

Preamble

In 2009, two of Australia's largest agribusiness managed investment schemes (MIS) failed—Timbercorp and Great Southern. In quick succession, a number of other major schemes collapsed, including Willmott Forests Ltd and Gunns Plantation Ltd.

Long after their downfall, the sad legacy of the failed schemes continues.

For the purposes of this inquiry, the committee is concerned primarily with retail investors caught up in these schemes, many of whom were first time investors and not highly literate in financial matters. When the agribusiness schemes collapsed, many investors lost not only their investment and prospects of future income but were saddled with the burden of repaying the loans they took out to fund their venture and the interest accruing on a now valueless asset. Indeed, evidence before the committee is riddled with stories of the shattered lives of people who invested, and borrowed to invest, in agribusiness MIS—separation, broken relationships, lost life savings, bankruptcy, ruined health, depression, self-harm and families placed under enormous stress.

The causes for this financial failure on such a large scale were many and varied, and all participants in the industry must bear some responsibility for it. They include: the product manufacturers and promoters; the experts who rated the schemes; the financial advisers who recommended the investments; the finance companies, credit assistance advisers and lenders that facilitated and provided the loans; the regulators and governments for their lack of decisive action in monitoring the marketing and performance of these schemes; and retail investors enticed to enter into highly speculative ventures on borrowed money.

In this report, the committee examines the role of all parties involved in MIS, including those responsible for the policy and regulatory framework in which the schemes flourished and withered, with the intention of identifying measures that could be taken to help protect retail investors from any similar financial debacle in the future.



Explanation—terms of reference

The terms of reference for the committee's inquiry clearly specified that the committee was to inquire into the structure and development of forestry managed investment schemes. Many of the people who made submissions to the inquiry had invested in agribusiness managed investment schemes that included both forestry and horticultural schemes. Furthermore, the two major scheme operators—Timbercorp and Great Southern—were involved in ventures that covered not only forestry managed investment schemes but more broadly agricultural schemes such as olives, almonds, macadamias, stone fruit, citrus, mangoes, avocados and table grapes. Because of this cross-over and the similarities in complaints about the promotion and operation of these various schemes, the committee resolved that it would receive submissions that dealt with both forestry and horticultural schemes. They are known collectively as agribusiness managed investment schemes (MIS).
