



May 12, 2022

Submitted via www.regulations.gov

Jaina Nian
Agricultural Marketing Service
United States Department of Agriculture
Room 2055-S, STOP 0201
1400 Independence Avenue SW
Washington, DC 20250-0201

RE: Request for Information, *Access to Fertilizer: Competition and Supply Chain Concerns*,
AMS-AMS-22-0027-0001

Dear Ms. Nian:

On March 11, the United States Department of Agriculture (USDA) announced \$250 million would be available in a new grant program that will provide gap financing to bring new, independent domestic fertilizer production capacity on-line. On March 16, 2022, the Agricultural Marketing Service (AMS) published in the Federal Register the above-referenced Request for information (RFI) from the public to assist USDA in identifying relevant difficulties, including competition concerns, and potential policy solutions for the fertilizer market.

For the reasons discussed herein, the Illinois Farm Bureau® (IFB) respectfully submits the following comments in response to the RFI for USDA's consideration as it develops the new grant program. IFB is a member of the American Farm Bureau Federation® (AFBF), a national organization of farmers and ranchers. Founded in 1916, IFB is a non-profit, membership organization directed by farmers who join through their county Farm Bureau. IFB has a voting membership of approximately 74,000.

As USDA pointed out in the RFI, farmers depend on nitrogen, phosphate, and potassium (potash) which are key nutrients in manufactured fertilizer. Several factors have contributed to the supply chain failure leading to shortages and continually increasing costs of fertilizer. These factors include the ongoing conflict between Russia and Ukraine, rising inflation, labor shortages, regulatory hurdles, and increased transportation costs following the production disruptions experienced throughout COVID-19 shutdowns. In addition, University of Illinois economists have recently stated the following: "[w]e note that retail fertilizer prices are highly related to corn prices, suggesting that demand conditions and assessment of farmers' abilities to pay influence nitrogen fertilizer companies' pricing decisions. We also note North American fertilizer companies are likely to benefit from the current market conditions and

have a good financial year in 2022.” *Nitrogen Fertilizer Prices and Supply in Light of the Ukraine-Russia Conflict*, Farmdoc Daily, April 5, 2022.

As USDA looks to invest funds to alleviate the current fertilizer supply issues, it should consider equipping farmers to better manage price risk by enabling them to add or expand on-farm fertilizer storage capacity and other on-farm storage investments that can help farmers manage input costs throughout the year. While the issues IFB has identified above as contributing to the fertilizer supply shortage cannot be wholly remedied using USDA’s \$250 million investment, IFB has identified the lack of on-farm storage for fertilizer as a barrier to hedging or mitigating sudden unexpected jumps in the spot price of fertilizer. Considering this, USDA should use its \$250 million investment to create a program that provides grant funding and/or guaranteed loan financing to agricultural producers and rural small businesses to add to or expand on-farm fertilizer storage capacity. Agricultural producers may also apply for new fertilizer and alternative-fertilizer, such as organic manure, application equipment grants and loans to reduce the input cost of machinery that could precisely apply fertilizer and alternative-fertilizers into the soils. This would include equipment used by custom applicators such as agitators, pumps, injectors and dragline equipment. These grant loans should also be made available retroactively to January 1, 2021, so that proactive investments made to supply alternatives to or hedge against rising fertilizer prices can be reimbursed.

In addition, IFB urges USDA to work alongside other federal agencies to remove regulatory barriers to domestic fertilizer production to increase domestic output. USDA is well-positioned to serve as an advocate for farmers and rural economies across the federal government in making simple reforms that would spur additional fertilizer production. First, USDA should urge responsible agencies including EPA and the Services to seek reforms to environmental review processes that currently prohibit growth in domestic fertilizer production. Specifically, recently proposed revisions to the National Environmental Policy Act will contribute to the uncertainty and further delay the already lengthy federal permitting process. Second, USDA should advocate for potash and phosphate to be included on the Critical Minerals List. Historically, potash has been included but was recently removed. Third, USDA should urge the U.S. Geological Survey to include phosphate rock as a critical mineral to allow for a streamlined and reliable permitting process, which in turn will increase the domestic supply of fertilizer.

