

Wheat's Up

Alberta Wheat
COMMISSION



Chair's Message

Kevin Auch, Chair | Alberta Wheat Commission Board of Directors

Tax shelters. Avoidance. Loopholes. If you've been on Twitter or Facebook in the last few weeks, you would have seen a firestorm of farmers posting angry messages from their combines, pointing out they're being unfairly targeted by the proposed tax changes. And while farmers are right to be concerned, the situation is complex and at the time of writing, AWC is still working to understand how these changes will affect the family farm.

In July, Finance Minister Bill Morneau rolled out a series of proposed tax changes with little information to those it would affect most, including farmers, doctors and small businesses. Tax accountants were the first to point out that some of the changes could negatively impact incorporated family farms. And while I can't comment on how this legislation will impact other sectors, we do want the government to recognize that a resource-intensive industry like farming cannot be compared to an income profession. AWC is concerned that the proposed changes simply don't align with the government's commitment to grow our sector, including a goal to increase Canadian agri-food exports from \$55 billion to \$75 billion by 2025. According to Statistics Canada, the rate of farmers incorporating rose from 19.8% in 2011 to 25.1% in 2016 – representing a fairly substantial portion of Canadian agriculture. From these numbers alone, we can see that eroding tax tools that make the family farm business viable won't help the industry accomplish this goal.

On September 12, AWC was fortunate to meet with Andrew Marsland, Assistant Deputy Minister of Finance in Ottawa, as well as the Prime Minister's Office and Deputy Minister Chris Forbes of Agriculture and Agri-Food Canada, where we made a strong case that farmers are being unfairly caught in a web of tax policy that appears designed to close loopholes on the wealthiest Canadians. We pointed out that farmers are very much

a part of the middle class, and focused our messages on the uniqueness of family-run farm operations.

In particular, we outlined three major facets of farm management that could be made more difficult under the proposed changes 1) a farm families' ability to pass down the operation to the next generation without incurring a massive tax bill and their ability to convert capital into income for the retiring farmer, 2) proposed changes to the treatment of passive income that would restrict the ability of farmers to save up funds in the corporation to purchase new equipment or farmland and; 3) the ability to spread income across contributing family members.



The messaging we conveyed to the government in September was supported by a Q&A we commissioned KPMG to carry out so we could better understand the potential impact on agriculture (see page 6). The Q&A is also available on our website at www.albertawheat.com, along with our submission which gives a more in-depth summary of the case we made in Ottawa.

We will continue to press for fairness in tax policy for farmers and will continue to inform farmers as this file progresses. Until then, we wish everyone a safe and prosperous harvest season.



General Manager's Message

Canada's Grading System on NAFTA Agenda

Tom Steve, General Manager | Alberta Wheat Commission

There's an interesting subplot in the current North American Free Trade Agreement (NAFTA) negotiations that involves Canada's wheat grading system.

U.S. farmers have long objected to the fact their wheat does not qualify for a Canadian Grain Commission (CGC) grade when they deliver to a Canadian elevator. It is automatically classified as feed. Groups such as the National Association of Wheat Growers and U.S. Wheat Associates have

likened the situation to Country of Origin Labelling (COOL) that long restricted Canadian exports of beef to the U.S.

The Alberta Wheat Commission (AWC) and Cereals Canada have both urged Canadian negotiators to address the inequity – partly to preserve open access to our largest wheat market – and partly because we don't believe it will result in a material change in U.S. grain moving north.



Since the end of the Canadian Wheat Board (CWB) we've been exporting 2.5 to 3 million tonnes of wheat annually to the U.S. while the amount of American wheat coming into Canada has averaged a paltry 53-thousand tonnes per year. Canada has a 98 per cent market share of U.S. wheat imports.

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Canadian grain companies can and do buy U.S. wheat based on specification and pay accordingly, so laying blame on the CGC grading system isn't entirely fair. There are other reasons U.S. wheat doesn't flow north including the exchange rate and the fact we don't really need it.



After all, Canada exports 65 to 70 per cent of the wheat we grow.

It's important to note that assigning a grade to U.S. wheat would only apply to U.S. varieties registered in Canada. Right now the main ones are Faller, Prosper and Elgin, three Dark Northern Spring varieties mainly grown in Manitoba and eastern Sask.

Another bit of irony is that U.S. farmers are asking for a Canadian grade at a time when many farmers in Canada are moving away from strict reliance on the old number-based grading system. Last year's difficult harvest revealed the importance of knowing the falling number and other specifications of your wheat and some grain companies have instituted falling number tests at the elevator.

It will be interesting to see how the grading issue plays out in the NAFTA talks but regardless of the outcome don't expect a flood of U.S. wheat into Canada anytime soon.

“Since the end of the Canadian Wheat Board (CWB) we've been exporting 2.5 to 3 million tonnes of wheat annually to the U.S.”

