



FERTILIZER CANADA

FERTILISANTS CANADA

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GLOBAL AFFAIRS CANADA

Canada–China trade consultations
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RE: CONSULTATIONS ON A POTENTIAL FREE TRADE AGREEMENT WITH CHINA

Fertilizer Canada is responding to the federal government consultation on a potential free trade agreement with China, Canada's second largest trading partner. Prime Minister Justin Trudeau and Chinese Premier Li Keqiang announced exploratory discussions this year. Global Affairs Canada is seeking input from key stakeholders.

We support exploration of a free-trade agreement with China.

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 and distribution facilities across the country. About half of Canadian crop production is due to fertilizer application. The association is committed to supporting the fertilizer industry 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's flagship sustainability program is 4R Nutrient Stewardship.



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The major fertilizer products are nitrogen, phosphate, potash and sulphur fertilizer, which are essentially food for plants. Canada is the world's leader in potash production and exports. 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 Canada has been a consistent supporter of regional and bilateral free trade agreements such as NAFTA, the Canada-Europe free trade agreement, the Trans Pacific Partnerships.

Fertilizer Trade with China

Canada's fertilizer industry has the opportunity to increase potash exports to China and the potential to open new markets for other value-added fertilizers such as slow and controlled release products, as well as for related services and technologies.

Canada exported more than \$707 million in fertilizer products to China in 2015 – the sixth most important class of goods Canadian export. But that was an exceptional year. The usual value of fertilizer exports is just under \$400 million. The vast majority of the fertilizer exported to China is potash. Sales of other nitrogen and phosphate fertilizers are valued at a few million dollars annually. Canada has the capacity to increase fertilizer exports, and related goods and services, to China. With more than 1.4 billion people, China grows more food than any other country and is the world's largest fertilizer market.

However, China will have to increase grain and oilseed production to remain food self-sufficient and to meet demands for improved diets. Fertilizer will be a critical input.

Canpotex is the company that markets and delivers Saskatchewan potash overseas on behalf of Fertilizer Canada members, Agrium, Mosaic and PotashCorp -- from Canadian mines to millions of fields and farmers around the world, helping the world grow more food. Annually, Canpotex transports potash by rail and ship to approximately 40 overseas countries including China. Russia and Belarus are the major potash competitors in the Chinese market.



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Canada, through Canpotex, was the first country to supply potash to China in 1972. Since then, Canpotex has sold and delivered over 45 million tonnes of potash, making Canpotex one of Canada's top exporters to China. Canpotex has also helped educate its customers in China on how best to use potash to increase crop yields and improve food production through various farmer education programs. Since 1983, Canpotex has invested over US\$30 million in these programs in China.

“As the country's standard of living increases, more people are able to afford higher quantities of animal protein, and fruits and vegetables. This improvement in diet increases the need for balanced fertilizer application and modern farming practices to increase the amount of food that is grown on the existing cultivated land base (9% of the world's cultivated land area).” – Canpotex website.

The Canadian Trade Commissioner Service has noted the potential for increased fertilizer exports to key crop production areas in China.

Technology Transfer

Fertilizer Canada members are key sponsors of the International Plant Nutrition Institute, which maintains a farmer education and research program in China. Fertilizer Canada staff work in close cooperation with IPNI in Canada and around the world.

In its 2017 annual report, IPNI notes that the effort to maintain China's food supply with just seven per cent of the world's arable land has led farmers to use fertilizer at application rates that are the highest in the world. New government policies are being adopted to encourage more sustainable crop production systems. IPNI is playing a key role in delivering farmer education and technical advice. IPNI promotes the 4R Nutrient Stewardship program for sustainable fertilizer use – the same system advocated by the Canadian fertilizer industry for use by farmers in Canada.

“As farm size increases, there are new markets for custom and specialty fertilizers. The increase in fertigation and mechanized fertilizer application provides opportunities for innovation.” IPNI 2017 Progress Report.



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Non-potash fertilizer exports to China include minor amounts of: urea, potassium sulphate, combination products and small packaged products.

China is a minor exporter of fertilizer products to Canada, with annual sales valued at around \$10 million annually.

Challenges

The Canadian Trade Commissioner Service has noted that selling farm inputs such as fertilizer to rural areas in China is challenging and may be hampered by local government policies. There are also technical barriers to trade such as food safety and health standards.

According to a Canada China Business Council survey of Canadian companies operating in China, some of the major hurdles are regulatory.

“There are many obstacles to doing business in China, and those at the top of the list are typically a focus for policy discussions. Continuing a trend from past years, four of the five most important as identified by Canadian companies responding to the survey could be considered administrative obstacles: (1) Lengthy and complicated certification (2) Local content requirements in China (3) Chinese customs procedures and (4) Chinese labelling requirements. Rounding out the top five is China’s air and environmental pollution.”



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Recommendation

Fertilizer Canada supports negotiation of a Canada-China Free-Trade Agreement based on the following principles:

- A comprehensive trade agreement which would include core elements such as industrial goods, agriculture, intellectual property, rules of origin, dispute resolution, technical barriers to trade, labour mobility, investment and environment.
- Reciprocal elimination of all tariffs on fertilizer trade between Canada and China.
- A consistent science-based approach to regulatory harmonization to prevent the use of environmental, health and other phyto-sanitary rules as trade barriers.
- Ensure Canadian interests in other trade agreements such as NAFTA and the Canada-Europe trade agreement are not negatively impacted.
- Rule of law for Canadian companies and business people in China.
- Mindful of the success and relationships Canadian companies have already fostered in China in this sector.

Fertilizer Canada and its member companies should be viewed as key stakeholders in the development a negotiating strategy for a potential Canada-China free trade agreement.

Sincerely,

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