.

I would like to hear your thoughts on what I discussed earlier with Ms. Bissonnette and what I suggested to Mr. Mount. We must find a solution. You'll be selling your land to people who obviously aren't related to you. The proceeds of the sale will become your retirement fund. You can't just decide to sell the land at half its market value, because you would end up living in poverty during your retirement. The government must find a way to preserve the agricultural use of the land and make it accessible to the next generation. This is a key issue.

Would you agree to have the value of your land assessed based on its agronomic yield potential so that the next generation of farmers can hope to make a profit from it and not just pay off their debts and interest, and to have a pension fund or something similar set up to make up the difference?

Please feel free to answer. Is this something that you might consider? Would it make sense, or would it be too far-fetched? I would like to hear your thoughts on this.

[*English*]

Mr. Mark Nelson: Having a pension fund would be remarkable. I think it would relieve a lot of pressure, a lot of concern and stress that we all have.

Incidentally, the two very interested parties that did a lot of due diligence on buying my farm were actually intending to carry it on. In fact, most of the people who came to look at it were actually going to carry on. I find that very encouraging. I like the idea of my farm being a farm. I would be disappointed if it got bulldozed, and a bunch of roads and asphalt were put on top of it. Some kind of mechanism where it became a state-owned farm would be really a neat concept. I hadn't even considered it until today, hearing other people speak.

However, yes, both of those, having some kind of a retirement fund and having state-run or state-owned land, would be quite interesting.

The Vice-Chair (Mr. John Barlow): Thank you, Mr. Perron.

Now we go to Mr. Cannings for six minutes, please.

Mr. Richard Cannings: Thank you both for being here today.

I'm going to start with you, Mr. Mount, and try to phrase my questions fairly succinctly so that you can understand what I'm talking about, but I'm going to try to frame it more from my background. I come from the Okanagan Valley in Penticton, British Columbia. I grew up on a small orchard.

One thing that we are proud of in British Columbia is the agriculture land reserve, which solves for us the problem that Mr. Nelson just mentioned of worrying that his farm will turn into asphalt and houses. We can't do that in British Columbia because our farmland is simply too valuable. We don't have a lot of it. Farmers have that land. It keeps the prices relatively down, but like everywhere, the price of farmland has increased. I just looked up the benchmark rate for farmland in the Okanagan Valley, which is somewhere in the mid $30,000 per acre, but there are a lot of sales that are well north of $100,000 an acre. When you add the price of a house on that for a new entrant into the market, it becomes pretty impossible.

I'm so glad you're here, Mr. Mount, to talk about the new entrants part of this study. I'm just wondering, first of all, whether the National Farmers Union works with other groups. In my area there are, and I don't know how widespread they are, the Young Agrarians. That is a group that really tries to help young, keen farmers find opportunities to work on farms, to be mentored by farmers who are maybe retiring and to maybe rent that land and kind of work into it. As I understand, there are all sorts of mechanisms and processes through which they can get that land, whether it's rented, work to own or some co-operative structure.

I know you mentioned some of those things in passing, but I wonder if you could provide details on some of the opportunities for young, keen farmers to be able to get on the land and live that lifestyle that they really are so keen on doing, growing food for us all, and be able to afford it, because they can't just come in and buy 10 acres of land for a million dollars. It's just out of the question. Anything on those co-operative structures, working with retiring farmers, things like that, would be really valuable I think.

I'll go to my second question. You mentioned foreign investors, and that's even when we have...and it's not just foreign investors to me. It's just investors, people who are investing in land. They're not interested so much in being farmers or whatever. They're investing in the land, trying to make a living through those investments. In part, certainly in the retail housing market, that is what has really driven up the housing prices in Canada.

To some extent, for instance, in the Okanagan Valley, a lot of the orcharding has turned into vineyards and wineries, so you have people who come in with a lot of money—because you need a lot of money to start a winery—and they buy the land and build a winery. That has been the mechanism that really drives up a lot of the prices where I come from.

If you could maybe comment in more detail on the impact of investors owning land, owning farms, what has that done for new entrants?

