OMAFRA Agricultural Business Update

Ministry of Agriculture, Food and Rural Affairs

Ontario

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This update is designed to provide you with concise, up to date agricultural business information with links to where you can find the details.

Please note: This edition of the Ag Business Update was delayed so we could bring you the details of the designated drought areas for Ontario.

Programs

NEW FEDERAL MEASURES TO HELP LIVESTOCK PRODUCERS

Proposed Changes to the Advance Payments Program

The Advance Payments Program (APP) is allows producers to obtain cash advances prior to selling crops of up to $400,000. The first $100,000 is available interest-free. The Federal government is proposing to make the following changes to make it easier for producers to access the advance payments:

- Removing the requirement for livestock producers to use a Business Risk Management program such as AgriStability as security for a cash advance and allowing producers to use inventory as security. This brings the treatment of livestock more in line with other produced commodities.
- Adding "severe economic hardship" as a condition to offer emergency advances, on the recommendation of the Minister of Agriculture and Agri-Food and the Minister of Finance.
- Revising the security requirements for emergency advances and increasing the emergency advance available to producers from a maximum of $25,000 to $400,000 in conditions of severe economic hardship.

Advances to hog producers will be based on the number of animals they expect to raise for sale for a 12 month period. The repayment period will start one year after the producer has received the advance and must be repaid within the production period to be determined under the Advance Payments Program.

For more information, producers can call **1-888-346-2511** or check the program web site at www.agr.gc.ca/app .

Cull Breeding Swine Program

The Government of Canada has announced a new Cull Breeding Swine Program to help the swine industry to restructure. The objective of the program is to reduce the national breeding herd size by up to 10 per cent over and above normal annual reductions to more accurately reflect market conditions. The $50 million program is to be delivered through the Canadian Pork Council.

The following preliminary details are taken from the Canadian Pork Council website (www.cpc-ccp.com). Producers should continue to monitor the CPC and their provincial organizations for program details as they become available.

1. A payment of $225 per sow or boar slaughtered would be available to eligible producers following program launch and approval of application. In addition, reimbursement will be made for costs of slaughter and carcass disposal.
2. Reimbursements will be based on invoiced receipts.
3. Producers must agree to empty at least one barn, and not to restock this barn for a period of 3 years. Partial barn reductions are not eligible for the program.
4. A payment of $225 per sow/boar less the selling price will be available for producers that sold animals from November 1, 2007 until the date of the launch of the program, as long as they can provide receipts and agree to keep the barn empty for the three year period.
5. Animals must be slaughtered and disposed of in compliance with environmental requirements in the region.
6. It is expected that the funding would support a 10% reduction of the Canadian swine breeding inventory (approximately 150,000 animals).
7. The animals/meat must not enter the human food chain. The animals may be rendered for use in pet food or other purposes, or disposed on-farm.

The CPC also is advising producers of the following
- Though the program was announced on February 25th, it is not in effect until the Canadian Pork Council concludes a funding agreement with the federal government and applications for the program are made available. They hope to have an agreement completed well before the end of March.
- As such, animals marketed from November 1, 2007 until the date when program applications become available will be eligible for the per animal payment less the selling price received. The marketing of these animals is not subject to the restrictions for animals marketed after the applications become available. Until applications for the Cull Breeding Swine Program are available, *we recommend that culling of animals for which there is an intent to apply through this program for payments* be done through commercial channels and that verifiable business transaction records be retained.

Potential program applicants are also advised that:
• No gilts will be eligible for this program; it is limited to sows subject to an actual farrowing, and boars; and
• Payments will only be issued to applications that have been approved, and required information supporting the claim is provided to the CPC.

Agricultural Taxation Information

Tax Deferral for Drought Induced Breeding Livestock Sales – Regions Announced by Federal Minister

Section 80.3 of the Income Tax Act allows farmers who sell part of their breeding herd due to drought conditions in designated regions to defer a portion of sale proceeds to the following year.

To defer income, the breeding herd must have been reduced by at least 15 per cent. Thirty per cent of income from net sales can be deferred if the breeding herd has been reduced by at least 15 per cent, but less than 30 per cent. Where the herd has been reduced by 30 per cent or more, 90 per cent of income from net sales can be deferred.

Proceeds from deferred sales are included as income in the next tax year, when they may be at least partially offset by the cost of reacquiring breeding animals. In the case of consecutive years of drought designation, producers may defer sales income to the first year in which the area is no longer designated. Details of the tax deferral provisions are provided in the Canada Customs and Revenue Agency's Tax Guide on Farming Income.

More information is available on the Agriculture and Agri-Food Canada website at http://www.agr.gc.ca/pfra/drought/taxdef_e.htm. For information concerning tax questions should be directed to your local Canada Revenue Agency Tax office.

