



Written Remarks of

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President and CEO
The Fertilizer Institute

House Committee on Agriculture

Hearing on

*“Uncertainty, Inflation, Regulations: Challenges for American
Agriculture”*

February 28, 2023

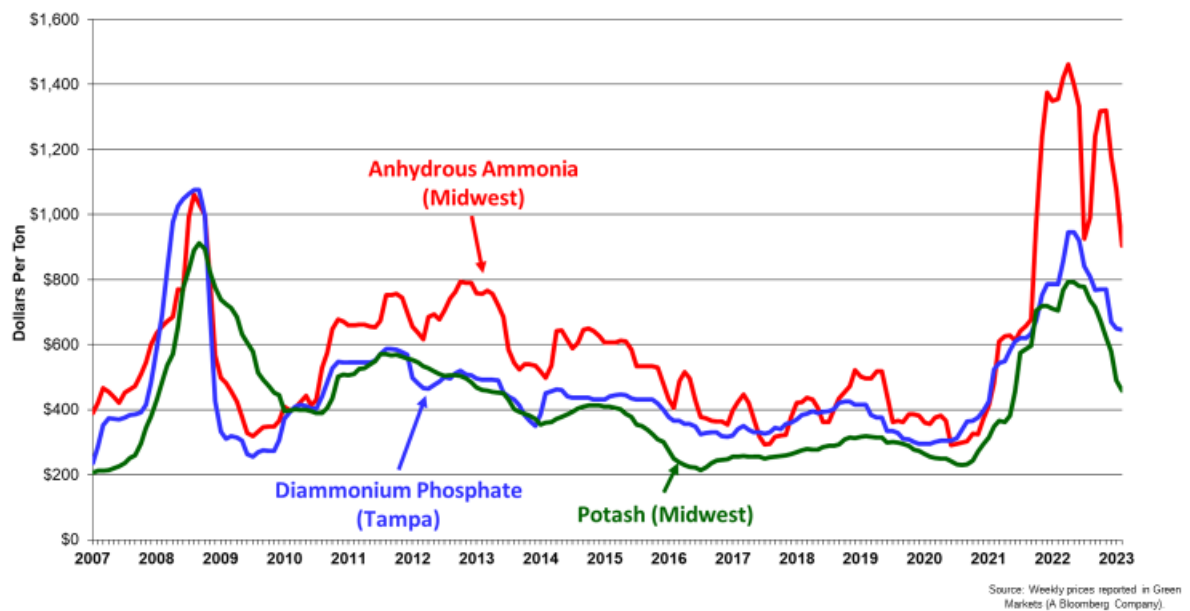
Good morning, Chairman Thompson, Ranking Member Scott, and members of the Committee.

My name is Corey Rosenbusch, President and CEO of The Fertilizer Institute (TFI). TFI represents companies that are engaged in all aspects of the fertilizer supply chain from manufacturers to distributors to retailers. The fertilizer industry ensures that farmers receive the nutrients they need to grow the crops that feed our nation and the world. Half of all global crop yields can be attributed to fertilizer use.