● (1005)

Finally, this is my last question.

You mentioned that the National Farmers Union is interested in encouraging equity-seeking groups, or whatever you would call them, to get involved in farming. I'm just wondering if you might comment specifically on indigenous farmers.

In British Columbia, there's a farm called Tea Creek up in Kitwanga. It's a multi-purpose farm, I guess you could say. It helps young indigenous people find their way if they need that, but it also trains them on farming methods and gets them involved. In my riding, there's a lot of indigenous farmland that is.... I know they're trying to encourage their young people to get involved in that. Can you talk specifically on issues around indigenous farming?

Do we have any time left, Mr. Chair?

● (1010)

The Vice-Chair (Mr. John Barlow): You are out of time. Well, you had two seconds, but now you're out of time.

Thanks, Mr. Cannings.

Thanks, Mr. Mount. You have a lot of work on your table.

Now, colleagues, seeing the time, I think what we can do, rather than take a second round, is give everybody a couple of minutes to ask a question or two, just so that everybody gets a chance. We won't go for a full five minutes, if that's okay with everyone.

I'm going to ask you to just ask a question and have an answer, and then we'll go around the table.

We'll go to Mr. Epp, please.

Mr. Dave Epp: Thank you, Mr. Chair.

I'll direct my question to Mr. Nelson.

I understand that you two are also, despite it not being family, working with Algonquin College on attracting or looking at other opportunities that extend.... As a personal comment, my nephew will be coming to the farm and forming the fourth generation. Thanks to colleagues like ours, Bill C-208 also provides those opportunities.

Can you talk a bit about your efforts there?

Mr. Mark Nelson: One of my personal beliefs is that volunteerism is very important. I tried to instill that in my own kids. A friend of mine and I were having a beer one night and chatting about the lack of education for farm kids—specifically, the business part of it. A lot of farm kids know how to run the tractors, grow the wheat and bale the hay. What they don't know are all the laws behind labour and all the business components.

We developed a course and went down this rabbit hole for three years, and then we pitched it to Algonquin College. After another three years, it became an actual program that exists at the Perth campus now.

Yes, there needs to be a lot of work to allow farmers to do succession planning and get out. I also think we need to better educate some of the young people to come in.

Mr. Dave Epp: Thank you.

Thank you, Mr. Chair.

I'll conclude my comments with a statement. It grows out of the first panel, and it grows a bit from Joyce Murray's comments and questions here.

Agriculture is certainly not the only family-oriented, capital-intensive business we have in Canada. What makes it unique is that it's a high-capital, high-cost, low-margin business that is made up largely of price-takers and largely deals with so many factors outside of its control, like weather. In response to a recent survey, farmers can deal with the weather risk and the market risk. Their number one fear was actually government policy risk. Voila—here we sit today.

I'll conclude with that.

The Vice-Chair (Mr. John Barlow): Thanks, Mr. Epp.

I think the other thing that makes it unique is that it's perishable. When you make a widget, it doesn't necessarily go rotten or pass away.

Ms. Taylor Roy is next, I believe. Thanks.

Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.): Thank you.

Thank you for being here, Mr. Nelson. I have a few questions about your farm.

What type of farm is it?

Mr. Mark Nelson: It actually began as a horse farm. My in-laws were very much into thoroughbreds.

Ms. Leah Taylor Roy: What is it now?

Mr. Mark Nelson: We've diversified a lot more since I took over. We grow some crops and have hay and whatnot. I have some chickens, eggs and maple syrup.

Ms. Leah Taylor Roy: Where does the majority of your revenue come from?

Mr. Mark Nelson: The majority is still probably from horses.

Ms. Leah Taylor Roy: Is there dressage training? I have a daughter in the field, so that's why I'm asking. She actually went to Olds College for her training, so I understand.

What year did you buy the farm?

Mr. Mark Nelson: We bought it in 2008.

Ms. Leah Taylor Roy: In 2008. That was after the capital gains tax had dropped from 75% back down to 50%.

Mr. Mark Nelson: I guess so.

Ms. Leah Taylor Roy: Okay.

