



FERTILIZER CANADA
FERTILISANTS CANADA

907 – 350 Sparks, Ottawa ON K1R 7S8
T (613) 230-2600 | F (613) 230-5142

info@fertilizercanada.ca
fertilizercanada.ca | fertilisantscanada.ca

PRE-BUDGET RECOMMENDATIONS

House of Commons Standing Committee on Finance

Submission by Fertilizer Canada

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Fertilizer Canada (formerly the Canadian Fertilizer Institute) represents manufacturers, wholesale and retail distributors of fertilizers. Our membership comprises companies that produce nitrogen, phosphate, potash and sulphur products and promote the responsible, sustainable and safe production, distribution and use of fertilizers.

Fertilizer is the backbone of Canada’s agri-food economy. In addition to mining and manufacturing facilities in Ontario, Manitoba, Alberta and Saskatchewan, large and independent agri-retailers across Canada support farmers, helping them to feed Canadians and the world.

To meet the growing global challenge of feeding more people on less land, the world needs healthy soil with the nutrients to support the growth of crops; fertilizer provides the means to achieve this and its important role will only continue to grow. Fertilizer accounts for roughly 50 per cent of the world’s food supply. To feed a projected population of nine billion people by 2050, food production will have to increase its per acre intensity by 70 per cent. It is important that the Government of Canada position its farmers and the fertilizer industry to meet this challenge.

Potash Facts:

- Canada is the largest global exporter of potash, accounting for more than 46 per cent of global trade of this mined product.
- The majority of this product is sourced from the Prairie Evaporite Deposit beneath Saskatchewan. There are 10 active potash facilities in Canada.
- In 2014, Canada’s potash exports were worth \$5.2 billion and employed 5,000 workers in Canada. The United States remains the industry’s largest export market, followed by Brazil, Indonesia, China, and India.
- Natural Resources Canada has cited potash as the most valued mineral in Canada, outpacing other commodities such as coal, gold, iron ore, and diamonds.

Nitrogen Facts:

- Canada is well placed to meet the growing demand for nitrogen fertilizer, exporting about 60 per cent of annual production.
- Natural gas is a primary input in nitrogen fertilizer. Ammonia is produced by chemically reacting natural gas with steam and air under carefully controlled



conditions. Ammonia plants are highly sophisticated facilities with energy efficient operations.

- About six per cent of all natural gas consumed in Canada is used to make fertilizer.
- Typically natural gas accounts for 70 to 90 per cent of a nitrogen fertilizer facility's input cost, and 20 to 25 per cent for potash production.

Recommendations

There are several key areas where the provincial government can ensure the continued growth of the fertilizer industry while supporting Canada's farmers:

1. Environmental Sustainability

Canada holds some of the world's most viable and productive farmland. The success of the agriculture sector depends on addressing environmental concerns in a sustainable and practical manner.

The fertilizer industry takes its responsibility as stewards of our soil, air and water seriously. Canada's fertilizer industry is science-based and committed to research and innovation to ensure environmental stewardship when fertilizer products are being used.

However, with the use of best available technology, science limits the ability of our industry to make further reductions in greenhouse gas emission levels at the point of production of ammonia and nitric acid; a conclusion supported by a Natural Resources Canada-sponsored study.¹ Benchmarking is well underway for potash production.

To offset limited reductions during manufacturing, Fertilizer Canada and our members have been proactive in developing programs to reduce environmental impacts downstream by improving fertilizer application practices.

Canada has been a leader in nutrient management planning for crop production, formally recognizing 4R Nutrient Stewardship (Right Source @ the Right Rate, Right Time, and Right Place®) as a part of Agriculture and Agri-Food Canada's sponsorship of a nationwide research network. The federal government has embraced 4R Nutrient Stewardship as a valuable tool to meet the country's agricultural and environmental goals: reducing

¹ <http://www.nrcan.gc.ca/sites/oeo.nrcan.gc.ca/files/files/pdf/industrial/ammonia-study.pdf>



agricultural greenhouse gas emissions, protecting our waterways, while improving efficiency for farmers. The 4R Nutrient Stewardship framework is a science-based, internationally-recognized program developed to ensure the economically efficient, environmentally sustainable and socially responsible use of fertilizer.

The subsequent Nitrous Oxide Emission Reduction Protocol (NERP) is based on the concept of 4R Nutrient Stewardship to reduce on-farm emissions of nitrous oxide, allowing farmers to produce saleable carbon credits. Through the implementation of 4R Nutrient Stewardship, farmers can reduce their nitrous oxide emissions by 15 to 25 per cent annually. The NERP, which was initially designed and successfully implemented for Alberta's greenhouse gas emissions reduction regime, is readily adaptable to benefit Canada's farmers and the environment.

Recommendation: The Government of Canada should work with provincial and territorial governments to ensure no duplication or overlap in greenhouse gas regulation of the fertilizer industry.

Recommendation: The federal government should support the national adoption of the Nitrous Oxide Emissions Reduction Protocol (NERP), based on 4R Nutrient Stewardship (Right Source @ Right Rate, Right Time, Right Place®) to reduce agricultural emissions while generating income for farmers.

2. Transporting Fertilizer to Farmers

In order for Canada's fertilizer industry and farmers to prosper, ports, railways and trucking companies need to be highly efficient and move large volumes into domestic, U.S. and offshore markets.

In Canada, the average haul distance for export fertilizers is about 2,000 km. And while most fertilizer facilities have adequate road access to reach domestic customers, an estimated 95 per cent of the industry's outbound rail shipments cannot be transferred to trucks because of factors such as large volumes of product and long distances, or specialized handling requirements.

Given these challenges, Canada requires a regulatory framework that fosters and promotes rail competition. The *Canada Transportation Act*, with



recommendations currently under consideration by the Minister of Transport, must ensure that the transportation of key products, such as fertilizers, through the country's transportation corridors can support economic growth and prosperity. This will require improved balancing of the commercial relationship, addressing accountability, ensuring the common carrier obligation is upheld, monitoring, data reporting of performance, financial consequences addressing service performance, and effective dispute mechanisms.

Recommendation: The Government of Canada should enact policies which ensure that rail transportation remains competitive for Canada's export-driven fertilizer industry.

For further information, please contact: Emily Pearce Rayner, Director, Government Relations, epearce@fertilizercanada.ca or (613) 786-3034