



## Submission

### Review of Non-Forestry Managed Investment Schemes

12 September 2008

The National Association of Forest Industries (NAFI) appreciates the opportunity to provide a submission to the Review of Non-Forestry Managed Investment Schemes (MIS).

The preceding review of forestry MIS, which resulted in enactment of Division 394 of the *Income Tax Assessment Act 1997*, acknowledged that MIS investment in forestry had brought numerous economic, social and environmental benefits to many areas of rural and regional Australia.

NAFI believes this is also the case for MIS investment in agriculture and therefore this valuable instrument for economic growth should be continued.

Agriculture, like forestry, is the economic foundation of many of Australia's rural and regional areas. Agricultural industries in Australia provide 3 to 14 percent of employment in inland and remote Australia and represent 3% of GDP<sup>1</sup>.

Unfortunately, the agricultural sector faces continuing challenges such as international competition, drought, salinity and climate change, which have resulted in serious consequences for rural and regional communities and also the broader Australian economy.

In recent years the above mentioned factors have contributed to the decline of size and importance of the agricultural sector relative to the rest of the economy. These factors continue to influence the decision of farmers to relocate and leave behind their agricultural enterprises

The impact of these factors on rural and regional economies and communities has already been significant and these consequences are expected to continue<sup>2</sup>. The

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<sup>1</sup> Australia 2020 Summit. 2008. 'The Future of Rural and Regional Australia'.

[<http://www.australia2020.gov.au/topics/docs/rural.ppt#396,5,Slide 5>].

<sup>2</sup> Productivity Commission. 2008. 'Trends in Australian Agriculture'.

[<http://www.pc.gov.au/research/commissionresearch/agriculture>].

‘Australia State of the Environment’, report forecasts a decline of between 30 and 55 percent in farmer numbers by 2020<sup>3</sup>.

Attracting investment into rural and regional areas is an important factor in addressing economic decline in these regions. MIS has increased the attractiveness of investing in rural industries by spreading risk amongst numerous investors. MIS is increasingly delivering much needed funds to rural and regional regions, while simultaneously providing outcomes for investors.

The success of MIS has led to increasing interest in this method of investment. As noted in the Non-Forestry MIS – Issues Paper, investment in Non-Forestry MIS has almost tripled in three years, from \$160 million in 2004 to \$467 million in 2007.

Redirecting ‘city’ money into the ‘bush’ has created a number of positive outcomes. New agricultural MIS projects provide farmers with previously unavailable options to lease or sell their land to MIS companies if they want to move out of the industry.

Additionally, MIS provides much needed investment for existing or new land users to reach sufficient scale to be competitive in domestic and international markets. As such, MIS projects support the retention of employment in these locations, and often increase available opportunities.

Another outcome of MIS developments has been the creation of new industry in regions previously underutilised for agricultural products.

This increased investment has enabled services like bank branches and infrastructure such as health care and education to be maintained and developed, hence revitalising rural and regional communities.

As MIS has successfully provided a solution to some of the issues facing Australia’s rural and regional communities, NAFI views MIS to be contributing to traditional agricultural land use.

NAFI encourages continuation of forestry and non-forestry MIS systems as a valuable means of injecting investment back into rural and regional areas.

NAFI appreciates the opportunity to provide a submission to the Review of Non-Forestry Managed Investment Schemes and would be willing to provide any additional information to Treasury as part of this review.

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<sup>3</sup> Department of the Environment, Water, Heritage and the Arts. 2006. ‘Australia State of the Environment 2006.’ [<http://www.environment.gov.au/soe/2006/publications/report/human-settlements-1.html>].