I have a question, because one of the reasons the inclusion tax on capital gains was put in place—and I know you have children, as I do—was intergenerational fairness. Right now, we're facing a time when much of the wealth is held by people like us—the people who own property, farms, homes, other things and businesses, like I did—and our young people are really struggling to get into farms and to get in to buy houses or other things. Our government has been investing a lot of money in housing programs, child care programs and things to help young families right now.

I know these are financial questions. When we're talking about something like this, what price do you think your farm will sell for? What's the agreement you had or whatever that you've had succession planning around?

● (1015)

Mr. Mark Nelson: We were looking at about $5 million for the business and....

Ms. Leah Taylor Roy: Your primary residence would, of course, be exempted. It would be tax-free—

Mr. Mark Nelson: It would be exempt, yes.

Ms. Leah Taylor Roy: —whereas in the U.S., it's taxed at the normal rate.

In terms of capital gains, how much do you think you'd make in capital gains, after all the expenses and everything you've put into the farm, and after all the investments?

Mr. Mark Nelson: I don't know.

Ms. Leah Taylor Roy: What did your succession plan have in it?

Mr. Mark Nelson: The succession plan was...what did we have it at? I think the primary residence was fairly minimal. It's an old farmhouse. I guess to answer the question, the way that I understood it from our financial professionals was that we would be starting to draw out at 65, and for a regular lifespan, we would be drawing about $4,000 a month.

Ms. Leah Taylor Roy: What I'm trying to figure out, though, is the effect of the capital gains, so the difference in capital gains between what it was and what it is right now.

The Vice-Chair (Mr. John Barlow): Ms. Taylor Roy, I said “a question”.

You can answer if you want, Mr. Nelson. I'll give you a couple of seconds.

Mr. Mark Nelson: The difference between before.... They told me it was about $350,000. That is what the accountant told me.

Ms. Leah Taylor Roy: You must have had a capital gain of over $3.5 million then.

The Vice-Chair (Mr. John Barlow): Thanks, Ms. Taylor Roy. I said “a question”.

Mr. Perron for—

Ms. Leah Taylor Roy: Excuse me, Mr. Chair. Between you and Mr. Epp, the last question you asked was over two and a half minutes. I am just at less than two and a half minutes right now.

The Vice-Chair (Mr. John Barlow): I asked everybody to keep it to a question. Mr. Epp did that. I gave him some extra time, and I gave you a lot of time as well, Ms. Taylor Roy.

Mr. Perron, you may ask a question, please.

[*Translation*]

Mr. Yves Perron: Thank you, Mr. Chair.

Mr. Nelson, in conclusion, how could the government adapt the measure announced in June to avoid mortgaging people like you too much, to preserve farmland and also to maintain a certain level of fairness?

The measure didn't necessarily seek to attack the farming community. It aimed to take money from wealthier people, from people who own corporations, who hold shares, who receive dividends and who aren't taxed.

We're all sympathetic to your situation, but it's challenging. I would like to hear your thoughts on this.

[*English*]

Mr. Mark Nelson: Yes, it is complicated.

From my perspective, I wish we had more notice that this change was coming.

I always like rules that are “from this point forward, it begins”, rather than, “okay, we just start now”. If either one of those things.... If you said that from now forward this was going to be the rule, then okay, I can live with that. We can make a plan with that. It was when everything changed so quickly that it was a big problem.

The Vice-Chair (Mr. John Barlow): Thank you, Mr. Perron.

Mr. Cannings, ask just one question, please.

Mr. Richard Cannings: Monsieur Perron just asked my question, so I'll pass and leave it there.

The Vice-Chair (Mr. John Barlow): Thank you, Mr. Cannings.

Thank you to our witnesses.

Thank you, Mr. Nelson, for being here.

Thank you, Mr. Mount. Again, I give you our apologies, but I appreciate your sticking with us and answering those questions.

Colleagues, this is just a reminder that the recommendations for the border carbon adjustment study are due by the end of the day today. If you haven't submitted those, please do so to the clerk. We'll see you all later on today at question period.

Thanks very much. The meeting is adjourned.