In preparing these comments, IFB initiated a call to action to alert IFB members to the opportunity to share their feedback directly with USDA within the context of the RFI. Between March 24 and April 8, 2022, approximately 550 individual IFB members provided over 2,500 individual comments to USDA on this topic. The following is a collection of the comments provided, which will demonstrate strong themes in response to several of the questions posed by USDA.

Describe challenges with market concentration and power in the fertilizer industries, including access to fertilizer, pricing, availability, transportation and delivery, quality and any other contract terms or other factors.

- Access, Availability, Price and Storage
 - ‘As more companies are bought by the big industry conglomerates, there is less competition to keep prices in check. In my area, I was not able to get anhydrous ammonia prices even though I was willing to prepay ahead of time. Also, the level of service we receive from these bigger

- companies is a lot worse than what we used to receive when there were more companies to choose from.'
- 'All our inputs to grow our crops have tripled. I was told that we might not even be able to get anhydrous and other fertilizers and chemicals. We were told this last fall. It has been a challenge to even farm at this point. Farmland prices are through the roof, inputs are sky high. Not sure how long the average mom and pop operation can survive. Worked our entire lives for what? Just sad.'
 - 'Availability and or cost may make crop production impossible due to scarcity this year staying in business due to high costs may further worsen the situation!'
 - 'Availability of Fertilizer has been 1st challenge. Cost has been double or tripled in some cases if available. Other associated costs with growing crops have inflated the same way. Unless crop prices triple over traditional levels. I can't continue growing crops. Of course, raising the costs of other goods and services or salaries, creates a never-ending cycle.'
 - 'Bottom line: With our fertilizer cost increasing to over 200% for our 2022 crop, we have no room for error. We need to bring production of fertilizer back to the United States. We cannot long be dependent on foreign countries. It may be too little to late!'
 - 'Fertilizer is an essential ingredient for efficient and profitable grain farmers like me. It is a product that is often difficult to store on the farm, so we rely on supply chains to efficiently deliver products when needed. This system is now broken for many reasons including geopolitical. We need an increased investment in domestic production capacity, transportation, and storage.'
 - 'Fertilizer prices seemed extremely high last year, but now they have doubled that. Margins are projected to be very thin or negative.'
 - 'Fertilizer prices that are available to me as of today, 3/24/2022, are ridiculous. I live in an area where fall applied ammonia is strongly discouraged because of soil characteristics. Fall 2021, I could have applied \$700 per ton ammonia and totally disregarded Illinois agronomy recommendations. Instead, I have locked in and paid for ammonia at \$1524 per ton as of 30 days ago and have since learned the price is now \$1700 per ton for spring application. Anhydrous at \$1500 per ton is not sustainable for my farm.'
 - 'We live in an urban area where fertilizer companies try not to deliver due to traffic and urban sprawl. We are usually the last fields fertilized or sprayed due to this fact. With short supplies my concern is it will even be available this year. The price is my next concern since we need to be able to make a profit after all is said and done.'
 - Young and/or beginning farmers have major concerns about being able to continue farming after this year
 - 'As a newer operator, cash flow is challenging. I need more options to purchase fertilizer to improve my balance sheet. I recently purchased a property on which fall fertilizer was not applied, and now I am fearful

- of what the spring price will be to raise a crop or if any fertilizer will be available.'
- 'As a young person trying to come back home and farm, raising fertilizer and other input costs makes this less of a reality and more of a pipe dream.'
 - Concentration in the fertilizer market is concerning
 - 'Concentration in the industry leads to lack of competitive markets. Also, should one or more of those few suppliers run into problems it compounds the issues for us, the end users. Transportation and supply issues are magnified when there are only a few players in the industry.'
 - 'Four firms control 75% of the nitrogen production capacity in the United States. These firms maintain that the industry is not overly concentrated and that they need to be large to be efficient. At the same time, they have instituted tariff complaints against imported fertilizer, claiming it is subsidized by the foreign countries where it is produced. I do not feel that the case has been proved that their cost of production is not just less than in the US. The ability to import cheaper product is a protection against market concentration in the US. Potash and phosphate production is more of a problem because of a lack of supply in the US.'
 - 'Market concentration has eliminated genuine competition in the fertilizer market. We get prices from different vendors, but they are all getting their fertilizer from the same place, so the prices are pretty much set at the farmers level, and they follow the crop commodity prices.'
 - 'The industry has been concentrated to a handful of companies. This monopoly has eliminated a free market. Supply is constricted at the whims of the companies to squeeze every last dollar from the farmers. They have cleverly pushed the envelope just below the level which triggers government intervention. These monopolies need to be broken up.'
 - Some are not worried about 2022, but are concerned with what 2023 will look like
 - 'I bought and paid for many of my inputs last summer and early Jan. I have 2022 covered but wondering about 2023.'
 - 'I was thankful to have thought ahead and locked my prices in for my 2022 crop in June 2021. However, I am highly concerned about being able to get the product for the upcoming year. My fertilizer costs specifically were up but not to what it is today or was last fall. My chemical costs are up 45% and I even locked those in as early as I could. I am concerned about being able to get the specific chemical I paid for due to supply chain issues.'
 - 'Supplies low and price is outrageous this spring probably will be OK. But fall and next year availability will more than likely be a serious issue.'

