



CFI ISSUES



FERTILIZER PRICING

VALUE FOR CANADIAN FARMERS

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

Farmers pay close attention to the cost of fertilizers when purchasing products according to a national survey conducted last Spring. Farmers are also happy with the quality of fertilizer and services they receive.

Fertilizer prices are driven by international market forces. Fertilizer is a global commodity. Supply and demand factors in other parts of the world influence the cost of fertilizer in Canada.

QUICK FACTS

CANADA'S FERTILIZER INDUSTRY...

- Contributes \$7 billion annually to the Canadian economy and employs 12,000 Canadians
- Has farm gate sales valued at about \$2.7 billion a year
- Supplies fertilizer materials to over 40 countries

CANADA – U.S. PRICES

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.

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

The increase in international demand for fertilizer has been a factor in the rising cost of fertilizer. Global nitrogen demand has increased by 14 percent, phosphate demand grew by 13 percent and potash demand grew by 10 percent from fiscal year 2001 to 2006. India, China and Brazil are leading the pack as the largest contributors to the growth in global nutrient demand.

This growth is being driven by rising incomes in these countries, as people spend more to improve their diets.



BIO-FUEL FACTOR

The growth of the bio-fuel industry is also a factor in determining fertilizer prices. In the United States, the ethanol sector that uses corn as its main feedstock is expected to double in the coming years. Higher corn prices are encouraging farmers to plant even more corn. All grain prices have risen as a result.

TIGHT SUPPLY

While domestic and international demand for fertilizer has increased, tight fertilizer supply has further contributed to the upward pressure on price. According to AAFC, fertilizer prices are expected to increase due to the continuation of tight supply relative to demand. The International Fertilizer Industry Association (IFA) forecasts significant increases in global manufacturing capacities to meet this growing demand.

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. Agri-retailers can help farmers maximize the economic effectiveness of their fertilizer dollars.



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