Farmers join fight against royalty slug on potash players

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Comments
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WAFarmers president John Hassell. Credit: Cally Dupe/Countryman

WA farmers have thrown their support behind WA's fledgling sulphate of potash industry after aspiring producers were slugged with a 5 per cent royalty in Thursday's State Budget.

The rate puts the product in the same category as a mineral concentrate, but a handful of ASX-listed players, that are already struggling to get their remote projects off the ground, argue the impost is patently wrong and unfair.

WAFarmers president John Hassell accused the State Government of being disingenuous and said the nascent industry that would provide a valuable fertiliser for the domestic agricultural industry needed a break.

"Gold was royalty-free for a long time, and they introduced it slowly, and I think they should take a similar course of action with potash," she said.

All of Australia's potash is imported but prices product have more than doubled in the past three months because of sanctions against Belarus and Russia, which account for 40 per cent of the world's supply.

Mr Hassell said WA growers were struggling with high world prices, but a local potash industry would provide a great opportunity for them to access a better quality, lower-priced product and a guaranteed supply.

"It really cuts into our margins when the prices of fuel goes up, fertilisers go up and chemicals go up," he said.

Mr Hassell said the 5 per cent royalty rate would effectively amount to a direct tax on farming. Many farmers are also shareholders in the local sulphate of potash companies.

His comments come as industry players consider their legal options against the State Government over the proposed royalty.

Several players have indicated they based their feasibility studies and financial modelling on written guidance from the Department of Mines and Energy in 2015 that indicated a royalty rate of about 73¢ a tonne.

But the new 5 per cent rate is expected to see them slugged at least $20/t on their product.

The blow comes at a time when the nascent industry can least afford it.

Investor sentiment towards the sector is already weak because of last year's collapse of one of the industry's leading players, Salt Lake Potash, and ongoing commissioning problems for another aspirant Kalium Lakes.

The industry is also finding it increasingly difficult to access debt funding for their projects from financiers.

Australian Potash managing director Matt Shackleton said on Thursday it was difficult enough for the emerging sector to raise development capital amid what he called a "crazy cost environment".

"And now the State Government turns around and says 'tell you what, we're going to make this a lot harder for you'," he said.

Mr Shackleton also noted most players would not be able to access the Government's offer of a 50 per cent rebate on the royalty over the next two years because they wouldn't be in production before the end of 2024.

Trigg Mining managing director Keren Paterson described the Government's decision as "incredibly frustrating" and "inconsistent".

The various companies are planning to tap the vast inland salt lakes of WA via a series of bores and trenches to extract hypersaline brine, which is then left in huge evaporation ponds before the solid salts are processing to extract sulphate of potash.

Sulphate of potash is used as fertiliser for high-value, chloride-sensitive crops such as fruit, vegetables, tea, coffee, nuts, cocoa and berries.