



Grain Producers SA



4 November 2013

Mark Howe
Mining Regulation and Rehabilitation Branch
DMITRE
GPO Box 1264
Adelaide SA 5001

Dear Mr Howe

RE: REX Minerals Proposed Hillside Development on the Yorke Peninsula.

Please find a submission from Grain Producers SA Ltd (GPSA) regarding REX Minerals Proposed Hillside Development on the Yorke Peninsula. Representatives of GPSA would welcome invitations to discuss this submission or answer any questions or concerns around mining and crop production.

Overview

Grain Producers SA Ltd (GPSA) is the peak body representing South Australian grain producers.

GPSA's objectives are to improve the profitability and sustainability of South Australian grain producers through:

- Representing the views of South Australian grain producers to government, industry and the community on grains issues;
- Working with an effective state farming organisation and other commodity groups to represent South Australian grain producers on cross commodity issues;
- Working with government and industry to develop policies around creating and maintaining an efficient, accessible and cost effective supply chain;
- Working with government, industry and institutions to improve the technical and business skills of South Australian grain producers
- Working with Research, Development and Extension organisations to identify and disseminate research priorities in grain production, handling and management
- Supporting an effective national representative organisation to work with government around national initiatives to support the grains industry
- Providing a program to include and develop young farmers to be prepared to take on leadership roles within the SA grains industry.

Yours sincerely

Darren Arney
CEO Grain Producers SA Ltd

This Submission is tendered as opposition to the proposed Hillside mining development by Rex Minerals near Ardrossan, Yorke Peninsula. It comes from Grain Producers SA Ltd as recommended by its Agricultural Security and Priority Committee.

The objection to this Proposal is NOT to the concept of mining what natural resources there may be within South Australia, BUT to the location of open-cut mining within a region of intensive agriculture where a long established, successful, and ever improving and developing industry is already renowned and entrenched. To call this proposal “development” is to make mockery of the word, since the activities of an open-cut mine, and the building of a mountain of overburden and impurities amongst an area of advanced, intensive, and world renowned grain production, will adversely affect the industry that is already thriving. If it is the wish of the State Government to develop agricultural land, and, in particular, the fertile and reliable region of Yorke Peninsula, then its attention might be drawn to road infrastructure, and investment in agricultural research to at least enable grains production to stay ahead of its international competitors. If it is the wish of the State Government to extract royalties or wealth from the 5% of the land mass of SA that is suitable for grains production, then it might consider what revenue has been extracted over the 130 years that farming land on Yorke Peninsula has produced grain and food for Australian and international consumption, and that this resource has been sustainable and constant, and has been enhanced by careful and caring management. And in 130 years’ time, it will still produce grains and food, and provide revenue and reward.

A report from Deloitte Access Economics in early October 2013 identified Agribusiness in the five “super-growth” sectors of the next 20 years. The demand for protein based food from Asia’s middle classes was cited as a significant growth area, and this is a demand that SA, AND Yorke Peninsula, grain producers can develop and fulfil.

The environmental implications of this mining project are impossible to ignore. That a hole as large as being proposed, can be dug through existing and unknown aquifers, potentially hundreds of meters below sea level, and that a mountain of overburden can then be piled up to change the face of the environment forever, is a spectre that is beyond rational thinking. To do this over the top of prime agricultural, food producing land, and the infrastructure, people’s lives and history, and their heritage, development, and investment, AND, against their will, is another thing entirely. If this project is so vital for SA, then why not extract the ore by underground method? If it is considered “reasonable” to build an earthen dump on useful and productive land, then why not put that material out to sea? Is there not a hypocrisy here that needs explaining? Who is concerned about the environmental issues of pollution, dust, incursions onto neighbouring farming land, the biological life of healthy and productive soils that have been nurtured for generations and decades? Who is responsible and liable if traces of mining by-products are found in South Australia’s world class malting barley industry, and this is harmed or prejudiced? Why would any Government be so irresponsible as to forcibly replace land caretakers with the pillage and destruction of open-cut mining?

There is a strong belief among many grain producers that the Department of Mining, Infrastructure, Transport, Resources and Energy should NOT be both the promoter and encourager of mining, AND its regulator. Is this not a conflict of interest? How is it possible to fairly and judiciously examine the deleterious and adverse effects of a mining venture on agricultural land, while at the same time being the authority by which that mine will proceed? There are anecdotal accusations, not only on Yorke Peninsula, but also from mining exploration sites on Eyre Peninsula, of breaches of the required regulations and protocol by mining companies, and that the proper courtesy and practice expected of such exploration and drilling has not been practised UNTIL local aggrieved landowners have dared to raise the issues.

