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Ontario Federation of Agriculture

The Economic Impacts of Farming in Ontario

AN ANALYSIS OF THE IMPACTS OF AGRICULTURE IN ONTARIO'S ECONOMY

PREPARED BY ONTARIO FEDERATION OF AGRICULTURE

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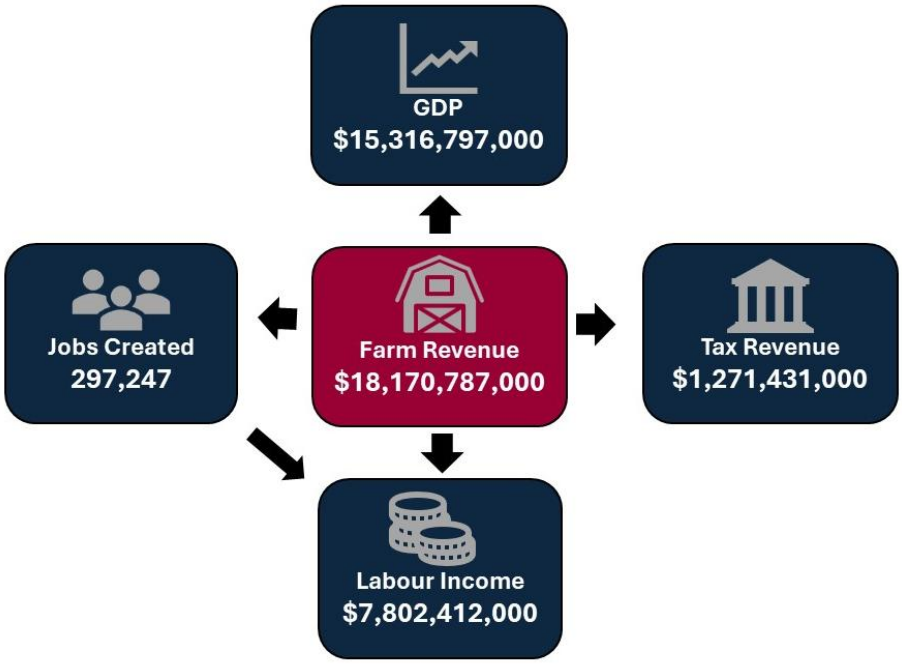
Executive Summary

Agriculture plays a critical role in Ontario's economy. In addition to providing food for Ontarians, it also significantly contributes to employment rates and the prosperity of other related sectors. For this analysis, agriculture in Ontario will be divided into two main sectors – farming sector and food manufacturing sector. This report will demonstrate the immense impact of farming on Ontario's economy through considering is contributions to Ontario's Gross Domestic Product (GDP), employment, labour income, and government tax revenue. In conclusion, this analysis will propose policy recommendations for different levels of government to implement to support the farming and food manufacturing sector. The recommendations were informed by feedback received from OFA members surveyed.

Economic Impact of Farming Sector in Ontario

The farming sector, also known as primary agriculture, plays a crucial role in Ontario's economy. It provides the essential raw materials, such as grains, vegetables, meat, and dairy, needed for the food manufacturing sector and supports a significant portion of the province's economic activity. **In 2020, the initial revenue for the Farming Sector was $18,170,787,000**. However, the economic impact of the farming sector is far greater than just the initial revenue generated from farm sales. The revenue farmers collect from selling their commodities is used to purchase inputs needed for production from suppliers such as seed companies, farm machinery manufacturers, fertilizer companies, and all the other businesses involved in sustaining farm production. That initial $18 billion in farm revenue, generated the following economic impact in the province of Ontario:

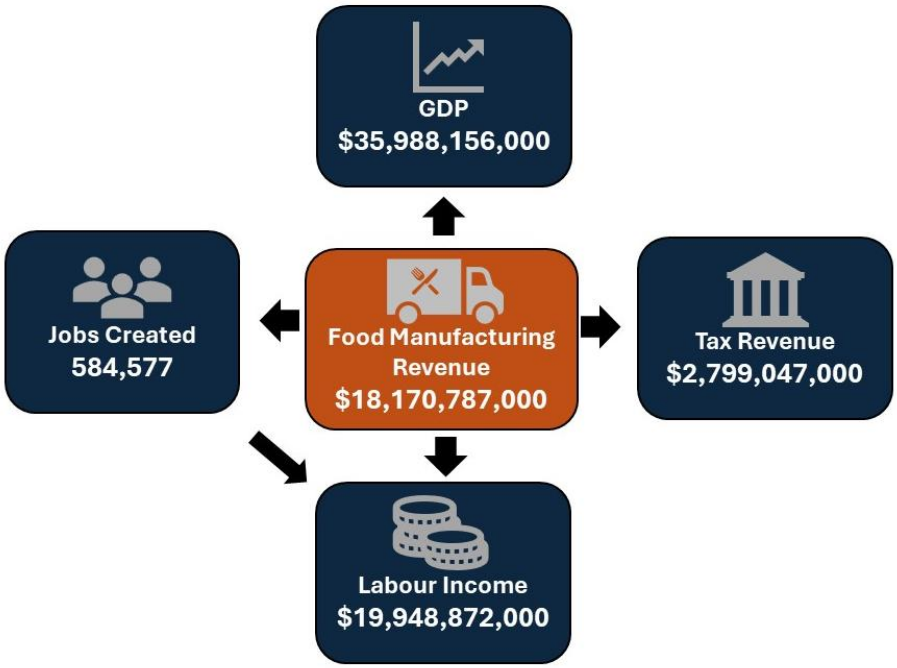


The GDP impact of $15.3 billion reflects the value added through direct, indirect, and induced effects. The sector supports 297,247 jobs (combining full-time equivalent and non-FTE positions) illustrating its significant role in employment. Labour income from the farming sector

totals $7.8 billion, in turn these wages and salaries drive more contributes into local economies. Finally, the sector generates $1.27 billion in government tax revenue, underscoring its importance in funding public services.

Economic Impacts of the Food Manufacturing Sector

Once farm products leave the farm, they undergo further processing before they reach the consumer, which adds economic value. Most products are used by processors and manufacturers in the food and beverage manufacturing sector. When the revenue of the food manufacturing sector is included, and their upstream expenditures (including farm revenue), there is a significant increase in economic activity within the food manufacturing sector. **In 2020, the initial revenue of the food manufacturing Sector was $51,541,701,000**. Much like the farming sector, the revenue from the $51.5 billion in food manufacturing production ripples through the provincial economy generating the following economic impact in the province of Ontario:



The total impact of the food manufacturing sector shows its extensive reach across the economy. With a GDP impact of nearly $36 billion, the industry significantly contributes to the Ontario's economy. It supports 584,577 jobs, highlighting its role as a major employer. The labour income from the food manufacturing sector totals approximately $20 billion, reflecting the sector's contribution to household incomes. Furthermore, the sector generates $2.8 billion in government tax revenue, which is vital for supporting public services and infrastructure.

Finally, this comprehensive analysis intends to set the stage for detailed discussions on policy adjustments and enhancements necessary to support the ongoing growth of farming in Ontario, ensuring it continues to thrive in a rapidly changing economic landscape.

In Section 3, the following 10 recommendations will be discussed:

- **Policy Recommendation #1**: All levels of government should work to reduce unnecessary Red Tape and restrictive regulatory burden
- **Policy Recommendation #2**: Remove assessment caps from small-scale on-farm property tax Subclasses
- **Policy Recommendation #3**: The provincial government should further encourage Ontarians to buy local food
- **Policy Recommendation #4:** Ensure reliable, high-speed internet is available, affordable and competitively priced to all Ontario farm businesses
- **Policy Recommendation #5**: Permanently Increase the interest free portion of Advanced Payment Program loans to $350,000
- **Policy Recommendation #6**: Upper and single tier municipal governments should adjust the farm tax ratio
- **Policy Recommendation #7**: The provincial government should modernize important farm tax programs
- **Policy Recommendation #8**: The Federal Government should reconsider increases to capital gains inclusion rates
- **Policy Recommendation #9**: Modify Capital Cost Allowance provisions to allow farmers to deduct 100% of the cost of capital purchases in the first year of purchase.
- **Policy Recommendation #10**: Modify Alternative Minimum Tax calculations

OFA encourages all levels of government to consider these recommendations and continue to implement policies and programs that support the Farming Sector and the food manufacturing Sector in Ontario.

Overview of the Statistics Canada Input-Output Model

This report utilizes the Statistics Canada Input-Output Model to measure and understand the economic impact of various industries, in this case, the farming sector in Ontario.

How the Input-Output Model Works

The Input-Output Model is based on data collected by Statistics Canada. It maps out the relationships between different industries and sectors within the economy. Essentially, it shows how the production from one industry, such as farming, is used as an input in other industries, like food processing or manufacturing. This interconnectedness allows us to trace the flow of goods and services and measure the total economic impact.

The Open and Closed Models

Open Model: Immediate Economic Effects

The Open Model focuses on the direct and indirect economic effects of the farming sector without considering the subsequent spending of labour income generated by the sector. This model provides a snapshot of the immediate financial transactions that occur as a result of farming activities.

The Open Model captures the initial economic activity – the $18.17 billion in revenue generated directly from farming and the economic impact of businesses that sell inputs to farms. The open model is a more conservative estimate of the economic impacts of farming and does not include the impact of labour income supported by farming that recirculates in the provincial economy.

Closed Model: Comprehensive Economic Ripple Effects

The Closed Model, on the other hand, takes a broader view by including the re-spending of income within the local economy. This model not only considers the initial economic transactions captured by the Open Model but also includes the subsequent rounds of spending that occur when employees spend their earnings locally.

For example, when farm workers spend their wages on goods and services within Ontario, such as groceries, housing, and entertainment, this spending supports other local businesses and creates additional economic activity. The Closed Model shows a higher total economic impact because it captures these ripple effects, demonstrating how money circulates through the economy as a result of farm production.

The Closed Model reflects the ripple effect of farm production in three ways:

- **Direct Effects**: The initial economic activities, such as the production and sale of farm goods.
- **Indirect Effects**: The additional economic activities generated in the supply chain, such as businesses providing seeds, equipment, and services to farms.
- **Induced Effects**: The further economic activities stimulated by the spending of incomes earned in the farm sector, such as farm workers purchasing local goods and services.

As a result, the Closed Model gives a more comprehensive picture of the total economic contribution of the farming sector, showing a more extensive economic impact that includes direct, indirect, and induced effects. This helps in understanding not just the immediate benefits but also the broader economic interactions and growth stimulated by the farming sector.

While the induced effects calculated through input-output models provide valuable insights into the potential economic impacts, it's important to approach these numbers with caution. Input-Output models often assume a high local spending rate from increased household income, potentially overstating the actual economic benefits due to factors like savings, taxes, and out-of-region spending. Additionally, they may not fully account for factors such as price changes, which can further influence the real economic outcomes. Therefore, these induced effect numbers while valuable should be interpreted as indicative rather than definitive.

It should also be noted that the output or 'revenue' for the industries in this study are from Statistic Canada's 2020 Supply and Use Table, due to the effects of the COVID-19 pandemic in 2020, the 2019 Input-Output model was be used for the model simulations.[1]

The Statistics Canada Input-Output Model provides valuable insights into the economic contributions of different sectors, helping to inform decisions on investments, policies, and strategies. For the farming sector in Ontario, this model reveals not only the direct benefits of agricultural production but also the extensive ripple effects across the broader economy.

