

CFI 2006 Annual Report

CFI 2006 ANNUAL REPORT

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Chairman's Letter

Fellow members,

On June 2, 2006, Canadian news media began to report on the arrest of 17 individuals in the Toronto area on terror-related charges. At a press conference the following day, the authorities displayed a bag of ammonium nitrate fertilizer and reported that the suspects "took steps to acquire three tonnes of ammonium nitrate". Media calls to CFI's office began immediately and continued throughout the following week.

Thanks to our industry's leadership in product stewardship, CFI was able to draw attention to the establishment of the Fertilizer Safety & Security Council (FSSC), the On Guard for Canada awareness program for AN security, the AN code of practice, and our strong working relationships with government agencies such as the RCMP and Natural Resources Canada on this issue. The resulting media reports were largely positive towards our industry.

This is just one example of CFI's successes this year, many of which are described in detail in this report. Safety and security continued to be a top priority for CFI. Tremendous progress was made in bringing the codes of practice for both anhydrous ammonia and ammonium nitrate to the implementation phase. Drafts of both codes have been published for stakeholder review on the FSSC website at www.fssc.ca.

On another key issue, nutrients in the environment, the Crop Nutrients Council (CNC) delivered the first phase of its government-funded project to address barriers to adoption for best management practices (BMPs). In June, the CNC released the results of a groundbreaking survey of farmers, which revealed that almost all of the 1,000 farmers surveyed are using at least

one BMP to manage their nutrient use. Although this is extremely positive news, the survey also showed that farmers may be less inclined to implement BMPs due to the cost of adoption. The second phase of this project, which will continue this year, will develop economic models for the adoption of BMPs.

At the start of the year, the EPC established the Strategic Planning Task Force to develop recommendations for a new governance structure for CFI. Working with management, they proposed a completely revamped industry issue committee structure and a new Board governance structure based on a corporate governance model. This new structure is more streamlined and better suited to the realities of our operating environment today. CFI active members will have more opportunity to provide input into key CFI decisions through direct participation in the new Board Committees. I would like to thank the members of the Strategic Planning Task Force for their efforts on this critical initiative. I am confident that the CFI team is well-positioned and equipped with the tools it needs to continue to deliver results on our behalf in the years ahead.

Fred Gill
CFI Chairman
President & CEO, Saskferco Products Inc.



President's Report

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2005/2006 Core Executive (L-R): Past Chairman Gene Rurak, Chairman Fred Gill, Treasurer Harold Schmaltz, Secretary Ron Wilkinson, Vice Chairman Russ Holowachuk, and CFI President Roger Larson

Dear CFI members,
CFI has seen a lot of change over the years, both within our organization and in the fertilizer industry at large. Change is a fact of life, and it is our responsibility to ensure we are equipped to handle it. With that in mind, CFI has undergone a strategic planning process over the past year.

CFI's first strategic plan was developed in 1996. At that time, CFI had just recently completed a merger with the Western Canada Fertilizer Association (WCFA). CFI's budget was less than \$500,000 and there were three staff members. Since 2001, CFI has provided expanded services in safety and training, security, environmental issues, statistics and conferences. This growth has been driven by complex new government policies in areas such as nutrient management, greenhouse gases, taxation, product standards, national security, transportation and public safety.

The EPC's Strategic Planning exercise determined that our issues management strategies have been successful. The proposed new governance and committee structures are designed to facilitate more effective policy management, with greater integration and coordination of efforts with other

associations and stakeholders. The five new Issue Committees are: Environment, Nutrients in the Environment, Products, Economic Policy, and the Fertilizer Safety & Security Council.

In this annual report, we have summarized some of our major accomplishments in 2005/06. Moving forward, our new strategic plan envisions a more streamlined and nimble organization, allowing CFI to continue to maximize value for our members.

Roger Larson
President



In the second year of the affiliation, CFI President Roger Larson and TFI President Ford West continued to identify opportunities to maximize value and services for members across North America.

Fertilizer Safety & Security

Fertilizer Safety & Security Council (FSSC) initiatives, particularly the ammonia code of practice, continued to be top priorities. After two years in development, the Ammonia Code Drafting Group completed a program of test audits and opened the code for broad consultation in Spring 2006. The focus for the ammonia code initiative will now be on implementation, with a comprehensive stakeholder communications program already underway.

Beginning in 2008, the FSSC plans to use the services of the Agrichemical Warehousing Standards Association (AWSA) to audit ammonia facilities for compliance with the code. To ensure the ammonia code program is cost effective for agri-retailers, ammonia-supplying members of CFI have committed to cover additional costs from the two-year versus the current five-year audit cycle. The Ammonia Safety Council and its auditors will be asked to play mutually beneficial roles in implementing the code.

