



Strawberries Australia Inc.

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

Dear Sirs

In view of the governments decision to seek input to "A Review of the Costs and Benefits of Managed Investment Schemes (MIS)", Strawberries Australia, as the peak industry body for the Australian strawberry industry wishes to put forward the following submission:

Managed Investment Schemes have commenced significant strawberry production in Queensland beginning with the 2007 strawberry season which runs from May – October each year and from various reports, they have commenced operations in Victoria in preparation for the next season – which runs from late October to June each year.

If this happens, and is allowed to happen, then the Australian Strawberry Industry will be placed in a parlous state and many growers will cease to operate their farms – causing untold hardship to these generational farmers.

Geographical Distribution of the Australian Strawberry Industry

The Australian strawberry industry consists of about 750 growers, with production spread across Queensland (35% of the countries production), Victoria (35%), Western Australia (20%), South Australia (8%), Tasmania (1%), and New South Wales (1%).

Fresh strawberries are produced in Australia all year round, with the majority of production from Queensland, Victoria and Western Australia as can be seen from the above statistics.

Total Australian Production

The ABS states that the Strawberry industry's gross value of production in 2004-2005 was \$122.3m and over the same period the gross value price (GVP) was \$5.12/kg. The total Australian strawberry production was 23,737 tonnes covering an area of 865 hectares.

Those figures have substantially increased since 2004, and the ABS statistics need to be adjusted accordingly. Our estimate is the value of production is closer to \$200 million.

Current situation

The Rewards Group Berry Project 2007 has sought investors for the Managed Investment Scheme enterprise. It is expected that this MIS will operate over a ten year period.

Schemes such as the abovementioned MIS are estimated to introduce greater pressure on the viability of established strawberry growers. These established growers have taken two to three generations in some instances to develop their current enterprises, investing tens and even hundreds of thousands of their own dollars – not dollars which have been invested by “get-rich-quick” entrepreneurs.

It is a known fact that prices received through the market system are frequently below the cost of production and further re-enforced by the stated GVP of \$5.12/kg in 2005 or \$1.28 per punnet. Growers need an estimated \$6.40/kg or \$1.60/punnet to gain a return on the cost of production.

The Australian strawberry producer is struggling to see an improvement in strawberry production returns since 1995 and the future looks unlikely to improve with increased ongoing costs of production annually.

Labour

Industry believes the Managed Investment Schemes structure within the strawberry industry will add increased pressure to secure adequate levels of labour for harvesting on the farm.

During the various strawberry seasons there is a high demand for labour that is not adequately met at peak production periods. To add Managed Investment Schemes to this equation maybe the straw that breaks the camels back as well as our national industry.

Australian Strawberry Retail Market

As we are all aware, Australia has a relatively small population of just over 21 million people and the two major supermarket chains - Coles and Woolworths - are competing in the same retail market that is geographically dispersed to a small retail base relatively speaking in comparison to Hong Kong and Taiwan.

The majority of Australian production is sold domestically with greater than 65% sold via supermarkets.

Exports accounts for only about 5% of production.

In conclusion and to summarise our concerns:

- MIS entities are big enough to control markets that were managed by established growers thus threatening their survival.
- Information provided by such MIS investments can be misleading to the investor.
- Australian strawberries are produced year round offering year round supply to the consumer; whereas the current investment package erroneously states that Australian strawberry production meets consumer demand for strawberries for only two months of the year being September and December.

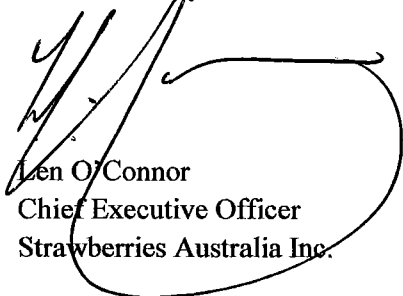
- Queensland commercial strawberry production is from May to October and winding down from September to be non-existent by December due to the onset of the Queensland summer. Production of Victorian strawberries are available from October till June.
- We do not believe these schemes to be legal, ethical nor advantageous to the Australian horticultural industry.
- We want to know what the government will do (through taxation and consumer and producer protection legislation) to protect the strawberry industry – and for that matter all horticultural and agricultural producers.
- Supply and demand – more fruit produced than people want, the price will go down regardless of quality.
- MIS investment may quickly create an oversupply situation to reduce returns thereby decimating the industry.

The Australian strawberry industry urgently requests this Enquiry and Review to protect the legitimate strawberry grower. We have not had any taxation assistance or protection for our industry and we insist that MIS operators are made to perform on a level playing field and for the well-being of established horticultural industry markets.

We can only trust that this Review will see that non-benefits of MIS far outweigh the benefits.

My Board awaits the results of this Enquiry as a matter of some urgency and is actively encouraging all our grower members to write to this Review Panel to express their feelings on a more personal nature as they are all personally and financially effected.

Yours sincerely



Len O'Connor
Chief Executive Officer
Strawberries Australia Inc.