



The Fertilizer Institute

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NEW STUDY FINDS FERTILIZER MANUFACTURING SECTOR SUPPORTS 244,000 JOBS IN THE U.S. ECONOMY

Food Security Impact is Highlighted as Charles River Associates Report Finds Annual Economic Contribution of Fertilizer Industry is \$57.8 Billion

Washington, D.C. – The Fertilizer Institute (TFI) released a report today that shows the U.S. fertilizer industry supports 244,000 jobs and adds \$57.8 billion in value to the U.S. economy. The study, conducted by Charles River Associates International (CRA), found that the fertilizer industry directly employs more than 24,800 people who produced fertilizers valued at \$15.1 billion in 2006. These jobs had an average annual compensation of \$76,000, which was almost 80 percent higher than the U.S. average compensation across all industries.

“For the first time, the CRA report quantifies the valuable economic contribution of the fertilizer industry to the U.S. economy,” said TFI President Ford B. West. “We urge the Senate to review this report with an eye toward potential valuable job losses among the domestic fertilizer industry that could take place if, as we anticipate, climate change legislation leads to higher energy prices.”

The CRA report found that the nitrogenous fertilizer manufacturing sector provides a total economic contribution of \$23.7 billion and 80,000 jobs, of which \$10.3 billion and 7,565 jobs were direct. The states with the greatest economic activity dedicated to the nitrogen fertilizer sector are Louisiana, Oklahoma, Iowa and Alabama. Phosphate fertilizer manufacturing was found to provide a total economic contribution of \$21.2 billion and almost 90,000 jobs, of which \$6.6 billion and 7,410 jobs were direct. The states with the most economic activity in this sector include Florida, North Carolina, Idaho, Louisiana and Texas. While economic contribution data for the U.S. potash manufacturing sector is not as available as other sectors due to non-disclosure rules, CRA found the potash industry provides an estimated 1,774 direct jobs.

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Fertilizer mixing was also identified as a significant contributor to economic activity with an annual contribution of \$13.5 billion in output and more than 56,000 jobs. According to CRA, the economic activity in the fertilizer mixing sector is more dispersed than in the nitrogen and phosphate manufacturing sectors. This is because the economic activity is not concentrated in large plants but instead in an estimated 6,000 fertilizer mixing facilities that are located near cropland where fertilizers are consumed. The top states with economic contributions to the fertilizer mixing sector are Indiana, Florida; Texas, California and Ohio.

Fertilizer manufacturing is a trade and energy intensive industry and is uniquely sensitive to the price of natural gas, which is required to make nitrogen. The industry uses natural gas as a feedstock in a fixed chemical process that combines nitrogen from the air and hydrogen from the gas to produce nitrogen fertilizer, in a form that the plant can take up. Unless the laws of chemistry change, there is nothing we can do to alter this process and, consequently, as much as 90 percent of the cost of producing a ton of ammonia, the building block for all other nitrogen fertilizers, can be tied directly to the price of natural gas. In 2008, the nitrogen fertilizer industry spent \$3 billion on natural gas. Each \$3 MMBtu increase in the cost of natural gas raises nitrogen fertilizer production costs by over \$1 billion. These are not costs fertilizer companies can pass on to its customers as the industry is a price taker in the global fertilizer market.

Historically, the cost of natural gas has exacted a heavy toll on America's nitrogen fertilizer producers and the farmer customers they supply. Specifically, since 1999, the U.S. nitrogen industry has closed 26 nitrogen fertilizer production facilities, due primarily to the high cost of natural gas. Currently, only 30 nitrogen plants are still operating in the United States and over 55 percent of the U.S. farmer's nitrogen fertilizer is imported. Of this imported fertilizer, 82.7 percent comes from countries without climate change policies in place to regulate carbon and a majority of these countries are those from whom we are striving for energy independence.

Any additional loss of U.S. fertilizer production could pose risks for the world's food supply.

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According to the report, "It is estimated that fertilizers are responsible for between 40 and 60 percent of the world's food supply. A quick calculation shows that if 50 percent of U.S. agricultural production is dependent on fertilizer, fertilizer use in the United States alone provides an economic value of up to \$300 billion. If even half of the fertilizer is assumed to be domestically produced, that translates to a domestic "use" value of \$150 billion, or 10 times the production value for the industry."

"The "use" value goes beyond economic value to the U.S. agriculture industry. In a world market struggling to keep food supplies apace with growing demand, agricultural products and fertilizers exported from the United States are important on a humanitarian level. If costs of U.S. agricultural products are increased as a result of a less-than-stable U.S. supply of fertilizers, the economic consequences could be large. This value of the U.S. fertilizer industry could well exceed the substantial measurable portion of the economic contributions of domestic fertilizer manufacturing that were estimated in this report."

A full copy of the CRA report, including a description of the methodology used in its development is available on [TFI's Web site](#).

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The Fertilizer Institute represents the nation's fertilizer industry. Producers, wholesalers, retailers, trading firms and equipment manufacturers which comprise its membership are served by a full time Washington, D.C., staff in various legislative, educational and technical areas as well as with information and public relations programs.