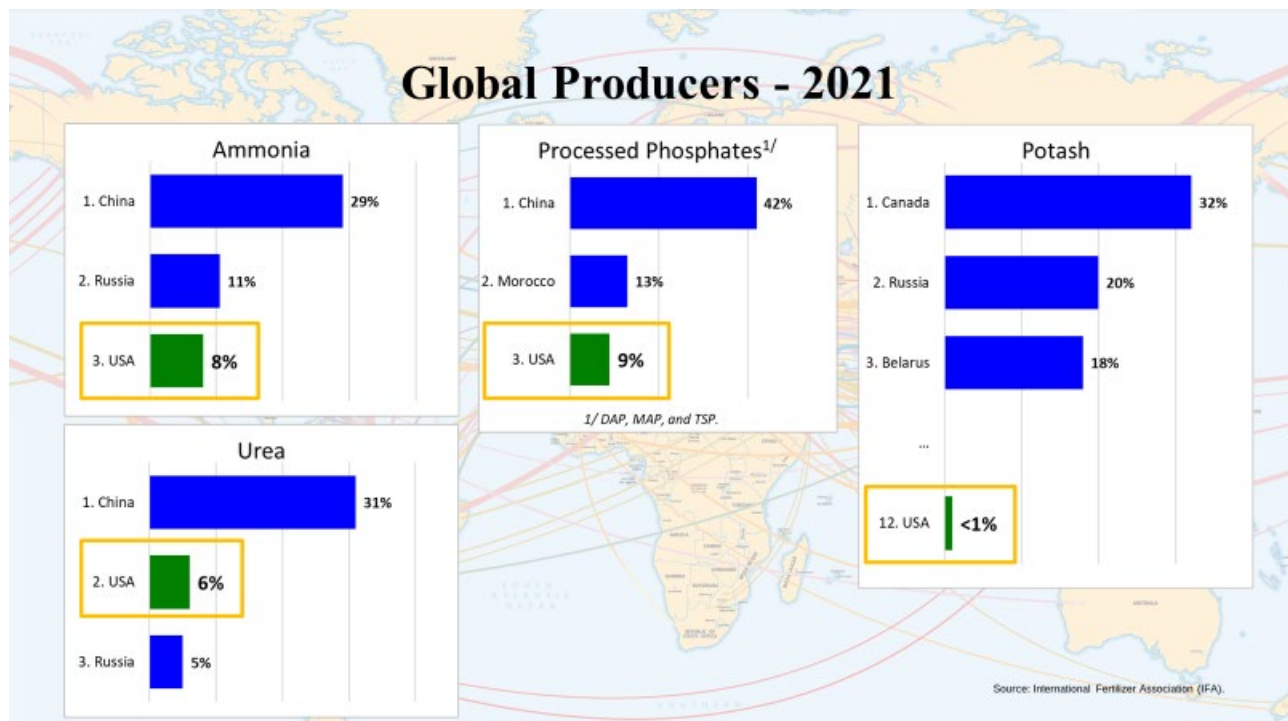
I want to thank the Committee and its members for the opportunity over the last year to informally brief you on the complexity of fertilizer markets. The roundtables, virtual presentations, and meetings in your offices were tremendously helpful in educating you and your staff on the volatility that we have experienced. While this may be a review for some, I want to spend a few minutes reviewing the factors that got us to this point; and I will then share an update for the current market situation and outlook for the spring.

I grew up in agriculture as the son of an ag teacher and FFA Advisor, and I spent much of the last year visiting with farmers to hear about the stress that high input costs have caused. As prices climbed during 2021's harvest, I climbed into a cotton stripper with a farmer in my home state of Texas. While he was concerned about the price of fertilizer, he also recognized he was experiencing record high farm income and prices for cotton. But not all commodities experienced that same bump, and I have no doubt that you have also heard from farmers in your district about the high price of fertilizer. Adding to the "normal" stress of farming, fertilizer prices were at historical lows just a few years ago, followed by recent record highs. It has been this extreme volatility that has especially impacted farmers' psyche.