A common goal: A research landscape that drives profitability and competitiveness for western Canadian wheat farmers

Laura Anderson, Interim Research Manager | Alberta Wheat Commission



On August 22, 2017, the Alberta Wheat Commission, along with the Saskatchewan Wheat Development Commission (SaskWheat) and the Manitoba Wheat and Barley Growers Association (MWBGA) announced the formation of the Canadian Wheat Research Coalition (CWRC). This federal not-for-profit corporation will facilitate a collaborative approach to funding variety development and agronomic research projects for spring wheat. Funding commitments will involve research that is both regional and national in scope and will include the renewal of the core breeding agreements set with Agriculture and Agri-Food Canada (AAFC) and universities beginning in 2019. Other collective research projects that align with the priorities of CWRC will also be considered for funding.

This move coincides with the end of the Western Canadian Deduction (WCD) on July 31, 2017, which was previously the main funding mechanism for variety development in Western Canada. With this change, the provincial wheat commissions have assumed the responsibility for future investment and continuity of these funds. In preparation for this shift in responsibility, the three commissions involved in CWRC, signed a Memorandum of Understanding (MOU) that outlined their collective commitments to funding variety development research and advancing wheat production. By undertaking the WCD funds, the CWRC will be the lead applicant for the renewed Canadian National Wheat Cluster (CNWC), allowing AWC, SaskWheat and MWBGA to leverage their dollars and partner in setting research priorities that meet the needs of Western Canadian farmers. WGRF will remain a key player in this transition and continue as both an administrator and a financial contributor of the new Wheat Cluster.

The CNWC application will be submitted in the fall of 2017 to the Canadian Agricultural Partnership (CAP), the successor of the Growing Forward 2 initiative. CAP is set to launch on April 1, 2018 and is a five-year agreement worth \$3 billion in investments from federal, provincial and territorial governments, aiming to strengthen the agricultural sector. The CNWC application for CAP funding targets the main objectives of the CWRC and its funding partners – to develop new varieties and germplasm for all wheat classes. This includes breeding for increased yield and yield stability, as well as improved resistance to diseases, insects, lodging and pre-harvest sprout.



The CWRC will be comprised of a farmer-led board of directors, each of which will be appointed as founding members from the three crop commissions.

There is capacity for other producer or private sector groups that share common objectives of improving wheat research in Canada to be involved as organizational members. This arrangement will allow for the CWRC to seek new public, private, producer partnerships (4Ps). The CWRC will be administered by a host commission – which will rotate every three years – beginning with SWDC. The first board will consist of Kevin Auch, Jason Saunders, and Terry Young representing AWC, Ken Rosaasen, Glenn Tait and Laura Reiter representing SaskWheat, and Cale Jeffries and Dylan Wiebe representing MWBGA.



You're Invited! Cereals Innovation Symposium to take place this January

Clair Langlois, Cereal Extension Specialist | *Alberta Agriculture and Forestry*

There is something new happening this coming January 2018 that all cereal producers and agronomists should be made aware of. Thus, mark your calendars now for January 10 and 11 and plan to stay another day after "Agronomy Update 2018" in Red Deer to attend the very first "Cereals Innovation Symposium"! Yes, that is right, the whole day will be dedicated just to cereals, and this time and about time, it is our day, a cereal day!

The Cereals Innovation Symposium is presented and sponsored by the Alberta Wheat Commission and Alberta Barley with other sponsors helping to make this a great day for all who attend. The intent of the event is to bring both producers and agronomists alike up to speed on current cereal research results that can, or have influenced cereal production in Alberta. Presentations will be from both a genetics and agronomic perspective and should be a very advantageous day to both cereal producers and agronomists alike.

I strongly believe it takes advancements and understanding in both genetics and agronomics to move an industry forward. Ultimately genetics that advance a plant to have its own genetic ability to fight off a disease or usher in new yield potentials or higher quality aspects into the industry is the long-term goal for advancement in any crop, so we need plant breeding to continue to be the advocate to the industry that it is, but we also need a tool box of new agronomic concepts as well. So, while plant breeders continue to do their best there are also dedicated agronomic researchers out there whose work is equally important to you as well.

Agronomic tools have two main advantages that are very useful to have around – that is if you know about them and know how to use them and when. First, agronomic tools can most often respond quicker to a new or developing issue or need as plant breeding takes so long to produce a result, even with newer technologies. It is just the nature of plant breeding that involves a selection process through succeeding crosses and generations. Newer techniques can speed that up by taking it down to the cellular level for the selection process, but it still takes time to get through the registration process which is designed to ultimately protect your investment when choosing a variety to grow. Current or developing concerns often will simply not wait for plant breeding to resolve the issue. Thus, an interim measure to be available via an "agronomic tool-box" is usually what is needed long before plant breeding can partially or wholly resolve an issue.



Secondly, agronomic tools, if available and understood how to apply them, are not only most often more immediately available, but are tools that are under the control of the producers themselves. Therefore, this conference will attempt to bring a blend of concepts from both plant breeding advancements as well as agronomic advice via current cereal research results.