This model can help build on the important work done by the Ministry of Agriculture, Food and Agribusiness around GDP and employment figure of the entire Agri-Food value chain which includes primary agriculture, food manufacturing and food retail. Whereas the Ministries work focuses on the broader Agri-Food industry, this report focuses specifically on the impacts of primary agriculture and food manufacturing. This report will also highlight how primary agriculture supports upstream industries that provide primary inputs to Ontario farmers and not captured in the ministries model. This report serves to deepen our understanding of the economic impacts of primary agriculture and food manufacturing and should be viewed as additive to the ministries work on GDP and employment.

By understanding the direct, indirect, and induced effects, we can appreciate the full economic significance of farming. This model helps highlight the interdependencies between industries and underscores the importance of supporting and investing in the farming sector to sustain its contributions to the provincial economy.

Section 1: Economic Contributions of Ontario's Farm Sector, 2020

This section of report focuses on the economic contributions of Ontario's farming sector. Our goal is to provide a comprehensive understanding of how primary agricultural activities drive economic growth and sustain various industries and services within the province. By examining

[1] Government of Canada, Statistics Canada: https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610047801

the direct impact of farming on GDP, job creation, labor income, and tax revenue, we aim to highlight the crucial role that agriculture plays in the overall economic health of Ontario.

Primary agriculture, as shown in Figure 1-1 encompasses activities such as crop and animal production, serves as the foundation for the broader food manufacturing sector.

The revenue generated from farms—ranging from grains and vegetables to dairy and meat—are essential raw materials that feed into the manufacturing, distribution, and retail segments of the food supply chain. The economic activities initiated by farming have far-reaching effects, influencing multiple sectors and contributing to the stability and prosperity of local communities.

In this analysis, we will explore how farm revenue translates into significant GDP contributions, supporting a wide range of economic activities beyond the farm gate. By breaking down the data, we aim to illustrate the extensive ripple effects of agricultural production on employment, labor income, and public finances.

Understanding the economic impact of the farming sector is vital for stakeholders, policymakers, and the general public. It provides insights into the importance of supporting and investing in agriculture to ensure continued growth and sustainability. Through this detailed examination, we will demonstrate how primary agriculture not only feeds the population but also fuels economic development, making it a cornerstone of Ontario's economy.

Figure 1-1: Industries and revenues in the farming sector, 2020[2]

Industry	Revenue
Animal production (except aquaculture)	$7,140,005,000
Crop production (except cannabis, greenhouse, nursery and floriculture production)	$7,016,399,000
Cannabis production (licensed)	$1,382,631,000
Aquaculture	$32,139,000
Greenhouse, nursery and floriculture production (except cannabis)	$2,599,613
Total	**$18,170,787,000**

Source: Statistics Canada. North American Industry Classification System (NAICS) Canada 2017. Retrieved from https://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVD&TVD=1181553

Economic Contribution of Ontario Farms

This section of the report reviews the ratios and multipliers of Ontario Farming's impact on the provincial economy. Specifically, we will examine how farming activities ripple through the economy in influencing revenues by businesses in connected industries, GDP, labor income, and employment levels across the province.

The Gross Value of Production data in both goods and services resulting from farm activities highlights the importance of the farming sector in the Provincial economy.

The multipliers associated with farming revenues reveals the extent to which initial farming activities stimulate additional economic activity, thereby enriching our understanding of the

[2] Sorted by relative size and classified by NAICS code

sector's integral role in driving economic growth for all Ontarians. These multipliers measure the incremental benefits generated by each dollar of revenue generated by farmers, offering a clear picture of its economic potency.

Moreover, the breakdown of GDP at basic prices and labor highlights the substantial value added by farming to the provincial economy, alongside the income generated for those employed directly and indirectly by the sector. These numbers are crucial for policymakers and stakeholders as they demonstrate the tangible benefits of investing in and supporting the agricultural sector. The employment data, both for full-time equivalents and non-FTE roles, not only reflects the job creation potential of farming but also its capacity to sustain a diverse workforce. This comprehensive analysis sets the stage for detailed discussions on policy adjustments and enhancements necessary to support the ongoing growth of farming in Ontario, ensuring it continues to thrive in a rapidly changing economic landscape.

The numbers in Figure 1-2—$18,170,787,000 in farm revenue, $30,343,949,000 in total business revenue in the open model, and $34,438,957,000 in the closed model—illustrate not just the volume of farm production, but also the value added by the sector to the provincial economy.

Farm revenue reflects the immediate economic output generated by farming operations.

As we expand to the 'Open Model', the analysis includes indirect effects such as the supply chains that provide inputs like seeds and equipment to farmers and the services that distribute and sell agricultural products.

The 'Closed Model' goes even further by incorporating the re-spending of incomes earned by workers supported by the farming sector, capturing the fullest ripple effects across the economy. This approach reveals how money spent within farming stimulates additional economic activities, supporting jobs and businesses in related sectors.

For every dollar generated in direct farming activities, $1.67 in economic business revenue is created through direct and indirect effects. This economic output increases to $1.90 when considering the induced effects, which include the additional spending in the local economy by workers supported by the farming industry.

This ripple effect highlights how farming supports a wide array of secondary activities, from manufacturing and services to retail and beyond.

Figure 1-2: Business revenues generated by farming in Ontario, 2020

	Description	Business Revenue
Farm Revenue	Initial farm business revenue	$18,170,787,000

Simple Multiplier	Additional business revenue generated by each dollar of farm revenue	1.67
Total revenue, Open Model	Farm revenues + revenues of input suppliers (Farm Sales X 1.67)	$30,343,949,000
Total Multiplier	Additional business revenue generated for every dollar of farm revenue including spending by farm workers	1.9
Total revenue, Closed Model	Open model + business revenues generated by farm workers spending their wages at local businesses. (Farm Sales X 1.9)	$34,438,957,000

GDP at Basic Prices refers to the total market value of all goods and services produced by the agricultural sector, but with a particular adjustment: it subtracts the cost of inputs and the impact of indirect taxes, and it adds back any subsidies. Let's break down what this means and why it's important:

1. **Subtracting the Cost of Inputs**: Inputs are anything famers need to buy to produce their commodities, like seeds, fertilizers, and machinery. These costs can vary widely, influenced by factors that have nothing to do with the farm's efficiency or productivity, such as global commodity prices or tariffs. By subtracting these costs, we measure only the value created directly by the farming activities themselves, not the fluctuating costs of raw materials.
2. **Adjusting for Indirect Taxes and Subsidies**: Indirect taxes are taxes placed on goods and services which could artificially inflate the value of agricultural output (such as sales tax). Subsidies, on the other hand, are payments from the government intended to support farmers, which could artificially deflate the apparent cost or inflate the revenue of farming. Removing the effect of these taxes and adding back any subsidies helps isolate

the sector's economic activities from fiscal policies and shows us the sector's income that results purely from its production efforts.

Understanding **GDP at basic prices** is critical because it strips away these external factors, allowing us to see the intrinsic economic output—essentially, what the farming sector itself is capable of producing without external economic distortions. This clarity is vital not just for accurate economic measurement, but also for making informed policy decisions. It highlights the true health and performance of the agriculture sector, unaffected by external economic noises like tax changes or volatile input costs.

The process of deriving these figures involves several models to capture varying depths of economic interaction:

The **direct GDP** represents the immediate contribution of farming activities to the economy, valued at $7,020,027,000.

The **total GDP in the open model**, which reaches $12,883,420,000, extends beyond direct impacts of farms and includes the provincial GDP that is generated from the portion of input suppliers whose sales are dependent on farming. Consider that to produce $18 billion in farm revenue, farmers must spend money on inputs such as fertilizer, feed, and machinery. The money farmers spend, on these inputs sustains the businesses of input suppliers—who in turn generate GDP within Ontario.

Think of the total impact in the open model as the GDP generated by farming activities plus the GDP generated by farm input suppliers as result of farmers buying their products.

The **total GDP in the closed model** further incorporates the induced effects of farming, including the re-spending of income by employees within the sector, bringing the total to $15,316,797,000. This tiered approach to measuring economic impact highlights not only the direct contributions of farming but also the extensive ripple effects it has throughout the economy.

These effects are quantified through multipliers:

- **Simple Multiplier (1.84)** captures the direct and indirect effects and tells us every dollar of GDP generated by farm output, an additional $1.84 in GDP is created within the provincial economy.
- **Total Multiplier (2.18)**, which also accounts for the spending of incomes earned in the sector, showing an even broader economic influence—for every dollar of farming GDP created by farm output an additional $2.18 in GDP is generated within the provincial economy.

Figure 1-3 Farming contributions to provincial GDP, 2020

	Description	GDP at Base Prices
Direct GDP	GDP added directly by farm production	$7,020,027,000

Simple Multiplier	Additional GDP generated for each dollar of direct farm GDP.	1.84
Total GDP, Open Model	GDP Added directly by farm production + GDP added by business supported by farmers. (Direct GDP X 1.84)	$12,883,420,000
Total Multiplier	Direct, indirect, and induced effects multiplier	2.18
Total GDP, Closed Model	Open Model GDP + GDP added by farm workers spending their wages at local businesses. (Direct farm GDP X 2.18)	$15,316,797,000

Figure 1-4 shows number of jobs created and sustained by farm output in Ontario. Specifically focusing on the Full-Time Equivalent (FTE) jobs for employees and the combined impact on self-employed and non-FTE jobs.

Understanding the employment impact of Ontario's farming sector provides valuable insights into how agricultural activities support various forms of employment across the province. The combined analysis of Full-Time Equivalent (FTE) jobs and self-employed/non-FTE jobs offers a comprehensive view of the sector's contribution to the provincial workforce.

Combined Employment Impact

Full-Time Equivalent (FTE) Jobs: This term refers to the total number of full-time jobs, standardizing part-time and variable work hours into a full-time job equivalent. For example, two part-time jobs might be equivalent to one FTE job.

Farm workers: Ontario's farming sector directly supports 55,847 FTE jobs. This figure represents the immediate employment provided by farm businesses, highlighting the sector’s role as a significant employer.

The **Total Jobs in the Open Model** totals 97,766 FTE jobs supported by farms. This includes the 55,847 workers employed directly by farms and an additional 41,919 workers who are employed by farm input suppliers.

The **Total Jobs in the Closed Model** included induced effects, which brings the total employment impact to 113,492 FTE jobs. Induced effects refer to additional jobs created when the economic activity generated by farm workers spending their money within the local economy, stimulating further employment in various sectors like retail and services.

These effects are quantified through multipliers:

- **Simple multiplier (1.75)**: This shows that each FTE job in farming generates 1.75 FTE jobs in total when considering both direct and indirect effects.
- **Total multiplier (2.03)**: When including induced effects, the multiplier rises to 2.03, indicating that each FTE job in farming supports over two FTE jobs in the overall economy.

Self-Employed and Non-FTE Jobs: This category includes both self-employed individuals working in agriculture and employees in non-FTE positions, such as seasonal or other jobs that do not fit into the FTE model.

Farm workers: Ontario's farming sector directly supports 104,058 jobs in this category.