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National Farmers Union response to AGRI Committee questions regarding Intergenerational Transfer of Farms and New Entrants

The National Farmers Union is pleased to provide written responses to Agriculture and Agrifood Committee members' October 31, 2024 questions regarding the Intergenerational Transfer of Farms and New Entrants.

The members questions can be summarized as follows:

1. Please provide a more in-depth description of the NFU's proposed Foodshed Lands program and what barriers are addressed by this proposal? And how would capital gains changes be addressed by such a program?
2. How does intergenerational transition in farming differ from intergenerational transition for other kinds of businesses?
3. How can the challenge of affordability for the new entrant farmer be reconciled with the need for retiring farmers to obtain a fair income needed for retirement?
4. Does the NFU work with other groups such as the Young Agrarians to help young and new farmers get started?
5. What viable alternative land tenure opportunities exist or could be developed, such as co-operatives, for example?
6. What impact does investor ownership of farmland have on new entrants' farmland access?
7. What are the specific issues that affect Indigenous farming?

We hope the following addresses, or at least provides useful information and insights for Committee members' consideration of the significant challenges to intergenerational transfer of farms and the success of new entrant farmers.

1. Foodshed Lands

The NFU proposes a Foodshed Lands acquisition program in peri-urban areas across the country, to ensure prime farmland (Class 1-3) is available for food production at rental/lease rates aligned with the land's food production (agronomic) value. This program will promote long-term food security and rural livelihoods, and prevent our best farmland from becoming urban sprawl or highways. Forward-thinking municipalities protect their drinking water sources through watershed protection: this program will protect the long-term agricultural value of our municipalities' "foodshed" lands. Farmers who produce food for sale in the nearby city—with low-emission production methods that protect water quality and biodiversity—will be provided secure tenure on these lands.

Foodshed Lands would be purchased on a willing seller basis by the federal government, and administered via a federal agency working in collaboration with urban municipalities and other local organizations such as co-operatives and community land trusts. Tax law would be amended to allow farm lands sold by farmers to the Foodsheds program to be treated as if it was intergenerational transfer to an immediate family member.

The land would be leased out in small- and medium-sized parcels on low-cost terms to eligible farmers, based on criteria to be developed to ensure fairness and alignment with the program's objectives—including sustainable, low-emissions practices. This would provide affordable and secure access to land for new entrants and others, including new Canadians, young farmers, co-operatives, First Nations, organic growers, permaculturists, agroecologists, small-flock poultry farmers, free-range hog producers, retired farmers, mental health and addictions-treatment programs, youth clubs, religious groups, and others.

Foodshed Lands' proximity to urban areas would minimize transportation costs and emissions, and provide a nearby market for production to support economic viability of the farms. The nearby population would also provide a labour force and economies of scale to support the development of much-needed storage, distribution and further processing enterprises that would expand marketing options for these farms, and enhance economic benefits to urban residents. Foodshed producers would become a keystone that allows us to deliver on the stymied promise of policies that call for fixed targets for "local food" procurement for schools, health care facilities, prisons and civic facilities to support the improved health and nutrition of urban residents.

The Foodshed Lands program would have population-based hectare targets to ensure its benefits are fairly distributed across the country. The fiscal capacity of the federal government would make it possible to acquire land currently being held for speculation in anticipation of housing or industrial development. The national character of the program would encourage nodes of local production in regions with lower population density, allowing opportunities to emerge once a critical mass of farmers become established. The Foodshed Lands program would not only provide an on-ramp to successful farming careers for new entrants, but would add a component of food security resilience in Canada, which currently relies on imported food via increasingly precarious supply chains.

The barriers addressed by the Foodshed program include

- Lack of affordable access to secure tenure for new entrants and other equity deserving farmers (Black, Indigenous, People of Colour, youth, women, gender diverse, new Canadians, people with disabilities)
- Lack of local food options in smaller communities
- Lack of ancillary services (storage, processing, distribution) and markets in remote areas where farmland is more affordable
- Discrimination against new entrants and equity deserving farmers when applying for credit

Capital gains tax considerations for the Foodshed Lands program should be designed to encourage farmers to sell to the program as if it was a family member.

