



CANADIAN FERTILIZER INSTITUTE

INSTITUT CANADIEN DES ENGRAIS

**CFI Chair Address to CAAR Convention
Regina, Saskatchewan
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Good afternoon. My name is Hugh Loomans. I am the Chair of the Canadian Fertilizer Institute. As a fellow agri-retailer I appreciate the opportunity to share with you. Over the

last few years, CFI and CAAR have made great strides in expanding and improving our relationship. A sign of this unity is that my good friend and partner at Sylvite, Bob McNaughton, is the incoming chair of CAAR. Together, CAAR and CFI have supported each other's events, cooperated on key safety and security initiatives and jointly lobbied the Federal government. I want to thank Dave MacKay and the CAAR staff for their hospitality and once again inviting CFI to be a part of the convention's agenda. The essential partnership between our two great organizations is essential to a prosperous agri-business future.

And that's what I want to focus on today: The Future.

As everyone in this room knows all too well, the last two years has been a period of great turmoil and uncertainty for all of us in the fertilizer industry – within Canada, throughout North America and around the world. Today, the global economy is showing signs of recovery, agriculture markets are stabilizing and the outlook for fertilizer industry is improving. As partners we need to ensure all the conditions are in place to take full advantage of this economic recovery.

The Canadian Fertilizer Institute has just completed an intensive strategic review. We've looked at the issues our industry is facing and the initiatives we need to put in place over the next five years. I want to discuss the plans that are most important to agri-retailers.

Sustainability

When you look at all the programs and measures we believe are important to the industry, they often fit under one category: Sustainability. I think most of us have heard that word. But until recently, I don't think many of us have spent a lot of time thinking about what it actually means.

Sustainability is all about the future. It means that we still have to make our day-by-day, hard-nosed business decisions while keeping an eye on how those decisions will impact the environment that we all depend on, the people who live in the communities and on the farms we serve and the economy where we earn our profits. The future of the fertilizer industry is going to depend on everyone, including agri-retailers, embracing sustainability and helping farmers adapt to this new reality. And perhaps most importantly, we owe it to our children, and their children, giving them an example of doing business responsibly so they too can prosper rather than struggle.

Sustainability can be achieved by balancing the economic, social and environmental goals of our stakeholders, including farm groups, researchers, conservationists, government officials, industry members and communities across the country.

Environmental stewardship and sustainability are not new ideas for our industry, nor for the farmers who have long embraced the principles of BMPs in their operations. As we move forward on the path to sustainability, it is increasingly important to both demonstrate our success in measurable ways, and identify areas where we can improve our performance.

Nutrients for Life

At the recent climate change meetings in Copenhagen, today's youth are leading the fight against climate change and its effects on the environment. We as an industry must come up with effective ways to share our messaging with these leaders of tomorrow. Through the use of social media we are able to connect to people all over the country and worldwide in an environmentally responsible and sustainable manner.

In 2008 CFI aimed to bridge the gap between youth and agriculture through the science-based education of the Nutrients for Life Foundation. The Foundation's objective is to provide teachers with a resource center to increase the understanding of how nutrients improve the health of our soil, the plants that grow in it, and ultimately the food that we eat. The general population is increasingly removed from food production. The Foundation's educational material brings important lessons about agriculture and plant nutrients to life for Canadian students and teachers. The Foundation strives to raise awareness of plant nutrients and engage Canada's youth in learning about sustainability in agriculture and the growing need for nutritious food around the world.

Public Accountability

I am proud to be part of an industry that serves farmers in Canada and feeds people around the world. But all the good things that come from fertilizer come with some risks:

terrorist attacks misuse of our products for criminal activities, accidents with serious injuries or loss of life, global warming, algal blooms in lakes and rivers. We've done a good job of managing those risks. Sustainability challenges us to do even better.

Government and the public expect all of us to keep people and the environment safe. It is clear that the fertilizer industry takes its responsibility for human health and environmental stewardship seriously. If we ever forget this responsibility, that's when the regulators will step in. CFI has continued to develop programs to protect Canadians, our environment and our business from excessive, costly regulation.

