



Pre-Budget Recommendations
to the House of Commons Standing Committee on Finance

August 2014

**Canadian Fertilizer Institute
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SUMMARY OF RECOMMENDATIONS

There are several major areas where the federal government can support the continued growth of the Canadian fertilizer industry:

INVESTMENT:

Recommendation: Make the Accelerated Capital Cost Allowance a permanent policy in Canada.

JOB CREATION:

Recommendation: Continue to aggressively pursue international trade agreements, particularly in the Asia-Pacific region, while ensuring the outcomes maximize the long-term competitiveness of Canadian industry.

INNOVATION:

Recommendation: Encourage industry-government partnerships to help fund the innovative research that is needed to keep Canadian industry competitive.

SKILLED JOBS:

Recommendation: Work collaboratively with industry to develop education programs and inclusive policies that foster greater participation in the labour force by Canadians.

Recommendation: Streamline entry requirements for skilled foreign workers to ensure that a workforce is readily available for the high-skill, high-paid jobs available in Canada's natural resources sector.

INTRODUCTION

The fertilizer industry is a significant contributor to Canada's economy, adding more than \$12 billion annually to gross domestic product. Our industry employs more than 12,000 Canadians in high-skilled, high paying jobs, often in rural regions. More than 70 different countries imported Canadian fertilizer last year, validating our position as a world leader.

POTASH

The potash sector continues to be a Canadian success story. Production continues to expand to meet the growing fertilizer needs of farmers in Canada and around the world. Potash is the largest mining industry in Saskatchewan, and there is also significant production in New Brunswick. The potash industry directly employs more than 5,000 Canadians in these regions.

The annual value of potash production in 2013 was \$6.1 billion. About 75 to 80 per cent of potash produced is exported, largely to the United States, followed by Brazil, Indonesia, China and India. Canada is the world's largest exporter, accounting for more than 40 per cent of the world's potash trade. Natural Resources Canada has cited potash as the number one valued mineral in Canada, outpacing minerals such as coal, gold, iron ore, diamonds and others.

NITROGEN AND PHOSPHOROUS

Canada's nitrogen and phosphorous production industry is also highly successful. Canada is well placed to meet the growing demand for nitrogen fertilizer, exporting about 60 per cent of annual production. Canada manufactured about 6 million tonnes of nitrogen and phosphorous fertilizer in 2012-13, a 6.7 per cent increase over the previous year.

There are several major areas where the federal government can support the continued growth of the Canadian fertilizer industry:

INVESTMENT:

These economic markers have been coupled with significant tax and royalty relief at both the federal and provincial levels with such things as the corporate tax rate reduction and the extension of the Accelerated Capital Cost Allowance (ACCA).

The result is that the Canadian fertilizer industry is investing. Canadian potash companies are undertaking major expansions of their existing mining operations in Saskatchewan and New Brunswick. The potash industry has invested or announced approximately \$15 billion in major capital projects since 2003. In the nitrogen fertilizer industry, investment is expected to rise given the large shale gas deposits in North America. Canada will be challenged to attract a share of this investment.

These recent investments are very capital intensive ventures. The ACCA has resulted in undeniable benefits for Canadian industry. The fertilizer industry's investment announcements are proof of this. However, this successful policy is due to expire on December 31, 2015. To continue to help the Canadian economy grow and enhance productivity, the federal government needs to consider making this a permanent policy in Canada. It will continue to give Canada and Canadian industry an edge in the global marketplace and a place where companies will continue to look to invest. Future Canadian employment growth depends on these investments.

Recommendation: Make the Accelerated Capital Cost Allowance a permanent policy in Canada.

JOB CREATION:

Globalization has allowed the Canadian fertilizer industry to capitalize on international market growth. This continues to allow the industry to grow, producing more jobs and investment in Canada. In 2013, four of the five largest offshore importers of Canadian potash were located in Asia (China, India, Indonesia and Malaysia), accounting for more than 50 per cent of Canadian potash exports outside of North America. A recently announced agreement to export potash to Bangladesh will further expand the potash industry's exports to the continent.

The United States is a significant importer of Canadian nitrogen fertilizers and a large purchaser of potash as well. International trade agreements, such as the Trans-Pacific Partnership (TPP) and the Canada-India Comprehensive Economic Partnership, represent strong opportunities for Canadian fertilizer companies to expand and grow their outreach into international markets.

CFI and its members believe expanded trade will give rise to new opportunities and enhance our competitiveness as an industry. Jobs will grow and tax revenue in Canada will increase if companies are able to build on their existing networks and international supply chains.

When negotiating trade agreements, CFI recommends the federal government keep these key principles in mind:

- Ensure Canadian interests within the North American Free Trade Agreement (NAFTA) and other trade agreements are protected and we do not end up negotiating away concessions already achieved.
- Negotiate comprehensive trade agreements which incorporate core elements such as industrial goods, agriculture, rules on intellectual property, rules of origin, technical barriers to trade, and labour, investment and environment.
- Reciprocal elimination of all tariffs on all fertilizer products exchanged between Canada and TPP countries.
- Negotiate a consistent science-based approach to regulatory policy harmonization for environmental, health and other phytosanitary policies, to prevent non-tariff trade barriers.
- Exempt fertilizer from economic trade sanctions on the basis of humanitarian grounds.
- Consolidate principles established in past consultations – NAFTA, Chile, MERCOSUR, APEC, DOHA – WTO, South Korea & China Accession to the WTO, and Libya Most Favoured Nation (MFN): free trade, tariff elimination, elimination of trade sanctions, domestic treatment for Canadian foreign investment, and commitment to market-based economic systems.