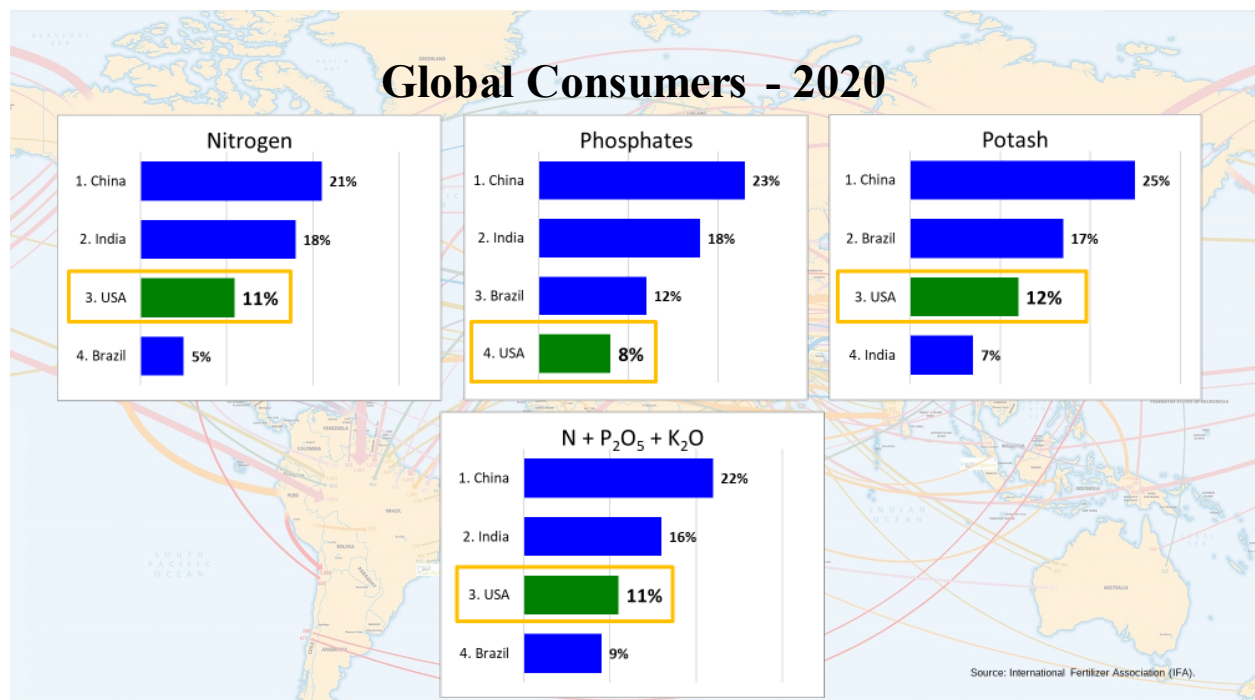
Monthly Fertilizer Prices: Jan 2007 – Feb 17, 2023



While people often speak of fertilizer as a single product, there are many fertilizer products. We often talk about fertilizer products in terms of the three macro nutrients which are all essential for plant (or crop) growth: Nitrogen, Phosphate, and Potash. They are each different products with different markets. In the case of Nitrogen, you have many forms or types of products that each have their own prices and markets: Ammonia, UAN, Urea, and Ammonium Sulfate to name a few.



The United States has significant production of Nitrogen and Phosphate fertilizers. We have some Potash production as well; however, we import over 80% of our Potash from Canada. We also import Phosphate and Nitrogen fertilizer from abroad. The U.S. only accounts for about 7% of global fertilizer production. Over 90% of all fertilizers are used outside the United States.



If there is one thing you take away from my comments, it is this. Fertilizer is a globally traded commodity, subject to international pressures and geopolitical events. And it has been global supply and demand that has led to the current market environment.



Market Background

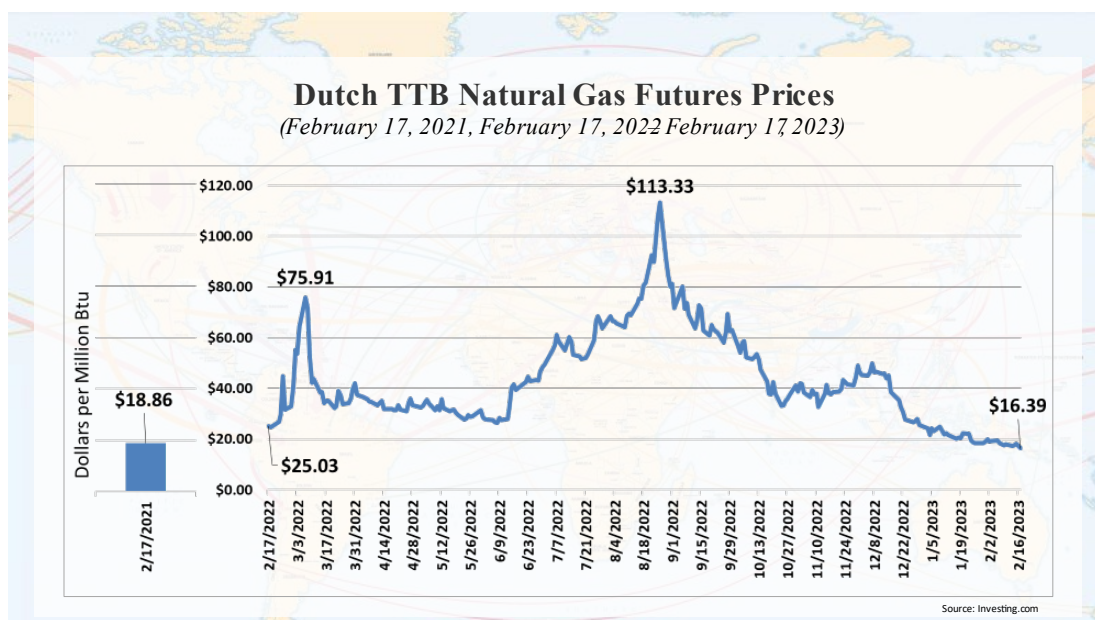
Geopolitical events have been the biggest disrupter in recent years.