The giving of personal resources of time, debate, and finances, by affected farming families striving to regain security over their properties, and the pressures and stress this has caused, is a matter that the relevant Government Department ought to be empathetic towards. On the contrary, we have seen affected farming families left on their own to defend their rights, and often to try to discover just what their rights are. The difficulties of families to counter the

propaganda of large, well-financed companies spinning their story, is a travesty of social justice. Where is the Government assistance to aid its citizens to defend THEIR case? Why is there a Mining Act that allows this incursion upon people, communities, and an entrenched industry and infrastructure? Where is the SA Government Department supposedly fostering and advocating for agriculture, in this situation?

Crop Production on the Yorke Peninsula

The Yorke Peninsula is home to some the most productive broadacre dryland cropping land in Australia and in the world. A combination of soil type, rainfall and the unique “boot” shape of the Peninsula allows for excellent climatic conditions for growing and ripening of a number of high value crops including; bread wheat, durum, malt barley, lentils, canola, peas and beans.

Crop production on Yorke Peninsula is reliable and contributes significantly to the annual crop production in South Australia.

Table 1 shows crop production for the entire Yorke Peninsula as per the Annual PIRSA Crop and Pasture Report. Figure 1 shows the Hundreds that are included in the Yorke Peninsula crop production estimates.

An estimate has been made for the crop production for the Southern Yorke Peninsula being around 50% of the total Yorke Peninsula production.

Grain produced on the Southern Yorke Peninsula is exported through the Bulk Handling and Ship loading facility at Port Giles located on the Southern Yorke Peninsula. Port Giles is located on the eastern side of Yorke Peninsula, 217km by road from Adelaide.

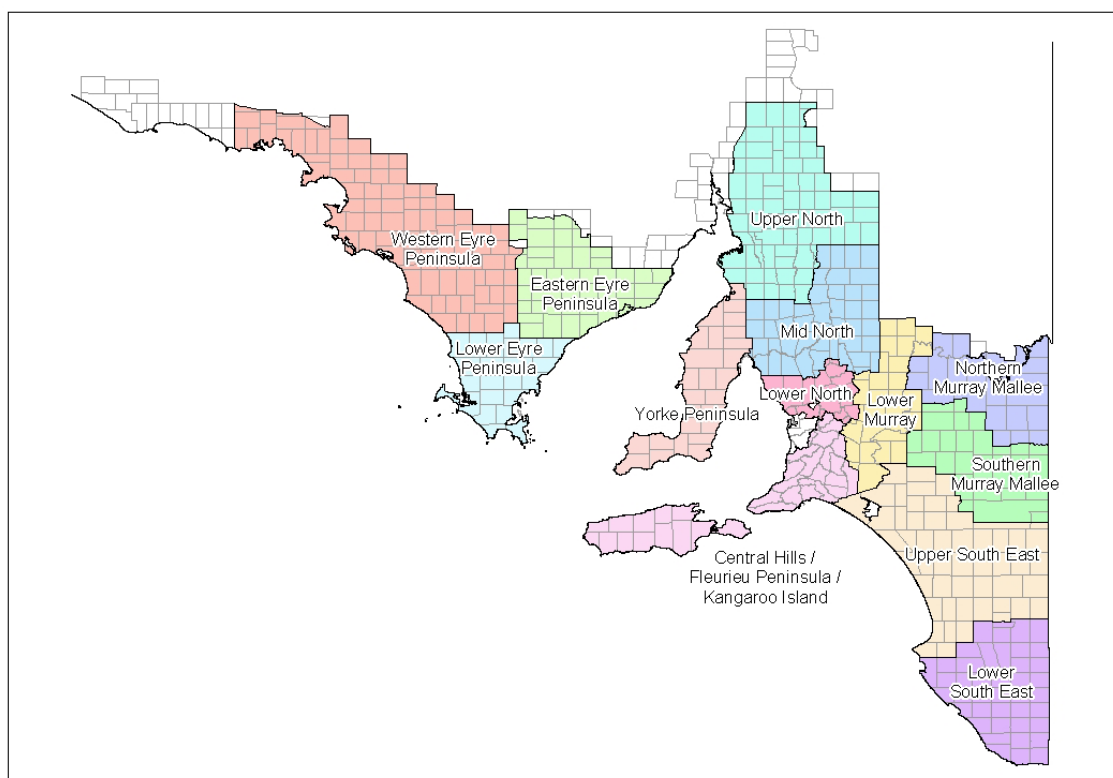
It was established in 1970 to export grain and seeds from the lower section of the Peninsula. The catchment area for grain delivered to Port Giles is limited to the Southern Yorke Peninsula.