Recommendation: Continue to aggressively pursue international trade agreements, particularly in the Asia-Pacific region, while ensuring the outcomes maximize the long-term competitiveness of Canadian industry.

INNOVATION:

CFI views innovation as a way of enhancing productivity and investing in the future competitiveness of Canadian industry. With that in mind, CFI also recognizes that these investments are often expensive and we believe this cost can be lowered by developing programs that encourage industry-government partnerships.

CFI and its members created the Science Cluster in 2010 to help farmers reduce greenhouse gas emissions caused when they apply fertilizer, in addition to improving manufacturing efficiency where possible. Joint industry projects provide crop producers across Canada with science-based information and advice on how the use of best management practices can reduce the emission of greenhouse gases when they apply fertilizer or other crop nutrients on their fields. We encourage the federal government to continue to support this collaborative research.

In 2012, CFI launched Farming 4R Future, home to national and regionally specific 4R Nutrient Stewardship initiatives across Canada. 4R Nutrient Stewardship was established in cooperation with government, researchers, farmers and the public and helps farmers apply nutrients using four key pillars for fertilizer application: The Right Source @ Right Rate, Right Time, Right Place®. CFI has recently signed two Memorandums of Understanding (MOUs) with the Provinces of Manitoba and Prince Edward Island on 4R Nutrient Stewardship. Within these MOUs, CFI committed to providing \$50,000 a year over three years for each agreement for a total investment of \$300,000 by industry. These MOUs are also signed by the local farm organizations and local watershed groups. The result of each agreement will be the reduction of losses of crop nutrients to lakes and rivers, groundwater and the air.

4R Nutrient Stewardship is also a key component in CFI's Farming 4R Climate project. This national project provides the agriculture sector across Canada with a forum to discuss nutrient management challenges and make available tools and advice on how to minimize or correct the situations at hand. This project is the result of a \$700,000 investment the CFI received from Agriculture and Agri-Food Canada to promote greenhouse gas mitigation in fertilizer application using the 4R Nutrient Stewardship system. This federal investment, combined with the initiative of industry, will result in net benefits for both.

The North American fertilizer industry has pledged \$7 million to fund a multi-year research effort aimed at measuring and evaluating the economic, social and environmental benefits of 4R Nutrient Stewardship. CFI, The Fertilizer Institute (TFI), and the International Plant Nutrition Institute (IPNI) announced that the fund will support U.S. and Canadian 4R research projects in partnership with land-grant universities, watershed stakeholders and government agencies, as well as through industry initiatives.

Twenty per cent of the funding will be allocated to Canada. For CFI this effort will mean strategic management of committees responsible for decision making and final selection for research programs. The 4R Research Fund aims to:

- Quantify potential environmental, economic and social impacts resulting from combinations of source, rate, time and place decisions.
- Develop and populate scientific information that will enable use of 4R data in modeling tools used by federal and state agencies.
- Integrate, publish and share new research results and pre-existing knowledge to substantiate to stakeholders that practice changes will provide genuine environmental, social and economic benefits. Stakeholders include farmers, the fertilizer industry, extension, researchers, regulators, policy makers, the food industry, and consumers.

When industry and government find innovative ways to invest together, it gives Canadian industry a competitive advantage in the marketplace over the long term and ultimately will create more investment and more jobs.

Recommendation: Encourage industry-government partnerships to help fund the innovative research that is needed to keep Canadian industry competitive.

SKILLED JOBS:

With the expansion of Canadian fertilizer production, the industry is acutely aware of the need for skilled workers. As the industry looks to the future, labour skills and a capable workforce are critical if we wish to build on our strengths. Our industry provides high-paying and rewarding jobs. But competition from mega-projects in other regions, in Canada and around the world, combined with an aging workforce, is making it harder to retain skilled trades-people.

Our industry is concerned that industries based largely in rural regions of Canada will face even greater challenges than other sectors of the economy, which may be able to count on increasing populations in urban centres.

CFI has been encouraged by recent initiatives such as the recently ratified Canada Jobs Grant. Governments now need to work to ensure that where discussions are required, industry is involved. Industry wants to ensure these programs meet the government's desired objectives of creating jobs and economic growth.

Recommendation: Work collaboratively with industry to develop education programs and inclusive policies that foster greater participation in the labour force by Canadians.

Recommendation: Streamline entry requirements for skilled foreign workers to ensure that a workforce is readily available for the high-skill, high-paid jobs available in Canada's natural resources sector.

CONCLUSION

Canada's fertilizer industry remains internationally competitive. We cannot afford to be complacent. The federal government must continue to strive to provide an operating environment that will allow our industry to seize new opportunities, at home and abroad.

CANADIAN FERTILIZER INSTITUTE

The Canadian Fertilizer Institute is an industry association which represents manufacturers, wholesalers and retail distributors of fertilizers, including nitrogen, phosphate, potash and sulphur.

Our mission is to be the recognized and unified voice of the Canadian fertilizer industry by promoting the responsible, sustainable and safe production, distribution and use our products.

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