



January 31, 2019

The Honourable Lawrence MacAulay
Minister of Agriculture and Agri-Food
1341 Baseline Road
Ottawa, ON K1A 0C5

Dear Minister MacAulay:

Subject: Livestock Tax Deferral Provision Updates

I am writing you on behalf of the Saskatchewan Association of Rural Municipalities (SARM) to bring to your attention our concerns with the current livestock tax deferral provision and to offer suggestions on how it can be improved.

Under the current provision, ranchers who are forced to sell part of their breeding herd due to drought or flooding can defer a portion of sale proceeds to the following year when they can rebuild their herd and offset that deferred tax. While we agree with the intent of the provision, the criteria used to determine the designated prescribed areas and how the provision is applied reduce the effectiveness of the provision for agriculture producers.

We understand that Agriculture and Agri-Food (AAFC) uses Canadian Drought Monitor data to identify and designate regions where annual forage yields are less than 50 per cent of the long-term average because of drought or flooding. Since forage yield information is not finalized until later in the year, initial designations are made primarily based on spring moisture and summer rainfall and, as more information becomes available, the analysis is supplemented with estimates of forage yield. In surveying our membership on this process, the majority indicated that the Canadian Drought Monitor data did not provide an accurate picture of moisture levels in Saskatchewan.

The Ministry of Agriculture noted in discussion that it shares bi-weekly moisture monitoring reports with AAFC to supplement their Canadian Drought Monitor data which this year supports the broadening of the number of designated prescribed areas.

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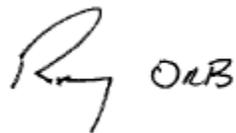
We believe that the supplemental information provided to AAFC by the Province should be consistently used to expand the areas deemed eligible for the livestock tax deferral provision. We also ask that AAFC expand the prescribed regions for 2018 based on the recommendations of the provincial Ministry of Agriculture.

SARM would also like to express our concern with how the provision is applied. Specifically, we believe that livestock producers who cull a herd, to any extent, because of drought or flooding should be eligible to defer 100 percent of their income from the livestock sales to the next tax year. Our reasoning for this requested amendment is because producers lose money when selling livestock during periods of drought and flooding due to market saturation and then reacquire breeding animals when conditions are favorable and market prices are high.

Thank you for considering our suggestions on how to improve the current livestock tax deferral provision. SARM appreciates AAFC's attention to this matter and we look forward to working with you on this issue.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Ray Orb". The signature is written in a cursive, somewhat stylized font.

Ray Orb
President

Cc' The Honorable David Marit, Minister of Agriculture
Sean Jaques, President & CEO, Saskatchewan Crop Insurance Corporation