Similarly, this conference will bring a blend of longer term investigations as well as more immediate results or findings. Great things are happening in cereal research, some have immediate implications and others are further down the road, but all will affect our industry and help it to prosper here in Alberta.

Presented by



Alberta Barley

Cereals Innovation Symposium

Join Us

January 10 & 11, 2018

Sheraton Hotel, Red Deer, AB

Welcome Reception starts at 5:00 p.m.

Hear from some of Canada's best in cereal science and technology including our keynote speakers:



Cam Dahl, President of Cereals Canada

Cam's macro perspective on the national cereals' value chain and extensive agriculture industry experience is a welcomed addition.



Curtis Pozniak, Professor at University of Saskatchewan

Curtis's work in wheat breeding and genetics has attracted over \$40 million in funding from various sources and he has authored or co-authored over 50 scientific manuscripts in the industry, making him one not to miss this January.

Learn more and register at albertawheat.com



Final details of the event are still under development, but it is an event cereal producers and agronomists alike are not going to want to miss, so mark your calendars now for January 10 and 11 in Red Deer Alberta and watch and listen for more details to be announced later this season on www.albertawheat.com. Hope to see you all there!



Great wheat starts with great roots: New crop missions

Brenna Mahoney, Director of Communications and Stakeholder Relations | Cereals Canada



While each growing season in Western Canada tells a unique story, the underlying theme remains the same from year to year: Great wheat starts with great roots. These roots extend from farmers' fields throughout the grain industry value chain dedicated to providing Canadian customers with excellence and expertise in quality assurance and customer care and service.

The annual New Crop Missions is one of the services Canada provides to our customers. The 2017 edition of the missions runs for seven weeks from the beginning of November to mid-December. The missions include customer sessions held in 18 countries in Canada, Asia, Latin America, Europe, Mid-East, North Africa and West Africa.

The New Crop Missions are a collaborative commitment made by the Canadian value chain. Missions include farmers, exporters, Canadian Grain Commission (CGC), Canadian International Grains Institute (Cigi), and Cereals Canada. We present a united Canadian message to customers in North America and off shore.

Cigi and CGC provide unbiased technical information on the grading factors and the technical milling, baking, and pasta and noodle-making properties. Canadian farmers from Alberta, Saskatchewan and Manitoba, are able to speak to best management practices that allow them to consistently deliver high quality grain that is sustainably produced. Most importantly they are able to draw lines from the combine, right to the customer, directly

showing that Canadian farmers are invested in what is beyond their farm gate. The Saskatchewan Ministry of Agriculture has been strongly supportive of the new crop missions, for the past three years underwriting the cost of participation by a Saskatchewan farmer.

Meeting a producer, seeing and hearing how the wheat they are buying is grown, stored and delivered, are essential parts of our customers' need for information in a competitive global marketplace where consumers are increasingly demanding more information about the origin of their food.

The missions are also an opportunity for customers to bring up concerns directly with the Canadian value chain. The messages from customers feed directly back to Canada. For example, customers' needs are included in the wheat research priority setting process led by Cereals Canada and Agriculture and Agri-Food Canada. Questions about production and storage practices feed directly into the messages delivered in the *Keep it Clean - Cereals* program. Together, the value chain is building on natural Canadian advantages, like clean air, clean water and clean land, to consistently deliver wheat that is of the highest quality in the world.



AWC directors Kevin Auch and Greg Porozni along with AWC Business Development and Markets Manager, Geoff Backman, will be representing Alberta wheat farmers on this year's new crop missions.

Advancing FHB Policy in Alberta

Erin Gowriluk, Government Relations and Policy Manager | Alberta Wheat Commission

In 1999, *Fusarium graminearum* (Fg), the most aggressive of the *Fusarium* species causing Fusarium Head Blight, was added as a declared pest to Alberta's Agricultural Pest Act. Sect. 22.c of the Act states that "No person shall... (c) for propagation purposes acquire, sell, distribute or use any seed, root, tuber or other vegetable material containing a pest."

Since that time, the province's zero tolerance policy has proven to be a very contentious topic. In 2014 Private Members Bill 201 was introduced in the Alberta Legislature which proposed the establishment of a tolerance level of 0.5 per cent in Alberta seed and livestock feed. In response to that Bill AWC made a submission to the Standing Committee on Resource Stewardship. AWC advocated for the adoption of a regional approach to FHB policy (like many other groups at the time) stating that we would support "a tolerance level of up to five per cent, combined with Best Management Practices (BMPs), in areas where Fusarium is commonly found." And in areas where FHB was "not commonly found" AWC would encourage municipalities to set their own tolerance levels while promoting the adoption of best management practices aimed at prevention.

