



# Plantations and Managed Investment Schemes Facts

Plantations 2020 Vision, launched in 1997 has the objective of trebling the Australian plantation estate to provide wood supply security for domestic and export markets. Investments via Managed Investment Schemes (MIS) are the primary reason plantation expansion is still on track. Australia still has a \$2 billion trade deficit in timber products, largely a result of the significant volume and high value of paper imports.

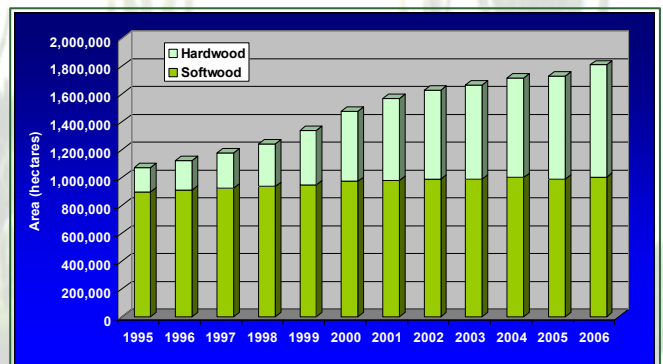
## Key messages

- Forestry MIS can inject much needed capital to help re-vitalise rural communities.
- MIS investors do not get special tax incentives.
- MIS plantations are currently the primary reason the Plantation Vision 2020 plantation expansion targets are on track, providing essential future wood supply security to domestic processors and supplying demands in export markets.
- Plantation investment is just one of several factors including rural subdivision, farm amalgamation and urban encroachment influencing rural land use and land values.

## Plantation expansion

Since the launch of the Plantation 2020 Vision in 1997, the Australian Plantation estate has increased from 1.1 to 1.8 million hectares, with an average of 73,000 ha of new plantation established annually (Fig 1).

Figure 1. Total area of Australian plantations



Source: National Plantation Inventory 2007

## What is MIS?

MIS plantations are no different from other plantations except in how they are financed.

Managed investment schemes (MIS) collect funds from numerous small investors, and pool them to make larger investments.

In rural areas, these investments are typically in agriculture/horticulture activities, or plantations.



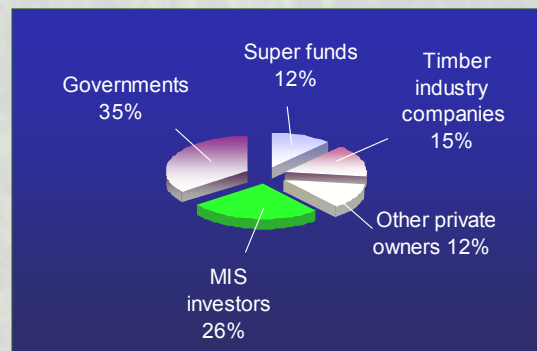
*A MIS sugar gum plantation in Western Australia, controlling rising saline groundwater while providing lease payments to the farmer*

The MIS company establishes, manages and markets the produce from the investment on behalf of individual investors and charges them a management fee in addition to the costs of enterprise establishment.

## The contribution of MIS

State governments have largely withdrawn from establishing new plantations, and are focussing on replanting after harvest. Australia's future timber supply from plantations is critically dependent upon the private sector (Fig 2).

Figure 2. Australian plantation ownership 2006



Source: National Plantation Inventory 2007

While some original proponents of the 2020 Vision saw farm forestry as a major contributor to wood production, at present timber from planted farm forests supplies less than 0.1% of logs to industry.

## Why are more logs needed?

Industry and government data suggest the Australian timber industry is already experiencing a deficit in plantation log supply of 2.8 million tonnes per annum.

Installed and planned softwood processing mills will require 184,000 ha of new plantations in the short-to-medium term, and a further 240,000 ha to meet expected processing capacity by 2030.



New MIS hardwood pulpwood plantations are being grown to meet woodchip demand in undersupplied export markets, and to supply new domestic pulpwood and engineered wood mills as native forest harvesting diminishes.

Forestry MIS companies are establishing their own processing facilities, some using new milling technologies that allow eucalypts as young as 10-12 years to be converted to value-added solid timber products.

## MIS and tax

There are misconceptions that forestry MIS investors enjoy 'special tax breaks' not available to other agricultural businesses.

In fact until 2007-08, forestry MIS investors faced the same tax rules as all Australian businesses – they claim eligible expenses as a tax deduction in the year the investors incur the expense and they pay tax on their income from timber sales at harvest.

New arrangements introduced in 2007 have not changed these basic principles. But extra conditions require the MIS company to establish the plantation within 18 months and also to demonstrate to the Tax Office that at least 70% of the funds collected will be for 'direct forestry expenditure', and not for expenses such as marketing and commissions.

In fact, the MIS company has a potential tax disadvantage as it must pay tax on investors' funds in the year of collection, but may not incur any expenses to offset that income until the following year when the plantation is established.

The 2007 provisions also now enable forestry MIS investors to trade out of their plantation investment after four years. This will generate market liquidity and help much needed long-rotation sawlog plantations to compete equally with short-rotation pulpwood crops.

MIS companies don't buy land with investors' funds. They finance their land acquisitions by borrowing, by raising equity in the capital markets, or by using up their after tax reserves.

## Regional economic impacts

Plantations represent just 0.2% of Australian land use (grazing and cropping are 61%), and only a fraction of the highest quality agricultural land (eg. less than 3% in Tasmania).

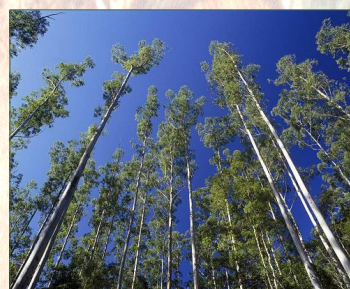


*Studies in Western Australia's Great Southern region reveal significant employment and economic benefits from plantation MIS Investments. New processing facilities are planned on the back of this timber resource*

Over 60% of forestry MIS funds are spent in rural Australia, with significant flow-on effects.

In Western Australia, every \$1 million spent on plantations generates 17.15 jobs in the regional economy and every direct plantation job creates another 0.65 jobs elsewhere (BRS 2005).

Plantations are just one source of upward pressure on rural land values. In many areas, local, city based and overseas farming interests have raised prices to levels where forestry MIS can no longer compete.



## References.

National Plantation Inventory (2007), 2007 Update available at <http://www.affashop.gov.au/product.asp?prodid=13683>

BRS (2005), Socio-economic impacts of plantation forestry in the Great Southern Region, available at <http://www.affashop.gov.au/product.asp?prodid=13286>



## Contact

David Thompson  
National Plantations 2020 Coordinator  
174 Rusden Street Armidale NSW 2350  
Ph: 02 6771 3833  
Fax: 02 6771 3528  
Mob: 0419 681 818  
Email: david@care.net.au

Websites: <http://www.plantations2020.com.au>  
<http://www.planningplantations.com.au>