

January 7, 2020

Mr. Stan Cho, MPP
Willowdale
7 Queen's Park Crescent
Frost Building South
Toronto, ON
M7A 1Y7

Dear Mr. Cho,

On behalf of the Ontario Federation of Agriculture (OFA), I would like to express our sincere appreciation for the time you spent with us last month at Queen's Park and allowing us to share with you the priorities for Ontario's agriculture and food sector. With strong support and investments in our rural communities, we can unlock continued economic growth opportunities and drive a healthy economy that benefits all Ontarians.

Ontario's diverse and innovative agri-food industry feeds our population, fuels our rural communities and drives the provincial economy, generating more than 837,000 jobs and contributing more than \$47 billion to Ontario's annual GDP. From farmers to our diverse food processing industry, our agri-food sector is a powerhouse of possibilities.

OFA is Canada's largest general farm organization, representing more than 38,000 farm family businesses across Ontario. Ontario's agricultural and agri-food sector is among the most diverse agriculture sectors in North America. With over 200 different agricultural commodities grown and raised right here in Ontario, that's more than any other Canadian province and most U.S. states.

Thank you for your interest in receiving more information on the noted topics below. We would appreciate the opportunity to meet with you again to explore these areas in additional detail and see where the Ontario government may work with us to strengthen the economy.

Family Farm Exemption from Ontario Land Transfer Tax

Since March 28, 2003, some Ontario farmland transfers between farming family members has been exempt from Ontario's land transfer tax. This exemption helps farmers pass the the family farm business to the next generation. Although changes were made in 2008 to expand the exemption to include transfers of farmland between family farm corporations and (related) individuals, further amendments to Regulation 697 are needed to address the common situation where a farm corporation was established to operate the farm business but the ownership of the associated farmland was held personally. In these situations, the individual farmland owners are deemed not to have carried on farming exclusively because they received rental income from their farm corporation, even though these individuals were the principal shareholders, directors, and officers of that farm corporation.

Consistent with the purpose and intent of this exemption, OFA continues to request that the current ambiguous wording of O.Reg.697 be amended to clarify that an individual or individuals, who own and control a farm corporation, are deemed to have carried on farming exclusively on lands farmed by their farm corporation.

MPAC Assessment partitioning of non-tillable portions of farms

Ontario farmers recognize and accept that not all land on their farms should be put into agricultural production. We also recognize that some non-farmed land on farms provide significant environmental benefits such as reducing soil erosion, protecting watersheds, and providing wildlife habitat.

Unfortunately, the Municipal Property Assessment Corporation's (MPAC) current assessment practice pressures farm owners to consider farming all areas on their farm properties, including marginal or sensitive land or face a significant increase in property taxes. In some cases, MPAC has assessed these set aside portion of these properties includeing ravines, wetlands, and woodlots at residential rather than farm rates. This assessment results in a significant increase in property tax burden to farm families.

OFA holds the view that all land on an active farm should be treated as agricultural land for property tax purposes. We continue to ask that MPAC refrain from inappropriately subdividing farm lands, when no other purpose or use occurs to justify such partitioning.

Property Taxation of On-Farm Value-Added Activites

On May 19, 2018, the provincial government amended O.Reg 282/98 under the Assessment Act to introduce the Small-Scale On-Farm Business Subclasses. These are optional sub classes under the commercial and industrial property tax classes.

Prior to these new property tax classes, any on farm value added activities would result in the on-farm building plus one acre of land being taxed at the full commercial or industrial tax rate. This resulted in thousands of dollars in additional taxes paid by the farmer engaging in value added activities.

In municipalities that choose to enact the optional property tax sub-classes, eligible on-farm buildings, where value added activities are taking place, will have the first \$50,000 of assessed value taxed at 25% of the local commercial or industrial tax rate. Buildings with assessed values of greater than \$1 million are not eligible.

OFA views the introduction of the Small Scale On-Farm Business Subclasses as a step, albeit small step, in the right direction. OFA's long standing position has been that if at least 51% of the commodities used in the value-added activities were produced by the same farmer, then that should be considered an extension of the farm business and taxed at the farm property tax rate.

Some municipal governments also recgonize that the impact of the Small Scale On-Farm Business Subclass is not significant enough to reach their policy goals of encouraging on-farm value-added economic development. There is a call to remove the \$50,000 cap on the current optional sub-classes. OFA is supportive of this proposal. However OFA continues to believe a stronger incentive is required. Therefore, OFA maintains its current position that value added should be taxed at the farm property tax rate.

Economic importance of Ontario's wine, cider and spirits industry to Ontario farmers

At our meeting, you also indicated an interest in some additional information about Ontario's wine, cider and spirit industry.

VQA wines are crafted from grapes grown in Ontario. Since 2009, VQA wine sales in Ontario have increased by \$100 million, from \$170 million to \$273 million, the number of wineries has increased from 133 to 200 and 2,000 direct jobs have been created in the industry.¹

Ontario apple growers supply Ontario's craft cider industry, which contributes \$12.7 million to the provincial GDP.²

Ontario distillers are also important customers of Ontario farmers. According to Spirits Canada, 320,000 metric tons of corn are used by Canadian distillers annually, making them the fourth largest buyer of Ontario corn. The spirits industry also generates the highest value-add on goods made from Canadian agriculture. In 2018, Statistics Canada recorded the export value of Canadian spirits at \$650.5 million³

OFA looks forward to continuing the conversation with you and working together to strengthen Ontario's agri-food sector and rural communities.

Sincerely,



Keith Currie
President

¹ https://news.ontario.ca/omafra/en/2015/03/building-up-ontarios-wine-and-grape-sector.html?_ga=2.92039839.422383923.1578415558-319845351.1572963142

² <https://news.ontario.ca/omafra/en/2019/05/helping-increase-ontarios-craft-cider-production.html>

³ Ontario Grain Farmer Magazine: <https://ontariograinfarmer.ca/2019/10/01/in-high-spirits/>