The Bill sparked considerable debate and in the end, Bill 201 died on the order paper. The issue

has not been revisited by the government since. In response to a resolution that was passed at AWC's Annual General Meeting to see Fg removed from Alberta's Pest Act, AWC formed an industry-led working group to initiate the discussion once again. In addition to AWC, the working group's membership includes: Alberta Barley, Alberta Seed Processors, Alberta Seed Growers, Canadian Seed Trade Association, SeCan, Rahr Malting and Canada Malting Co. Limited. All working group members are interested in re-opening the discussions with government and other industry partners as a means to effectively change the current zero tolerance level. The working group met with Agriculture Minister Oniel Carlier and Deputy Minister Bev Yee on August 30th, 2017 at which time the Deputy Minister indicated that they are going to launch public consultations on the matter this fall.

According to a paper entitled "Farm-Level and Regional Economic Impact of Fusarium in Alberta" released in 2015 by Alberta Agriculture and Forestry, economic losses for individual farmers in Alberta due to Fg could range from \$48 to \$87/acre based on mean grain pricing in 2012. This paper also indicated that between 2004-2012, economic losses for the province of Alberta were estimated to reach \$21 million.



The zero tolerance policy established in 1999 was intended to slow the spread of Fg across the province of Alberta. And while at one time this mitigation strategy may have been effective, we see a significant increase in the presence of Fg across Alberta from the east. Producers in many parts of the province are growing increasingly frustrated with the impact that the province's zero tolerance policy citing that it curtails advancement in disease management and mitigation.



AWC will continue to advocate for change, working alongside our industry partners as part of Working Group, encouraging government to keep the discussion going and working towards a solution that works for our members across the province.

Wheat Outlook – October 2017

Greg Kostal, Owner | Kostal Ag Consulting

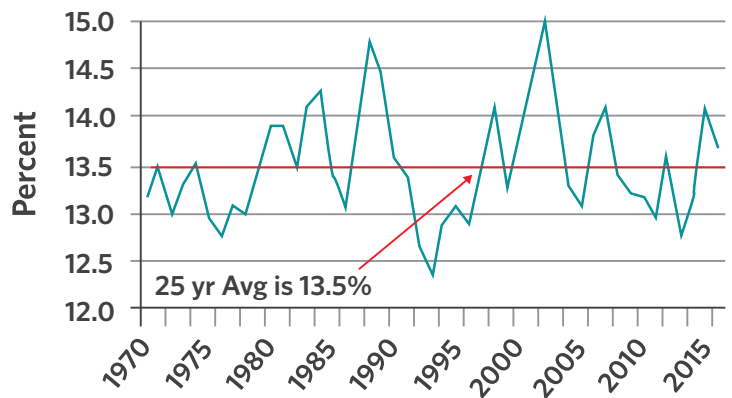
Wheat prices have been on a price roller coaster since spring. Three core developments have evolved since. First, is a benign U.S. growing season. Successive crop estimates from United States Department of Agriculture (USDA) reveal imperfection but outcomes and supply-demand statistics that sustain the theme of large inventory, both in the U.S. and the world. This fosters sentiment that adversity during a subsequent crop cycle is required to fan a higher price trend.

Second is confirmation that Russia is harvesting a record size crop, one that should top 80 million metric tonnes (MMT). The main wheat type that Russia exports is Hard Red Winter (HRW) 12.5% protein, similar to the U.S. HRW 11% benchmark. This means Russia's 17/18 wheat export forecast should be capped by logistical capacity. Russian grain export capacity is believed to be about 40-45 MMT, of which 8-10 MMT should be barley & corn. If Russia can export about 35 MMT of wheat, then flat price outcome isn't more negative, rather serves to anchor a cheap wheat choice for importers for all of 17/18. This means a buyer's-market and more of a grinding world price trend. It also means Russia would have a large wheat carry out, a cushion of supply that keeps the process extended into early 18/19.

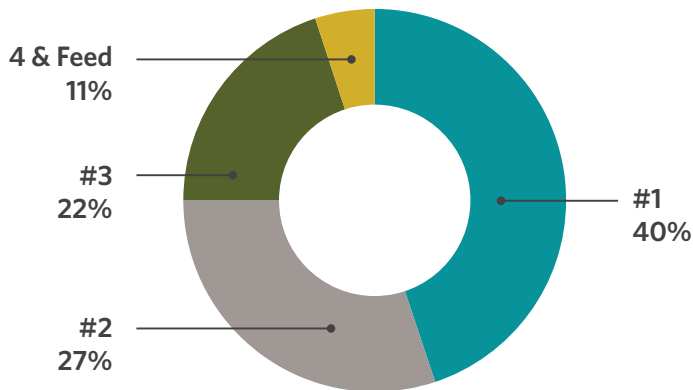
Third is a shift in North American spring wheat production perception, one that went from concern to status of "it is what it is" in the U.S., and growing confidence that Canada's yield is better than expected as harvest moves northerly. There is corresponding optimism that Canada Western Red Spring (CWRS) quality ends up better than normal. Last year, 20-25% of the crop graded feed (25 year average is 11%). In the last 10 years, 5 have produced a feed outcome of 6% of less. For each 1% variance in quality, the change to spring wheat milling supply is about 175,000 metric tonnes. The combination of which helps fix the spring wheat imbalance.

