



McCain Foods (Aust) Pty Ltd

(ABN 96 000 629 587)

P.O. Box 105 Wendouree VIC 3355

Telephone: (03) 5339 2241 Fax: (03) 5338 1007

8th August 2005

ALLAN HANSARD
Manager – Plantation Taxation Review
Forests Branch
Department of Agriculture, Fisheries & Forestry

RE: PLANTATION TAXATION REVIEW

McCain Australia is a member of the McCain group of companies, which combine to make up the largest producer of french fries in the world. The group has 55 processing plants on 4 continents, exporting to more than 80 countries. McCain is continually investing millions of dollars globally in its quest for continual improvement and the maintenance of its competitive market position. In terms of agriculture McCain employs over 100 agronomists and potato specialists around the world. We offer technical assistance to potato growers to improve the method and efficiency of growing processing potatoes, this in turn leads to a more efficient use of natural resources such as land and water.

McCain is no stranger to competition and is certainly not anti forestry, we believe that horticulture, broad acre agriculture and forestry can coexist within regional areas. In competing for resources, in particular land resources, the difficulty arises if one competitor is given an unfair advantage through government regulation such as taxation. In an increasing global market where trade barriers are being removed it has never been more important, that we don't have any internal trade barriers such as government regulation, which favours one industry above others.

Any review of taxation in regard to plantation forestry should ask the question, is this a viable stand-alone industry, or does it survive on the tax dollar alone. If the plantation timber industry needs favourable tax policies to attract investment, is the industry truly viable. Incentives should be given to value adding, manufacturing and export infrastructure, but not on the primary industry side of the equation. This industry is a high volume low value product, which requires a huge amount of infrastructure to transport the wood chip to the ports or manufacturing centres. This also requires the expenditure of significant tax dollars, a high proportion of this cost will fall at local government level, just another burden for the rate payer.

Historically the plantation industry and in particular the blue gums have received significant tax advantages allowing such companies to pay above market prices for resources such as land, which in turn discriminates against other land users such as broad acre agriculture and horticulture. In limited cases where forestry has been returned to intensive agriculture, the return to the investor has been higher. Food produced for human consumption has a higher value than most industrial raw material, such as wood chips. In regard to both horticulture and broad acre agriculture the better the land quality then generally the better the saleable product. Like most commodities in a competitive market there are limited opportunities for poor quality produce.

To take an environmental point of view, areas of land with issues such as salinity, badly in need of revegetation, or such terrain which is not easily used by alternate industries, then there is a clear environmental advantage to vegetate such areas. Then clear and favourable taxation incentives should be given to such undertakings along the lines of providing a long-term potential environmental and economic return. Perhaps a graduated taxation model, which increases as per the degree of difficulty of the land quality being utilized, this could also include distance from ports.

From a Water prospective, Australia is a country, which is desperately short of water, yet the plantation timber industry has historically been able to out bid irrigators for suitable land with suitable ground water. The impact of this is far reaching, with established plantations not only preventing rainfall from reaching and recharging the under ground aquifer, but these plantations actually tap into the water source and draw on the reserve. Plantations removing large amounts of ground water will over time increase the salinity levels of the ground water. Is this water wise, is this a good use of scarce resources for future generations.

The decisions made today impact on tomorrow a measure of success is if future generations can look back and say that was a good decision, those policy makers really did look at the total picture.

The Government policy over the years, has been to remove trade barriers, taxation could be such a trade barrier.

Yours sincerely

A.W. FORD
DIRECTOR OF AGRICULTURE