The **Total Jobs in the open model** includes indirect effects, the total number of jobs increases to 162,487. These jobs are supported by farm businesses why purchase goods and services provided by these input supply businesses.

The **Total Jobs in the closed model** shows that when induced effects are also considered, the total employment impact rises to 183,755 jobs. This reflects the broader economic stimulation caused by the spending of income earned in the farming sector.

As shown in Figure 1-4, combining the FTE and non-FTE jobs shows us that **a total of 297,247 jobs were supported by farm output in 2020.**

These effects are quantified through multipliers:

Simple multiplier (1.56): This shows that each job in the farming sector generates 1.56 jobs in total, considering direct and indirect effects.

- **Total multiplier (1.77)**: Including induced effects, the multiplier increases to 1.77, indicating that each job in farming supports nearly 1.8 jobs in the overall economy.

Figure 1-4: Impact of farm output on employment in Ontario, 2020

Description	Employee FTE Jobs	Self-employed and employee non-FTE Jobs	Combined Total Employment
Farm workers	55,847	104,058	159,905
Simple Multiplier	1.75	1.56	
Total Jobs, Open Model	97,766	162,487	260,253
Total Multiplier	2.03	1.77	
Total Jobs, Closed Model	113,492	183,755	**297,247**

Labour income from farm output reflects the total earnings received by employees within the agricultural sector, specifically focusing on the broader economic impacts generated by these earnings. This figure encapsulates wages, salaries, and other benefits, and adjusts to include direct, indirect, and induced impacts.

- **Direct farm labour income: $3,377,046,000.** This is the earnings paid directly to farm workers. It represents the immediate wages that agricultural workers earn from their direct involvement in farming activities.
- **Total labour income, open model: $6,667,812,000.** In addition to direct labour income, this captures the earnings of workers who are employed by suppliers of inputs to the farming sector, such as seed and machinery companies. These earnings are supported by farms through the agricultural sector's demand for inputs necessary for production. The indirect effect reflects the economic activity generated in businesses that supply goods and services to farms.
- **Total labour income closed model: $7,802,412,000.** This includes the additional economic impact generated when farm workers spend their earnings in the local economy. As these workers use their wages to purchase goods and services, they stimulate further economic activity. The businesses benefiting from this spending, in turn, may hire more staff or increase hours for existing employees, leading to more wages being paid. These wages are considered the induced effects of farm output on labor income.

Understanding the labour income generated from farm output is crucial as it offers a clear lens through which to view the economic vitality provided by agricultural labor. This assessment helps not only in recognizing the sector's direct contributions but also in quantifying the extensive ripple effects of these contributions across the economy.

These effects are quantified through multipliers:

- **Simple Multiplier (1.97)**: This captures both direct and indirect income and shows that each dollar of labour income paid to farm workers, creates an additional $1.97 in labor income paid to Ontario workers.
- **Total Multiplier (2.31)** which also considers induced effects, suggests a broader economic influence — for every dollar of income paid to farm workers about $2.31 is generated in labour income paid to Ontario workers.

Figure 1-5: Farming contributions to labour income, 2020

	Description	Labour income
Direct farm labour income	Immediate earnings paid directly to farm employees	$3,377,046,000
Simple Multiplier	The amount of additional labour income paid to employees of farm input suppliers.	1.97

Total labour income, Open Model	Income paid to farm employees + Income paid to employees of input suppliers	$6,667,812,000
Total Multiplier	Direct, indirect, and induced effects multiplier on labour income	2.31
Total Impact, Closed Model	Total labour income open model + labour income paid to workers as a result of farm worker spending their wages at local businesses	$7,802,412,000

Tax Revenue Generated from Farm Revenue in Ontario

This section of the report examines the tax revenue generated by Ontario's farming sector, using data from the open and closed economic models. The tax revenue is broken down into federal, provincial and municipal taxes, categorized into taxes on products and taxes on production. This comprehensive view helps to illustrate the extensive fiscal contributions of agricultural activities in Ontario.

In input-output models measures two categories of taxes generated by farm production:

1. Taxes on products
2. Taxes on production

Taxes on products refer to taxes applied to the sale and consumption of goods and services. These taxes are collected at various stages of the production and distribution process and are included in the price paid by consumers.

Examples of taxes on products include sales taxes like the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), which are applied to most purchases. Other examples include excise taxes on specific items such as gasoline, alcohol, and tobacco, which are imposed to either generate revenue or discourage certain behaviors. Custom import duties, charged on goods brought into the country, and environmental taxes are also part of this category.

Taxes on production are levies imposed on the assets and activities required to produce goods and services. Unlike taxes on products, which are paid by consumers, taxes on production are typically paid by businesses.

This category includes property taxes, which are charged on the value of land and buildings used in production. Business taxes, which include income taxes and other levies on business, also fall under this umbrella. Additionally, production levies, such as fees for permits and licenses necessary for operating a business, are part of this category.

Open Model

In the open model, the total tax revenue generated by farm businesses in Ontario is $656,627,000. This model captures the direct and indirect effects of farming activities on tax revenue without considering induced effects.

- **Federal Taxes**: Federal taxes amount to $97,998,000.
    - **Taxes on Products**: These include taxes on goods and services sold, totaling $92,080,000. Examples include the federal gas tax ($45,286,000), sales tax (GST and HST) ($9,615,000), and federal duty tax ($2,816,000).
    - **Taxes on Production**: These are taxes on the assets and activities involved in production, amounting to $5,918,000.
- **Provincial Taxes**: Provincial taxes total $165,024,000.
    - **Taxes on Products**: This category sums up to $58,428,000, including provincial gas tax ($30,784,000), harmonized sales tax (HST) ($16,830,000), and other provincial consumption taxes ($4,446,000).
    - **Taxes on Production**: These taxes on production-related assets and activities contribute $106,596,000.
- **Property Taxes**: Property taxes are the largest share, totaling $393,605,000.
    - **Taxes on Products**: This minor component is $168,000.
    - **Taxes on Production**: These amount to $393,437,000, primarily property taxes on farmland, buildings, and equipment.

Closed Model

In the closed model, the total tax revenue from farm output increases significantly to $1,271,431,000. This model includes all economic interactions, capturing direct, indirect, and induced effects.

- **Federal Taxes**: Federal tax revenue rises to $250,129,000.
    - **Taxes on Products**: This category increases to $241,689,000, including higher revenues from the federal sales tax (GST and HST) ($111,633,000), gas tax ($57,937,000), and custom import duties ($26,821,000).
    - **Taxes on Production**: These taxes amount to $8,440,000, reflecting a slight increase due to broader economic activities.
- **Provincial Taxes**: Provincial tax revenue also sees a significant rise to $458,481,000.
    - **Taxes on Products**: Totaling $306,457,000, this includes substantial revenues from the HST ($178,559,000), provincial gas tax ($49,516,000), and other consumption taxes ($14,860,000).
    - **Taxes on Production**: These taxes increase to $152,024,000, driven by the extended economic impact of farming activities.
- **Property Taxes**: Property taxes grow to $561,528,000 in the closed model.

- **Taxes on Products**: A minor component at $416,000.
- **Taxes on Production**: The largest component, these taxes amount to $561,112,000, primarily reflecting property taxes on agricultural assets.

Figure 1-6: Tax Revenue Generated by Farm Businesses (Open Model)

Description	Total	Taxes on Products	Taxes on Production
Federal Taxes	$97,998,000	$92,080,000	$5,918,000
Provincial Taxes	$165,024,000	$58,428,000	$106,596,000
Property Taxes	$393,605,000	$168,000	$393,437,000
Total	$656,627,000	$150,676,000	$505,951,000

Figure 1-7 Tax Revenue from Farm Output in Ontario (Closed Model)[3]

Description	Total	Taxes on Products	Taxes on Production
Federal Taxes	$250,129,000	$241,689,000	$8,440,000
Provincial Taxes	$458,481,000	$306,457,000	$152,024,000
Property Taxes	$561,528,000	$416,000	$561,112,000
Other Taxes	$1,292,000	$1,292,000	$0
Total	**$1,271,431,000**	**$549,854,000**	**$721,576,000**

[3] Other taxes include Aboriginal Taxes

The tax revenue data from farm businesses in Ontario underscores the substantial fiscal contributions of the agricultural sector. The open model reveals the direct and indirect effects, while the closed model captures the full economic impact, including induced effects. These revenues support a wide range of public services and infrastructure projects at federal, provincial, and municipal levels, highlighting the importance of agriculture in maintaining and enhancing the fiscal health of Ontario.

Economic contributions of farming by sector

The GDP contributions of each sector shown in Figure 1-8 are directly attributed to the impact of farm revenue in Ontario. This means that the economic activities and resulting GDP in each of these sectors are driven by the demand and supply chains initiated by agricultural production. Figure 1-8 highlights how interconnected the farming sector is with a wide range of other industries.

For example, the $400,654,000 GDP contribution by Support Activities for Agriculture and Forestry is a direct result of farm's purchasing good and services from businesses in this sector. These support activities include services such as soil preparation, planting, crop protection, and harvesting, all of which are essential for efficient and effective agricultural production. The economic value generated in this sector stems from the needs of farms to procure and utilize these services, demonstrating how farm output underpins and drives economic activity in related industries.

Similarly, other sectors such as Manufacturing, Wholesale Trade, and Transportation and Warehousing also see significant GDP contributions due to farm output. The manufacturing sector benefits from processing raw agricultural products into finished goods, while wholesale trade involves the distribution of these goods to various markets. Transportation and warehousing are crucial for moving agricultural products from farms to processing plants and then to retailers and consumers. The interconnectedness of these sectors with farm output highlights the extensive ripple effects of agricultural production, showcasing how the farm sector's activities lead to substantial economic contributions across multiple industries.

Here's a breakdown of the most relevant industry impacts in Figure 1-8.

- **Primary Agricultural Activities**: The crop and animal production sector contributes the most, with $8,169,566,000, underscoring the primary role of farming activities in Ontario's economy.
- **Support and Related Industries**: Support activities for agriculture and forestry contribute $400,654,000, highlighting the importance of ancillary services that facilitate farming operations. The utilities sector also shows a significant impact with $526,104,000, indicating the energy needs of the agricultural industry.
- **Manufacturing and Trade**: Manufacturing, wholesale trade, and retail trade together account for substantial contributions, with $808,049,000, $534,933,000, and $437,539,000 respectively. This demonstrates the interconnectedness of agriculture with the broader supply chain, including processing and distribution of agricultural products.
- **Transportation and Warehousing**: With a contribution of $469,669,000, this sector reflects the essential role of logistics in moving agricultural goods from farms to markets.

- **Finance and Real Estate**: The finance, insurance, real estate, rental and leasing sector shows a significant impact, contributing $1,115,247,000. This indicates the role of financial services and real estate in supporting agricultural enterprises and investments.
- **Professional Services and Education**: Professional, scientific, and technical services contribute $826,606,000, emphasizing the role of knowledge-based services in agriculture. Educational services, though smaller, also play a part with $15,031,000.
- **Health and Social Services**: Health care and social assistance contribute $90,451,000, reflecting the sector's role in ensuring the well-being of the agricultural workforce and communities.
- **Government Services**: Various government services at federal, provincial, and municipal levels contribute significantly, highlighting the support and regulatory framework that enables the agricultural sector to thrive.