Much of Canada's spring wheat that was sold for export purposes earlier this year for shipment early autumn was largely based on a 13.5% protein specification. Since that is what the elevator system needs early amid perception of elevated lower protein supply, protein spreads are currently wide. Protein is one of the easiest wheat attributes to blend to desired quality specification, so would anticipate protein spreads being widest at harvest and narrow later crop year. This would generally favour delivering higher protein sooner because once previously sold commitments get filled and dynamics change to establishing value on replacement, spreads should narrow.

Average Protein Levels of 1 CWRS



CWRS Quality Distribution 25 Year Average



Lower Protein: Preliminary indications suggest that Canada's 17/18 average protein levels are poised to be lower than normal which makes sense as larger yields tend to correlate with a lower protein outcome. The 25 year average protein for 1 CWRS is 13.5%. Spring wheat's primary discretionary demand was to blend with other cheaper wheat classes to attain a desired protein.

Feed and Domestic: A higher quality 2017 harvest should enable Western Canada to clean up most of the poorer quality wheat that was carried over from the 2016 growing season. Mid quality and lower protein domestic wheat prices (feed or ethanol) are apt to be competitive against export offerings in some locals, particularly in deficit regions of southern prairies. Otherwise, lack of supply-push pricing from what was a poor quality 2016 wheat crop should enable barley to recapture the majority of the domestic feeding pie.

Summary: The cash wheat price grid at elevators is progressively moving into a carry (example 50 cts/bu premium when comparing March delivery versus spot), yet Minneapolis spring wheat futures grid is flat. That typically is a weak market signal as the elevator system is getting enough wheat and is widening basis to moderate and reshuffle delivery of right quality and protein to the right month.

The wheat outlook looks to follow a pattern of past few years in that price optimism requires kicking the hope-can down the calendar in search of a subsequent yield wreck. In that regard, we'll be keeping an eye on Australia that is currently experiencing imperfection. Think of traditional larger wheat situation years. Random 50-75 ct/bu wheat rallies occur but where the general theme is that higher priced deferred delivery slots lose carry throughout the year. With food use largely stagnant, outside of feeding more, the only other demand expanding factor is to find a price that incentivizes storage. Within the confines of that global structure, come pricing opportunities and specials that depend on quality, location and grain buyer. In the meantime (this story written Sept 15), market is still adjusting to larger than expected supply of spring wheat, which means price is still in search of a bottom outright and in relation to much cheaper competing classes of wheat like Hard Red Winter.





Tax changes for farmers

How proposed changes may impact your operations



On July 18, 2017 the Minister of Finance released draft income tax legislation and explanatory notes to improve the fairness in the tax system. These proposed changes can have significant effects on you and your family farm, whether you farm as a proprietorship, a partnership, in a corporation, or have a family trust established. Below are answers to commonly asked questions in relation to the proposed changes and how they could impact you as a farmer.

Did Finance get rid of the \$1 million capital gains deduction available to farmers?

Finance did not change the rules relating to the disposal of qualified farm property in relation to a farmer's capital gains deduction but are proposing limits on how much deduction can be used in certain situations (see discussion below). The tests required to determine if the sale of qualified farm property (such as farmland or an interest in a family farm partnership or shares of a family farm corporation) qualify for the purposes of a farmer using his/her capital gains deduction on the disposal of the asset has remained the same.

I hear that I cannot sell farm assets to my family farm corporation anymore. Is this true?

In the proposed legislation there is a very broad anti-avoidance provision that could negatively impact this type of transaction (for example, incorporating your farm or transferring land to your farm corporation). If you are contemplating this type of transaction please talk to your advisor to determine if there will be an issue.

I hear that the Department of Finance changed the capital gains deduction so my spouse and/or children can no longer use it on farmland they own or their shares of our family farm corporation. Is this true?

The rules have changed regarding certain individuals and their ability to use their capital gains deduction.

Children under the age of 18 (minors) will no longer be able to use their capital gains deduction on the disposal of qualified farm property, including the interest in a family farm

partnership or his/her shares of a family farm corporation. This is regardless of the individual's contribution.

Any individual over the age of 18 who disposes of qualified farm property or his/her shares of a family farm corporation cannot use their capital gains deduction on the portion of the gain that accrued when they were under the age of 18.

Finally, any individual who is subject to the Tax on Split Income ("TOSI", described below) in relation to the qualified farm property or his/her shares of a family farm corporation cannot use their capital gains deduction on the disposal. This is regardless of the age of the individual.

I have heard the rules relating to my family trust have also changed. Is this true?

The proposed changes, as released by the Department of Finance, will work so a trust can no longer designate net taxable capital gains resulting from the disposition of qualified farm property or shares of a family farm corporation out to its beneficiaries so they can claim their capital gains deduction.

Are there any transitional rules that can I can take advantage of now?

There are some options available for you and certain family members in 2018. As with the changes to the capital gains deduction, these rules are subject to age restrictions.

