



**CANADIAN FERTILIZER INSTITUTE**  
**INSTITUT CANADIEN DES ENGRAIS**

**Presentation to the House of Commons Standing Committee on Agriculture and Agri-Food**

**Study on High Input Costs Facing Canadian Farmers**

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Ottawa, Ontario

**Roger Larson, President, Canadian Fertilizer Institute**

Good morning:

Thank you for the opportunity to present before this important committee. I appreciate the time you have taken to listen to the issues and concerns of the Canadian fertilizer industry.

My name is Roger Larson and I am the President of the Canadian Fertilizer Institute, which is located here in Ottawa. We are a not-for-profit industry association representing manufacturers, wholesale and retail distributors of nitrogen, phosphate and potash fertilizer. With facilities located across Canada, our members produce over 25 million metric tonnes of fertilizer annually and export more than 20 million tonnes to over 70 countries worldwide. Our mission is to be the unified voice of the Canadian fertilizer industry by promoting the responsible, sustainable and safe production, distribution and use of fertilizers.

Today, I am here to discuss the global supply and demand of fertilizers and its impact on Canadian agricultural producers. And how in partnership we can realize the full potential of both the Canadian fertilizer industry and Canadian farmers.

### **CANADIAN FERTILIZER INDUSTRY AT A GLANCE**

Fertilizer is a globally-traded group of commodity products. Production locations are based on proximity to raw materials, major water and ocean (and in North America - rail) transportation links, and major food producing regions.

Fertilizer is the most important crop input. Canadian farmers spend about \$2.7 billion per year on fertilizer.

Today, global economic growth in developing countries is driving increased global demand for grains. It is not rising world population so much as it is the rising expectation for a better diet from a new expanding middle class. It takes three pounds of grain to produce a pound of chicken, five pounds for pork and eight pounds for beef. Alternative uses for grains such as bio-fuels have been given a lot of attention recently, but the real driver in the market is demand for better food diets in developing countries.

That in turn is increasing demand for fertilizer to produce that grain. The result is competition among farmers globally for the current supplies of fertilizer.

### **BENEFIT / NECESSITY OF FERTILIZER TO CROP PRODUCTION**

Fertilizer is a commodity that is produced, shipped and used around the world. There well over 250 companies internationally that produce fertilizer products. Canada's border is open to fertilizer imports. There are no tariffs, duties or trade barriers. When we asked one of our members what was required to import urea fertilizer from the United States to Canada the reply was simple: a customs broker and a truck. Many of our 41 member companies are engaged in importing fertilizer into Canada.

Within Canada, there are a dozen companies that make various kinds of nitrogen fertilizers. Three major firms produce potash. We are importers of half of our phosphate fertilizer requirements.

Fertilizer prices paid by Canadian farmers continue to rise. However, commodity prices for wheat, barley, canola, corn and soybeans are also at record level highs. Who would have ever thought of wheat at over \$20 per bushel? As I hear more and more concerns about fertilizer prices from farmers, I note the price they are receiving for their grain. How many bushels of wheat does it take to pay the fertilizer bill today versus 2002? It is all about economics. A CFI member calculated the return on fertilizer investment for canola today is over 158 per cent, far higher than it has been for many years.

Farmers are using nutrient management plans to be more efficient. In our discussions with farmers, we stress using the right fertilizer product at the right rate, the right time and in the right

place. These are cornerstone messages of our industry and seem to be resonating with farmers. As an industry, we are rising to the occasion to explain fertilizer as a strategic commodity to growers.

### **CANADA – U.S. PRICES**

Since the beginning of 2008, we have met with producer groups concerned about fertilizer supply and prices. Farmers want to know why fertilizer is the most expensive on record and whether there will be enough in the spring.

One thing that has made farmers angry is reports that fertilizer prices are higher in Western Canada than in neighbouring U.S. states. Those reports are often based on anecdotal evidence or small samples taken just before spring seeding, when supply/demand conditions can be chaotic. On any given day, there will be differences in the prices or quotes by various agri-retailers within Canada or on either side of the border. Government studies have shown that over time, prices are equivalent. In fact, Agriculture and Agri-Food Canada reported in March 2007 that there has been no significant difference in Canada-U.S. fertilizer prices in more than a decade. I would like to quote from that report:

*The fertilizer market is global in nature and the North American fertilizer market is completely open and integrated. As a result, Canadian fertilizer prices are linked to the U.S. market. Statistical analysis has confirmed that average fertilizer prices in Canada and the U.S. border area were not statistically different for urea, mono-ammonium phosphate and muriate of potash over the 1993-2006 period.* – Agriculture and Agri-Food Canada (AAFC), Bi-weekly Bulletin, Volume 20 Number 5, March 30, 2007

### **INCREASE IN DEMAND**

Farmers around the world want more fertilizer.

The increase in international demand for fertilizer has been a factor in the rising cost of fertilizer. Global nitrogen demand has increased by 14 per cent, phosphate demand grew by 13 per cent and potash demand grew by 10 per cent from fiscal year 2001 to 2006.

There are three major drivers for the surge in world fertilizer demand:

- India, China and Brazil are leading as the largest contributors to the growth in global nutrient demand; 90 per cent of the growth in global nutrient demand is from developing countries; for example the Brazilian Agriculture Ministry study shows that their demand for fertilizer is projected to grow 25 per cent to 30.6 million tonnes by 2016 [for comparison Canada uses about 5 million tonnes].
- World cereal production and consumption is on the rise, resulting in tight food supply and strong agricultural commodity prices; and increasing crop acreage in the EU and the U.S.
- Corn-based ethanol production in the U.S.

### **TIGHT SUPPLY WILL IMPROVE**

While international demand for fertilizer has increased; the three to five years it takes to increase fertilizer supply has further contributed to the upward pressure on price. The International Fertilizer Industry Association (IFA) forecasts significant increases in global manufacturing capacities to meet this growing demand: urea +22 per cent, phosphates +8 per cent, potash +16 per cent from now to 2011.

### **VALUE FOR CANADIAN FARMERS**

Farmers should work closely with their agri-retailers well in advance of seeding to get the best value for their fertilizer dollar. Agri-retailers are the best source of information on the fertilizer

market, but they need good, timely information from their customers so they can plan their supplies.

As an industry, we have always prided ourselves on being a strategic commodity – one necessary to sustain life and responsible for over 40 per cent of the world's food supply. I want to highlight our industry's effort here. Fertilizer best management practices help to improve the environment and maximize economic returns.

With the cost of fertilizer high, it is more important than ever for farmers to use fertilizer efficiently. CFI has developed the *Right Product @ Right Rate, Right Time, Right Place*™ system for Best Management Practices that not only protects the environment, but also helps farmers get the most from every fertilizer dollar.

## **WHAT CAN GOVERNMENTS DO**

There are some things that governments should consider to help farmers in purchasing fertilizer. Experience shows that waiting to the last minute to buy fertilizer puts supplies at risk and can lead to increased costs. Do farmers have the information they need to make informed decisions about the market?

Does the federal spring cash advance program allow farmers to arrange for their fertilizer when they and their suppliers can make the best plans for their overall product and service needs?

Do the lending programs offered by Farm Credit Canada provide farmers with the flexibility they need to take advantage of opportunities to buy fertilizer well in advance of spring seeding?

The Canadian Association of Agri-Retailers has been asking for the federal government to provide 75 per cent funding for the capital cost of new safety and security measures for fertilizers outlets across Canada; is the government prepared to assist in this security challenge?

Thank you for your consideration as you consult Canada's agricultural industries about input costs.

I would be pleased to answer any questions you may have.