The designated regions for Ontario are:

City of Hamilton
City of Kawartha Lakes
City of Toronto
County of Brant
County of Bruce
County of Dufferin
County of Elgin
County of Essex
County of Frontenac
County of Grey
County of Haldimand
County of Hastings
County of Huron
County of Lambton
County of Lennox and Addington
County of Middlesex
County of Northumberland
County of Norfolk
County of Oxford
County of Perth
County of Peterborough
County of Prince Edward
County of Simcoe
County of Wellington
Municipality of Chatham-Kent
Regional Municipality of Durham
Regional Municipality of Halton
Regional Municipality of Niagara
Regional Municipality of Peel
Regional Municipality of Waterloo
Regional Municipality of York
Territorial District of Algoma
Territorial District of Manitoulin
Territorial District of Thunder Bay
United Counties of Leads and Greenville

Below is a chart of how the calculation works. If you would like an excel version of this chart to help you through the calculation just send an email to Rob Gamble at rob.gamble@ontario.ca

	Income Deferral on Drought Induced Breeding Livestock Sales		
	Breeding Herd Calculation	**Year Beginning**	**Year End**
A	Total Breeding Herd (>12 months - male and female)	200	135
B	female animals greater than 12 months of age that have not given birth	30	30
	female animals greater than 12 months of age that have given birth	155	90
	1/2 of female breeding animals that have given birth	77.5	45
C	***C equals the lesser of B or 1/2 of female breeding animals which have given birth***	30	30
	Breeding Herd Calculation = A - (B - C) **s.80.3(1)**	**200**	**135**
	Calculation of Deferral **s. 80.3(4)**		
	Breeding Herd at Beginning of year	200	
	Breeding Herd at End of year	135	
	Percentage Change	**-32.5%**	**see Note**
	Calculation of Deduction [(A - B) x C]		
A	Total sales of breeding animals minus any reserves for unpaid amounts	$ 65,000	
B	total deductions for purchase of breeding animals	$ 5,000	
C	If year ending breeding herd is >70% of beginning	30%	
	If year ending breeding herd is <=70% of beginning	90%	
	Allowable Deduction	**$ 54,000**	

Note: To be eligible for the deduction the breeding herd must have been reduced by more than 15%

Retails Sales Tax
Farmers who direct marketing their products, have on farm entertainment or run a bed and breakfast may be interested in these guides from the Ontario Ministry of Revenue

- Food Products – RST Guide 500 http://www.rev.gov.on.ca/english/guides/rst/500.html
- Prepared Foods – RST Guide 300 http://www.rev.gov.on.ca/english/guides/rst/300.html
- Admissions – SBP 909 http://www.rev.gov.on.ca/english/guides/rst/303.html
- Accommodations - SBP 908 (of interest to Bed and Breakfast operators) http://www.rev.gov.on.ca/english/guides/rst/908.html

Others

- The Basics of Retail Sales Tax - SBP 901 http://www.rev.gov.on.ca/english/guides/rst/901.html
- Farmers – RST Guide 807 http://www.rev.gov.on.ca/english/guides/rst/807.html

Retail Sales Tax - Tax Advisory Services: **1 888 285-7815**

Workshops and Conferences

GROWING YOUR OPPORTUNITIES - *2008 Value Plus 2-Day Workshops*
Farm and rural based entrepreneurs who want to learn how to tap into new value added opportunities from idea to market should attend this seminar.

You Will Benefit From These Workshops By Learning How to:
- Identify, find and evaluate new value added ideas
- Put your ideas into action using the seven step value added development process
- Connect with the right market channels
- Find innovative ways to market your products and services
- Build a business that can support your new idea
- Create a dynamite, but simple business plan
- Finance the different stages of your new ventures
- Save time and money in the development process
- Price your products properly
- Manage your risk

Over The Two Days You Will:
- Explore case studies of how innovative rural and farm businesses that have developed their value added ideas and opportunities
- Follow a new product from conception to integration into the marketplace
- Take home lots of practical and useful tips

Workshop Leader
R. Gary Morton, of Morton Horticultural Associates and Co-Author of Building Added Value through Farm Diversification, shares lessons learned from his experience helping farmers evaluate new market ideas and successfully bring products to market.
All workshops are limited to 25 participants. Pre-registration required.

Sponsored by the Canadian Farm Business Management Council and Other Local Sponsors

Location	Day #1	Day #2
Verona	Mon. March 17th	Fri. March 28th
Tillsonburg	Wed. March 19th	Wed. March 26th

To register for a workshop near you visit
http://www.omafra.gov.on.ca/english/busdev/conference/gyo/index.html or call 1-877-424-1300

Calendar

March 11 - 13, 2008 – Ottawa valley Farm Show - Lansdowne Park, Ottawa. For details visit http://www.ottawafarmshow.com

March 14 – 16, 2008 – Can-Am All Breed Equine Show, Western Fair, London, ON.

April 2 – 5, 2008 – Growing the Margins: Energy, Bioproducts and Byproducts from Farm and Food Sectors Conference & Exhibition, London Convention Centre, London, Ontario. The conference will explore the technological, operating, policy, regulatory, financial and other challenges and opportunities facing farms and related food processing and rural industries as they strive to improve their energy efficiency, better utilize byproducts - - and ultimately improve their bottom lines. Details on-line at www.gtmconf.ca

April 9 & 10, 2008 – Poultry Industry Conference, Western Fair, London, ON. Details will be available on-line at http://www.westernfair.com/shows/poultry.html

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Thanks for reading the OMAFRA Business Update.

Questions or Comments: contact the editor, **Rob Gamble** at rob.gamble@ontario.ca.

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