If you are interested in exploring these options, please talk to your advisor about the advantages and disadvantages as they relate to you and your family's specific situation.

In 2017, an individual can sell their shares of a family farm corporation and/or their qualified farm property (i.e. farmland, an interest in a family farm partnership) to a third party.

In 2017, an internal reorganization of your family farm corporation can be used to “crystalize” your capital gains deduction by triggering a gain that can be offset using his/her capital gains deduction.

In 2017, a family trust could elect to transfer the property it owns to its beneficiaries. Again, this option is not available for children under the age of 18. There may be reasons on why you may not want the family trust to distribute out property to its beneficiaries (i.e. creditor protection), so if you believe this is an option you would like to discuss more, contact your advisor.

In 2018, certain trusts can elect to dispose of and immediately reacquire its property, triggering a gain that can be allocated out to the beneficiaries so they can use their capital gains deduction. This is only available for personal trusts (i.e. alter ego trust, spousal trusts) or employee share ownership trusts, and is not available for family trusts. The rules involving this election are fairly complex, so if you believe you have a trust that would qualify for the election, speak with your advisor.

In 2018, an individual can elect to dispose of and immediately reacquire his/her shares of a family farm corporation and/or qualified farm property (i.e. farmland or an interest in a family farm partnership), triggering a gain that can be offset using his/her capital gains deduction. This option is not available for children under the age of 18 at the end of 2018.

What is TOSI?

TOSI, or Tax on Split Income, is a set of newly proposed rules that may impact your ability to split income amongst your family members to take advantage of your family's lower tax brackets. TOSI taxes the income earned at the highest personal tax rate.

Does TOSI affect everyone alike?

TOSI affects different age groups differently.

Under 18 – Any income earned in relation to the list below will be subject to the TOSI rules.

Ages 18 – 24 – Any income earned in relation to the list below will be subject to a reasonability test to determine if the TOSI rules apply. Additionally, if the income is subject to the TOSI rules and the individual reinvests this income to earn secondary income, this secondary income will also be subject to TOSI.

Ages 25+ – Any income earned in relation to the list below will be subject to a reasonability test to determine if the TOSI rules apply. This reasonability test is not as stringent as the one applied to individuals aged 18 – 24.

What types of income does TOSI apply to?

Under the proposed rules TOSI could apply to the following:

- Interest income earned by an individual on amounts loaned to a family farm corporation and/or unincorporated farming operations involving certain family members.

- The taxable portion of capital gains on all dispositions of shares of a family farm corporation, an interest in a family farm partnership, and/or qualified farm property.
- Dividend income earned from a family farm corporation.
- Income earned from a family farm partnership.
- Certain shareholder benefits.
- Income distributed from a family trust where the income was derived from property owned by or services provided by related individuals.

What is the reasonability test individuals aged 18 – 24 are subject to in relation to TOSI?

The reasonability test individuals ages 18 – 24 are subject to in relation to TOSI looks at the individual's:

- Contributed labour,
- Capital contribution,
- Risk assumption, and
- The total amounts previously paid or payable, directly or indirectly.

Additionally, the individual must be engaged in the business on a regular and continuous basis.

What is the reasonability test individuals aged 25 and older are subject to in relation to TOSI?

The reasonability test individuals aged 25 and older are subject to in relation to TOSI looks at the individual's:

- Contributed labour,
- Capital contribution,
- Risk assumption, and
- The total amounts previously paid or payable, directly or indirectly.
- There is no additional requirement for the individual to be engaged in a regular and continuous basis is in the test applied to individuals aged 18 – 24.

If the draft legislation is approved, when will the TOSI rules apply?

The TOSI rules will be applicable starting January 1, 2018.

I hear Finance is changing the rules relating to the income my corporation is earning on its GIC. Is this true?

Currently, Finance has released information stating that they are looking at changing how passive income, such as interest income and rental income, is taxed in a corporation. The idea is that for every \$100 of passive income a corporation earns, the corporation has \$73 - \$86 available after-tax to reinvest as compared to an employee who would only have \$50 available after-tax to reinvest.

At the current time, Finance has not released draft legislation relating to these proposed changes, and has instead stated that it is considering changing current taxation policies to account for this. Since there is no draft legislation, it is not currently known if these proposed changes will impact things like AgriInvest income, rental income earned from renting farmland, seismic payments, and oil and gas income.

Can I still roll my family farm down to the next generation?

Yes, you can still roll your qualified farm property down to the next generation. The draft legislation did not change any of the inter-vivos or testamentary rollover rules available to farmers and their families.

I am in the process of implementing an estate plan to bring in my spouse and/or children as shareholders of my company. Should I continue with my plan given the changes that are proposed?

You should discuss your estate plan with your advisor and understand how the proposed rules could impact things. Based on this, you will be better informed on whether you should continue with your plan or if it should be revised to account for the proposed changes.

I am in the process of implementing an estate plan using a family trust as a means of transitioning my farm down to my children. Should I continue with my plan given the changes that are proposed?

