

FARMING MATTERS

Newsletter December 2013

Year End Tax Planning

It's that time of year again where farmers should review their income levels to determine if any year-end tax planning is necessary. While cash crop prices have cooled somewhat, many producers may have made sales early in 2013, sold two crop years in one year or locked in good prices. Lower feed costs may mean more profits for other commodity groups, especially swine and beef producers who were hit hard with higher than normal feed prices previously.

You should also consider government programs such as Risk Management Payments or withdrawals from your AgriInvest accounts which can result in extra income. AgriStability payouts, which are often from the previous year, may result in an unexpected higher income. In summary, tax planning is easier before the year-end. If you feel an interim calculation of your taxable income would be beneficial then please contact us.

Income Splitting

For many farm businesses, income splitting with family members is an effective way to reduce taxes. If you have a spouse who is not a farm partner, or children that have contributed to your farm business it may make sense to allocate some income to them. The amounts need to be reasonable for work performed and amounts should be reported on a proper payroll. Any earnings to a spouse or children would be insurable for purposes of Workmen's Compensation. Despite the extra reporting there can be significant tax savings from income splitting. Any income allocations would need to be paid before your year end.

Species at Risk Farm Incentive Program (SARFIP)

Association is still accepting applications for the SARFIP program. The program offers up to 80% cost-share towards a set of Best Management Practices (BMP). Projects can be applied to croplands, grasslands, wetlands, or even woodlots. Basically the program runs under the principle that any practice that is good for wildlife is generally good for soil and water conservation.

Some program highlights:

- you do not need species at risk on your farm to qualify.
- there are three levels of funding available- 30%, 50% and 80%.
- level of cost sharing depends on how direct the cost is to addressing the species needs.
- tree planting is eligible if proper procedures are followed.
- expenses covered can be retroactive to April 1, 2013.
- funding may be available for remote fencing, cross fencing, stream crossings, buffer strips, wetland restoration, tree shelterbelts and windbreaks, reforestation, erosion control, grazing management, ditch bank seeding, berms etc.
- any project that is good for the land and especially water may qualify.
- contact Brad Carberry of SARFIP at 226-979-2465.

Agricultural Credit Corporation (ACC)

The government continues to offer financing through Agricultural Credit Corporation. The two main programs offered are the provincial *Commodity Loan Program* and the federal *Advance Payments Program*. Both programs are a great compliment to other financing programs within the agricultural industry.

Interest-free Financing On Thousands Of Products

The *Advance Payments Program* is part of the suite of products available from Agriculture and Agri-Food Canada (AAFC). It was designed to give producers access to cash advances for crops being planted or stored, or to assist with costs of raising livestock until they are sold at market. This program provides up to **18 months** of financing for commodities that will be commercially sold, such as grains, oilseeds, horticultural crops, livestock, greenhouse, and nursery products. Eligible producers can receive up to **\$100,000 interest-free** with an additional \$300,000 available at Bank Prime Rate. Growers are required to participate in Production Insurance or Agristability and are to repay advances as commodities are sold.

Maximum Cash Flow

The *Commodity Loan Program* was developed to assist Ontario Farmers in financing their crop planting, cultivating, and harvesting expenses and is available for grains, oilseeds, processing vegetables, apples, grapes, and tobacco. Up to **\$750,000** is available at Bank Prime Rate and can be accessed as early as December for winter wheat. Producers must carry Production Insurance and must to repay advances as commodities are sold.

New and Improved For 2014

Commencing with the 2014 program, tender fruit growers will be able to access the *Advance Payments Program* as of November 1, 2013. ACC also collaborated with AAFC to remove the requirement of proof of sales documentation for all non-storable products available for financing within the program, including greenhouse and nursery products, fruits, and vegetables. These changes will allow greater flexibility and should alleviate unnecessary paperwork for these sectors.

For more information on ACC or the programs available please contact info@agcreditcorp.ca or call 1-888-278-8807.