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NFU Input to Federal Consultation on Cash Purchase Tickets

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The National Farmers Union (NFU) is pleased to provide input on the federal government's Budget 2017 consultation on the income tax deferral available in respect of deferred cash purchase tickets for deliveries of listed grains.

Cash ticket deferrals are currently available to any farmer who receives a cash purchase ticket when delivering wheat, oats, barley, rye, flaxseed, rapeseed and canola produced in Canada to a licensed primary elevator or process elevator. Primary elevators are country elevators that receive grain directly from farmers for storage and selling onward. Process elevators include flour mills, malting plants, crushers and ethanol plants that receive grain for processing into other products. Cash deferral tickets allow farmers to avoid excessive swings in taxable income from year to year due to the timing and availability of delivery opportunities.

The *Income Tax Act* currently allows a farmer to deliver grain and defer being paid for it until the next tax year. Farmers are able to calculate their income tax based on the tax year in which they receive payment. The present consultation is seeking input on the value of the current tax measures and the implications of eliminating the deferred cash purchase tickets measure, which would make all income from grain sales taxable in the year the grain is delivered.

Cash ticket deferral was not linked to the historical role of the Canadian Wheat Board (CWB) and its international grain shipment agreements as was erroneously stated in the budget document. This error is immediately apparent, as the CWB was never sole purchaser of western Canadian rye, flaxseed, rapeseed or canola, and the ability to market oats was taken away from the CWB in 1989.

The use of cash ticket deferrals is a long-standing practice that enables farmers to even out their taxable income from year to year. This option is particularly important to unincorporated farms that operate on a cash basis for tax purposes, as it is one of the only tools available to even out tax obligations from year to year. The measure recognizes that farmers make their annual income by selling the year's crop while facing a great deal of variability in the yield, price and value of rotational crops, and other factors from year to year. Unlike many other industries, agriculture experiences very wide and unavoidable fluctuations in production levels due to the unpredictability and variability of weather. In addition, commodity prices vary substantially from year to year. The combination of uneven annual volume of production and volatile commodity prices means farmers can face a high income one year and very low, or even negative, income the next while spending the same amount on expenses. Without the ability to use the cash ticket deferral option, farmers would find themselves in the top tax bracket one year and in very different situation the next, potentially hampering their ability to pay for upfront expenses.

If farmers were not able to defer payment, they would attempt to manage the timing of actual delivery instead, leading to potential bottlenecks and/or underutilization of the transportation system. The cash ticket deferral measure also recognizes that the timing of possible crop delivery is often outside of the farmer's control. For example, weather conditions can hamper grain movement by rail causing bottlenecks in the elevator system, the allotment of railcars to delivery points is determined by railways, and in the past few years the railways have been giving top priority to their lowest-cost westerly points as a way to meet mandatory monthly delivery requirements. Thus, due to unavoidable circumstances, some farmers might deliver two years' worth of crop in one year and none the following year. These conditions mean farmers receive their incomes on a much less predictable or regular schedule compared with tax-payers who receive a regular salary.

Cash ticket deferral is a valuable tool to help farmers manage their cash flow and allow them to take advantage of delivery opportunities. The grain transportation system will run more efficiently if farmers do not have to manage the timing of their grain deliveries in relation to income tax considerations. It would be unfair to require farmers to be taxable on more than one years' production in a given year due to conditions around grain delivery that are outside of the farmers' control.

Therefore, the NFU recommends:

- Keeping the option for income tax deferral in respect of deferred cash purchase tickets for deliveries of wheat, oats, barley, rye, flaxseed, rapeseed and canola
- Expanding the cash ticket deferral to include all other grains covered by the *Canada Grains Act*, namely beans, buckwheat, chick peas, corn, fababeans, lentils, mixed grain, mustard seed, peas, safflower seed, soybeans, sunflower seed, and triticale.