You should discuss your estate plan with your advisor and understand how the proposed rules could impact things. Trusts can still be a valuable estate planning tool, even in light of the proposed tax changes and resulting implications but may no longer be appropriate for your situation.

If you would like to know more about these proposed changes or how they may impact your family farm corporation, speak with your advisor.

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Take an active role in leading the wheat industry forward



Alberta Wheat Commission (AWC) has two director and three regional representative positions open in regions 2 and 4 this year.

The Alberta Wheat Commission's board of directors and regional representatives are an elected group of farmers who represent grower interests in each of our five regions across Alberta. Our board and regional reps work closely with our management team throughout the year to lead AWC initiatives with the end goal of increasing long-term profitability for Alberta's wheat farmers. These positions are a great way to take an active role in leading the wheat industry forward.

AWC is encouraging growers who are interested in taking on these roles to fill out the nomination package that was mailed to regions 2 and 4 in September. Nomination packages are also available on albertawheat.com. Nominations must be received at the AWC office by Oct. 31, 2017, at 4 p.m.

Elections will take place at the region 2 meeting on Nov. 15 in Acme and the region 4 meeting on Nov. 23 in Viking.

We encourage farmers interested in these positions to visit albertawheat.com to learn more about each of these roles.



Visit albertawheat.com or call our office at **403-717-3711** for more information on our election process.



AWC Chairman brings Alberta perspective to Ottawa

Erin Gowriluk, Government Relations and Policy Manager | Alberta Wheat Commission

The Alberta Wheat Commission's Chairman, Kevin Auch was invited to testify before the House of Commons Standing Committee on Transport, Infrastructure and Committees in Ottawa on Tuesday, September 12, 2017. AWC has been actively engaged in this file since its inception in 2012. Working with our industry partners as a member of the Crops Logistics Working Group (CLWG), AWC pressured the government to address the grain transportation crisis in 2013-14, which culminated in the temporary provisions outlined in Bill C-30: *The Fair Rail for Grain Farmers Act*. The Commission continued to urge the government for meaningful long-term legislation when it participated in several government-led consultations leading up to the development of what is commonly referred to as the "Emerson Report." The focus of the Commission's message has always been around the importance of ensuring commercial accountability, to be achieved most effectively through the inclusion of reciprocal penalties in Service Level Agreements.

When he appeared before the Committee on September 12, Auch commended the government for their inclusion of reciprocal penalties in Bill C-49, The Transportation Modernization Act, and encouraged them to consider the amendments put forward by the CLWG to improve the proposed "enhanced interswitching" provisions.

While in Ottawa, Auch, along with Tom Steve, AWC's General Manager, and Erin Gowriluk, Government Relations and Policy Manager, took the opportunity to be the first farm group to meet with the Department of Finance and the Prime Minister's Office on the highly controversial proposed changes to tax planning using private corporations. The team demonstrated the farm level impacts of the proposed changes, highlighting how they would negatively impact a farm families' ability to pass down the operation to the next generation without incurring a massive tax bill as well as their ability to convert capital into income for the retiring farmer. Auch also pointed out that the proposed changes will impede farmers' ability to save up funds in the corporation to purchase new equipment or farmland as well as the ability to spread income across contributing family members. The government consultation period ran over harvest, closing on October 2, 2017.

While in Ottawa, AWC took time to follow up on a number of other important policy files including the proposed elimination of cash ticket deferrals, NAFTA, the Trans-Pacific Partnership 11 and the potential for a bi-lateral agreement with China.

The consultations with respect to cash ticket deferrals closed this past July. According to Agriculture and Agri-Food Canada, their ministry is currently conducting an impact analysis to better determine how the industry would be impacted if they chose to eliminate this income balancing tool. Their decision is expected later this year. AWC made a submission as part of the formal consultation and continues to encourage the government to continue to make this important tool in place for farmers.

NAFTA re-negotiations are still underway with the third round to take place in Ottawa September 23 - 27. AWC had an opportunity to sit down with Brian Clow, the Director of Canada - U.S. Relations in the Prime Minister's Office, where we stressed the importance of maintaining free and open trade with our most important partner. To facilitate this, AWC continues to advocate for the reduction or removal of all tariff and non-tariff trade barriers on all agricultural commodities.

The TPP 11 (original agreement minus the U.S.) seems to have a renewed interest in pursuing a multi-lateral agreement. As such, AWC encouraged the government to ratify the agreement as soon as possible in order to expand access to key wheat export markets as well as emerging markets that are seeing rapid population and income growth.



TEAMALBERTA

AWC returns to Ottawa in November as part of the Team Alberta (AB Canola, Barley, Pulse and Wheat Commissions) to provide policy makers with a western Canadian perspective on these important national issues.

"The focus of the Commission's message has always been around the importance of ensuring commercial accountability, to be achieved most effectively through the inclusion of reciprocal penalties in Service Level Agreements."

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All meetings will take place from 8:30 a.m. - 3:30 p.m.