We haven't waited for a crisis to force us into action. We are ahead of the curve. We are already on the path to sustainability. Our commitment to the safety and security of Canadians is unwavering. Let's look at what we have achieved so far:

4Rs

CFI has been working with federal and provincial governments as well as farm groups to promote adoption of ***Right Source @ Right Rate, Right Time, Right Place***® BMP system. The 4R Nutrient Stewardship program gives farmers the ability to use farm specific BMPs for the efficient use of fertilizer. It fosters precise fertilization in mature markets so we can maximize canola crops in Saskatchewan, and it supports increased fertilizer use in emerging markets like Africa. 4Rs can be used by our member companies for business development, including agronomic services, promoting site specific nutrient management to fertilize to agronomic potential and to provide technical support so that farmers can sell ecological goods and services.

As retailers, we need to help farmers to improve their nutrient management by using the 4R system. I'm sure many of you have seen the five articles in Crops and Soils magazine that explain how to use the 4R system when Certified Crop Advisors are talking to farmers. CFI sponsored those articles, along with TFI. We are pleased to see that colleges and universities are using 4R Nutrient Stewardship as the basis for education of our industry's current and future agronomist and technologists. Federal and Provincial departments of agriculture are increasingly using the 4Rs to talk about nutrient management. The more everyone in agriculture embraces the 4Rs, the better. Programs like the 4Rs allow our industry to avoid regulations that arbitrarily limit the use of fertilizer and hurt our bottom-line. Economic research shows that this kind of intensive management of nutrients makes farms more profitable by ensuring farmers get the most from every fertilizer dollar. Promoting the 4Rs now will mean a vibrant agri-retail industry for years to come.

NERP

Another opportunity, based on the 4Rs is the Nitrous Oxide Emissions Reduction Protocol or NERP, for short. Nitrous oxide is a potent Greenhouse gas that can be emitted when nitrogen fertilizer is applied. Nitrous oxide is 310 times more potent than carbon dioxide. Adopting 4R best management practices reduces those emissions. NERP sets out the rules that will allow farmers to sell carbon offsets for reducing on-farm emissions of nitrous oxide in a quantifiable, credible and verifiable way. We are very close to getting approval for NERP in Alberta, the first jurisdiction to establish a regulatory carbon trading market. If farmers adopt the BMPs outlined in NERP they

would qualify for an offset credit equal to five to ten dollars per acre. Farmers would also improve the economics of their farm while doing the right thing in reducing GHG emissions. This is a very exciting Canadian initiative that has the potential to be used throughout Canada and around the world.

Fertilizer Safety and Security

Sustainability means we must manage the risk to people, property, and the environment due to accidental release, environmental emergency, or criminal misuse of fertilizer products, and agri-retailers need to be part of this. In 2003 CFI launched the Fertilizer Safety and Security Council to promote the safe and secure manufacturing, handling, storage, transportation and application of fertilizers. After six years of consultations, drafting, editing, and communication, we are now looking toward the conclusion of the first two-year mandatory audit cycle of Ammonia Code of Practice, which began January 1, 2009. This is the first initiative of its kind in the world, setting a new gold standard in fertilizer industry stewardship. This milestone sets a whole new set of challenges and opportunities for the FSSC to ensure that the program is successful and credible. Let's face it- ammonia is under attack – railways do not want to ship it, regulators want to look for substitutes. This program is essential to ensuring a viable future of the ammonia business in Canada.

Railways are raising issue with the transportation of our products, particularly anhydrous ammonia. In short they would rather collect freight revenues shipping things like TV's and other consumer goods than take on liability for security and safety of shipping fertilizers That's why they want shippers to pay extra and assume all liability or buy

insurance to cover any possible scenario no matter who's at fault. That's another reason why we're moving ahead with our codes of practice and extending them to transportation, working with railways as well as our trucking partners so that you and your customers will receive the products you need safely and on-time.

CAAR has made valuable contributions to the Code through representatives on the Code drafting committee. We were pleased that the CAAR Board of Directors became directly involved with the Code by reviewing the draft and suggesting changes, which were then made. CAAR is currently a full member of the Ammonia Code Implementation Committee, and we are currently working in partnership in offering training sessions on the Code this spring.

