

23 October 2015



Hon Tom Koutsantonis, MP  
Minister for Mineral Resources and Energy  
GPO Box 2264  
ADELAIDE SA 5001

**Grower-driven advocacy for  
a profitable grains industry**

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Dear Minister Koutsantonis,

**Re: DEVELOPING SOUTH AUSTRALIA'S COPPER STRATEGY**

Grain Producers SA (GPSA) is the peak industry body for South Australian grain producers. It is unique in that it is a non-political body that represents all grain producers to government, the community and industry. It is funded via the SA Grain Industry Fund (Primary Industries Funding Scheme) which nearly all grain producers in this state contribute to. GPSA is a founding member of Primary Producers SA.

The State's grain industries are large and diverse, making a significant contribution to the economy. Total grain production in South Australia from an estimated 3,000 grain producing businesses for the 2014-15 season was 7.63 million tonnes from 4.04 million hectares. With an estimated farm gate value of over \$1.8 billion & export value of \$2.2 billion, the grains industry is a not only a major contributor to this state's economy it is also a significant export earner for this state.

As the peak body for grain producers in this State, GPSA would like to make a submission to the South Australian Government "Developing South Australia's Copper Strategy".

This Submission is comprised of two sections. The first section examines the position of agricultural land within the SA Resources map of the Gawler Craton, and whether in fact, the Government and the Mining industry actually know or recognise that an existing industry is already incumbent under the copper coloured circles that embrace the map of southern South Australia. The second section deals with our general concerns with the collateral damage caused to other industries by allowing mining to occur.

**The Gawler Craton and an Existing Industry**

The map of SA's resources included in the Copper Strategy has significant portions of the Eyre Peninsula and Yorke Peninsula encircled with the indicator of an extractable copper resource. This is of particular concern to GPSA. Underneath those copper circles on the map is South Australia's oldest, most sustainable, most notable value-adding industry - AGRICULTURE, and grain production in particular.

South Australia's food industry is vital to its economy. The industry generated more than \$15.3 billion revenue in 2013-14. Food exports from South Australia accounted for \$3.7 billion or 32% of total merchandise exports in 2013-14. The agribusiness sector employs approximately 1 in 5 South Australian workers.<sup>1</sup>

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<sup>1</sup> [http://www.pir.sa.gov.au/premium\\_food\\_and\\_wine/food](http://www.pir.sa.gov.au/premium_food_and_wine/food)

The grains industry has an export value of \$2 to \$2.5 billion annually, with a land resource that is managed, improved, and enhanced year on year without need for Government subsidies. The revenue generated from the grains industry, earned predominantly by small businesses, is ploughed back into this sustainable industry and spent within the SA urban and rural community. Grain production has a proud history of reliable, continuous economic growth within this State, with the taxes and royalties captured by Federal, State and Local Governments and not lost to overseas foreign owned companies like mining returns.

Climate change and global population growth make it even more vital to protect what food producing land we have. There are 98.4 million hectares of land within South Australia. Of this, 4.2 million hectares is used for agriculture, and there are no known mineral resources beneath that 4.2 million hectares that are not available in copious quantities within the remainder. Copper is clearly available in huge resources throughout the State (68% of the Nation's resource), and therefore it does NOT necessitate the permanent destruction of any agricultural land and the dispossession of its people. Copper mining and agriculture are NOT compatible. The two cannot occupy the same land resource.

One industry destroys the natural food producing resource.....the other enhances it.

By endorsing such land-use conflicts, the state is creating an economic win-loss situation. By encouraging mining companies to fully explore the majority of the state (the other 94.2 million hectares) that isn't used for intensive agricultural practices such as grain production, the state will place itself in the best economic win-win position, able to profit from both unhampered industries.

### **The Collateral Damage from the Growth in Mining**

Further, what is not addressed within the Copper Strategy, is any consideration of the collateral damage that will occur to other industries and the economy with a move back to being dependent upon our mineral resources base. Mining has not been, and will not be, a panacea or saviour, for this State's economy. The commodity boom that we have previously witnessed drove our National terms of trade to a point where our currency exceeded parity with the US Dollar, and peaked some 400 basis points above where the Reserve Bank believes its actual value should be. The effect of this distortion on other exporters has been calamitous, especially the manufacturing and agricultural industries. Alcoa, Bonds, Toyota, Holden and Qantas have all blamed the rising dollar during the mining boom for their shrinking exports and employment (Denniss 18/02/12)<sup>2</sup>.

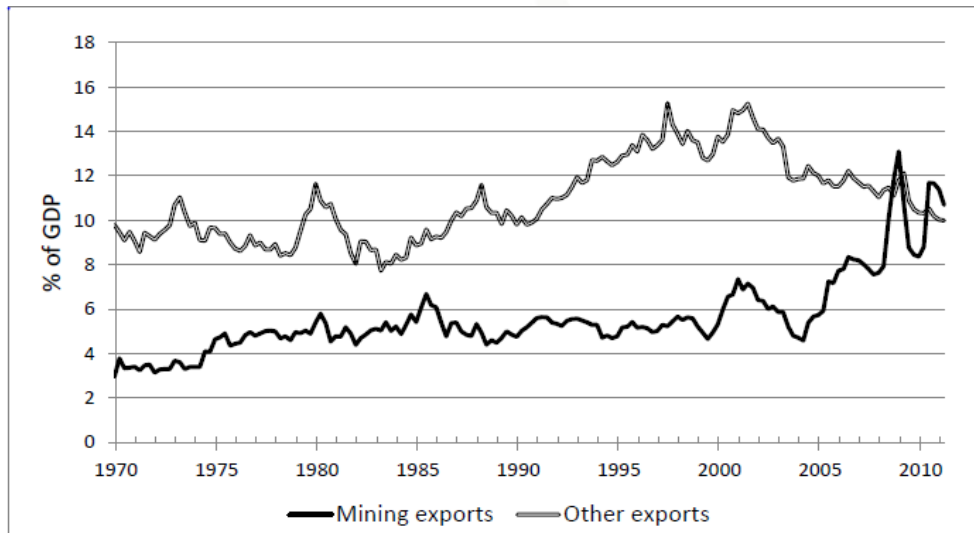
An article by Ian Porter in the Age, 8 September 2015, looks at who's to blame for what he sees as the coming recession. In this article the demise of the car manufacturing industry over the next 2 years will see an estimated 200,000 people out of work. That's 21 percent of the entire manufacturing workforce. The demise of the manufacturing industry in this State and the car industry in Australia has, in part been driven by the mining boom and the rise in the Australian dollar.

