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.

# Programs

## Advance Payments Program – Cattle Producers

The Advance payments program has recently been amended to allow greater access for livestock producers. ACC Farmers Financial has recently developed two factsheets explaining how both the regular and the emergency advance payment program works for cattle producers. These factsheets will be on the ACC Farmers Financial website with in the next week at: http://www.accfarmersfinancial.ca/index.htm

## 2008-09 Emergency Advance Payment Program

This Agriculture and Agri-Food Canada program was announced in March 2008 due to the severe economic hardship in the cattle and hog sectors.

Similar to the "Regular" Advance Payment Program, but has some significant differences (see below).

- Features up to $100,000 in interest-free loans.
- An additional $300,000 is available at prime – 1/4%
- The program is administered in Ontario by ACC Farmers' Financial.
- Producers must participate in CAIS/AGRISTABILITY.

Key Differences in the Emergency Advance Program:

- The Emergency Advance Payment Program advances (loans) are based on the expected (not the current) number of animals to be produced over a 12 month period e.g. between April 1, 2008 and March 31, 2009 or June 1, to May 31.
- ACC Farmers' Financial receives a 100% guarantee from Agriculture and Agri-Food Canada. So there is no 2% holdback.
- Advances are repaid at the end of the twelve month period (or maximum of a twelve month period) by two installments (minimum of 50% for first installment). The first installment is due no later then 15 calendar days following the period of twelve months from the date that the advance was issued. The second installment is due 30 calendar days following the first installment. However, all advances must be fully repaid no later than September 15, 2009.
- Priority agreements with banks, credit unions or other creditors are not required. For Emergency Advances, the federal government takes secondary security to liens for loans already registered by banks, credit unions, and other creditors.

# Agricultural Taxation Information

## 2008 Ontario Budget

### Land Transfer Tax - Transfers from Family Farm Corporations

Transfers of farmland between individual family members and transfers into a family farm corporation are currently exempt from land transfer tax. Regulatory amendments will be proposed to expand the exemption to include transfers of farmland from family farm corporations to individual family members.
The proposed measure would apply to qualifying transfers after March 25, 2008.

### Succession Duty - Complete the Process of Bringing Succession Duty to an End

Succession duties were eliminated in 1979 in respect of persons who died after April 10 of that year. However, in certain instances, succession duty continued to apply, for example, where a life interest was granted to the spouse of the deceased and a remainder interest to their children.
In 2001, amendments were made to eliminate succession duties, except where such duty was due and owing on May 8, 2001. As a result, the number of remaining estates for which payment of succession duty has been deferred is now insignificant.

### Accelerated Capital Cost Allowance (CCA) for M&P Machinery and Equipment

The 2007 federal budget proposed a temporary tax incentive in the form of a 50 per cent straight-line CCA rate for M&P machinery and equipment acquired on or after March 19, 2007, and before 2009. Ontario announced that it would parallel this incentive.
The 2008 federal budget proposed to extend this incentive by allowing eligible assets acquired in 2009 to be depreciated on a 50 per cent straight-line basis and those acquired in 2010 and 2011 on a declining balance basis.
Subject to enactment of the applicable federal regulations, the Budget proposes to extend this tax incentive for manufacturers in line with the proposed federal rates and effective dates.

### Capital Cost Allowance: Other Measures

Subject to enactment of the applicable federal regulations, Ontario proposes to parallel the following Corporate Income Tax initiatives and their effective dates relating to CCA announced in the 2008 federal budget including expanding eligibility for Class 43.2 to include a broader range of clean energy generation assets for biogas production equipment and additional applications of ground-source heat-pump and waste-to-energy systems

For further information on these budget items visit http://www.rev.gov.on.ca/english/index.html

### Other Agricultural Highlights

- Providing $56 million over four years for the Pick Ontario Freshness strategy and the Ontario Farmers' Markets Initiative, which will help encourage Ontarians to buy locally
- Supporting research, animal health and the Ontario Veterinary College by providing $56 million in 2007–08 to the University of Guelph
- Supporting the Vineland Research and Innovation Centre with $12.5 million in 2007–08, which builds on the support provided in 2006–07 — in total, the government has provided $25 million to the Centre
- Supporting interdisciplinary research into chemicals and fuels made from agricultural resources by providing $7.5 million in 2007–08 to the University of Western Ontario
- Enhancing broadband access in rural southern Ontario with funding of $7.5 million annually for four years.

## 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/program_e.htm#tdd For information concerning tax questions should be directed to your local Canada Revenue Agency Tax office.

The designated regions for Ontario are:

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

# Calendar

**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

**April 17, 2008 – AGCare and Ontario Farm Animal Council Annual General Meetings and 20th Anniversary Banquet,** Guelph Place, 492 Michener Road, Guelph, ON. Details will be available on-line at http://www.ofac.org/annual_meeting/agm2008.php

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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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