For agri-retailers, safe storage of ammonium nitrate is paramount. Care needs to be taken to keep ammonium nitrate in the right hands. Retailers know their customers, local soil conditions and the products needed for farming in their area. This knowledge can be put to use when selling ammonium nitrate. By implementing comprehensive, self-regulatory programs based on these codes, members of our industry are taking action against unnecessary accidents, restrictive regulations and increasing insurance costs. Most importantly, it's the right thing to do.

Farmer Relations

The Fertilizer Safety and Security Council has published ammonia training manuals for farmers, trucking companies, and most recently information for the first responders who live and work in your community.

Under the leadership of your incoming President, Bob McNaughton, the Ammonium Nitrate Code of Practice is being updated to reflect the changing regulatory environment, and the On Guard for Canada package is being redesigned to focus more on farmer practices for the safe and secure handling and storage of the product. This is consistent with strengthening safety and security stewardship from manufacturing right through to end use for all fertilizer products.

And there's more that we're doing to strengthen our partnership with farmers. At its last meeting, the CFI Board of Directors decided that a Code of Practice geared to farmers for the storage and handling of nitrogen and liquid fertilizers needs to be developed. We need to ensure that farmers are properly storing fertilizers on their farm, and all of the necessary precautions are being used. But we want to make sure that, like agri-retailers, farmers are storing liquid fertilizers using best practices and accepted industry standards. Secondary containment dykes, load-out pads, proper locating of liquid storage tanks, the use of appropriate tank materials and construction, valve security, inventory monitoring, what to do in the event of a leak or spill – all these will be part of a liquid code for farmers, and we're inviting them to help us write the code. In summary, we need farmers onside to adopt the same risk management tools for prevention, preparedness, and response that we as retailers have to use.

Following my presentations the Fertilizer Safety and Security Council's chairman, Bruce Hope will be here to inform you on what's new with the ammonia code of practice and what other projects are coming up for FSSC.

The fertilizer industry recognizes that our job does not end when the product leaves our facility. We are committed to looking after our product right to its use on the farm. Of course farmers are essential in achieving full sustainability. Recent initiatives have focused on the importance of on-farm stewardship. We share our research findings with farmers through initiatives like the Certified Crop Adviser (CCA) program. This North American program assures a high standard of fertilizer and crop production knowledge for professionals who provide that information to farmers.

Farmers are also key partners in implementing programs for the safety and security of fertilizers. It is critical we ensure that farmers understand the why we are implementing programs such as the Ammonium Nitrate Code of Practice, and the development of a liquid fertilizer code. In order to meet our responsibilities for environmental protection and safety and security we have to work in partnership with farmers to extend stewardship to every acre of crop land.

The economic challenges and uncertainties of the last two years have strained relationships across the entire supply chain – from manufacturing facilities right to the farm. Farmers have asked some tough questions. CFI staff travelled the country over the last two years providing factual information about global fertilizer markets to farm leaders and hundreds of farmers and we had a globally-recognized expert on the structure and workings of world fertilizer markets address Parliamentarians. No one

knows better than agri-retailers the confusion and in some cases anger that farmers felt because of the ups and downs in fertilizer prices. With patience and humility agr-retailers explained the realities of the marketplace to their farmer customers, and in many cases at the same time their own bottom-line suffered. The industry owes a debt of gratitude to agri-retailers for taking the heat.

There is no doubt that the recent events have forced us all to review our business models and the entire supply chain. That is doubly important when it comes to our most important business relationship – the one with our farmer customers. Not only are farmers our customers, they are on the front line of environmental, safety and security issues. We must ensure they have the information they need, based on good science and technical support. We need to ensure the products our industry depends on are managed sustainable – right down to the furrow in the ground.

Conclusion

The future of the agriculture industry is a bright one. With the global economy regaining momentum, it is time for us to focus on investing in the future. Through sustainable actions, we can protect our soil, water and air for society, enhance the productivity and profitability of our farm customers, and ensure the future of our industry. CFI is committed to promoting initiatives such as 4R Nutrient Stewardship, the Nitrous Oxide Emissions Reduction Protocol, the Ammonia and Ammonium Nitrate Codes and other Fertilizer Safety and Security Council efforts. Working together to promote these programs we will further improve our environmental footprint and leave a sustainable tomorrow for future generations to enjoy.