During 2011/2012, 1.01 million tonnes of cargo was exported from Port Giles (source: Flinders Ports). Therefore the operations of the Port Giles terminal are reliant upon grain production on the Southern Yorke Peninsula. Any reduction to grain production can significantly affect the throughput of the Terminal and therefore the costs per tonne charged for loading grain or if production declined significantly, the closure of the facility.

Table 1:

Yorke Peninsula Crop Production (source: PIRSA Crop Report)				
	Total Yorke Peninsula		Southern Yorke Peninsula*	
Year	Area crop (ha)	Production (tonnes)	Area crop (ha)	Production (tonnes)
2012/13	491,300	1,248,550	245,650	624,275
2011/12	511,500	1,422,200	255,750	711,100
2010/11	511,500	1,756,500	255,750	878,250
2009/10	503,500	1,350,900	251,750	675,450
2008/09	505,600	908,200	252,800	454,100
2007/08	538,400	1,033,000	269,200	516,500
2006/07	471,400	533,800	235,700	266,900

Figure 1: PIRSA Crop and Pasture Report map of production areas



The export sales of grain compete on a global market. Grains are regarded as “soft commodities” by grain traders. For example total Yorke Peninsula production of wheat is around 500,000 tonnes against a global production of near 700 million tonnes.

The sustainability and viability of grain producers is dependent on producing grain at the lowest cost of production. Southern Yorke Peninsula grain producers benefit from low transport costs from farm to port compared to many grain growing areas of Australia. These growers are at risk if the Port Giles Terminal can not export grain efficiently. Freight costs from Southern Yorke Peninsula to the next deep water port at Inner Harbor would add around \$30 per tonne to the cost of production. The average cost of production for wheat is variable between farming operations, however on average is around \$220 per tonne APW. An additional freight cost of \$30 per tonne adds 15% to the cost of production a significant impost and very likely to affect profitability and business capacity, which would flow back to lower land values.

The conversion of prime cropping land to “dead” land no longer suitable for crop production by the introduction of open pit mining and the deposit of overburden, will lead to lower crop producing capacity on the Yorke Peninsula. The proposed development of 5,000 ha for the Rex Mineral Hillside mine would remove at least 2% of the Southern Yorke Peninsula cropping land. If an additional 4 mines of the same size were to proceed then 10% of prime cropping land would be removed from capacity and place a significant threat to the viability of the Port Giles Terminal.

Sustainable Crop Production

The Yorke Peninsula is renowned for its reliable rainfall and high productive capacity.

Average wheat yields on the Yorke Peninsula are approximately 3.5 tonnes per hectare (PIRSA Crop and Pasture Report). Crop productivity has been increasing at an annualised rate of 3% per annum.

The average price for wheat is \$330 per tonne FOB. Wheat prices have been increasing at an annualised rate of 3.5% per annum.

Extrapolated annual increases to yield and price to the year 2050, only 37 years for a recurring production system, would see 1 hectare of Yorke Peninsula farmland produce a gross revenue of \$180,000 and 3,000 hectares produce \$480 million of gross revenue.

5,000 hectares will likely to have employed 235 Full time Equivalent (FTE) jobs directly and 1,175 FTE jobs for associated businesses, trading partners and the community.

To the year 2050 there is projected to be capital reinvestment of \$54 million and the purchase of crop inputs of \$200 million.

Further cropping would not cease in 2050 but continue to operate for many generations after, producing premium foods for the people of the earth.

Economic Impact on Neighbouring Farms

Grain production is reliant on keeping the cost of production as low as possible. Grain producers use a number of business management practises to reduce costs per tonne. These include economies of scale and efficient farming practises.

Farmers are significantly impacted where their economy of scale is limited by new development. An example of this is the Monarto farming area where land was acquired to build a new city and the freeway to Murray Bridge constructed. Farmers were left with landholdings no longer large enough to provide economies of scale and neighbouring farmers did not have the capital to purchase land at its "productive" value. Also efficiencies were reduced around machinery transport and operations as well as the inability to grow paddock size in line with improvements in machinery design.

Changes to weather patterns

The Yorke Peninsula has very favourable climatic conditions for crop production. The rainfall pattern is also predominantly wetter on the higher elevated country compared to lower elevations towards the coasts.

Table 2:

Town	Elevation (m)	Annual Rainfall
Maitland	185	506
Kadina	44	388
Price	2	332
Edithburgh	6	377
Minlaton Aero	32	371
Warooka	53	446

Table 2 shows that rainfall increases with elevation on the Yorke Peninsula. Also Yorke Peninsula has a relatively low elevation. What will be the impact on rainfall patterns on Yorke Peninsula with significant changes to the height and location of elevations caused by overburden? Will rainfall move away from existing high rainfall areas to the coast or even to Gulf St. Vincent?