



Australian Agribusiness Group:

Tuesday 14 February 2006

## Media Release

# Agribusiness Commissions "Too High"

The Australian Agribusiness Group's (AAG) Managing Director Marcus Elgin today said that commissions for agribusiness projects are currently too high and may be damaging to the long term interests of the industry.

"Agribusiness commissions are substantially higher than for other investment products", Elgin said. "Today, commissions of 10% to 15% plus rebates for marketing activities are common, figures which and are simply too high".

Commissions are paid by the promoters of the investments to financial planners meaning investors do not directly pay them out of their own pocket. However, commissions are built into the initial cost of the investment so investors are paying the commissions indirectly, some without realising it.

"High commissions are a cost to investors, a cost to the managers of these investments and are essentially holding the industry back from maturing into a mainstream asset class. High commissions for some investments may have the potential to impact on the advice provided by some financial planners" Tim Lee Executive Manager at AAG said. "Some financial planners rebate all or part of the commission to their clients, and we would encourage this to continue based on the high rates currently being paid".

A reduction in commissions from 10% to 5% for a typical woodchip project, for example, would increase the internal rate of return to that project by between 0.5% and 1.0%. "While this may not seem a lot," said Mr Lee "the compounding effects of this over a long term project can mean big differences in cash returns".

A reduction in commission rates would be good for investors, good for investment managers, good for the industry as a whole and potentially improve the standard of advice given. AAG would like to see commissions come down to around 5% within the next two years and believes this is a manageable and achievable goal.

-- ENDS --

For further information contact:

Marcus Elgin (Managing Director) or Tim Lee (Executive Manager)  
Australian Agribusiness Group  
Level 7, 99 Queen Street  
Melbourne Vic 3000  
Tel: (03) 9602-6500  
Fax: (03) 9642-8824  
Email: [info@ausagrigrp.com.au](mailto:info@ausagrigrp.com.au)