2. How does intergenerational transition in farming differ from intergenerational transition for other kinds of businesses?

A key difference between farming and other types of businesses is that farming requires land – and "they're not making any more of it" - whereas other kinds of business can develop needed capital assets through investment alone. Non-farming businesses (other than mines) are not tied to a specific location the way a farm is. Some non-farm businesses do not even require a physical location, such as financial, consulting or digital businesses. The location of farmland is fundamentally tied to biophysical conditions that affect the farm business such as hours of sunlight, frost-free days, soil type, topography. These unique characteristics cannot be generated through investment, whereas other types of business may be able to build, select or renovate their infrastructure to suit their needs.

For farmers, the land itself is the primary productive asset, and must be maintained through careful attention to natural cycles on the farm (carbon, hydrological) to avoid depleting that resource over time. It is often both a home and a place of business for the retiring farmers, as well as the incoming generation. Many farm businesses are also closely tied to their local community through social as well as economic ties. The networks of relationships are often an intangible asset that support the farm's viability. When intergenerational succession occurs within farm families, the younger generation has learned how to farm this particular land from their parents, who in turn may be passing knowledge from their forebears. The intergenerational knowledge transfer between older and younger generations when the new entrants are not family members is supported by relationships with the retiring farmers and/or their neighbors.

3. How can the challenge of affordability for the new entrant farmer be reconciled with the need for retiring farmers to obtain a fair income needed for retirement?

This question is not new. Addressing it was one of the main reasons the Saskatchewan government established the Land Bank program in the 1970s. The older generation could not afford to simply give land to their children, and the younger generation could not finance buying the farm to provide their parents with a dignified retirement. The Land Bank purchased land from willing farmers at fair market prices and leased it at rental rates that reflected the land's productive capacity to qualified younger farmers with an option for the lessee to buy the land after five years. Rent payments from leased land supported the program's purchase of additional lands. The program was very successful in supporting intergenerational transfer, but ended in 1982, primarily for political reasons.

This question puts a spotlight on the economic unsustainability of our system: the incomes farmers have earned over decades have not afforded them enough to live on in retirement, and the prospects of earning an income on that same farm into the future are not adequate to allow a young farmer to obtain credit to buy the farm.

The NFU's analysis points to failed policy that has allowed powerful companies (input sellers, grain companies, food processors, seed companies, railways, banks, asset management companies as well as farmland investment companies) to use farms to extract wealth, while government risk management program design has resulting in them preferentially serving the largest farms.

4. Does the NFU work with other groups such as the Young Agrarians to help young and new farmers get started?

Yes, the NFU and the Young Agrarians have worked together for years, to support young and new farmers. Young Agrarians tends to focus on supporting learning practical skills, while the NFU focuses on advocacy for better farm policy. Both support land access opportunities and building relationships within and across generations of farmers.

5. **What viable alternative land tenure opportunities exist or could be developed, such as co-operatives, for example?**

Numerous viable alternative land tenure opportunities exist and should be applied more broadly. We have already mentioned a viable historical Canadian example (the Land Bank) which would allow for transition of appropriate parcels from private to public land tenure—which allows for alternative tenure.

While cooperatives change the nature of the individual member's specific control over their land and farming practices, if they remain within the land tenure model that has been compromised—a private real estate market with few controls on speculative investment—they will not provide a true alternative opportunity. A true alternative must extract farmland from this "free" market and ensure that a direct connection remains between payments for land, and the land's productive capacity. Speculative investment in farmland has obliterated this historical connection between the rate for farmland and its productive capacity.

Significant potentially productive public food land holdings already exist—including current and former institutional land, prime farmland within national park boundaries, and a showcase greenbelt around the nation's capital with over 13,000 acres of arable farmland for lease. What these public land holdings share—other than their potential to significantly address land access challenges around major urban centres—is a history of fragmented, and at times contradictory stewardship. To date, these productive lands have been under the control of a hodgepodge of Departments, Ministries, Authorities and Crown Corporations, each lacking capacity and/or appropriate authority to manage the farmland within their mandate through its transition toward sustainable agriculture.

