By way of background, I have been in the financial planning business for nearly 30 years, and have had my own AFS Licence since 1989. Most of my business comes from personal referrals and referrals from certain accounting and legal practices with whom I have dealt during this time. When you base your business on such referrals, it is true Darwinism at work. You have to have happy clients. To have happy clients, you have to be doing the right thing and look after them. If you don't, you will have unhappy clients, referrals will dry up and you go out of business. I am mentioning this because we do not operate our business like many of the other larger financial planning practices that attract both good (and bad) press coverage.

As a means of diversifying client portfolios, I advised relevant clients to invest into the Great Southern (GS) 2005 organic olive scheme (a once-only event), and eucalypt plantation projects (from 2004 to 2008).

Generally speaking, my approach was to convince clients to undertake small investments of a few woodlots (each woodlot being $3,000) every financial year, with the aim of creating a future annuity-style income stream in later years. This often forgotten source of income could then be used to meet one-off mortgage payments, fund kids education and/or provide an income boost for retirees whose account-based pension balance had begun to decline. So you can understand my anger and frustration at the sudden and unexpected demise of GS, and the utter destruction of the above strategy.

Despite the GS disappointment, I am trying to convince many of my GS clients not to dismiss agri investments outright. It was the *structure* of the vehicle that was largely at fault, not the specific sector itself. Much of this current debate ignores the fact that Australia is in a perfect position to benefit from properly-run agri schemes. We have a growing global population which requires food and other agricultural products, e.g. paper from woodchips, just to exist. And the biggest customer of all - Asia - is right on our doorstep.

So, what can we learn from the GS and Timbercorp fiasco?

First up, we were never interested in Timbercorp because they leased all of their project land, whereas GS owned the majority of their land.

The 2008 Future Forestry project was the first time GS allowed investors to own the land on which the woodlots were grown. This came about after many years of urging from advisers like me. This land was often owned by a related party, e.g., wife on a lower income, via a unit trust structure. My understanding is that around 70-80% of the land purchased by the land trust investors had been transferred by GS to the land trust, before GS officially imploded. This land trust, being a separate legal entity, begs the question of how the GS Administrator will be able to claim back that land, now that it is held in another legal entity. So, the unit trust structure has performed as it was designed to do, i.e., protect the assets held within it. Although the ATO indicated they preferred an unlisted company structure to hold the land for the aborted 2009 project, the unit trust still appears to be the better option.

What about the woodlots themselves? Well, you cannot introduce a unit trust structure for investing into the actual woodlots. Why? Because the amount invested into the basic woodlot parcel is really prepaid management fees for looking after the lot over the estimated 10 years before harvest occurs.

However, what is to stop you interposing between the scheme manager, e.g., GS, and the grower, an arms-length custodian to whom the $3,000 is originally sent. Imagine a large filing cabinet (trust account) wherein the $3,000 sits. As the scheme operator moves through the various stages of managing the lots, e.g., planting, fertilising, pruning, clearing of weeds, etc., they present an invoice to the custodian (who may or may not have a qualified person check that the work has been completed) and then gets paid for each completed stage of the management of the lots. In around 10 years time, there will be no more cash left in the filing cabinet. That is how it should be because the little seedlings tended over the years have now become healthy trees, are harvested with the harvest proceeds (after harvest costs) accruing to the investor.

That is how it is supposed to work and the only thing missing is the arms-length custodian.

Hopefully the enquiry will not end up throwing the baby out with the bathwater - you just need to change the water.

Respectfully yours,
Dean Glyn-Evans