



Australian Agribusiness Group

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MEDIA RELEASE

IMMEDIATE USE

## Time for some MIS facts

Australian Agribusiness Group (AAG) has been researching and rating agricultural investments, including Managed Investment Schemes, since 2000 - longer than any other research business. AAG also operates a consulting practice and manages a substantial portfolio (over \$350m) of agricultural assets Australia wide. AAG knows MIS, and we know Australian agriculture. We have no illusions about either.

AAG produces an annual survey of fund inflows into the MIS sector. This survey is the only credible source of data, as it has enjoyed near 100% response rates from industry. This data is used by industry and Government as the source of hard facts.

In this media release, we seek to correct some of the misinformation which on repetition has become accepted as fact.

1. The last five years (FY 2004 to FY 2008) have been the biggest years for MIS investment.
2. Total investment in that time has been \$5.048 billion (\$3,346m to Timber (various types), \$912m to permanent plantings (almonds, olives etc), \$320m to viticulture, \$470m to "other" such as cattle, grains)
3. In this period, this investment has established 426,099 ha of trees, 27,468 ha of permanent plantings, 4,627 ha of viticultural plantings.
4. The sector employs more than 2,300 persons directly, and over 3,100 on a contract basis.
5. The total tax deductions resulting from the above investment are estimated at \$2,242m.
6. Total future revenues expected to be generated from these projects over their project lifetime was estimated at their outset at \$25.581b. Even allowing for significant non performance, this substantially exceeds either the investment made, or the tax deductions.
7. The implied tax revenue which would be collected from INVESTORS on

their project income is estimated at \$11.895b, substantially more than the tax deductions claimed. This EXCLUDES Payroll tax, Company tax, PAYG from employees, and GST revenue.

8. Claims of 10% commissions driving sales can be misleading: in a Managed Fund, charging just 2% upfront and a 0.5% trail fee, assuming a 7% growth in the investment and a 7% discount rate, the total commissions earned would be greater than those paid in an MIS investment after 16 years. Other than short rotation tree investments, most MIS investments have a term of at least 16 years, and up to 28 years.
9. MIS do not "steal" water from family farms, or extract water from the Murray Darling Basin illegally or unfairly. In order to get water for MIS, promoters have to buy their water from sellers - other users - including family farms who are paid for the water, either for annual or permanent use. Similarly, MIS buy land from farmers on which to establish their projects. Many "family farmers" have been the beneficiaries of such purchases by MIS manager.
10. MIS is "tax effective" as investors get a tax deduction on their investment for up to 100% of that investment. Superannuation is also tax effective, as is owning a capital gains tax exempt private home, negative gearing of investment property and the Farm Management Deposit arrangement available to farmers only.

"There is no doubt that Timbercorp and Great Southern going into administration will cause losses and pain - to shareholders, unsecured creditors, investors and probably the bankers" AAG Executive Chairman Marcus Elgin said:

"The projects themselves are not necessarily finished with no hope of recovery. After all, the trees are worth more today than last week, and they will be worth more in 6 months too. There is a value proposition out there, and a process to be resolved. With commercial, common sense and intelligent action, it is not impossible to see investors at least recover some of their funds over time."

"This sector is not all bad, it is not all "tax driven" and it is not just a massive rort" AAG Director Tim Lee said, "Certainly, there are some parts that could have been managed better, such as the financing of the substantial expansion of this sector over the last three years. But all investment, and all business activity involves risk. Sometimes that risk leads to business failure: that is a fact of life if you want a return."

AAG looks forward to the resolution of the assets of these companies, and to a future where MIS provides more certainty of ownership and control, interfacing more strongly with other parts of Australia's dynamic agribusiness sector.

**ENDS**

**More Information:**

The Australian Agribusiness Group provides leading expertise in research, investment management and agribusiness consulting nationally. For more information about AAG please visit [www.ausagrigrp.com.au](http://www.ausagrigrp.com.au), or contact:

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