- Belarus is sanctioned out of the global market and that is one-fifth (20%) of the world's potash supply.
- China is the world's biggest producer of fertilizers (nearly 30%) and a top global supplier (about 11% of all exports). Last year, China imposed export restrictions on its fertilizer products. Because China is a significant supplier to the world's single largest buyer of fertilizer, India; this was highly disruptive, distorted global markets, and raised costs for farmers worldwide. India procures their fertilizer

through a centralized government buying tender that is then subsidized before being sold to farmers.

- The Russian war in Ukraine was also highly disruptive. Russia is the biggest global supplier of fertilizers (about 20% of global supply), and that supply chain was highly disrupted at the onset of the war mainly because of sanctions imposed by several nations. Russia also restricted Europe's natural gas supply, which Europeans relied on for their fertilizer production. This resulted in approximately 70% of European nitrogen fertilizer production shutting down last year due to high natural gas costs.

Natural gas is the key feedstock and energy source for ammonia which is the building block of all nitrogen fertilizers. Natural gas accounts for between 70% to 90% of the total ammonia production costs. Natural gas prices doubled in the United States in 2022 and remain very volatile. As mentioned, high natural gas costs shut down 70% of European nitrogen fertilizer production.



Crop prices reached historic highs, and commodity demand and plantings drive demand and prices for fertilizers. Crop prices were strong last year, especially for corn, which accounts for 50% of fertilizer demand in the United States. The biggest factor for fertilizer demand is global grain stock-to-use ratios which TFI understands are the tightest they have ever been, and it will likely take years to rebalance.

Logistical supply chains were highly congested and challenged. More than 60% of all fertilizer moves by rail. Fertilizer leans on rail more than any other ag commodity, and rail service was terrible last year. Beyond rail, there was some disruption from the low-water situation on the Mississippi and trucking capacity remains constrained and was made worse along the U.S.-Canadian border due to the cross-border vaccine mandate.

Recent Market Updates

In recent months, fertilizer input costs have come down and supply and demand have improved.

High prices last year led to demand deferral and resulted in inventory carryover. This was especially the case for Phosphate and Potash as farmers “mined” their soil. Excess inventory means fertilizer demand has been soft in recent months as farmers “wait-and-see” prior to spring.

European Nitrogen plants have restarted as natural gas prices have moderated following a mild winter. China has been slowly exporting more fertilizer. Russian supply disruptions have also mitigated as supply patterns shifted, leading to a record fertilizer export year for Russia. This shift in trade flows, however, also impacts prices.

Nitrogen fertilizer prices in the United States are significantly lower than they were at this

time a year ago, reflecting changes in the global supply and demand balance rather than changes in the makeup of the fertilizer industry, which has remained constant. For example, urea prices in the United States have dropped by about 65% since March 2022.

Finally, TFI expects the market fundamentals to remain in place for the foreseeable future. High planted acres, low grain stocks-to-use ratios, and high grain prices means demand will likely remain strong going into the spring.