Figure 1-8: GDP contribution by industry as a result of farm activities

Industry	Provincial GDP generated by sales
Crop and animal production	$8,169,566,000
Manufacturing	$808,049,000
Professional, scientific and technical services	$826,606,000
Finance, insurance, real estate, rental and leasing	$1,115,247,000
Wholesale trade	$534,933,000
Owner occupied dwellings	$554,474,000
Utilities	$526,104,000
Repair construction	$477,029,000
Transportation and warehousing	$469,669,000

Retail trade	$437,539,000
Support activities for agriculture and forestry	$400,654,000
Information and cultural industries	$238,235,000
Administrative and support, waste management services	$187,452,000
Accommodation and food services	$119,639,000
Other services (except public administration)	$105,826,000
Health care and social assistance	$90,451,000
Other municipal government services	$66,321,000
Government education services	$41,454,000
Arts, entertainment and recreation	$37,245,000
Non-profit institutions serving households	$26,388,000
Government health services	$16,627,000
Other federal government services	$16,295,000
Educational services	$15,031,000

Mining, quarrying, and oil and gas extraction	$15,122,000
Other activities of the construction industry	$9,697,000
Other provincial and territorial government services	$9,021,000
Forestry and logging	$1,964,000
Total	**$15,316,797,000**

Section 2: Economic Contributions of Ontario's food manufacturing Sector, 2020

In the first section of this report, we delved into the economic contributions of Ontario's farming sector, highlighting its direct impact on GDP, job creation, labor income, and tax revenue. We examined how primary agricultural activities, such as crop and animal production, drive economic growth and sustain numerous industries and services within the province. This understanding sets the stage for a broader exploration of Ontario's food manufacturing sector, which encompasses food processing and manufacturing. See Figure 2-1 for a list of the industries included in the food manufacturing sector for the purposes of this analysis. It is important to note that 'food manufacturing' includes beverages and tobacco manufacturing.

In this section, we will analyze the output, GDP, jobs, labor income, and tax revenue generated by the food manufacturing sector. The food manufacturing industry plays a pivotal role in Ontario's economy, contributing significantly to economic stability, food security, and employment across the province.

Primary agriculture is the bedrock of the food manufacturing sector, providing essential raw materials that fuel various downstream activities. From the initial stages of planting and harvesting to the complex processes of food manufacturing and distribution, the interconnected nature of these activities underscores the importance of a robust agricultural base. Without the continuous output from primary agriculture, the broader food manufacturing sector would face significant disruptions, affecting everything from food availability to employment levels.

By understanding the interdependencies within the food manufacturing sector, we can better appreciate the holistic economic contributions of farming. This section aims to illustrate the ripple effects of agricultural production through detailed analyses of output, GDP, job creation, labor income, and tax revenue across the entire food manufacturing value chain. Through this comprehensive examination, we aim to provide a clearer picture of how primary agriculture supports and enhances the overall food manufacturing industry in Ontario.

Figure 2-1: Industries & Revenues in the Food Manufacturing Sector[4]

Industry	Output
Animal food manufacturing	$3,349,249,000
Grain and oilseed milling	$4,104,030,000
Sugar and confectionery product manufacturing	$2,477,900,000
Fruit and vegetable preserving and specialty food manufacturing	$2,996,796,000
Dairy product manufacturing	$6,466,748,000
Meat product manufacturing	$11,217,421,000
Seafood product preparation and packaging	$220,034,000
Bakeries and tortilla manufacturing	$7,380,270,000
Other food manufacturing	$6,110,693,000
Soft drink and ice manufacturing	$2,383,329,000
Breweries	$2,744,664,000
Wineries and distilleries	$1,048,798,000
Tobacco manufacturing	$1,041,769,000
Total	**$51,541,701,000**

Source: Statistics Canada. North American Industry Classification System (NAICS) Canada 2017. Retrieved from https://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVD&TVD=1181553

Economic Contribution of the Ontario Food Manufacturing Sector

This section of the report reviews the ratios and multipliers of Ontario's food manufacturing sector and its impact on the provincial economy. Specifically, we will examine how food processing and manufacturing activities ripple through the economy in influencing revenues by businesses in connected industries, GDP, labor income, and employment levels across the province.

The multipliers associated with food manufacturing revenues reveals the extent to which food manufacturing activities stimulate additional economic activity in connected businesses including farms which are critical supplier of raw commodities for food manufacturing.

Revenue in the food manufacturing sector refers to the total value of goods and services produced across the entire value chain, including food processing and manufacturing. The interconnected activities in this sector significantly amplify the economic impact initiated by primary agriculture.

Food manufacturing revenue: The immediate economic activity generated by the food manufacturing sector. This includes the value of all goods and services produced directly by food processors and manufacturers. In Ontario, the direct impact of the food manufacturing sector amounts to $51.5 billion. This figure highlights the substantial economic contribution of the sector to the provincial economy.

Total revenue in the open model includes the direct impact as well as the indirect effects. Indirect effects are the additional revenues generated in industries that supply goods and

[4] Classified by NAICS codes

services to the food manufacturing sector, such as farmers. In the open model, the total impact of the food manufacturing sector is $86.9 billion. This model captures a broader picture of the economic influence of the food manufacturing sector by considering the entire supply chain. The total impact in the open model is equal to food manufacturing revenue multiplied by the simple multiplier.

Total revenue in the closed model goes a step further by including the direct impact, indirect effects, and induced effects. Induced effects are the business revenues generated when employees in the food manufacturing sector spend their earnings in the local economy on goods and services, such as housing, groceries, and entertainment. The total impact in the closed model is $97.8 billion, illustrating the comprehensive economic contributions of the food manufacturing sector when all ripple effects are considered. The total impact in the closed model is equal to Food manufacturing revenue multiplied by the total multiplier.

Simple Multiplier: The simple multiplier quantifies the additional business revenue generated per dollar of Food manufacturing revenue. A simple multiplier of 1.69 means that for every dollar of revenue in the food manufacturing sector, an additional $0.69 in business revenue is generated in the broader economy through indirect effects. This highlights the significant leverage effect of the food manufacturing sector on the overall economy.

Total Multiplier: The total multiplier measures the total economic activity (direct, indirect, and induced) generated per dollar of revenue in the Food manufacturing sector. A total multiplier of 1.90 means that for every dollar of direct economic output, an additional $0.90 is generated when considering all economic interactions, including spending by employees. This demonstrates the extensive impact of the food manufacturing sector on Ontario's economy, showing how interconnected and vital the sector is to economic health and growth.

These numbers are summarized below in Figure 2-2.

Figure 2-2: Revenues of the Food Manufacturing Sector in Ontario

	Output
Direct Impact	$51,541,701,000
Simple Multiplier	1.69
Total revenue (Open Model)	$86,904,692,000
Total Multiplier	1.9
Total revenue (Closed Model)	$97,777,371,000

GDP at basic prices for the food manufacturing sector represents the total market value of goods and services produced. This measure adjusts for the cost of inputs, excludes the impact of indirect taxes, and adds back any subsidies. By focusing on GDP at basic prices, we obtain a clearer picture of the value added by the food manufacturing sector to the provincial economy.

Direct GDP represents the immediate contribution of the food manufacturing sector to Ontario’s GDP. This includes the value of goods and services produced directly by industries such as food processing and manufacturing. In Ontario, the direct impact of the food manufacturing sector on

GDP is $14.6 billion. This figure highlights the substantial economic contribution of the sector itself, without considering broader economic interactions.

Total GDP in the open model extends beyond the direct impact to include indirect effects. Indirect effects are the additional economic activities generated in industries that supply goods and services to the food manufacturing sector. For example, this includes primary agriculture which produces the commodities required to manufacture food products. In the open model, the total impact on GDP is $29.5 billion. This model captures a more comprehensive picture of the food manufacturing sector's economic influence by including the effects of the supply chain.

It should be noted that since primary agriculture is an input supplier of the food manufacturing sector and included in the indirect impacts of food manufacturing that we cannot simply add the food manufacturing and primary agricultural total economic impacts together as there would be double counting of the direct impacts of primary agriculture.

Total GDP in the closed model further expands the scope by including direct, indirect, and induced effects. Induced effects refer to the additional economic activities generated when employees of the food manufacturing sector spend their earnings within the local economy, such as on housing, groceries, and entertainment. The total impact on GDP in the closed model is $35.9 billion. This figure reflects the full economic contributions of the food manufacturing sector, accounting for all ripple effects throughout the economy.

Simple Multiplier: This multiplier captures both direct and indirect effects. A simple multiplier of 2.02 means that each dollar of GDP generated by the food manufacturing sector creates an additional $2.02 in GDP within the provincial economy when considering both direct and indirect effects.

Total Multiplier: This multiplier includes direct, indirect, and induced effects. A total multiplier of 2.46 indicates that every dollar of GDP generated by the food manufacturing sector supports an additional $2.46 in GDP within the provincial economy, highlighting the broad economic influence of the sector.

Figure 2-3: GDP Contributions of the Food Manufacturing Sector in Ontario

	GDP
Direct GDP	$14,633,731,000
Simple Multiplier	2.02
Total GDP (Open Model)	$29,505,802,000
Total Multiplier	2.46
Total GDP (Closed Model)	$35,955,156,000

The employment impact of the food manufacturing sector includes jobs created directly within the food manufacturing and processing industries and those generated indirectly through related industries. This section will analyze how the food manufacturing sector supports a wide range of employment opportunities.

Direct employment represents the immediate employment provided by the food manufacturing sector. This includes jobs in industries such as animal food manufacturing, grain and oilseed

milling, and dairy product manufacturing. In Ontario, the food manufacturing sector directly supports 104,173 full-time equivalent (FTE) jobs and 110,498 non-FTE jobs.

Total employment in the open model includes the direct impact as well as the indirect effects. Indirect effects are additional jobs created in industries that supply goods and services to the food manufacturing sector, such as primary agriculture and transportation services. When considering both direct and indirect effects, the total number of FTE jobs rises to 214,633, and non-FTE jobs increase to 271,85 for a total of 584,577 jobs supported by output from Ontario's Food manufacturing sector. This model captures a broader picture of the employment generated by the food manufacturing sector.

Total employment in the closed model further expands the scope by including induced effects. Induced effects are additional jobs created when employees of the food manufacturing sector spend their earnings within the local economy, stimulating further employment in various sectors such as retail and services. Including induced effects, the total employment impact increases to 256,344 FTE jobs and 328,233 non-FTE jobs. This model reflects the full employment contributions of the food manufacturing sector.

Simple Multiplier: This multiplier captures both direct and indirect effects. For FTE jobs, a Type I multiplier of 2.06 means that each FTE job in the food manufacturing sector supports 2.06 jobs in total, considering both direct and indirect effects.

Total Multiplier: This multiplier includes direct, indirect, and induced effects. For FTE jobs, a Type II multiplier of 2.46 indicates that each FTE job supports 2.46 jobs in the overall economy, showcasing the broad employment influence of the food manufacturing sector.

Figure 2-4: Employment Impact of the Food Manufacturing Sector in Ontario

	Employee FTE Jobs	Self-employed and employee non-FTE Jobs	Combined Total Employment
Direct employment	104,173	110,498	214,671
Simple Multiplier	2.06	2.46	
Total Employment, Open Model	214,633	271,851	486,484
Total Multiplier	2.46	2.97	
Total Employment, Closed Model	256,344	328,233	**584,577**

Labour income in the food manufacturing sector reflects the total earnings received by employees, including wages, salaries, and other benefits. This section will show how the food manufacturing sector generates substantial labor income through direct, indirect, and induced effects.

