WESTERN CANADA FERTILIZER MARKET

K. R. Einarson, President

W.C.F.A.

Some very dramatic changes have taken place in the Western Canadian Fertilizer Market over the past five years. Statistics as to sales and shipments of fertilizer in the Prairie Provinces only tell a part of the story. Even without knowing what the statistics are, one can sense that something is really happening out in the marketplace. Many of you have no doubt noticed the proliferation of retail facilities over the past five years in the form of bulk plants, ammonia tanks and liquid fertilizer facilities. In addition, retailers have been investing in custom application equipment such as the floater to the tune of approximately $70,000 each. The number of these vehicles has gone from about 25 in 1974/75 to 350 plus at present. To those of us in the manufacturing and the wholesale end of the business the number of prospective dealer inquiries, particularily from Saskatchewan, has been very gratifying. A lot of people out there have confidence in the future of the fertilizer business.

To see what this interest has all been about let's look at the statistical side of the picture.

NITROGEN SALES

	MANITOBA	SASKATCHEWAN	ALBERTA	TOTAL
1974/75	100,713	61,399	183,461	345,573
1975/76	131,134	62,117	199,017	392,268
1976/77	117,030	73,477	214,952	405,459
1977/78	157,417	111,160	243,750	512,327
1978/79	184,078	159,457	284,595	628,130
RATE OF INCREASE	16%	27%	12%	16%

PHOSPHATE SALES

	MANITOBA	SASKATCHEWAN	ALBERTA	TOTAL
1974/75	81,367	117,426	131,074	329,867
1975/76	79,241	98,383	115,735	293,359
1976/77	75,685	95,174	120,082	290,941
1977/78	90,065	121,657	133,993	345,715
1978/79	98,766	145,124	155,321	399,211
RATE OF INCREASE	5%	5%	4%	5%

TOTAL FERTILIZER SALES

	MANITOBA	SASKATCHEWAN	ALBERTA	TOTAL
1974/75	379,911	340,712	627,381	1,348,004
1975/76	407,148	313,158	635,935	1,356,241
1976/77	404,665	328,752	645,885	1,379,302
1977/78	494,065	437,062	723,615	1,654,742
1978/79	563,971	580,836	841,502	1,986,309
RATE OF INCREASE	10%	14%	8%	10%

Source 1974/75 - 1976/77 - D.B.S.
1977/78 - 1978/79 - C.F.I.

Outlook for 1979/80 is that fertilizer sales will continue to expand. I don't have any statistics on shipments for the first half of the year, but feedback coming from the field indicates a strong demand. Dealers are concerned about having

enough product supply that anticipated demand. I don't expect a growth rate of 19 or 20% as over the past two years, primarily due to supply. It would appear that supply could be more limiting to sales than demand. Last years shipments to the four western provinces were just under 2.1 million tons. I will predict about 2.25 million tons for this year.

Fertilizer prices relative to the outlook of grain prices will of course have a bearing on demand. As a matter of interest I have charted what has happened to the fertilizer prices in the U.S. over the past year and a half. These are dealer prices as reported in Green Markets, a weekly publication covering the fertilizer trade. DAP or 18-46-0 was at $105.00 F.O.B. Florida in July, 1978. Today the price is $215.00, an increase of 105%. The U.S.D.A. reports that it took 111 bushels of corn to buy a ton of DAP in December, 1979 as compared to 90 bushels in March, 1979. While the price of phosphate has not reached the same levels in Canada, we are heading that way. In the meantime the price differential has its effect on supply. Imports of finished phosphate products have been slowed to a trickle and exports look attractive. Meanwhile the brokers have been busy buying up Canadian product and shipping it south.

Urea in the northern states has gone from $115.00 to $170.00, up 48% in the same time period. Anhydrous ammonia started at $105.00 and is now $160.00, also in the northern states. (Prices are in U.S. dollars). The U.S. nitrogen prices until recently have been lower than Canadian prices. This led to a substantial tonnage of nitrogen, largely ammonia, being imported by farmers and dealers adjacent to the border. Indications now are that U.S. nitrogen will be both scarce and expensive. