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

Trade in North America between Canada, the United States and Mexico

Comments to the House of Commons' Standing Committee on International Trade

Fertilizer Canada

September 2017

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

Fertilizer Canada welcomes the opportunity to participate in the discussions and provide input into the renegotiation of the North American Free-Trade Agreement (NAFTA) with the United States and Mexico. NAFTA is of significant interest to our membership and their farm customers. Canada's fertilizer industry is an integrated, North American sector where farmers and agri-business on both sides of the 49th parallel depend on imports and exports of fertilizer as well as the exchange of technology and equipment, labour mobility, agronomic research findings, market information and transportation corridors.

We support an expanded and modernized North American Free-Trade Agreement. The Canadian government should adopt a "do no harm" approach to these negotiations, protecting and enhancing free trade within North America.

Fertilizer Canada represents manufacturers, wholesale and retail distributors of nitrogen, phosphate, potash, sulphur fertilizers and related products. The fertilizer industry plays an essential role in Canada's economy with manufacturing, mining and distribution facilities across the country. About half of all crop production is due to fertilizer application. The association is committed to supporting the fertilizer industry and its continued growth with innovative research and programming, while advocating sustainability, stewardship, safety and security through standards and Codes of Practice. As the foundation of Canada's agri-food sector, Fertilizer Canada continues to make changes that positively impact the environment, the economy, and the social fabrics of Canadian life.

Fertilizer Canada has been a consistent supporter of regional and bilateral free-trade agreements such as NAFTA, the Canada-Europe Comprehensive Economic and Trade Agreement (CETA) and the proposed Trans-Pacific Partnership (TPP).

Fertilizer Production in Canada

Canada is the world's leader in potash production and exports, accounting for 52 per cent of global potash reserves. Canada is the ninth largest producer of nitrogen fertilizer. Almost half of Canadian nitrogen fertilizer production is exported to the United States. Canada also imports fertilizers where freight costs are advantageous or to meet nutrient deficits in products such as phosphates.

Fertilizer Trade with the United States

The United States is Canada's largest fertilizer market and accounts for well over half of all total fertilizer exports each year: Annual Canadian exports of fertilizer to the United States range from $4.5 billion to $3.2 billion (CAD). Potassium (potash)

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

fertilizer is the major export ranging from $3.6 billion to $2.5 billion. Nitrogen fertilizer exports range from $1.2 billion to $800 million. Phosphate exports are marginal.

The United States exports between $800 million and $900 million (CAD) in fertilizer products to Canada each year. More than half of the exports are phosphates such as mono-ammonium phosphate. Another $300 million of the exports are various nitrogen fertilizers such as urea. The remainder is about $50 million in potassium (potash) fertilizers. Canada maintains a significant trade surplus in fertilizer with the United States – about four to one.

Fertilizer Trade with Mexico

Canadian fertilizer exports to Mexico are minor and have declined from about $26 million five years ago to $10 million in 2015-16 (CAD). Potash makes up the majority of these exports. Mexican exports to Canada are valued at under $2 million.

It should be noted that the United States fertilizer industry, which is better placed geographically to service Mexico with nitrogen products, sees Mexico as an export market with a potential to grow. This would benefit the integrated Canada-United States fertilizer industry. However, Mexico could become a major importer of Canadian potash fertilizer as it modernizes its farm practices and consumes more fertilizer per unit of crop production. Mexican agricultural exports to the United States have been growing at a double digit pace.

Situation

Canada's fertilizer industry has benefitted from the stability and certainty of NAFTA. Exports of potash and nitrogen fertilizer to the United States have contributed to growth and modernization of Canadian fertilizer production. Conversely, Canadian agri-retailers and farmers have benefited from access to quality United States fertilizer products.

Recommendations

- Fertilizer Canada supports the Canadian government's goal of modernizing and strengthening NAFTA, and makes the following recommendations:
- Protect the interests of our farmer customers in Canada, the United States and Mexico who depend on access to cost-effective fertilizer products and services
- Support a consistent, science-based approach to regulatory harmonization to prevent the creation of protectionist trade barriers under the guise of environmental, health and sanitary and phyto-sanitary rules.

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

- Leverage NAFTA for common approaches to trade with outside countries.
- Ensure NAFTA renegotiation results in maintaining at least the same degree of access into and from the Mexican and United States markets that Canadian manufacturers currently enjoy, including integrated supply chains.
- Update, modernize and coordinate customs procedures to reflect current business realities; and better leverage technology to reduce administrative burdens, increase security and speed border crossing times.
- Strengthen regulatory cooperation to allow products to be designed, tested and produced once and sold across the region without additional regulatory approvals.
- Expand and update the range of business professionals, including skilled workers, permitted to move freely within NAFTA without administrative reporting requirements.
- Maintain current zero duty rate on fertilizers and chemical commodities listed in the Harmonized Tariff Schedule (HTS) Chapters 28 and 31.
- Maintain the exemption of the Merchandising Processing Fee (MPF) on imports of NAFTA declared goods.
- Maintain current Tariff Shift Rules of Origin for fertilizers and chemicals listed in the Harmonized Tariff Schedule (HTS) Chapters 28 and 31. Any significant change in the current structure of this rule would present unnecessary administrative burden.
- Adopt the chemical reaction rule for the qualification of chemicals. Most other modern free trade agreements use this rule, but NAFTA currently does not Aligning NAFTA rules of origin with other agreements provides administrative efficiencies and helps to streamline customs process.

Fertilizer Canada and its member companies should be viewed as key stakeholders in the negotiation of any changes to NAFTA. We look forward to continuing this discussion on the state of trade among Canada, the United States and Mexico, and the implications for our industry.

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