Direct labour income represents the immediate earnings paid to employees within the food manufacturing sector. In Ontario, the food manufacturing sector directly contributes $8.4 billion in labor income.

Total labour income in the open model includes the direct impact and indirect effects, capturing the broader economic activities that generate additional labor income. The total impact in the open model amounts to $16.9 billion.

Total labour income in the closed model further includes induced effects, reflecting the additional economic activities generated when employees spend their earnings within the local economy. The total impact in the closed model is $19.9 billion. This figure demonstrates the full extent of labor income contributions by the food manufacturing sector.

Simple Multiplier: This multiplier captures both direct and indirect effects. A simple multiplier of 2.01 means that each dollar of labor income in the food manufacturing sector supports $2.01 in total labor income when considering both direct and indirect effects.

Total Multiplier: This multiplier includes direct, indirect, and induced effects. A total multiplier of 2.37 indicates that each dollar of labor income supports $2.37 in total labor income within the provincial economy, showcasing the broad economic influence of the sector.

Figure 2-5: Labour Income in the Food manufacturing Sector in Ontario

	Labour Income
Direct labour income	$8,418,969,000
Simple Multiplier	2.01
Total labour income (Open Model)	$16,934,438,000
Total Multiplier	2.37
Total labour income (Closed Model)	$19,948,872,000

Tax Revenue Generated by the Food Manufacturing Sector in Ontario

The food manufacturing sector in Ontario generates substantial tax revenue for all levels of government through various taxes on products and production activities. These taxes are critical for funding public services and infrastructure, making the food manufacturing sector an essential contributor to the province's fiscal health. This section breaks down the tax revenue contributions of the food manufacturing sector, highlighting the significance of both direct and broader economic impacts.

Total Tax Revenue in the Open Model

The open model considers the direct and indirect effects of the food manufacturing sector, capturing the tax revenue generated through supply chain interactions and related economic activities.

Federal Taxes: The total federal tax revenue from the food manufacturing sector in the open model is $212,265,000. This includes $203,887,000 from taxes on products and $8,378,000 from taxes on production. Major contributors to taxes on products include the federal gas tax ($51,819,000), federal duty tax ($40,108,000), and federal environment tax ($30,775,000).

Provincial Taxes: The total provincial tax revenue amounts to $410,378,000. This includes $259,463,000 from taxes on products and $150,915,000 from taxes on production. Key components of taxes on products are the provincial trading profits ($108,775,000), provincial gas tax ($67,848,000), and provincial harmonized sales tax (HST) ($60,307,000).

Property Taxes: Municipal governments receive $557,731,000 in total tax revenue, with $714,000 from taxes on products and $557,017,000 from taxes on production. The significant portion of Property tax revenue comes from taxes on production, reflecting the local government's reliance on property taxes.

Total Tax Revenue: The combined total tax revenue for federal, provincial, and municipal governments in the open model is $1,180,374,000.

Total Tax Revenue in the Closed Model

The closed model extends the analysis to include induced effects, which are the additional economic activities generated when employees of the food manufacturing sector spend their earnings within the local economy. This comprehensive model captures the full fiscal contributions of the sector.

Federal Taxes: In the closed model, the federal tax revenue increases significantly to $612,582,000. This includes $597,555,000 from taxes on products and $15,027,000 from taxes on production. The increase is driven by higher revenues from the federal sales tax (GST and HST) ($298,676,000) and federal custom import duties ($81,722,000).

Provincial Taxes: Provincial tax revenue in the closed model reaches $1,182,664,000. This includes $911,991,000 from taxes on products and $270,673,000 from taxes on production. Significant contributors are the provincial harmonized sales tax (HST) ($485,839,000), provincial trading profits ($208,235,000), and provincial gas tax ($117,196,000).

Property Taxes: **Property** tax revenue also rises substantially to $1,000,405,000 in the closed model, with $1,368,000 from taxes on products and $999,037,000 from taxes on production. This reflects the induced economic activities and their impact on local tax bases.

Total Tax Revenue: The total tax revenue for all levels of government in the closed model is $2,799,047,000, illustrating the significant fiscal contributions of the food manufacturing sector when considering the entire economic ripple effects.

Figure 2-6: Tax revenue generated by food manufacturing sector (open model)

	Total	Taxes on Products	Taxes on Production
Total Federal	**212,265,000**	**203,887,000**	**8,378,000**
Federal gas tax		51,819,000	
Federal excise tax		124,000	
Federal duty tax		40,108,000	
Federal environment tax		30,775,000	
Federal air transportation tax		3,795,000	

Federal custom import duties		47,003,000	
Federal sales tax (GST and HST)		30,262,000	
Total Provincial	**410,378,000**	**259,463,000**	**150,915,000**
Provincial environment tax		17,000	
Provincial gallon tax		7,486,000	
Provincial trading profits		108,775,000	
Provincial gas tax		67,848,000	
Other provincial consumption taxes		10,764,000	
Provincial sales tax		4,267,000	
Provincial harmonized sales tax (HST)		60,307,000	
Total Municipal	**557,731,000**	**714,000**	**557,017,000**
Municipal sales tax		714,000	
Total Tax Revenue	**1,180,374,000**	**464,064,000**	**716,310,000**

Figure 2-7: Tax revenue generated by food manufacturing sector (closed model)

	Total	Taxes on Products	Taxes on Production
Total Federal	**612,582,000**	**597,555,000**	**15,027,000**
Federal trading profits		719,000	
Federal gas tax		85,141,000	
Federal excise tax		1,608,000	
Federal duty tax		76,571,000	
Federal environment tax		45,038,000	
Federal air transportation tax		8,081,000	
Federal custom import duties		81,722,000	

Federal sales tax (GST and HST)		298,676,000	
Total Provincial	**1,182,664,000**	**911,991,000**	**270,673,000**
Provincial environment tax		153,000	
Provincial gallon tax		18,247,000	
Provincial trading profits		208,235,000	
Provincial gas tax		117,196,000	
Provincial amusement tax		6,128,000	
Other provincial consumption taxes		38,135,000	
Provincial sales tax		38,058,000	
Provincial harmonized sales tax (HST)		485,839,000	
Total Municipal	**1,000,405,000**	**1,368,000**	**999,037,000**
Municipal sales tax		1,368,000	
Other taxes	3,396,000	3,396,000	0
Total Tax Revenue	**2,799,047,000**	**1,514,310,000**	**1,284,737,000**

Economic contributions of Food Manufacturing by sector

The GDP contributions of each sector shown in Figure 2-8 are directly attributed to the impact of food manufacturing output in Ontario. This means that the economic activities and resulting GDP in each of these sectors are driven by the demand and supply chains initiated by food processing and manufacturing production.

For example, the $17,649,085,000 in GDP contribution by Manufacturing industries is a direct result of food manufacturing output.

Similarly, other sectors such as Crop and animal production and finance, insurance, real estate, rental and leasing holding companies also see significant GDP contributions due to food manufacturing output.

Here's a breakdown of the most relevant industry impacts in Figure 2-8.

- **Manufacturing**: $17,649,085,000
    - This sector benefits immensely from food manufacturing activities, especially in food product manufacturing and related industries.

- **Finance, Insurance, Real Estate, Rental and Leasing and Holding Companies**: $2,833,960,000
    - Providing financial services, insurance, and real estate solutions crucial for the growth and stability of the food manufacturing sector.
- **Crop and Animal Production**: $2,795,176,000
    - This industry, though not included directly in the food manufacturing sector, provides essential raw materials for food manufacturing and processing.
- **Owner Occupied Dwellings**: $1,457,268,000
    - Reflecting the induced effects of employees' expenditures on housing.
- **Wholesale Trade**: $1,718,242,000
    - Facilitating the distribution of food manufacturing products to various markets.
- **Transportation and Warehousing**: $1,821,480,000
    - Critical for the movement of raw materials and finished products within the food manufacturing supply chain.
- **Professional, Scientific, and Technical Services**: $1,444,562,000
    - Including research and development, legal, and consulting services that support food manufacturing innovations and operations.
- **Retail Trade**: $1,349,440,000
    - Encompassing the sales of food products to consumers, a direct result of food manufacturing production.
- **Utilities**: $1,060,221,000
    - A significant contribution reflecting the energy demands of food manufacturing and processing operations.

1. **Accommodation and Food Services**: $452,412,000
    - Directly tied to the food products supplied by the food manufacturing sector and the hospitality services supporting food manufacturing events and activities.

Figure 2-8: GDP contribution by industry as a result of food manufacturing activity, 2020

Industry	GDP
Crop and animal production	2,795,176,000
Manufacturing	17,649,085,000
Finance, insurance, real estate, rental and leasing	2,833,960,000
Wholesale trade	1,718,242,000
Transportation and warehousing	1,821,480,000
Owner occupied dwellings	1,457,268,000
Professional, scientific, and technical services	1,444,562,000
Retail trade	1,349,440,000

Utilities	1,060,221,000
Information and cultural industries	663,350,000
Administrative and support, waste management, and remediation services	638,119,000
Repair construction	539,865,000
Accommodation and food services	452,412,000
Health care and social assistance	241,143,000
Support activities for agriculture and forestry	199,714,000
Other municipal government services	263,991,000
Other services (except public administration)	267,669,000
Arts, entertainment, and recreation	120,527,000
Government education services	113,053,000
Non-profit institutions serving households	74,803,000
Other federal government services	55,466,000
Government health services	49,161,000
Educational services	44,295,000
Mining, quarrying, and oil and gas extraction	43,050,000
Other activities of the construction industry	25,535,000
Other provincial and territorial government services	24,606,000
Forestry and logging	6,470,000
Total	**35,955,156,000**

Section 3: Farmer Sentiment and Policy Recommendations

The first two sections of this report reviewed the tremendous economic contributions of farming and the wider food manufacturing sectors in Ontario. This third section of the report will examine farmer sentiment and propose policy recommendations to help Ontario farmers reach their full economic potential by addressing challenges that farmers face in their businesses.

By capitalizing on opportunities and removing barriers, all levels of government can help farmers increase their revenues which, as illustrated above, leads to significant revenues for related businesses, GDP growth, jobs, wages, and tax revenue for all three levels of government.

In 2023, the Ontario Federation of Agriculture conducted the Farm Business Confidence Survey to gather insights from farmers across the province. With over 800 respondents, this survey provides a comprehensive overview of the current sentiment among Ontario farmers, highlighting their experiences, challenges, and outlooks for the future. This section integrates the survey findings with economic impact data to present a holistic view of the farming sector's contributions and the critical issues it faces.

Despite the challenging economic landscape, the survey revealed remarkable resilience and adaptability among Ontario farmers. In 2023, 48% of farmers invested in new or used machinery. These investments not only enhance productivity but also support local businesses involved in manufacturing and selling agricultural equipment.

Moreover, the direct economic impact of farming, which stands at $18.17 billion in farm sales, generates a total of $34.44 billion in the closed model. This figure includes direct, indirect, and induced effects, illustrating the extensive economic ripple effect initiated by farming activities. The survey findings underscore these numbers, showing that investments in farm technology and machinery contribute significantly to this economic impact.

