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The Honourable James M. Flaherty  
Minister of Finance  
Department of Finance Canada  
140 O'Connor St.  
Ottawa, Ontario K1A 0G5

## **Toward an Agricultural Gifts Program**

### **Purpose:**

To propose the establishment of a fiscal incentive program for the protection of agriculturally significant land in Canada; similar to the income tax incentives offered through the Ecological Gifts Program.

### **Issue:**

The Ecological Gifts Program is an outstanding success across Canada, encouraging voluntary donations of ecologically significant lands, or conservation easements, covenants, or servitudes on such lands, to designated conservation agencies by providing tax incentives. We commend your government on the recent elimination of capital gains under this program. However, no such incentive exists for donations of productive agricultural land, which also provides many environmental, social and economic public benefits. We must enable the equal treatment for donors of farmland and make agricultural easements/covenants/servitudes equally efficient and effective.

## **Background:**

The innovative use of conservation easements/covenants/servitudes by the non-profit conservation sector to achieve public goals has expanded rapidly in recent years. Land trusts have involved many rural landowners in making donations of easements/covenants/servitudes (or land outright) and have established credibility by adopting rigorous 'Standards and Practices', which are the ethical and technical guidelines for operating a sound land trust.

From its inception in February 1995 to March 31, 2003, the Ecological Gifts Program certified 325 gifts totalling 24,058 hectares valued at over \$67.3 million. While some farmland has been protected under the Ecological Gifts Program because some farms qualify as ecologically significant, donations where the intent is to protect the food production value of the farmland do not currently qualify.

## **Why protect our farmland?**

Protecting Canada's farmland, especially the high proportion of class one farmland in the best agro-climatic zones of southern Ontario, Quebec and British Columbia, as well as other prime land across the country is essential for many reasons, including:

- Economically, agriculture is one of Canada's top industries, second only to the auto industry. Agriculture is the engine of the rural economy in many regions of the country, and through the processing and input supply industry, a major component of the national urban-based economy.
- Although Canada is the second largest country in the world by area, only about 11% of Canada's land can support agricultural production.
- Only 5% of Canada's land is class 1 and over half of this high quality land is found in rapidly urbanizing Ontario.
- While efforts to track the loss of productive agricultural land are inconsistent across Canada, we know that over 18% of the class 1 land in Ontario has already been urbanized and that we are losing approximately another acre per hour to development in the GTA (see Appendix A for additional details).
- Farmland provides vital environmental benefits from water conservation through wildlife habitat and forestry to scenic rural landscapes.
- If Canada should ever need or choose to be self-sufficient in the production of its food it is critical that we take action now to protect our remaining productive soils.

In spite of the current agricultural commodity price crisis and the resulting financial hardships farmers face, there is substantial evidence that prices will rise in the long run (some analysts are predicting in the short run), as the world becomes more and more dependent on a limited food supply. At the same time, oil shortages and rising prices may put a premium on local production rather than global marketing, or at least to balance global marketing.

Farmland will be protected primarily through regulatory land use planning policies, but such policies can always be weakened by local political decisions, and municipal growth will always move slowly outward onto farmland. The donation of agricultural easements/covenants/servitudes is a strong statement of commitment to reinforce public policies to conserve agricultural land. Therefore programs to support agricultural easements/covenants/servitudes have a critical role to play in supporting public policy. They represent a private, charitable contribution to support a vital public purpose.

There is an urgent need to address the gap in the existing tax incentives for donations of agricultural land so that we, and over 170 other conservation organizations across Canada can provide the private individuals who want to donate farmland or easements/covenants/servitudes on agricultural land with at least the same opportunities that exist for donors of ecologically significant land. Over 70 municipalities and organizations including the Christian Farmers Federation of Ontario, the Ontario Land Trust Alliance, and others have passed resolutions in support of this initiative to create tax incentives for donations of farmland in Canada (see Appendix B for list of municipalities/organizations). The Ontario Farmland Trust is currently working with over 20 potential donors in Ontario who want to protect their productive farmland for future generations but are currently restricted by unfavourable taxation implications. Increasing development pressures, especially around Canada's urban centres is also contributing to the urgency to address this issue.

The Ontario Farmland Trust is poised to work with your staff, as appropriate, to develop an 'Agricultural Gifts Program', which would undoubtedly lead to the permanent protection of some of Canada's best farmland, enhancing the agricultural industry, our environment, and benefiting all Canadians for generations to come.

### **Options:**

There are a number of ways in which an 'Agricultural Gifts Program' could be developed including adding a new branch or category to the existing Ecological Gifts Program. There are also numerous related issues that merit consideration at the same time, including:

- Pilot projects for the purchase of agricultural easements/covenants/servitudes should be established in areas of critical agricultural resources; these types of projects have been particularly successful in the United States, positively influencing public attitudes as well as keeping farmers farming,
- The difficult question of appraising the value of easements/covenants/servitudes must be addressed,
- Any such program must take into account that farmers are usually land-rich but cash-poor; this circumstance will generally reduce the value of donations to farmers in comparison to other donors,
- The special circumstances that are faced by retired farmers donating land must be addressed; charitable donations can trigger an increased net income that results in

- claw-back of pensions and other retirement benefits that is obviously unintended,
- Income tax receipts could be used over longer periods of time than the 5 years currently allowed, and made transferable to allow donors to utilize the full value of their donations,
  - The rules governing participation by firms regarding donations of farmland should be relaxed to provide an incentive for developers to participate in such a program to conserve farmland.

### **Recommendations:**

We call upon the federal Finance Department to establish an Agricultural Gifts Program that provides incentives for donors of productive farmland or agricultural easements/covenants/ servitudes similar to the very successful Ecological Gifts Program.

We also recommend examining other steps toward making the use of conservation and agricultural easements/covenants/servitudes effective and efficient, such as the purchase of conservation easement (PACE) programs that have proven enormously successful at preserving critical farms and farmers across the United States.

The Ontario Farmland Trust is ready to take up the challenge of working with your government to design such a program to be both equitable and functional for farmers across Canada and we would like to meet with you at your earliest convenience to discuss this issue further. Thank you for your ongoing support of agriculture and publicly minded donors.

Yours truly,

Stew Hilts  
Chair, Ontario Farmland Trust

### **List of Appendices**

Appendix A: Factsheet on Farmland Loss in Ontario

Appendix B: List of municipalities/organizations supporting this proposal as at 07/12/06

Appendix C: Ontario Farmland Trust brochure

Appendix D: Ontario Farmland Trust Land Securement Strategy and Criteria Document