What Can Congress Do?

While Congress can't control China or Russia, TFI has also developed a roadmap of solutions that Congress can consider.

Fertilizer production facilities are capital intensive, typically costing \$1 billion to \$4 billion to build. This means that domestic producers and many others around the world must consider long-term factors that can make or break the viability of these substantial investments. Providing regulatory certainty is perhaps the most significant impact that you can have on fertilizer markets.

A few of those include:

1. Potash and Phosphate should be placed on the government's list of Critical Minerals.
2. We also need energy policies that support an abundant, safe, and affordable supply of natural gas.
3. Permit reform is essential for mining, construction of new production facilities, and for our infrastructure.
4. We need more reliable rail service, we need to promote driver recruitment and retention for trucking, and we need investments in our water and roadway infrastructure. Congressmen Dusty Johnson and Jim Costa have some excellent

- legislation, the SHIP-IT Act (H.R. 471), which helps a lot on trucking.
5. Revamp current USDA conservation programs that empower retail agronomists and CCAs to help farmers access these resources.

Conclusion

Thank you again for the opportunity to be with you all this morning. I am happy to answer any questions.



Corey Rosenbusch \TFI President and CEO

Corey Rosenbusch officially joined TFI as its President and CEO in February 2020. He previously served as President and CEO for the Global Cold Chain Alliance (GCCA).

Before joining GCCA, Rosenbusch lived in Indonesia implementing a United States Department of Agriculture (USDA) funded development project for The Borlaug Institute. Rosenbusch served as the National FFA President, representing the organization at state conventions and agriculture industry events.

Rosenbusch holds a degree in International Development from Harvard University and a Bachelor of Science degree in Agricultural Education from Texas A&M University.

Truth in Testimony Disclosure Form

In accordance with Rule XI, clause 2(g)(5)* of the *Rules of the House of Representatives*, witnesses are asked to disclose the following information. Please complete this form electronically by filling in the provided blanks.

Committee: _____

Subcommittee: _____

Hearing Date: _____

Hearing :

Witness Name: _____

Position/Title: _____

Witness Type: ☐ Governmental ☐ Non-governmental

Are you representing yourself or an organization? ☐ Self ☐ Organization

If you are representing an organization, please list what entity or entities you are representing:

FOR WITNESSES APPEARING IN A NON-GOVERNMENTAL CAPACITY

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

Are you a fiduciary—including, but not limited to, a director, officer, advisor, or resident agent—of any organization or entity that has an interest in the subject matter of the hearing? If so, please list the name of the organization(s) or entities.

Please list any federal grants or contracts (including subgrants or subcontracts) related to the hearing's subject matter that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the source and amount of each grant or contract.

Please list any contracts, grants, or payments originating with a foreign government and related to the hearing's subject that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the amount and country of origin of each contract or payment.

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

- ☐ I have attached a written statement of proposed testimony.
- ☐ I have attached my curriculum vitae or biography.

* Rule XI, clause 2(g)(5), of the U.S. House of Representatives provides:

(5)(A) Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof.

(B) In the case of a witness appearing in a non-governmental capacity, a written statement of proposed testimony shall include— (i) a curriculum vitae; (ii) a disclosure of any Federal grants or contracts, or contracts, grants, or payments originating with a foreign government, received during the past 36 months by the witness or by an entity represented by the witness and related to the subject matter of the hearing; and (iii) a disclosure of whether the witness is a fiduciary (including, but not limited to, a director, officer, advisor, or resident agent) of any organization or entity that has an interest in the subject matter of the hearing.

(C) The disclosure referred to in subdivision (B)(iii) shall include— (i) the amount and source of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) related to the subject matter of the hearing; and (ii) the amount and country of origin of any payment or contract related to the subject matter of the hearing originating with a foreign government.

(D) Such statements, with appropriate redactions to protect the privacy or security of the witness, shall be made publicly available in electronic form 24 hours before the witness appears to the extent practicable, but not later than one day after the witness appears.