In the TAI report "Mining the Truth" (Denniss D. R., Sept. 2011) as the Australian dollar increases in value relative to other currencies our exports become more expensive for customers in other countries. As a result, demand for our non-mining exports declines. The magnitude of this effect is shown in the following graph, which illustrates the pattern of mining and non-mining exports between September 1969 and March 2011. While mining exports have increased by around five per cent of GDP over the period since around the beginning of the mining boom, non-mining exports have declined by around five per cent of GDP over the same period. Indeed, the recent mining boom corresponds to the largest and longest sustained decline in non-mining exports in the past 40 years.

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<sup>2</sup><http://www.canberratimes.com.au/opinion/mining-industrys-big-lie-20120217-1tepr.html>

### Mining exports and other exports (% GDP)



Source: ABS 2011c. *Balance of Payments and International Investment Position, Australia, March*. Cat no 5302.0. 5 May.

To further emphasise this point, and as quoted from Matt Grudnoff, Senior Economist with TAI (26/3/13) “since the beginning of the mining boom Australia's rural sector has lost \$61.5 billion in export income. This includes \$18.9 billion in 2011-12 alone. These losses have occurred because the mining boom has forced the Australian dollar to historic highs. The damage the mining boom is doing to other sectors has created what has been dubbed the 'two speed economy'. The booming mining industry has pushed up the Australian exchange rate and in doing so has cut the export earnings of trade-exposed parts of the economy”.

Again, as quoted by Matt Grudnoff<sup>3</sup>, “within the rural sector wheat growers have been particularly hard hit losing \$3 billion in 2011-12 and \$8.3 billion over the nine years of the mining boom. Other important rural sectors have also been impacted. The beef and veal industry has been adversely impacted with exporting income being cut by \$2.3 billion in 2011-12 and \$8.5 billion over the boom”.

The Australia Institute (TAI) reports that nationally, “taxpayers provide more than \$10 billion per year in subsidies and tax concessions to the mining industry. Foreign ownership in the “Australian” mining industry is estimated at 83%<sup>4</sup> and is run by multinational companies divorced from rural and regional Australia. Compare this with grain production in Australia where the farms are generally small businesses, Australian owned and part of the local community. Agricultural profits are retained in Australia in rural and regional communities, not sent off shore to multinational corporate investors.

Having noted what very recent history has shown us about focusing on a mining resource based economy, it is of concern when we read in the Copper Strategy promises of “substantial economic growth” and “improved standards of living” if we mine what we have in such copious quantities. Once again we hear of the State Government offering “a discount royalty rate” to largely foreign owned companies to come and dig up our resources. We believe that many of the Copper Strategy's statements are unable to be substantiated. For example, assertions that an extensive increase in the mining of this State's copper reserves will make “the world more energy efficient”, “environmentally sustainable” and as a result, “will help mitigate the effects of climate change”. While these claims are yet to be proven, what cannot be denied is the detrimental impact the mining industry has had on other industries such as the agricultural and manufacturing sectors.

<sup>3</sup> <http://www.tai.org.au/node/1948>

<sup>4</sup> Edwards, N 2011. *Foreign ownership of Australian mining profits*. The Australian Greens

We register our strongest possible rejection of any hint that copper mining under the Copper Strategy should in any way be allowed to threaten the existing and proven agricultural industry. This strong objection also includes the Rex Hillside mine that is proposed for Ardrossan on Yorke Peninsula.

It must be stated that agricultural communities throughout SA, and individual landholders who are grain producers, with the support of GPSA, will resist the incursion of exploration and mining on their land. It is of interest to note in the Copper Strategy that the mining industry has “good working relationship with the traditional owners and Aboriginal communities, and recognising their enduring link to country”. No mention is made of the owners of the 4.2 million hectares of agricultural land who have been farming that land to the economic benefit of the State for over 150 years. In the clearest possible terms it must be stated that uninvited incursions through exploration and mining on this already occupied land, with its people and its infrastructure contributing greatly to the economic well-being of this State, must be rejected.

For the future success of the Copper Strategy, we recommend that the relevant authorities positively identify agricultural food producing land, the 4.2 million hectares, as land which is Exempt from Mining under the existing SA Mining Act 1971, and as such will be recognised, protected and supported as an existing, sustainable and necessary industry.

For the remaining 94 million hectares of South Australian land, we recommend that its copper reserves be managed within the proposals of the Copper Strategy.

If you require any further information, please contact GPSA’s CEO, Mr Darren Arney, on 0448 186 707.

Yours sincerely



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