

Policy Solutions to Strengthen Domestic Fertilizer Production

The United States has one of the strongest and most competitive fertilizer industries in the world. In fact, the U.S. is one of only 3 nations that has at least 20 unique companies producing fertilizer products. Many countries have a single domestic fertilizer producer. Additionally, the majority of our country's fertilizer needs for Nitrogen and Phosphate, two out of the three necessary macronutrients, are produced within our borders. Despite the incredible size of the United State agricultural industry being the largest global producer of corn, second for soybeans, and fourth for wheat, we produce approximately 70% of our own nitrogen fertilizer needs and 65% of our phosphate fertilizer needs domestically.

While the U.S. has an incredibly robust fertilizer industry, recent events have exposed vulnerabilities within our supply chain, as well as highlighted the global nature of fertilizer markets and the interconnectivity of prices. The Fertilizer Institute has identified policy solutions to strengthen our domestic fertilizer industry and ensure that our nation's growers have access to the crop nutrients they need to grow the food on which our country depends. **The time to act on these issues is now.**

Immediate Action Items

Urge China to reduce or eliminate their fertilizer export restrictions.

China accounts for 25% of global phosphate exports and 10% of urea exports. The Chinese fertilizer export ban takes these products off the global market, dramatically reducing available global supply and increasing both the global and domestic price of crop nutrients. The administration must put pressure on the Chinese government to re-enter the global fertilizer market in June, when the ban is set to expire, or earlier if possible as nothing would do more to affect the global price of fertilizer than Chinese fertilizer products re-entering the marketplace.

Encourage use of fertilizer exemptions by financial institutions

The Department of Treasury's Office of Foreign Asset Control (OFAC) recently issued guidance exempting fertilizer and other agricultural products from Russian sanctions, but those exemptions are meaningless if financial institutions do not feel comfortable processing the transactions. The administration must encourage the E.U. and SWIFT to make clear to banking institutions that transactions related to agricultural goods are unencumbered by sanctions and are necessary to the world's food supply.

Eliminate the cross-border vaccine mandate between the U.S. and Canada

The U.S. receives 80%-85% of our imported potash fertilizer from Canada and this restriction is hampering those crucial crop nutrients from getting to growers in the U.S. Approximately one-third of cross-border drivers have been removed from the supply chain, at a time with heightened demand.

Eliminate hours of service (HOS) restrictions on agricultural commodity shipments

Fertilizer is delivered in a just-in-time system and there is a small window where fertilizer is applied. With labor shortages and massive amounts of fertilizer moving in a short window, drivers must have the flexibility to work throughout this crucial time period.

Immediately modernize weight restrictions for 6-axle trucks

This modernization would make U.S. farmers and businesses more competitive and reduce the number of trucks needed to haul the same amount of goods. The U.S. Department of Transportation (DOT) implementing this change would reduce infrastructure wear-and tear, enhance capacity, and benefit the environment by reducing vehicle miles traveled. It would also mitigate the current driver shortage which is particularly pronounced in rural agricultural areas.

Waive Jones Act restrictions

The waiving of Jones Act restrictions would ensure that fertilizer products and other agricultural commodities can move freely, in a timely manner, and competitively throughout the U.S. waterways network.

Incentivize growers to adopt 4R Nutrient Stewardship practices to maximize efficient fertilizer use

Encourage growers to work with a certified crop advisor to create nutrient management plans that focus on the responsible and efficient use to ensure maximum yields while also minimizing environmental impacts. There is no better time than now to optimize fertilizer usage.

Medium to Long-Term Action Items

Make environmental reviews for permitting, including environmental justice screening, fair, equitable, and streamlined

Permitting reform will allow domestic fertilizer production to grow and ensure that the industry and farmers can benefit from sourcing the raw materials needed for the final product domestically. Additionally, the recent proposed revisions to the National Environmental Policy Act (NEPA) will only increase uncertainty and cause significant delays in the federal permitting process and will only serve to decrease domestic fertilizer production.

Promote policies that support energy sources, including natural gas

Natural gas is the primary feedstock for all nitrogen-based fertilizers and accounts for 70 to 90 percent of manufacturing costs at a nitrogen facility. Between 1999-2008, high natural gas costs forced domestic ammonia producers to close 27 of 42 production facilities, cutting our production capacity in half and making U.S. farmers more reliant on imports. The shale gas revolution brought significant production back, but an extended period of elevated costs and lack of infrastructure investments could threaten the viability of domestic production.

Include potash and phosphate on the Critical Minerals list

The U.S. Geological Survey (USGS) must ensure that they are both included in its definition of “critical minerals.” Historically potash has been included, but most recently disappointingly removed. We continue to urge USGS to include phosphate rock as a critical mineral as it is the primary source for phosphorus in phosphate fertilizers. Being included on the list will help to ensure a streamlined and more reliable permitting process.

The Surface Transportation Board (STB) should pursue regulatory reforms that promote rail competition, fair rail rates and demurrage practices, and reliable service

More than half of all fertilizer moves by rail, making rail network disruptions a serious challenge for the industry and farmers. Rail carrier implementation of large cost-cutting initiatives, such as precision scheduled railroading (PSR), have disrupted rail service to many shippers and made it more difficult and expensive to ship fertilizer. Over the past 20 years, rail rates to ship anhydrous ammonia increased 206%, which is more than triple the average increase for all commodities combined. Additional reforms in the areas of rate regulation, reciprocal switching, and demurrage and accessorial fees can also promote more competitive rail service, make goods more affordable and boost the economy.

Modernize our inland waterway infrastructure

Approximately one-third of fertilizer moves on the inland barge system, making inland waterways critical to the safe and efficient distribution of fertilizers. Our nation’s locks and dams are in urgent need of maintenance and modernization. Most locks and dams were built in the 1920s and 1930s and have far exceeded their 50-year design lifespan. In the past decade, there has been a 700 percent increase in unscheduled stoppages for repairs. While Congress continues to provide strong funding, there is still billions in backlog maintenance for inland waterways.

Allow for the sustainable reuse of phosphogypsum

Phosphogypsum (PG) is a byproduct of phosphate fertilizer production and is currently required to be stored in above-ground stacks at a cost of hundreds of millions of dollars. PG is increasingly being safely recycled for a variety of uses in Europe, South America, Asia, Africa, as well as in Canada, and according to the International Atomic Energy Agency should not be restricted in such uses as agriculture, road construction or marine environments. Under the previous administration, PG was approved for limited use for road construction before being overturned by the current administration. The U.S. should join the rest of the world in making an allowance for the safe, sustainable and environmentally conscious use of an otherwise product being managed as a waste.

Enact climate change policies that protect the global competitiveness of the U.S. fertilizer industry and our farmer customers

The fertilizer industry is energy intensive and trade exposed, but the government can offer a wide range of incentives to defray decarbonization costs, including grants, loans, and tax credits. For example, the 45Q tax credit is a critical tool to help domestic ammonia producers reduce carbon emissions and is designed to incentivize CCS (carbon capture and sequestration) projects in the industrial sector, including ammonia, by providing a per-ton credit for CO₂ that is captured. Despite this effort, the current credit is not high enough to make CCS projects economical and should be at least \$85 per ton. The U.S. ammonia industry is among the world’s least-carbon intensive. Supporting the decarbonization of U.S. production will support significant global emissions reductions and help prevent carbon leakage.