Ideally within a program such as the Foodshed Lands, this farmland would be leased in appropriately-scaled parcels to farmers already employing sustainable farm practices—starting on public lands and using Land-Bank-like investments to enhance or grow contiguous farmland holdings for long-term use in sustainable agriculture.

6. **What impact does investor ownership of farmland have on new entrants' farmland access?**

Farmland investor ownership sees land as a financial asset for its investment value instead of for its ability to produce agricultural products – sometimes described as "gold with dividends" because it holds its value like gold, and the rent farmers pay is like a dividend paid on stocks in a company. The relationship between an investor-owner and the land is quite different from the relationship between the farmer and the land. While the farmer lives on or near the farm and earns an income by planting crops and/or raising livestock (in often uncertain conditions), the investment company shareholders may have never seen a farm, yet "farms the farmers" through rent and land price increases.

Farmland investment companies rely on farmers to operate the farms to produce returns. They put pressure on farmer tenants to maximize yields in order to pay high rents. They encourage draining wetlands, cultivating native prairie, and cutting down hedgerows and shelterbelts to increase the farmable acres and to make it easier to use large equipment that can till, seed, spray and harvest more land faster. Even when renters want to maintain natural habitat on the land, the owner can easily evict them and rent to someone else who would be willing to farm it corner to corner.

The vicious circle of large farms, high rents, high land prices, and rising interest rates make it increasingly impossible for young farmers to buy land even if they are from a farming family. The cost of borrowing millions of dollars for land and equipment is prohibitive, and banks are less willing to take risks on lending to small and/or less experienced farmers.

Like the input companies, banks, grain companies and railways, the farmland investment companies use their size and market power to take more than their fair share of what the farmer produces, leaving less and less of the value of farmers' crops and livestock in the hands of farmers to maintain and improve their own farms or spend in their communities.

The total net income Canadian farmers earn from the market has been stagnant for decades. The purchasing power of these dollars has dropped as the costs for land, inputs and equipment have risen faster than prices for the consumer basket used to calculate the Cost of Living in Canada. This means that the cost of farming has risen much faster than the cost of living. Because of this, it is necessary for each farmer to sell more and more product – and this has to come from more input-intensive farming and/or farming more land. Larger farm size means fewer farmers.

The increasing consolidation of farmland ownership, with larger tracts of land under the control of farmland investment companies and investor-like large farms, is both a symptom and a cause of the farmland access crisis that acutely affects young people and marginalized people who wish to farm. Unchecked, this cycle of consolidation and extraction will continue to eject farmers from the land and fundamentally change the character of our food and agriculture systems, and our rural communities.

To reverse the farmland consolidation, policy responses are needed. This is why the NFU is calling for a ban on farmland investment company ownership of farmland and why we support enactment of legislation in all provinces similar to the *Prince Edward Island Lands Protection Act*, to limit the total amount of land an individual or a corporation may own.

7. What are the specific issues that affect Indigenous farming?

Indigenous growing, farming and harvesting activities are affected by many issues, beginning with Canada's failure to uphold Treaty promises, followed by the devastation of the residential school legacy and the illegal imposition of the Pass System. In spite of these massive historical injustices, Indigenous farmers are on the land, growing and harvesting food for their communities and the market. Land access and security of tenure are significant issues that impact Indigenous food sovereignty in almost every community. The NFU supports the Treaty Land Sharing Network and other appropriate land justice initiatives across Turtle Island. In many northern remote areas, community greenhouses do, or could, provide lower cost fresh food instead of importing from southern Canada. Urgently needed food security, health and economic benefits flow from such projects. Access to credit is often a barrier for Indigenous farmers on First Nations lands, due to some financial institutions' lending policies. Indigenous women are often the knowledge carriers who support young people in their communities to carry traditional Indigenous food knowledge forward. There is a strong Indigenous Food Sovereignty movement which the NFU supports. We encourage the Committee to invite witnesses to share their stories, concerns, issues and recommendations with you directly.