Comment on both long and short-term trends in fertilizer prices. Comment on any trends and the relationship of fertilizer prices to prices of relevant crops, such as corn and soybeans.

- Rising costs and market volatility
 - 'An example: In the fall of 2020, we paid \$435 for a ton of anhydrous ammonia to provide nitrogen for the corn crop. Right now, it is over \$1600 per ton. We usually get about 10 an acre from a ton. You can see the cost per acre went from \$43.50 in 2020 to \$160 per acre right now. The other fertilizer products have increased similar amounts.'
 - 'As a former grain merchandiser, we know that market fluctuations can shift swiftly and drastically within minutes, however the input side of our markets often cannot implement market shifts into their pricing as quickly. As we see market prices go down, we are still seeing input prices rise, which obviously presents a challenge for co-ops and farmers both in the short and long term.'
 - 'As of Feb. 24, anhydrous ammonia is \$1,503 per ton, urea \$889, potash \$808, and diammonium phosphate \$860 per ton. Grain prices are currently up, but these input prices are crippling our profit margins.'
 - 'Due to higher nitrogen fertilizer prices, I will be planting more soybeans and less corn. I have been aggressively applying potash and phosphate in the past, I but will start to decrease the fertilizer I apply and utilize the buildup I have in the short run. My long run production may suffer.'
 - 'Fertilizer price volatility has increased over the past several years and made a SIGNIFICANT jump this past year. While some volatility can be attributed to increased commodity prices, fertilizer prices are extremely slow to adjust to downturn in commodity prices when they occur. When my profitability improves, I don't mind sharing some of that profit with my input suppliers. I just wish they were more sensitive to those times when profit margins are very tight.'
 - 'With exorbitant prices for our fertilizers, we are being squeezed out from making a profit for this year. Prices have always been rising throughout the years but now they are off the charts. If prices stay this high, I can see that we as a nation could face shortages in our country down the road. We have to have a high price for our grains to stay in business.'
- Rising grain prices equal rising fertilizer prices
 - 'As grain prices go up, fertilizer goes up. Which is not a problem until when the price of fertilizer and grain are nearly equal. Corn fertilizer costs take about half of the input per acre compared to other crops.'
 - 'Better grain prices always mean high fertilizer prices. Fertilizer companies will always price gouge because there is no competition to keep prices down.'
 - 'Fertilizer prices did increase in price as corn, wheat and soybeans also increased in price, but fertilizers have far exceeded the inflation rate of crops. As an example, the price of anhydrous ammonia has increased

232% from early fall purchase price to spring purchase. Other fertilizers have also increased in price. These prices will remain until fertilizer supply production and delivery efficiencies are vastly improved. Input inflation is devastating our ability to affordably produce the crops and livestock to feed the world a nourishing and life sustaining diet for our growing world population.'

- 'Fertilizer prices have always trended with crop prices. Today with so few of players increased volatility and availability is also concerning. World Geo-Political events and oil prices are playing and increased role of price and availability. Crop prices now seem to be third on the list of price factors.'
- 'Fertilizer prices have gone up very proportionately to the crop prices in the last 6 months, however they never tend to come down in the same proportion. This year the relationship to fertilizer and corn/soybeans will leave most farmers able to profit but the real concern is next year or the year after when crop prices start to fall, but fertilizer prices are slow to follow, especially with current shortages and supply issues.'
- 'It seems that the fertilizer pricing has more to do with commodity prices than cost of production. The prices seem to go up very rapidly, but seem to take much longer to come back down. We, as farmers, are price takers on both sides of our business on our input products and on our commodities sold. The price for our commodities is cash price, not the price quoted on the board of trade. When prices are high, we generally have a lower cash price. Wheat basis for me right now is a \$-1.25/bu. If you would go back and chart fertilizer and commodity prices, you would see fertilizer spike up every time commodity prices would increase. In most industries, you have something called competition that keeps any one player from increasing prices dramatically. All of this is a reflection on food cost. When there is unfair pricing, it is all of the American people paying, not just the farmer.'
- Long-term pricing has been fairly steady, but short-term trends are quickly increasing
 - 'Long term prices have been fairly steady. Over the past 5 years, we have only seen minor price fluctuations. Short term prices are the opposite. In the last seven months, fertilizer prices have more than tripled. In comparison of crop prices, we have seen corn prices in the last 7 months have increased about 45 percent, and soybeans have increased approximately 35 percent.'
 - 'Long-term pricing has been gradual increase, but short term (last few months) we have seen steep increases. Crop prices have also increased. I worry about next few years if things will stay balanced or if input costs will far exceed crop sales.'
 - 'Long-term we may have to consider different crops other than corn and soybeans. Short term we may need to cut back on usage and, therefore, less output for this planting year.'

- 'Short term (the next two production years) fertilizer prices are roughly double what they've been in the long term. Granted, corn and soybean prices are high in the short term, but that will change. The issue will become when corn and soybean prices fall below the cost of production due to elevated input/fertilizer costs. Net farm income during these projected times will be much less than today, if not negative. Much would be gained if a solid domestic fertilizer policy was initiated so U.S. agriculture was not so dependent on foreign fertilizer production.'

Is the existing fertilizer market sufficiently competitive? If not, how do competition problems manifest themselves?

- No, domestic production and storage is needed
 - 'I don't think there is enough competition on all levels in the industry. We are starting to see a renewed interest in producing some products domestically again. Unfortunately, they are 4 or 5 years behind where they need to be to have a meaningful impact on the current supply and price situation. The consolidation in suppliers gives producers less options to both source product as well as reducing the leverage needed to negotiate more favorable buying terms. Locally, we have been able to book products at a fixed price to mitigate risk in the past. Now, the only way to accomplish that is to pay for and take delivery of the product. This is fine if you have the necessary facilities to handle and store what you're buying and the equipment to apply it. Some of the products are more difficult to handle and store and if you rely on the supplier to apply the products then it may not be an option to warehouse your own product.'
- Local retailers are competitive, but wholesale level suppliers have very little competition
 - 'I believe the wholesale market is not competitive. You have companies who are major domestic producers of fertilizers and who control the product from production to retail. They are also wholesaling that product to their competitors. If you can control a major segment of the retail market and also control the wholesale pricing of a large chunk of production, you can double dip and also help to keep pricing elevated. When you only have a couple competitors, and they know you will keep margin high then they don't feel pressured to move pricing down as the market ebbs and flows.'
- No, due to limited number of "players"
 - 'Few players control a large portion of the plant food market. They do compete with each other, but with the limited number of players, I don't believe true competition exists.'
 - 'Having limited number of suppliers reduces competition, resulting in elevated price. Geographic concentration of supply results in supply risk due to instability in those parts of the world with a large percentage of the supply.'

- 'I believe in a capital market system. Unfortunately, as time goes by the more prosperous companies tend to buy up the less prosperous companies. In some markets, such as the fertilizer and slaughtering industry, there only remain a few players. This is what has happened in the fertilizer business. There is no real competition left as they have become close to a monopoly; therefore, they can charge what the market will bear. I am not against these companies being profitable, but against them manipulating the market because there is no competition.'
- 'I do not believe the fertilizer market is sufficiently competitive at all. Most large companies that sell fertilizer are buying out all the small companies. They buy their locations, close up the location after acquiring it, and even remove it completely by demolition. This makes less competition overall and makes the big players in the game able to control the price themselves. My area for example has one single company that we can buy fertilizer directly from. All competition was bought by them and shut down. Now we pay the price they give us because we have to.'