Date	Location	Organizations & Regions	Venue
Oct. 26, 2017	Medicine Hat	Alberta Barley Region 1	Medicine Hat Exhibition & Stampede (Farming Smarter Cypress Conference)
Nov. 15, 2017	Acme	Alberta Wheat Commission Region 2 Albera Barley Region 2	Acme Memorial Centre
Nov. 16, 2017	Lacombe	Alberta Wheat Commission Region 3 Alberta Barley Region 3 Alberta Pulse Growers Zone 2	Lacombe Memorial Centre
Nov. 21, 2017	Grande Prairie	Alberta Wheat Commission Region 5 Alberta Barley Region 6 Alberta Pulse Growers Zone 4	Grande Prairie Pomeroy Hotel
Nov. 22, 2017	Westlock	Alberta Wheat Commission Region 5 Alberta Barley Region 5 Alberta Pulse Growers Zone 3	Westlock & District Community Hall
Nov. 23, 2017	Viking	Alberta Wheat Commission Region 4 Alberta Barley Region 4 Alberta Pulse Growers Zone 5	Viking Carena Complex
Dec. 4, 2017	Taber	Alberta Pulse Growers Zone 1	Taber Heritage Inn
Dec. 6, 2017	Lethbridge	Alberta Wheat Commission Region 1	Lethbridge Exhibition Park (Farming Smarter Conference)

Attend the Next Level Farming event in your region or zone to vote in elections and on resolutions.



**Alberta
Barley**




NEFP Summit 2017: Looking ahead to a producer-driven, national sustainability standard

Victoria Russell, Interim Communications Manager | Alberta Wheat Commission

Farmers and ranchers across the country are using the Environmental Farm Plan (EFP) as an action plan for continuous improvement and ensuring the long-term environmental sustainability of their land and business. Over its lifespan of more than 20 years, the EFP has proven its success and built credibility within the agricultural community. In parallel, it has attracted several major agri-food end users who have since implemented it as the environmental component in sector-specific sustainability programs.

Building on the EFP's momentum, in November 2016, stakeholders from across the agri-food value chain came together at the first-ever National EFP (NEFP) Summit in Ottawa to determine the level of interest, and a path forward for harmonizing the EFP programs as an outcomes-based, national standard.

 The summit wrapped up with a live poll that asked the audience whether they support moving forward with the NEFP harmonization effort to which an overwhelming 91% of attendees answered "yes."

Following the 2016 NEFP Summit, agri-food stakeholders from farm to fork – including AWC – volunteered to serve on a steering committee to drive this process forward. NEFP will not be a replacement program for EFP. Rather, the NEFP will consist of a set of core, outcomes-based indicators which producers would automatically achieve by completing their regional, practice-based EFP program. This model builds on one of the EFP's greatest strengths in that through provincial and territorial delivery, NEFP can still respond to the variety of regional agricultural and environmental realities inherent to our

vast country. And for major end-users, NEFP's outcome-based indicators will create a consistent standard regardless of where in Canada they source their products.

Similar to last year, AWC is taking a leading role in putting on the summit in 2017. Our participation is grounded in the fact that an initiative like this – while involving the entire agri-food value chain – must be shaped by producers, for producers. The EFP, and in-turn, NEFP is a readiness tool that can help farmers strengthen their operation and has the potential to bolster market access opportunities. And as such, it has the potential to become Canada's environmental sustainability solution.

Looking ahead, this year's NEFP Summit will take place once on November 2 in Ottawa with a reception on the evening of November 1. Participants will hear from the NEFP steering committee and standing committees in place to develop NEFP practices regarding data collection management, verification/assurance and standards, all of which are being supported by comprehensive communications as an on-going mechanism to collect feedback. Attendees will also hear from industry experts who will lay the foundation for meaningful conversation and valued input from stakeholders. The complete agenda is available on the NEFP website at www.nationalefp.ca.

“Over its lifespan of more than 20 years, the EFP has proven its success and built credibility within the agricultural community.”



Contact Us

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Upcoming Events

Event

November 8 - 11	AgriTrade	Red Deer, AB
November 15	AWC Region 2: Next Level Farming	Acme, AB
November 16	AWC Region 3: Next Level Farming	Lacombe, AB
November 21	AWC Region 5: Next Level Farming	Grande Prairie, AB
November 22	AWC Region 5: Next Level Farming	Westlock, AB
November 23	AWC Region 4: Next Level Farming	Viking, AB
December 6	AWC Region 1: Next Level Farming at Farming Smarter Conference	Lethbridge, AB
January 31	AWC AGM at FarmTech	Edmonton, AB



Visit albertawheat.com for more information on upcoming events, and to learn about the great work our team is doing.

Cleaning House

AWC recently cleaned up our mailing list to cut back on members receiving duplicate copies of Wheat's up. Please contact us at info@albertawheat.com or 403-219-7902 if you are still receiving multiple copies, or if you or someone you know did not receive a copy.