

February 28, 2025

The Honourable Dominic LeBlanc
Minister of Finance and Minister of Intergovernmental Affairs
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Minister,

RE: ONTARIO FEDERATION OF AGRICULTURE 2025 BUDGET SUBMISSION

The Ontario Federation of Agriculture (OFA) proudly represents more than 38,000 farm family members across the province, supporting our members and the agri-food industry on issues, legislation and regulations administered by all levels of government. OFA is passionate and dedicated to ensuring that the agri-food sector and rural communities are considered and consulted with for any new or changing legislation that would impact the sustainability and growth of our farm businesses.

OFA appreciates the opportunity to participate in the budget consultation process and provide recommendations to help strengthen the agricultural sector and help farmers increase their contribution to the Canadian economy.

Summary of Our Asks:

1. Permanently increase the interest-free portion of the Advanced Payment Program to \$350,000.
2. Develop a Critical Food and Farm Input Strategy.
3. Commit \$2 billion annually for five years to support farmers in their adoption of Best Management Practices (BMPs)
4. Expand veterinary college capacity and improve access for foreign-trained veterinarians.
5. Implement tax measures to incentivize farm business investment.
6. Enhance high-speed broadband, cellular coverage, and 5G for rural communities.

Providing Stability for Farmers in Uncertain Times

Canadian and Ontarian farmers are navigating unprecedented uncertainty. Rising input costs, elevated interest rates, mounting farm debt, and a volatile trade environment—with the potential for additional tariffs on Canadian agricultural products in 2025—are creating immense pressure on the sector. We urge the government to prioritize the following measures to stabilize the industry:

1. Permanently increase the interest-free portion under the Advanced Payment Program

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.

OFA is grateful to the Federal Government for adjusting the interest-free portion of the APP to \$250,000 for the 2024 program year. This decision was welcome recognition of the sector's challenges and the government's commitment to supporting Canadian farmers.

However, farmers continue to face cashflow challenges from high input costs, such as fertilizer, seed treatments, and fuel. In a recent survey of our membership, the high cost of farm inputs was identified as the number one issue that Ontario farmers are worried about.

Recommendation: Amend the program guidelines to permanently increase the interest-free portion of the APP to \$350,000.

2. Develop a Critical Food and Farm Input Strategy

Canadian farmers rely heavily on a delicate and intricate supply-chain to get their goods to market. In recent years, an increasing number of labour disruptions at different points in the supply-chain have disrupted agricultural exports.

Recommendation: Create a strategy to prioritize agri-food transportation during labour disruptions and ensure long-term and reliable supplies of critical farm inputs in Canada.

3. Invest in Climate-Resilient Agriculture

Canadian farmers play a critical role in supporting the health and food security of all Canadians. Farmers recognize the environment as critical to their operation and take care to protect it. Farmers are also increasingly being asked to bear the cost of reducing emissions and fighting climate change.

Recommendation: In recognition of the role farmers already play, and to advance the sustainability and competitiveness of Canadian farmers and ranchers, the Federal Government should invest \$2 billion per year, over five years, into the research, extension, and incentive programming required to support producers in their efforts to combat climate change, advance widespread adoption of Best Management Practices and ensure Canadian agriculture continues to be recognized as a global leader in sustainable agriculture.

4. Expand veterinary college capacity and improve access for foreign-trained veterinarians

Throughout Ontario and all of Canada, we face a critical shortage of large animal veterinarians which threatens animal health and the viability of livestock operations.

Recommendation: To address the shortage in large animal veterinarians we recommend the Federal Government invest in the expansion and enhancement of the Canadian colleges of veterinary medicine to support the recruitment and accreditation of foreign-trained veterinarians.

Investments to Unleash Ontario Agriculture's Economic Potential

Canada's agri-food sector is an economic powerhouse. To unlock the full potential of the industry in an increasingly uncertain global economy, strategic investments are required to increase the efficiency and competitiveness of Canadian farm businesses.

5. Implement tax measures to incentivize farm business investment.

Accelerated Capital Cost Allowance provisions

Introduced in 2018, the Accelerated Capital Cost Allowance (CCA) provisions aim to help maintain the competitiveness of Canadian businesses.