What role do contractual or sales practices in fertilizer play with regard to producer access or prices paid to fertilizer? Have contractual or sales prices changed recently, or over time?

- Prepaid contracts can be key for many operations, but farmers have difficulties locking in pricing for next year
 - 'A huge role for our family farm. By prepaying our 2022 Anhydrous N Ammonia prior to Fall 2021, we avoided \$1550/ton price and saved \$770/ton on our Nitrogen needs. But this comes at a price. Interest cost if you must borrow money, which I did in September 2021.'
 - 'As a farmer, we have normally contracted our fertilizer supply 6-8 months in advance if we feel the price is fair. With the current inflated prices, it doesn't feel like it makes sense to lock in the highest prices in history as a cost for me.'
 - 'At this point in time, contracts are hard to acquire. The supply chain is tight and is priced at time of delivery. Fertilizer prices has doubled and tripled over the last 7 months.'
 - 'Contracted fertilizer early is key to getting the best pricing for the upcoming season. However, there has been an issue with getting pricing in a timely manner. If you bought fertilizer in September, you paid at least 33% more than if you bought in July. Retailers have been slow to distribute summer pricing for fear of a manufacturer pricing increase. Prices have increased dramatically with no sign of tapering off. Inputs have doubled, tripled, or quadrupled, depending on the particular nutrient. Generally, fertilizer price offers are now only good for 24-48 hours, where they used to be good for 2 weeks to allow farmers ample time to get competitive offers from other retailers.'

- 'Contractual pricing has become unreliable. I have prepaid fertilizer prices to lock in prices in the past. The prices rose and contracts became void. I had to pay the inflated price.'
- 'I have heard of contracts being broke from supplier to distributor this past fall for fertilizer, but I have not experienced it personally. Contracts are important to the industry because there is definitely a storage issue within at least our local area. It is critical that distributors, and then producers downstream in the chain, have the ability to manage risk by locking in prices. If the government were looking for a place to spend money, which I don't completely agree with, it could provide incentives for building additional fertilizer storage for distributors and/or producers. Possibly a way to facilitate this would be some sort of a tax credit to the owner beyond typical write-offs for the storage structure's cost. Put a cap on the credit to gear the motivation towards smaller distributors and producers to the big players from building huge facilities that would allow them to undercut smaller distributor co-ops. Consider laxing storage standards within reason to further encourage construction. One justification for this from the government perspective is food security. If we can insulate the US even partially from global production and cost swings, it should better stabilize crop prices, and maybe even make our price structure more competitive to global markets.'
- 'The contracts signed between farmers and suppliers are usually binding and price-protective, however we witnessed some contracts being broken this past year by the supplier stating "force majeure". Basically, the contracted supplier said they couldn't get the product from their wholesaler, so they had to break their contract with the farmer. That puts crop planning in jeopardy: no fertilizer, no corn crop. And it impacts how much seed to buy and trickles all the way down the supply chain.'
- Contractual and sales prices have changed recently
 - 'Recently the fertilizer market has been so volatile that traditional early bookings of products have been canceled causing expensive rebooking at high prices.'
 - 'Small increases over time are expected and probably justified. However, what's been happening to ag-related inputs over the last few years is not sustainable. The current trend is strangling not only the farmer, but the entire food chain is at risk of collapse due to pricing of almost everything.'
- Smaller farms are at a huge disadvantage, many cannot afford to contract out a year in advance
 - 'We have such limitations to choose that we. The 3000 and smaller farmer is forced to buy from limited options and are beholden to whatever the fertilizer suppliers and retailers would like to charge.'

- Yes, prices have changed, and they have drastically increased. No anticipation of prices decreasing
 - 'In the past 12 months especially, fertilizer contracts have been for such limited quantities that very few people are able to contract tons at the better early season prices. These prices then increase so rapidly as more tons are able to be contracted, that farmers are being forced to make these decisions many months earlier than they have ever had to. Often times fertilizer decisions were only made 1-3 months prior to the fields getting applied, however with recent contracting most have been pushed into making these decisions 6+ months in advance. They are also being required then put money down on these contracts too, to lock in these prices. Many farmers were leveraged over half a million dollars forward this year, when they were not used to paying until after applications were made.'