The policy recommendations that follow propose actions that could implemented by various levels of government to support the maintenance and growth of the farming and food manufacturing sectors in Ontario.

Policy Recommendation #1: All levels of government should work to reduce unnecessary Red tape and restrictive regulatory burden

Through the survey, farmers raised the issue of government red tape which is presenting barriers for them to invest in their farm businesses.

For example, a crop farmer from Hamilton-Wentworth reported:

> "I attempted to invest in expanding my farm business however it seems to me that the current policies and procedures are very complicated for anyone looking to get into the farming business. It took me about 3 years running between Agricorp, the city, MPAC and consulting firms on developing my farm business ideas to obtain a farm business number is not very motivating or exciting, a lot of things move very slow and is not very attractive for someone who's trying to get into this business. It's not very appealing for anyone who considers this, had I known it's this complicated I would have looked into other business or other regions"

Regulations are a fact of business. Most regulations serve an important function to protect actions or allow certain activities to be maintained. And an important part of the regulatory process is to be sure regulations remain relevant and adapt with the business environment.

Over the years, OFA has worked with the provincial government on the Open for Business program to improve the way regulations are developed, and check in that existing regulations are effective and not putting up roadblocks for Ontario agriculture to continue to be competitive.

OFA urges all levels of government to reduce the regulatory burden for farmers while also ensuring the public policy objectives are met.

Opportunities

The survey highlighted several growth opportunities within the farming sector. For instance, marketing farm products directly to the consumer or developing the capacity for on-farm processing, would be activities that could be implemented to bring additional value to the farm. The recommendations proposed below would enable and support sector growth.

Notably, 13% of respondents expanded their direct-to-consumer marketing efforts, utilizing social media to reach new customers. This approach not only increases sales but also strengthens the connection between farmers and consumers, and presents an opportunity for farmers to expand their output and diversify their revenue.

One vegetable grower from Norfolk shared, "We are in the early stages of building an on-farm retail store, began construction and promoting it in 2023."

Additionally, 6% of respondents were engaged in on-farm processing in 2023.

One farmer from Northumberland County shared details on their on-farm processing operation:

"We have a complete Textile Mill on site. We also do custom fiber processing for other farms as well as our own large herd. Our farm store features our Fiber products using only natural sustainable products."

Helping farmers expand their businesses into value added processing and retail should be a top priority for governments. These activities not only help diversify and grow farm revenues, but the economic impact of these investments is also immense. For every dollar of new revenue in processing food products, an additional $0.70 in provincial GDP and $0.39 in labor income is created. The following recommendations propose actions that governments could take to encourage and support farm business expansion.

Policy Recommendation #2: The provincial government should remove assessment caps from the small-scale on-farm property tax Subclasses

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, like on-farm stores, 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 adopt these optional sub-classes, buildings in which 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.

However, capping the assessment value for which these sub-classes apply greatly reduces the benefit to farmers, and minimizes any incentive to invest in value-added activities. Therefore, the Ontario Government should amend O.Reg 282/98 to remove the $50,000 assessment cap and apply the reduced tax rate on up to $1 million of assessed value for on-farm value-added activities.

Policy Recommendation #3: The provincial government should further encourage Ontarians to buy local food

OFA fully supports local food initiatives and believes Ontario agriculture and food products should be promoted across Ontario. OFA supports the intention of *Bill 36: The Local Food Act,* and sees it as an opportunity to build lasting support for Ontario's food manufacturing sector.

OFA believes the Act can further support local economic development initiatives related to agriculture and food, increase food literacy programming in our school systems, and improve access to local food will help drive the food economy and improve the overall health of our province.

In addition, OFA believes local food initiatives can be complementary to supporting the food manufacturing system at a global scale. Canada is the world's fifth-largest agricultural exporter and has the potential to become the global leader in safe, nutritious and sustainable food in the 21st century.

Policy Recommendation #4: All levels of government should work together to ensure reliable, high-speed internet is available, affordable and competitively priced to all Ontario farm businesses

Access to reliable high-speed internet is important, no matter where you live. High speed (broadband) internet service is as vital to modern farm businesses as electricity and telephone services. Farmers rely on internet for information to make business decisions, operate on-farm technology, facilitate marketing of farm products, access continuing education and farm management information, and communicate with the community.

16% of survey respondents indicated that they adopted precision agriculture technologies, which depend on reliable internet connectivity, in 2023 while 39% of respondents indicated that expanding access to broadband should be a top policy priority.

Reliable internet access is the norm in urban areas of Ontario but continues to be a problem in many rural areas of the province, often only a few miles from major cities. Access to high-speed internet in rural and remote areas of Ontario is an ongoing struggle.

Reliable high-speed internet service should be considered an essential service and is vital to the continued growth and development of rural Ontario. OFA believes that reliable, high-speed internet should be available, affordable and competitively priced to all Ontarians. Ontario's residents should not be disadvantaged for choosing to live and work in rural areas and should have the same access, level, and range of services as urban Ontarians.

Challenges

The survey results revealed three primary challenges that farmers are facing. These include the rising cost of farm inputs, taxation, and farmland affordability and succession planning. The policy recommendations that follow present proposed actions to help mitigate these challenges and enable farmers to continue contributing to Ontario's economy.

Rising cost of farm inputs

The survey raised the significant challenges faced by Ontario farmers. Rising input costs were identified as a major concern by 68% of respondents. The figures that follow illustrate the significant and increasing costs of operating a farm in Ontario.

As shown in Figure 3-1, Ontario farmers paid nearly 20 billion in total expenses in 2023 with wages, feed, and interest costs being the three largest expenses.

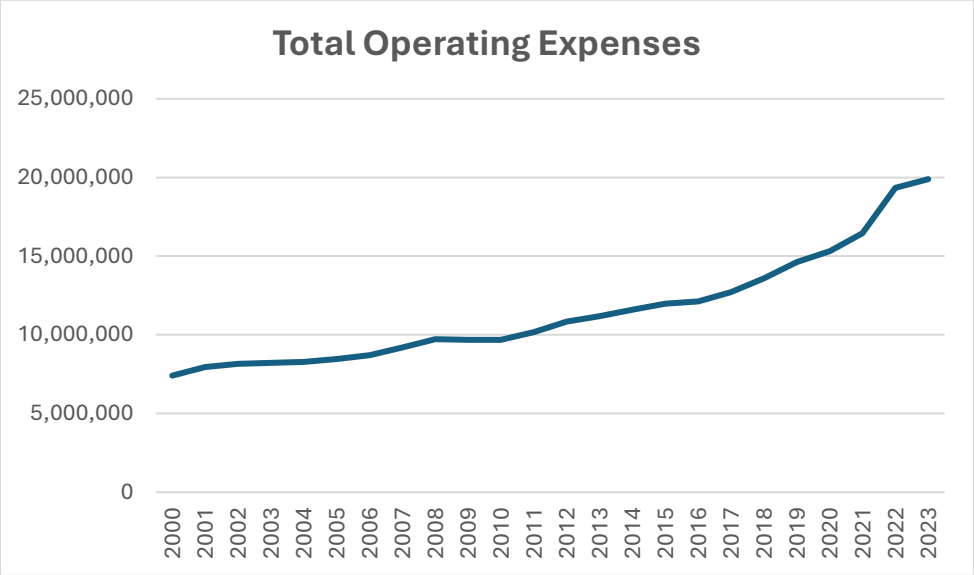
Figure 3-1 Ontario farm operating expenses thousands of dollars, 2023

Expenses and rebates	2023
Total expenses after rebates	**19,891,807**
Total gross operating expenses	**17,404,663**
Property taxes	239,690
Cash wages, room and board, before rebates	2,518,426
Family wages	682,494
Non-family wages	1,835,933
Interest	1,790,110
Electricity	328,007
Heating fuel	378,258
Machinery fuel	596,872
Fertilizer and lime	1,538,751
Pesticides	476,775
Commercial seed	1,137,649
Commercial feed	2,922,715
Livestock and poultry purchases	692,129
Artificial insemination and veterinary fees	287,824
Cash rent	714,973
Share rent	99,706
Repairs to buildings and fences	396,382
Telephone	83,975
Machinery repairs and other expenses	803,265
Twine, wire and containers	539,483
Crop and hail insurance	90,911
Business insurance	441,792
Custom work	451,477
Stabilization premiums	21,756
Other operating expenses	381,378
Legal and accounting fees	472,358
Total depreciation	**2,490,351**
Depreciation on buildings	984,861
Depreciation on machinery	1,505,490

Source: Statistics Canada. Table 32-10-0049-01 Farm Operating Expenses and Depreciation Charges (x 1,000)

Figure 3-2 shows that these farm operating expenses have been growing at a much faster rate in recent years, up 64% since 2016 and 36% since 2019.

Figure 3-2: Total Farm Operating Expenses, Thousands of dollars 2000-2023



Source: Statistics Canada. Table 32-10-0049-01 Farm Operating Expenses and Depreciation Charges (x 1,000)

Next, Figure 3-3 highlights the volatile nature of farm operating expenses and how little control farmers have over these costs which are often dictated by weather, macroeconomic and geopolitical decisions with total farm operating expenses up 36% between 2019-2023.

For example, fertilizer costs increased by more than 50% in 2022 as a result of Russia's invasion of Ukraine and the Government of Canada implementing tariffs on Russian fertilizer—an import which Ontario farmers were extremely dependent upon. Meanwhile a combination of the increasing cost of farmland and machinery and the fastest rise in interest rates since the 1980s caused interest costs to rise by 62% from 2019-2023.

Figure 3-3 also serves as a reminder of the industries most closely associated with farming in Ontario. For example, when Ontario farmers spent nearly $1.54 billion on fertilizer and line in 2023, that expense for farmers becomes revenue for the businesses that supply farmers, who in turn make further investments and hire and pay workers which create further economic growth as discussed in section 1 of this report.

