

11 Treave St

Cloverdale

W.A 6105

Review of Non-Forestry Managed Investment Schemes
Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

12th September 2008

Dear Madam/Sir,

I am writing in regard to the review that is currently being undertaken by your department into non forestry managed investment schemes (MIS).

I have been involved in the agricultural industry all my life being raised in a country town in Western Australia. I gained my tertiary education from Marcus Oldham Agricultural College graduating in 1974 with an honors diploma in farm management which was all that was available from the college at that time.

My consulting services as are utilized by the Great Southern Group of Companies as an independent expert for the olive projects. I have been consulting to the company for the last four years and have reported on all the companies olive projects in Western Australia.

Olive Projects

To date there are five organic olive projects in Western Australia, some totally organic while others contain areas that are farmed conventionally. These projects are for the production of organic extra virgin olive oil and conventionally farmed areas produce extra virgin olive oil.

The olive industry is a very new agricultural crop to Australia; true commercialization involving large scale plantings has only occurred in the last ten years. Up until that time very little knowledge was available regarding many of the agronomy parameters required to grow olive trees successfully. There have been many small scale olive groves in Australia for the last 100 years but much of the knowledge base in the past relating to olive tree growing was conflicting. In my experience it takes at least 15 years to consolidate a new knowledge base into agriculture.

The experience required to gain the agronomy skills to manage large scale olive groves would not have been acquired if MIS companies had not got behind the olive industry to fast track it into existence.

Capital Investment

The capital required to launch a commercial size organic olive oil industry would not have been found in the normal risk capital market as most investors viewed this type of investment as very high risk. If the added risk of farming organically is added into the production parameters.

I was contracted to consultant to a company that attempted to raise capital for such a project six years ago. The company failed to raise the capital necessary and the venture was sold.

Great Southern Managers Australia Ltd has subsequently purchased many other failing olive projects which have been under capitalized or have suffered from inexperienced management.

At the present time meat and wool producers are suffering from extremely low returns. Wool prices are currently at 1975 levels and beef prices well below production costs. I have many clients who have accumulated annual losses in excess of \$100,000. It is not possible in this economic environment for an average size farmer to produce a living for himself yet these same properties can be planted to olive trees, (when irrigation water is available), and then employ 6-8 people directly and the same number indirectly as contractors, consultants, administration and marketing staff .

It is through the injection of millions of dollars into these unviable properties via MIS projects that ongoing economic, social and environmental benefits can be accessed. Individual investors rarely have access to the volumes of dollars necessary to initiate this level change.

Stability

What is also required by the agricultural industry is stability. The future of regional Australia which has already suffered much as the result of droughts and low returns requires stable policy direction from government. The managed investment scheme industry has provided a great deal of employment to contractors, suppliers and consultants during development stages of projects and it also providing ongoing employment through the intensive management practices employed by the horticultural industry.

This ongoing employment is critical to the social and economic structure of small rural communities. It is important to note that it is the non forestry projects are providing the stability to small rural communities not the forestry projects. The forestry projects are having exactly the opposite effect which is why a balance is necessary between the two.

To change regulations is to create instability and I would strongly recommend the review committee carefully consider all the implication's any changes will have. To initiate a new agricultural industry requires a multi-million dollar investment of risk venture capital and the managed investment scheme is the perfect vehicle for this purpose.

Scale

The advantages "large scale" brings to an agricultural business can enable it to stay competitive in world markets.

Large scale properties can access good efficiencies in their operations but they require skilled people to manage those projects to the highest standard to enable the projected profits from those efficiencies to be realized. The people require training and a stable economic environment before they are prepared to dedicate themselves to an industry which will provide for their families during their lifetime. Olive trees have a productive life in excess of seventy years and so it is reasonable to expect people to become skilled in the industry in the knowledge that it will provide long term stability to their careers in this industry.

Summary

This company has continually demonstrated to me through its sound management decisions that it is committed to producing long term profits in agricultural businesses.

There are numerous advantages to agriculture, to rural communities and to the country as a whole from this type of investment. I believe that this avenue of investment should continue to be made available to those who would like to see new agricultural industry developed in this country.

I hope your review is favorable.

Ken Bailey DoFM (M.O.F.A.C) Hons

ABN 5809065601