

August 14, 2025

Department of Finance Canada
90 Elgin Street
Ottawa ON
K1A 0G5

Sent via email only to: yourbudget-votrebudget@fin.gc.ca

To Whom It May Concern,

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 federal budget consultations and to present recommendations for strategic investments, to help the industry reach its full potential and compete on the world stage. Canada's agriculture and agri-food industry already contributes \$150 billion to national GDP each year and sustains 2.3 million jobs. By investing in the priority measures outlined in this submission, government can unlock even greater productivity, innovation, and export growth—magnifying agriculture's proven ability to drive prosperity and lift 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 Investment Incentive (AII) provisions aimed to help maintain the competitiveness of Canadian businesses.

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

However, even a fully reinstated AII only allows a 1.5 x deduction, whereas U.S. farmers can often expense 100% of qualifying farm machinery under Section 179 (and claim bonus depreciation of 100% in the first year under current law. This disparity means Canadian farmers can deduct at most \$900,000 on a \$2 million purchase, while their U.S. counterparts can deduct nearly \$1.6 million in year one, putting Canadian operations at a competitive disadvantage.

To put Canadian farmers on a level-playing field, incentivise investment and grow the economy, we recommend the Canadian government adopt new tax provisions that allow Canadian farm businesses to deduct 100% of the cost of capital purchases in the first year of purchase.

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.

Expand the Lifetime Capital Gains Exemption (LCGE)

OFA acknowledges and appreciates the federal government's recent increase of the LCGE threshold (to \$1.25 million for qualified farm properties), which provides some relief for farm business owners. However, more must be done to keep Canadian farmers competitive with their U.S. counterparts.

American farmers benefit from significantly lower capital gains tax rates on farm property sales – long-term capital gains in the U.S. are taxed at 0%, 15%, or 20%, depending on income, and U.S. tax law further advantages farm succession through provisions like the stepped-up basis that can eliminate capital gains tax on inherited farm assets.

By comparison, Canadian farmers still face higher effective tax rates on large asset sales, even after the LCGE, due to our higher inclusion rates and lack of a stepped-up basis. OFA's analysis indicates that to achieve tax parity on a farm property sale of \$10 million, a Canadian farmer would require an LCGE of roughly \$2.7 million. We therefore recommend that the LCGE be further expanded to at least \$2.5 million.

Eliminate the Restricted Farm Loss Rules

Section 31 of the Income Tax Act – Canada's restricted farm loss rules – limits the amount of farm losses that farmers can deduct against off-farm income to a maximum of \$17,500 per year.

These rules are harmful to the agricultural industry. In today's climate of skyrocketing land prices and increasing farm input costs, many new and young farmers must rely on off-farm jobs to support their farm operations. Ontario farmland has become the least affordable it's been in 50 years – for example, a new farmer who bought land in 2023 (with a 25% down payment) would face financing costs equivalent to 47% of the farm's gross revenue. With farm incomes under pressure, nearly half of Ontario farm operators now report having off-farm income. By capping deductible losses, Section 31 removes a critical financial tool that helped new farmers weather the early, unprofitable years of a farm startup.

This policy is exacerbating Canada's farm succession and demographic challenges: the average age of Ontario farmers increased from 50 to 56 between 2001 and 2021, while the share of farmers under age 35 plummeted from 18% to 8% over the past few decades. Analysis of county-level data shows that after the restricted farm loss rules were tightened in 2013, the aging of the farm population accelerated – the policy itself contributed to an additional 1.22-year increase in average farmer age per five-year period, suggesting fewer young farmers are entering the sector as a direct result.

To encourage young farmers to enter the industry, we recommend **repealing Section 31** of the Income Tax Act. Eliminating the restricted farm loss rules would allow farmers to fully deduct farm losses against off-farm income, providing greater financial flexibility for startup operations. This change would remove an unnecessary barrier to farm entry, improve generational renewal in agriculture, and support the competitiveness and resilience of Canada's agri-food sector.

Recommendations:

- Allow 100% immediate expensing of eligible depreciable farm assets in the year of acquisition—mirroring U.S. Section 179 and bonus depreciation rules—to ensure Canadian farmers can fully recover the cost of capital investments upfront and remain globally competitive.
- 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.

- Raise the LCGE to \$2.5 million and continue to adjust that figure to keep up with inflation in future years.
- Repeal the restricted farm loss rules by eliminating Section 31 of the Income Tax Act, allowing farm losses to be fully deductible against other income.

6. 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.

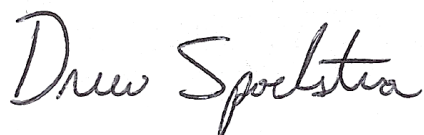
We are grateful for the funding from the Federal and Provincial governments towards broadband infrastructure, and we are excited to see those funds are being spent to increase coverage in Ontario. It is essential that funding is directed towards internet expansion in rural areas and that it is equitably 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 and agri-food sector is a cornerstone of the economy contributing \$150 billion to Canada's GDP and supporting 2.3 million jobs. 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