Figure 3-3: Farm expenses, thousands of dollars 2019-2023

Expenses and rebates	**2019**	**2020**	**2021**	**2022**	**2023**	**Percent Change**
Total expenses after rebates	14,630,889	15,320,165	16,458,531	19,336,927	19,891,807	36%
Total operating expenses after rebates	**12,804,568**	**13,396,453**	**14,322,346**	**16,934,104**	**17,401,456**	**36%**
Property taxes, after rebates	203,846	221,579	227,881	233,856	239,690	18%

Cash wages including room and board, after rebates	2,049,400	2,208,295	2,267,837	2,480,336	2,515,403	23%
Interest, after rebates	1,102,951	1,040,212	1,020,875	1,296,530	1,790,110	62%
Electricity, after rebates	282,206	280,141	296,856	324,059	328,007	16%
Heating fuel, after rebates	268,766	290,773	325,565	393,089	378,258	41%
Machinery fuel, after rebates	450,620	384,370	480,175	712,802	596,688	32%
Fertilizer and lime, after rebates	961,790	955,011	1,210,363	1,866,523	1,538,751	60%
Pesticides, after rebates	393,501	409,008	430,538	480,220	476,775	21%
Commercial seed, after rebates	849,489	891,418	940,168	1,063,706	1,137,649	34%
Commercial feed, after rebates	2,077,047	2,241,134	2,375,602	2,862,600	2,922,715	41%
Livestock and poultry purchases, after rebates	418,106	451,774	496,974	559,427	692,129	66%
Artificial insemination and veterinary fees, after rebates	240,521	248,940	258,897	277,020	287,824	20%
Total rebates	3,454	3,270	3,217	3,247	3,207	-7%
Cash wage rebates	3,023	3,023	3,023	3,023	3,023	0%
Machinery fuel rebates	431	247	194	224	184	-57%
Total expenses before rebates	14,634,344	15,323,436	16,461,748	19,340,175	19,895,015	36%
Total gross operating expenses	12,808,022	13,399,724	14,325,563	16,937,351	17,404,663	36%
Property taxes	203,846	221,579	227,881	233,856	239,690	18%
Cash wages, room and board, before rebates	2,052,423	2,211,318	2,270,860	2,483,359	2,518,426	23%
Family wages	572,626	599,267	615,403	672,990	682,494	19%
Non-family wages	1,479,797	1,612,051	1,655,457	1,810,368	1,835,933	24%
Interest	1,102,951	1,040,212	1,020,875	1,296,530	1,790,110	62%
Electricity	282,206	280,141	296,856	324,059	328,007	16%
Heating fuel	268,766	290,773	325,565	393,089	378,258	41%
Machinery fuel	451,052	384,618	480,368	713,027	596,872	32%
Fertilizer and lime	961,790	955,011	1,210,363	1,866,523	1,538,751	60%
Pesticides	393,501	409,008	430,538	480,220	476,775	21%
Commercial seed	849,489	891,418	940,168	1,063,706	1,137,649	34%
Commercial feed	2,077,047	2,241,134	2,375,602	2,862,600	2,922,715	41%

Livestock and poultry purchases	418,106	451,774	496,974	559,427	692,129	66%
Artificial insemination and veterinary fees	240,521	248,940	258,897	277,020	287,824	20%
Cash rent	546,164	578,579	625,305	683,410	714,973	31%
Share rent	**65,079**	**68,333**	**84,186**	**105,064**	**99,706**	**53%**
Repairs to buildings and fences	**296,622**	**325,621**	**345,585**	**379,098**	**396,382**	**34%**
Telephone	**94,014**	**84,493**	**86,353**	**89,264**	**83,975**	**-11%**
Machinery repairs and other expenses	**631,818**	**685,905**	**712,402**	**770,734**	**803,265**	**27%**
Twine, wire and containers	**363,527**	**405,784**	**458,163**	**528,320**	**539,483**	**48%**
Crop and hail insurance	**53,413**	**50,286**	**68,740**	**87,756**	**90,911**	**70%**
Business insurance	**338,103**	**368,769**	**386,220**	**422,357**	**441,792**	**31%**
Custom work	**373,124**	**422,034**	**402,915**	**437,817**	**451,477**	**21%**
Stabilization premiums	**28,021**	**30,714**	**29,054**	**29,557**	**21,756**	**-22%**
Other operating expenses	**321,310**	**315,948**	**335,733**	**366,585**	**381,378**	**19%**
Legal and accounting fees	**395,131**	**437,333**	**455,961**	**483,975**	**472,358**	**20%**
Total depreciation	**1,826,321**	**1,923,712**	**2,136,186**	**2,402,824**	**2,490,351**	**36%**
Depreciation on buildings	**669,026**	**689,234**	**786,325**	**913,064**	**984,861**	**47%**
Depreciation on machinery	**1,157,295**	**1,234,478**	**1,349,861**	**1,489,760**	**1,505,490**	**30%**

Source: Ontario farm operating expenses and depreciation

Considering these rising operating costs, Ontario farmers need support from all levels of government so that they may continue to grow the products that feed Ontarians and bolster Ontario's economy.

Policy Recommendation #5: Permanently Increase the interest free portion of Advanced Payment Program loans to $350,000

The Advanced Payment Program (APP) has historically played a pivotal role in providing financial support to farmers, helping them effectively manage cashflow challenges. The APP has been particularly important over the past several years, helping farmers mitigate the impacts of inflationary pressures, geo-political, and trade challenges.

In June 2022, the then Minister of Agriculture and Food manufacturing Canada, Minister Bibeau, acknowledged the acute needs of farmers by announcing a temporary increase in the interest-free limit under the APP from $100,000 to $250,000 for the 2022 program year and $350,000 for the 2023 program year and $250,000 for the 2024 program year.

These adjustments were a welcome recognition of the agricultural sector's challenges and the government's commitment to supporting Canadian farmers.

However, Canadian and Ontario farmers need certainty—and the challenges that led to the temporary increases remain challenges that farmers will have to deal with for the foreseeable future. Farmers are still facing cashflow challenges from high input costs, such as for fertilizer, seed treatments and fuel. Combined with the unpredictability of climate change, labour shortages, and ongoing geopolitical tensions, cash flow and financial stability remains a top concern for farmers across Canada and Ontario.

Given these persisting challenges, OFA strongly recommends that the temporary change made to the APP to increase the interest free limit under APP from $100,000 to $350,000 be restored and made permanent.

Tax concerns

The number one policy priority identified in the survey, and one of the top three issues concerning farmers in 2024, is tax burden. Farmers are justified in their concerns about taxes as they directly pay more than $500 million in annual taxes to all levels of government. To support this important sector, all level governments should take actions to alleviate some of the tax burden farmers face.

Policy Recommendation #6: Upper and single tier Municipal Governments should adjust the farm tax ratio

Property assessments for the 2024 property tax year will continue to be based on January 1, 2016, current values. In the Municipal Property Assessment Corporation (MPAC) province-wide 2016 property reassessment, farmland assessment increases have greatly outpaced the residential assessment increases in most municipalities. Consequentially, the farm class is carrying a larger share of the total property tax burden. Therefore, a reduction in the municipal farm property tax ratio (below 25 percent of the residential property tax rate) should be considered.

Collecting an increasing portion of the municipal budget from the farm property class is inappropriate where the revenue is allocated to finance municipal services for developed areas (e.g., sidewalks, street lighting). Taxes collected from farmland should reflect the minimal municipal services required by farmland and buildings. As shown in Figure 1-7 farmers paid over $393 million in property taxes in 2020.

Upper and single tier municipalities that have seen a disproportionate increase in farm assessment should reduce the farm property tax ratio to ensure that the percentage of **property** tax revenue from the farm property class remains consistent with previous years.

Policy Recommendation #7: The Provincial Government should modernize important farm tax programs

Currently, 25% of all farm businesses in Ontario have chosen to incorporate their business. This number will only increase in the future as more farm families begin planning and executing succession plans.

The eligibility requirements around two critical farm tax programs need to be updated to reflect the complex reality of how modern farm businesses are structured.

1. The Family Farm Exemption for Ontario Land Transfer Tax (LTT)
2. The Farm Property Class Tax Rate Program (FPCTRP)

Farmers who own their farmland personally but have operated their farm business through their farm corporation, which they own and control, have been denied the Family Farm Exemption from the Ontario Land Transfer Tax. This denial occurs when transferring their farmland to a family member, because the seller has been deemed to have not exclusively farmed the property.

For corporations owning farmland, the Farm Property Class Tax Rate Program eligibility requirements state that at least 50% of the shares of that corporation must be owned by Canadian citizens or permanent residents. This requirement is not satisfied in situations where a farm corporation owns the shares of another corporation which owns the farmland, because the farm corporation itself is not a Canadian citizen.

OFA's long standing position on both issues is that the business structure a farmer chooses should not impact their eligibility for critical farm tax programs.

To modernize these crucial farm tax programs to reflect the reality of modern business structures OFA has two recommendations:

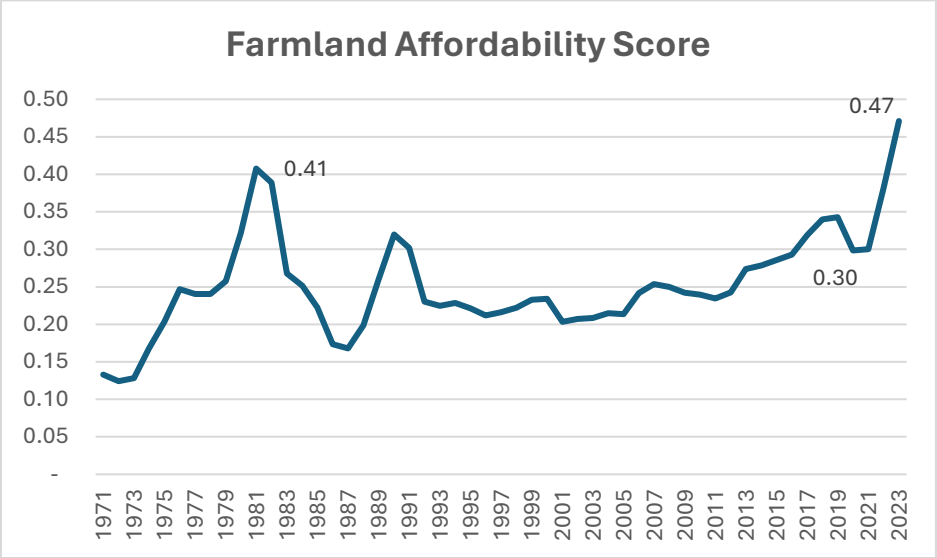
1. That the current ambiguous wording of O. Reg. 697 be amended to clarify that an individual or individuals, who own and control a farm corporation, are deemed to have carried on farming exclusively on lands farmed by their farm corporation.

2. That the eligibility requirements for the Farm Property Class Tax Rate Program be amended so that farmland owned by a corporation which is owned by a farm corporation (with at least 50% of its shares owned by Canadians) is not made ineligible for the Farm Property Tax rate.

Farmland affordability & Succession planning

In the survey, 20% of respondents listed the cost to service debt as the number one concern they have for their farm business in 2024. The cost of servicing debt, is a particular concern for new and beginning farmers or any farmer who has bought farmland in the past year. As shown in Figure 3-4, 2023 was the least affordable farmland has ever been.

Figure 3-4: Farmland Affordability in Ontario 1971-2023



Date from Statistics Canada, OFA calculations.

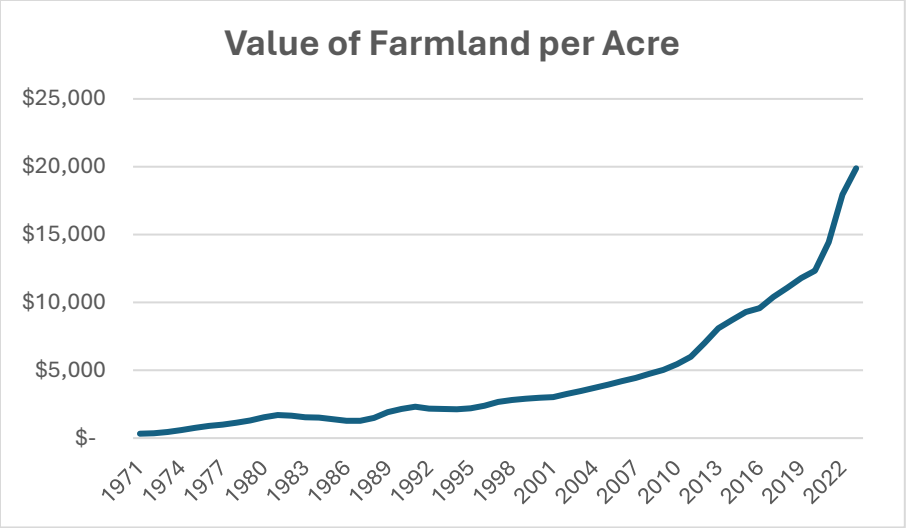
In 2023, any farmer buying new land to farm in Ontario would have paid an average of 47% of the farm cash receipts generated from farming the property on financing costs. This assumes a 25% downpayment, which would equal nearly $500,000 on a 100 acre farm.