The FSSC website (www.fssc.ca), launched in February 2006, is a critical component of awareness activities for the ammonia code as well as other industry safety and security programs managed by the FSSC. These include a code of practice for ammonium nitrate, which is nearing completion, as well as training materials geared toward first responders, farmers, retailers and carriers. In 2005/06, the FSSC's Safety & Training Committee completed an updated Farmer Safety Training Booklet, which is being exclusively distributed through CAAR.

To encourage the exchange of information amongst government, industry and other stakeholders, the FSSC held a series of open house events throughout the year in Victoria, Ottawa, and Saskatoon.



FSSC Executive Director Dave Finlayson and FSSC Co-Chairman Bill McEwen (Agrium) flank the Hon. Roy Cullen, M.P., who spoke to CFI members about Public Safety and Emergency Preparedness department priorities at CFI's November 2005 Parliamentary Forum



The ammonia code of practice was in the spotlight at this year's Canadian Breakfast, held February 5, 2006 in conjunction with TFI's Fertilizer Marketing Business Meeting in San Diego, California. The Canadian breakfast was an ideal opportunity to raise awareness in the U.S. of this important product stewardship initiative, said FSSC Executive Director Dave Finlayson. Pictured are (L-R): Dave Finlayson, TFI President Ford West, CFI Chair Fred Gill and FSSC Co-Chair Gene Rurak at CFI's Canadian Breakfast

We need everyone's help to make the requirements in the ammonia code as practical as possible, while adhering to best practices for safe and secure handling of anhydrous ammonia.

- David Finlayson, Executive Director, FSSC

AN In the News

CFI fielded over 40 media enquiries concerning the June 2, 2006 arrests of 17 alleged terrorists in Toronto related to ammonium nitrate. In his capacity as Executive Director of the FSSC, Dave Finlayson was interviewed on the CBC, CTV and Global national television newscasts and in numerous newspaper articles. The coverage was positive, and CFI successfully highlighted the industry's commitment to safety and security through our On Guard for Canada program, developed through our partnership with TFI, and the FSSC's Code of Practice for ammonium nitrate.

Environment

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Donald (Fred) Gill
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Gilles Payette
Yara Canada L.P.

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Nutrients Strategy/CNC

CFI completed the last year of its three-year nutrients strategy in 2005/06, and has developed an updated strategy to guide activities in this program area through to 2009. The first three years have been a remarkable success. CFI committed over \$300,000 in total over the three years, matched by almost \$300,000 in two federal grants to the Crop Nutrients Council (CNC).

In 2005/06, the CNC began work on the "Adoption of BMPs" project, funded by the second of these grants. The objective of this project is to identify barriers to adoption of best management practices (BMPs) for nutrient management. A survey of 1,000 Canadian farmers has been completed and work is progressing on the development of economic models for BMP adoption.

With an increasing number of municipalities adopting or considering nutrient use regulations, CFI is developing a proposal for an Urban Fertilizer Council which would be financed by contributions from companies involved in lawn and garden or turf fertilizer markets and members of CFI. One of the key drivers for this initiative is the Manitoba government proposals which would have imposed quantitative limits on agricultural application and a ban on cosmetic use of fertilizers. Industry action has resulted in the softening of these proposals.

Greenhouse Gases

Lobby efforts were ongoing throughout the year, with a focus on reducing the emission reduction targets for nitrogen and improving exemptions for potash. In addition to attending government consultations and one-on-one meetings, CFI hosted several workshops to bring LFE members together with key government stakeholders. CFI is also playing a leadership role in a multi-industry coalition (steel, cement, mining, fertilizer) that has commissioned a report on the unfairness of the current emissions targets.

Production facilities in North America and Europe are very efficient, both in economic and environmental terms, having already undergone significant modernization and rationalization. In fact, Canadian nitrogen producers rank #1 in the world for energy efficiency. *Gilles Payette, President, Yara Canada Moderator, IFA/CFI event, UN Climate Change Conference, December 2005*

CEPA

CFI continued to press the government to remove the toxic label from the Canadian Environmental Protection Act (CEPA). In June, CFI co-hosted a breakfast to raise awareness of the issue with MPs. Liberals Wayne Easter and Allan Tonks, Conservatives Garry Breitkreuz, Rob Merrifield and Blaine Calkins, and Bloc Québécois Yvon Lévesque were among the MPs in attendance. CFI co-hosted the event with the Canadian Consumer Specialty Products Association and the Canadian Federation of Agriculture.



