



December 12, 2023

VIA EMAIL

Honourable Judy Sgro, Chair
Standing Committee on International Trade
CIIT@parl.gc.ca

Dear Ms. Sgro:

Impact of the Port of Vancouver Strike on the Overseas Export of Canadian Potash

On behalf of Canpotex, I would like to thank you for inviting me to appear at the Committee to discuss the impacts of the Port of Vancouver strike on the overseas export of Canadian potash. I am pleased to submit this brief as a supplement to my opening statement to the Committee on November 30, 2023.

As mentioned during my introductory remarks to the Committee, Canpotex is one of the world's largest suppliers of potash overseas. On behalf of our two shareholders, Mosaic and Nutrien, Canpotex markets and delivers over 13 million MT of Canadian potash each year to overseas customers. As one of Canada's largest overseas exporters, our global competitiveness is directly impacted by the reliability, recoverability, and resiliency of Canada's supply chains. Importantly, delayed potash shipments can mean missed crop seasons for millions of farmers overseas – impacting global food security.

Strike delayed significant potash shipments and hurt Canada's reputation

In short, this strike delayed significant shipments of Canadian potash which will not be made up by the end of 2023, and it hurt Canada's overall reputation as a reliable and stable trading partner.

The Port of Vancouver is the most important outlet for potash exports. Approximately 70 per cent of Canpotex potash is handled by our terminal, Neptune Bulk Terminals, in North Vancouver. Today, Neptune is the largest potash-handling facility in the world, and we've invested heavily in making it our most cost-effective and efficient terminal. Impacts began well in advance of strike action. We began putting contingency plans in place in June, and on June 28th, railroads stopped launching trains in Saskatchewan in anticipation of a strike. Resulting backlogs were not cleared until at least the end of

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August.

There was little capacity elsewhere in Canada to divert shipments. We had already been maximizing our terminal at the Port of Saint John and through the Port of Thunder Bay. As a result, we had to rely more heavily on ports in the United States.

One of the most harmful aspects of this strike was the unpredictability, particularly when the ILWU resumed picket lines on July 18th. On July 19th, Canpotex announced we were withdrawing all new sales offers because of the supply chain uncertainty at the Port of Vancouver. This is a step Canpotex has never taken before in our 51-year history.

Reliability is critical for potash shipments and part of Canada's brand overseas

Reliability is critical to potash customers overseas and for global food security. Potash shipments are time-sensitive for a country's crop seasons. A missed potash shipment can mean potash doesn't get applied in time to a farmer's field, hurting global food production.

Reliability is also critical to Canada's brand overseas, and it was built over decades by exporters like Canpotex.

Reliability is an important part of Canpotex's competitive advantage. For example, in 2022, Canpotex shipped record volumes to Bangladesh, backfilling potash traditionally sourced from Russia. In March, the federal government proudly highlighted the agreement for Canpotex potash between the Canadian Commercial Corporation and the Government of Bangladesh. Bangladesh could trust Canpotex would be a reliable and stable supplier. We were proud to step up in light of potash supply concerns stemming from Russia's illegal invasion of Ukraine.

Canada cannot afford to take this brand for reliability for granted. In just the past two years, we've experienced floods, wildfires, poor winter rail performance, and numerous labour disruptions, including October's strike at the St. Lawrence Seaway. There remain real risks on the horizon related to continued labour instability that could impact supply chain reliability and impact the export of Canadian potash overseas, such as, the foremen at the Port of Vancouver are currently without an agreement and critical rail collective agreements expire at the end of 2023. All disruptions are adding up and risk chipping away at Canada's reputation.

Canpotex is doing what we can to protect our hard-earned reputation. Over the past 20 years, we have invested approximately US\$3 billion into our own supply chain, including building our own railcars, operating our own terminals on both east and west coasts, and chartering our own vessels.

The rest of the world is noticing Canada's supply chain uncertainty

The rest of the world is noticing, and we do not want foreign competitors taking advantage of Canada's supply chain uncertainty. To be absolutely clear, our competitors from Russia and Belarus are at or near their traditional levels of potash exports, pre-sanctions or pre-Ukraine war.

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As mentioned during my testimony, I have a sobering example to share with you. Indonesia is the world's 5th largest potash consumer, and potash is the largest Canadian export to that country. The fertilizer press has reported on the impact the Port of Vancouver strike had on Canadian potash exports to Indonesia. Specifically, as a result of the strike, importers took in more potash from Russia. Russia replaced Canada as Indonesia's leading potash supplier in September and in October.

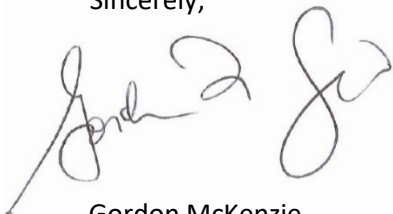
Labour stability plays a critical role in the reliability of Canada's supply chains, which has broader impacts on Canada's economy, its reputation as a trusted trading partner, geo-political relationships and – ultimately – on global food security.

While labour relations and collective bargaining can be sensitive and complex subjects, it is a challenge that must be addressed by government in a meaningful way, given supply chain labour uncertainty can have deep impacts to large swathes of Canada's economy and affect Canada's reputation as a stable and reliable trading partner. While we appreciated the work of the mediator and the Minister of Labour to bring the strike to an end, we would have liked to have seen the government act more quickly and decisively.

With potash, Canada has a remarkable opportunity. Saskatchewan has the world's largest reserves of potash. Our shareholders, Mosaic and Nutrien, operate some of the largest, most sustainable potash mines in the world. Canpotex has built a sophisticated and highly-integrated supply chain built for reliability. The rest of the world needs more potash to feed a growing population.

But realizing this opportunity is only possible if we can reliably deliver Canadian potash overseas when customers and farmers need it. For Canpotex and for Canadian potash, supply chain reliability is tied directly to global food security.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Gordon McKenzie', written in a cursive style.

Gordon McKenzie
President and Chief Executive Officer