Farmland in 2023, was even less affordable than it was in the 1981, where the average mortgage rate was 18.2%.

There are three factors contributing to the deterioration of farmland affordability.

The first is the price of farmland which has been rising significantly over the past 15 years as shown in Figure 3-5.

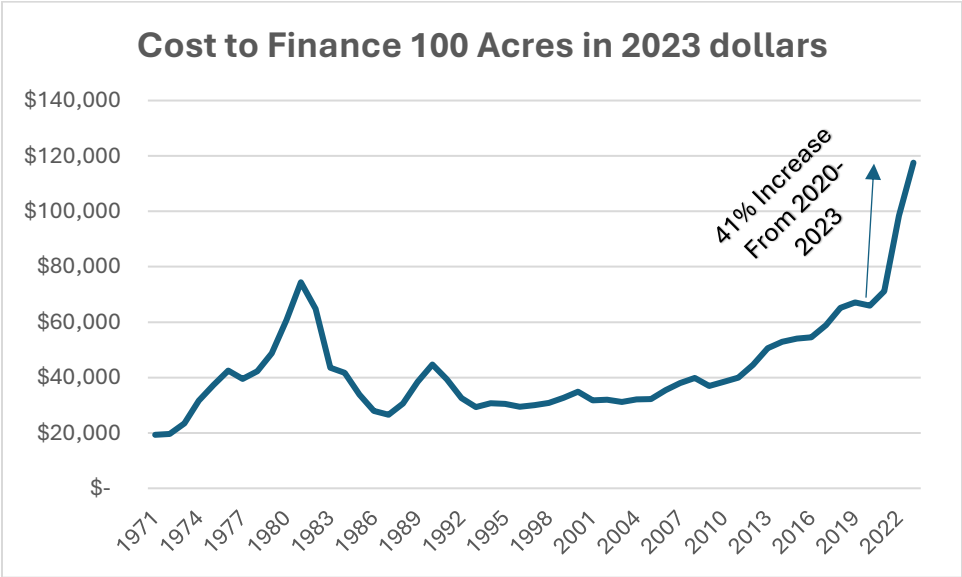
Figure 3-5: Price Per Acre of Farmland In Ontario 1971-2023



Source: Table 32-10-0047-01 Value per acre of farm land and buildings at July 1

The second factor impacting farmland affordability is the cost to finance the land which is determined by mortgage rates. For decades, interest rates had been declining which helped keep farmland somewhat affordable. But the sharp rise in interest rates coupled with the steep rise in farmland values, has led to a 41% increase in the cost to finance farmland since 2020.

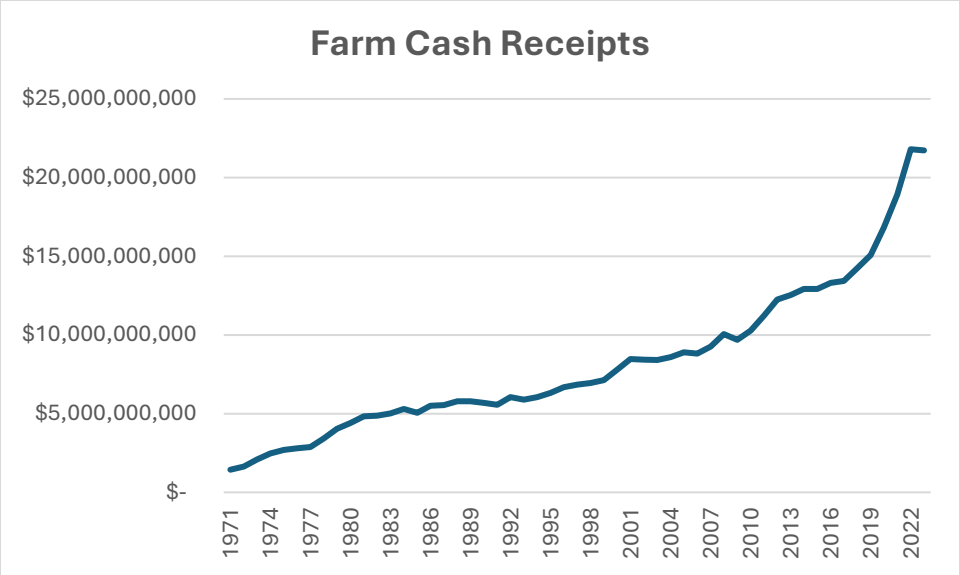
Figure 3-6: The Cost to Finance 100 Acres of Farmland 1971-2023 Adjusted for Inflation



Date from Statistics Canada, OFA calculations.

The third factor that impacts farmland affordability is how much money farmers make from farming the land. Over the past decade, farm cash receipts have been growing strong, but have dipped since a previous high in 2019.

Figure 3-7: Ontario Farm Cash Receipts 1971-2023



Statistics Canada. Table 32-10-0045-01 Farm cash receipts, annual (x 1,000)

Stagnating farm income, record levels of farmland price appreciation and a near doubling of mortgage rates over a two-year period have compounded to the point where farmland has never been less affordable.

Given the farmland affordability crisis in Ontario, the government needs to implement policies that will help facilitate intergenerational transfer of farm assets to maintain the viability of the family farm in Canada. To that end, OFA recommends the following three federal tax policies to help minimize the financial burden to both the older generation handing the farm down and the next generation taking the reins.

Policy Recommendation #8: The Federal Government should reconsider increases to capital gains inclusion rates

Since the Federal Budget 2024 was tabled, OFA has heard from many Ontario farmers expressing their concerns regarding the proposed changes to the capital gains inclusion rate as announced in the most recent federal budget.

The proposed changes to increase the capital gains inclusion rate to 67% for individuals with capital gains over $250,000 and the first dollar of capital gains on incorporated businesses would add a significant tax burden at a time where farmers can least afford it. Ontario farmers are facing cashflow challenges from high input costs, such as for fertilizer, seed treatments and fuel. Combined with the unpredictability of climate change, labour shortages, and ongoing geopolitical tensions. Therefore, cash flow and financial stability remains a top concern for farmers across Ontario and Canada.

The federal government should pause the implementation of the higher capital gains inclusion rate, scheduled to take effect on June 25th, and instead initiate an extensive consultation period that runs until January 1st, 2025.

Policy Recommendation #9: Modify Capital Cost Allowance provisions to allow farmers to deduct 100% of the cost of capital purchases in the first year of

Canadian farmers face significant capital investment costs when purchasing essential equipment such as tractors, combines, and storage infrastructure. The existing Capital Cost Allowance (CCA) system allows for depreciation deductions over time, but its structure puts Canadian farmers at a competitive disadvantage compared to their U.S. counterparts, who benefit from more accelerated depreciation measures.

Currently, the U.S. tax system offers two major advantages through Section 179 expensing and bonus depreciation. Section 179 allows businesses to fully expense the cost of certain qualifying capital purchases in the first year, up to a limit of $1.08 million, while bonus depreciation allows farmers to deduct a significant percentage of the asset's cost immediately. In contrast, Canadian farmers must spread deductions over multiple years, limiting their ability to recover investment costs quickly.

The Accelerated Investment Incentive (AII) introduced in 2018 provided some relief by allowing for an enhanced first-year CCA deduction. However, this measure is temporary and is set to phase out by 2028. OFA Analysis of farm investment trends from 2011 to 2023 indicates that the AII has encouraged investment in farm equipment, increasing machinery investment by 8.2% annually since its introduction. Despite this, the AII remains insufficient compared to U.S. policies, where full first-year expensing provides an even stronger incentive for reinvestment in farm operations.

The inability to deduct full capital costs in the first year reduces cash flow flexibility, delaying reinvestment and modernization of farm operations.

Ontario farmers compete directly with U.S. farmers in export markets, and the disparity in capital cost treatment creates a structural disadvantage.

A more aggressive capital cost deduction system would stimulate greater investment in productivity-enhancing technologies, improving efficiency and long-term competitiveness.

The federal government should adopt capital depreciation rules that allow Canadian farm businesses to deduct 100% of the cost of capital purchases in the first year of use. This policy would align Canada's tax treatment of capital investments with the U.S., ensuring that Canadian farmers can compete on equal footing. Given that U.S. policymakers are likely to extend or expand bonus depreciation under a new administration, it is imperative for Canada to act now to prevent further erosion of competitiveness.

Policy Recommendation #10: The Federal Government should modify Alternative Minimum Tax calculations

OFA believes the government should make modifications to the calculation of the Alternative Minimum Tax (AMT). The application AMT forces individuals disposing of their shares to pay a significant tax, even when all the gain may be exempted.

Although the tax can be recovered by applying it against taxes payable in the following seven years, this is only possible if the seller has sufficient income during this period. To prevent this

from becoming a permanent tax burden, OFA proposes that any capital gain eligible for the lifetime capital gains exemption should be excluded from the calculation of AMT.

Concluding Remarks

The economic contributions of Ontario's farming sector are significant and far-reaching, extending beyond the farm gates to support various industries and communities across the province. As demonstrated in this report, the primary agriculture sector alone generates substantial revenues, contributing billions to the GDP, supporting nearly 300,000 jobs, and generating significant tax revenues for all levels of government. The interconnected nature of the farming sector with other industries such as manufacturing, wholesale trade, and transportation underscores its vital role in driving economic activity and fostering economic stability.

The broader food manufacturing sector amplifies these economic impacts, showcasing how the initial outputs of the farming sector lead to extensive value creation through food processing and manufacturing. The food manufacturing sector's contributions to GDP, employment, labor income, and tax revenue highlight its integral role in the provincial economy, supporting nearly 600,000 jobs and generating almost $36 billion in GDP. These figures illustrate the comprehensive economic benefits that stem from Ontario's farming and food manufacturing sectors, reinforcing the need for continued support and investment in these critical industries.

In Section 3 of this report, the focus shifted to farmer sentiment and policy recommendations that can help Ontario farmers reach their full economic potential by addressing challenges and opportunities they face. The 2023 Farm Business Confidence Survey highlighted key issues such as regulatory challenges, rising input costs, and tax burden. These challenges, if addressed effectively through the right policies, can further unleash the economic potential of the farming sector. Reducing red tape, supporting value-added activities, encouraging local food consumption, and ensuring reliable high-speed internet are crucial steps that all levels of government can take to enhance the farming sector's productivity and economic contributions.

By implementing these policies, governments can help farmers increase their revenues, leading to significant benefits for related businesses, GDP growth, job creation, and tax revenue. The recommendations outlined in this report underscore the importance of a collaborative approach between policymakers and the farming sector to sustain and grow Ontario's agricultural sector. With targeted support and strategic investments, the economic impact of the farming sector can be further amplified, ensuring its continued role as a cornerstone of Ontario's economy