The U.S agricultural system relies on foreign supply of fertilizers. What global supply chain risks could result from trade disruptions? Additionally, how might the conflict in Ukraine impact fertilizer markets.

- Rely too much on imported foreign supplies of fertilizers
 - 'As I mentioned previously, we need to increase production in the US to avoid our heavy reliance on fertilizer supply from foreign countries. Such reliance can reduce the supply of fertilizer product available from these countries due to trade disruption as well as affecting transportation of the product. The Ukraine conflict is a good example of how fertilizer markets could be impacted. Since Ukraine supplies a large portion of fertilizer to the global market, the Russia-Ukraine conflict not only has the potential to dramatically reduce the available supply, but will almost certainly add to even higher costs for fertilizer products, both near and short-term.'
 - 'Because fertilizer prices are so high due to America relying heavily on importing fertilizer from other countries. We might be forced into planting a higher percentage of beans in the lower percentage of corn for our 2023 crop because of supply and price. All of this is because we rely too heavily on other countries to supply our fertilizer.'
 - 'Global supplies are impacted by any issue like war or embargoes or traffics or exchange rates. We are so dependent on the global supply chain that any hiccup can have major ramifications. Any foreign government conflict, especially those within a necessary supply chain providing environment, will create massive havoc. Global peace, especially in production countries or countries with access to global logistics, will forever be the most negative impact on prices. We have to understand how to mitigate the issues in agriculture in order to maintain fair and equitable market.'

- 'Relying on foreign goods of any kind makes us, the farmers, vulnerable to trade issues and the war in Ukrainian is affecting this as they are limiting or stopping exports of fertilizer for next year.'
- 'The supply chain is very fragile. We depend on too many foreign countries for our needs, a large part of those could be sourced or manufactured here in USA or at least North America. It seems so crazy to depend on people who are not necessarily our friends, from halfway around the world to supply essential inputs for our food supply. The current war situation is an example of this. Many other things also can affect this as well.'
- 'With the Ukraine conflict, Ukraine is a primary source of fertilizer that is now in jeopardy. Other sources are limited in supplementing the loss of that market. If the price point continues at the current pace, fertilizer usage will drop, impacting rural COOPS and fertilizer plants, along with affecting yields. This all has a domino effect.'
- The US should have been better prepared for self-sufficiency, but regulations have impacted current suppliers, plus prevented any further growth and expansion.'
- Transportation concerns
 - 'The reliability of supply and cost of transportation are the greatest risks. Between Russia and Ukraine, the account for 40% of the potash (potassium) exported globally. With Russia under sanctions, and Ukraine's logistics and production offline for the foreseeable future, we will likely see extremely high price levels for that product, as well as shortages that will show up for the next growing season. With the rise in energy prices due to the conflict in Ukraine, nitrogen fertilizer products will be higher as well, but I don't believe we'll see the shortages that we will see in potash.'
 - 'Anything from conflict, disease outbreaks and transportation challenges can disrupt the supply chain for fertilizer and cause increased prices.'
- Will see an impact on price and inflation and what is able to be planted
 - 'Definitely going to make it harder to get fertilizer at a good price which will in turn affect our yields. Also, with the conflict in the Ukraine, our natural gas will remain high causing our anhydrous to go up in price.'
 - 'If we can't get fertilizer at the right time for planting and growing, we will have a very low production of corn and soybeans. We will have less to sell even if prices are high, so less income to sustain farmers to remain farmers.'
 - 'It is going to disrupt the supply curve. It creates a justifiable reason for price increases. The problem is suppliers increased prices due to greed, the conflict happened, and they now increase prices due to lack of supply. They got two chances to gouge thanks to Russia's invasion of The Ukraine.'

In summary, IFB respectfully submits the above comments in response to the RFI for USDA's consideration as it develops the new grant program. We further encourage USDA to review

the individual 550 IFB member comments in detail as well. We appreciate your attention to this important issue. If you wish to discuss anything in further detail, please contact Lauren Lurkins, Director of Environmental Policy, at llurkins@ifb.org or (309) 557-3153.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard L. Guebert, Jr.", with a stylized flourish at the end.

Richard L. Guebert, Jr.
President
Illinois Farm Bureau®
1701 Towanda Avenue
Bloomington, IL 61701-2050