CFI once again co-sponsored a successful IFA event at the United Nations climate change meeting in Montreal. CFI hosted a dinner for speakers, which was also attended by an Environment Canada official and was represented at a Canadian government briefing session on the Canadian climate change plan. (L-R): Moderator Gilles Payette (Yara Canada), Don Smith (McGill University), Craig Rickard (Agrium), Doug McKell (Soil Conservation Council of Canada) and Kristen Sukalac (IFA)

Public Affairs & Image

CFI became engaged in the Nutrients for Life Foundation and participated in Foundation Board meetings in Toronto in September and San Diego in February. According to a 2005 Foundation survey conducted in the United States:

- Eight in 10 teachers agree that they need more materials that relate science to the real world.
- 50 percent of teachers give little coverage to how plants use nutrients.
- 62 percent give little coverage to the role of fertilizers in food production.

In light of these findings, the Foundation has developed a science curriculum supplement geared towards U.S. middle and high school students. CFI is working with the Foundation to adapt the supplements for use in Canada and will continue to explore ways for the Canadian industry to get involved.

CFI members can now access an exciting new online resource, the CFI Image Library (www.cfi-images.ca). The library contains a variety of exclusive photos relevant to the industry, and may be used free of charge by all members and approved partner organizations. CFI has also adopted new technology to produce a new electronic newsletter format that delivers updates directly into members' inboxes.



Kathy Mathers, TFI Vice President, Public Affairs; Susan Sykes, CFI Director, Public Affairs; and Kristen Sukalac, IFA Head of Service, Information and Communications took advantage of a rare opportunity to share communications issues and priorities in person at CFI's 60th Annual Conference in Victoria, August 2005.

2005 Honourary Members

CFI welcomed two new Honourary Members in 2005. The recipients, John Van Brunt and John Harapiak, are both industry veterans who coincidentally both started their careers with the same company and at the same facility over 40 years ago. John Van Brunt went on to become CEO of Agrium before retiring in 2003, while John Harapiak is a highly respected agronomist who retired from Westco in 2000.



(TOP) Bill Doyle, President & CEO of PotashCorp, presents an Honourary Membership to John Van Brunt



(BOTTOM) Past Chairman Gene Rurak presents an Honourary Membership to John Harapiak

Product Reputation & Regulation

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Pattie Ganske
Independent Dealers
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Robert McNaughton
Ontario Agri Business Association

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Product Reputation & Regulation

To address issues arising from the Canadian Food Inspection Agency's (CFIA) review of the Fertilizers Act, CFI is leading the formation of the Canadian Fertilizer Products Forum (CFPF), a multi-stakeholder group including representatives of the fertilizer, micronutrients, and supplements industries.

CFIA has identified five major themes for the review of the Fertilizer Act and Regulations. They are: efficacy and data requirements; safety and environmental protection; product registration; product labelling; and the operational environment.

Pressure for change is coming primarily from the inoculants, micro-nutrients and bio-solids sectors, which are also regulated under the Fertilizers Act. CFI believes that ways can be found to ease the regulatory burden while maintaining the principles of science-based product claims, product quality and high levels of safety. CFI would also like to see greater communication about our high product standards in Canada.

The Canadian Food Inspection Agency is introducing new restrictions on animal feed, pet food, and fertilizer, to protect against the spread of BSE. CFI has worked with CFIA to ensure the proposed regulations don't negatively impact on non-organic fertilizers. In particular, we successfully pressed the government to exclude tallow used as an anti-dust agent or in other processes. In the revised regulations released by CFIA on June 27, 2006, NPKS products are exempt.

Organics

CFI also continued to be engaged in the Canadian General Standards Board's process to develop a national standard for

organic agricultural production. Harold Blenkhorn and Tom Bruulsema have worked diligently to ensure the fertilizer industry's concerns are considered by the CGSB committee, in particular advocating that the use of muriate of potash be allowed in organic farming and ensuring that any environmental claims be based on science. The standards have passed the second level review stage and have advanced for review by the Standards Council of Canada.



2005 Award of Merit

Bruce Hope of Saskferco received the CFI President's Award of Merit. "Bruce has consistently demonstrated grace under pressure in dealing with some very controversial and sensitive issues. He has exercised patience and tact in bringing parties to pragmatic workable solutions when all those around him are losing their cool, and repeatedly brings these characteristics to bear in representing CFI to government officials," said Roger Larson. Bruce has served as the Chairman of CFI's Safety and Training Sub-Committee since 2001, and also served as interim Chair of the Fertilizer Safety and Security Council, chaired the Ammonia Code of Practice Drafting Group, and has been a key participant on several other industry task forces including ammonia reclassification.