The impact of this program on farm investments has been substantial. OFA research has found that the accelerated CCA has contributed to an **8% annual increase in farm machinery and equipment purchases** by Canadian farmers since its introduction.

This provision has been critical in helping farmers adopt modern, efficient technologies to stay competitive in a global market. However, with rising input costs, inflation, and elevated interest rates creating significant financial pressures, removing this effective incentive now would only exacerbate these challenges. Making the accelerated CCA permanent would provide farmers with the certainty and support needed to continue making necessary capital investments that ensure the long-term productivity and resilience of Canadian agriculture.

Modify the formula for Alternative Minimum Tax calculations

We urge the government to make modifications to the calculation of the Alternative Minimum Tax (AMT). The application of the 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.

Consistent treatment for capital gains

While OFA has concerns about the proposal to increase the inclusion rate on capital gains above \$250,000 from 50% to 67%, OFA is grateful to the federal government for taking our advice on the Canadian Entrepreneurs' Incentive. The inclusion of qualified farm property as eligible for the Lifetime Capital Gains Exemption (LCGE) for this tax incentive ensures that this incentive is accessible to all farmers, regardless of their business structure. This adjustment is crucial for supporting farm succession planning and the continuity of family farms in Canada.

The increase of the LCGE to \$1.25 million and the clarification that the first \$250,000 of capital gains realized by individuals will be taxed at the previous inclusion rate of 50% provides some relief to individual farmers.

OFA remains concerned about the increased inclusion rate applying to the first dollar of capital gains for farmers who have chosen to incorporate their business. Taxing the first dollar of capital gains inside a corporation at the higher inclusion rate while providing a \$250,000 threshold for capital gains realized by an individual, breaks the concept of tax integration which is one of the fundamental pillars of the Canadian tax system.

Preserve the 50% capital gains inclusion rate for intergenerational farm transfers.

One of the biggest hurdles for new and beginning farmers is the high cost of land which acts as a barrier to entry into the farming industry. OFA research found that in 2023, that a new farmer buying farmland with a 25% downpayment would have spent 47% of their gross revenue on financing costs. Ontario farmland is the least affordable for new farmers that it has been in the past 50-years.

Recommendations:

- Stop the phase-out of the accelerated Capital Cost Allowance provisions and make them permanent.
- To prevent AMT from becoming a permanent tax burden, adjust the formula for AMT so that any capital gain eligible for the lifetime capital gains exemption is excluded from the calculation of AMT.
- Modify the capital gains proposals to ensure that the first \$250,000 of capital gains realized inside of a private corporation receive the old 50% inclusion rate.
- To ensure that the next generation of farmers can afford to take over the family farm, the federal government should modify its capital gains proposals to ensure that under Bill C-208 eligible intergenerational farm transfers in Canada continue to fall under the old 50% inclusion rate for capital gains.

7. Enhance high-speed broadband, cellular coverage, and 5G for rural communities

Access to reliable, highspeed broadband internet has been a longstanding issue in Ontario, particularly in northern, rural, and remote areas. Farmers run modern businesses that require innovative technology, high-speed internet access and reliable cellular coverage to remain competitive in a global agricultural marketplace.

We are grateful for the funding from the Federal and Provincial governments towards broadband infrastructure, and we are excited to see those funds are being spent to increase coverage in Ontario. It is essential that funding is directed towards internet expansion in rural areas and that it is equitably and efficiently allocated to those areas that truly need it most. Continued, prioritized, and accelerated rollout of broadband infrastructure in underserved areas is needed to support competitiveness and spur regional economic growth.

Recommendation: Continue to make investments to close the connectivity gap between urban, rural and remote regions of Canada and ensure sufficient in-field connectivity to enable the range of agtech opportunities emerging for farmers.

Canada's agricultural sector is a cornerstone of the economy, and the proposed investments will ensure it continues to thrive. These measures will provide stability for farmers facing mounting uncertainties while unleashing the sector's immense economic potential.

We thank you for considering our recommendations and look forward to working collaboratively to achieve these shared goals.

Sincerely,



Drew Spoelstra
President

cc: OFA Board of Directors
 The Honourable Lawrence Macaulay, Minister of Agriculture and Agri-Food
 CFA President Keith Currie