Economic Policy

Energy

As North American natural gas prices remained high through 2005/06, the issue of Canada's energy supply and its impact on our industry gained significant profile with farmers, news media, and politicians. CFI is engaged on this issue as part of the Coalition of Industrial Energy Consumers (CIEC), who commissioned a survey on the impact of high energy costs on Canadian industry in 2005. The survey revealed that although companies are taking steps to improve energy efficiency in their operations, their energy costs continue to rise. According to survey respondents, tight energy supplies and higher costs are affecting both current operations and future investment for a number of industries, including fertilizer.

Roger Larson served as the CIEC's lead spokesperson, delivering the survey results to several key audiences including the annual Federal and Provincial Energy Ministers' meeting in September, the Energy Council of Canada, the Privy Council Office, and staff of House Leader Tony Valeri and Deputy Prime Minister Anne McLellan while the Liberal government was in office. The CIEC also held a successful media briefing, which resulted in an article profiling the coalition's concerns in the *Globe and Mail* in December.

Transportation

CFI has been actively working with other shipper associations, coalitions and farm groups to lobby the government to fast-track the introduction of new rail legislation. The shipper community has significant influence on this legislation given the realities of minority government in Ottawa.

Finance

The fertilizer industry was once again invited to present to the House of Commons Finance Committee. Delivered by Dennis Terry, Chief Financial Officer of Saskferco Products Inc. and Al Mulhall, Director, Market Research, Potash Corporation of Saskatchewan, the industry's presentation to the committee focused on taxation, energy, greenhouse gases, transportation and skills development, and called on the government to improve the country's productivity by lowering taxes and developing a strategy to secure Canada's energy supply.

World Fertilizer Conference comes to Canada

TFI held one of the most successful World Fertilizer Conferences in recent history from Sept. 25-27, 2005, drawing over 700 delegates from across the globe to Toronto and marking the first time in the conference's 30-year history that the event was held outside the United States.



TFI President Ford West, Former Deputy Prime Minister John Manley, and CFI President Roger Larson at TFI's World Fertilizer Conference in Toronto

Statistics

In December 2005, CFI launched its new web-based reporting system for the tracking of monthly production, shipments and inventories by reporting members. Under the new system, each reporting member directly inputs their information via a secure, password-protected website. Members can enter, review and modify their data before sending to CFI for analysis and compilation. All individual company data remains confidential and is secure from others. The new system significantly streamlines the reporting process for members and CFI staff.

Major Events

AFFILIATE DIRECTORS

Terry Roberts
Potash & Phosphate Institute of
Canada

Andrew Robinson
Atlantic Fertilizer Institute

Ford West
The Fertilizer Institute

CFI STAFF

Roger Larson
President

David Finlayson
Vice-President, Science & Risk
Management

Clyde Graham
Vice-President, Strategy &
Alliances

Susan Sykes
Director, Public Affairs

Monique MacDonald
Manager, Office Services &
Finance

Josette Lopes
Office & Meetings Assistant

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2005/06 Major Events

Western Canada Agronomy Workshop
July 19-21, 2005 – Portage la Prairie, MB

60th Annual Conference
August 7-10, 2005 – Victoria, BC

Parliamentary Forum
November 1-3, 2005 – Ottawa, ON

Canadian Breakfast
February 5, 2006 – San Diego, CA

Parliamentary Forum - New Government
April 5-7, 2006 – Ottawa, ON

Crop Nutrients Council Symposium
April 27, 2006 – Ottawa, ON

On the Road

CFI was in demand to speak on fertilizer issues at a variety of events in 2005/06, including:

- Agricultural Institute of Canada Annual Meeting
- Atlantic Fertilizer Institute Annual Meeting
- CAAR Stewardship Roundtable
- Canadian Association of Fire Chiefs Symposium
- CropLife Annual Meeting
- Energy Council of Canada
- National Conference on Sustainable Agriculture
- OABA Crop Inputs Conference
- WESTAC Transportation Forum



Nearly 140 delegates helped mark the 60th anniversary of CFI's Annual Conference held in Victoria, B.C. from August 7-10, 2005. Members of the 2005 Annual Conference Planning Committee: Top Row - Golf Tournament Chair Arnie Gaudin (Imperial Oil) Committee Chair Lynn Kennett, (Agrium), Dean Andersen (Westco) Bottom Row - Linda McAbee (TFI), Monique MacDonald (CFI), Susan Sykes (CFI)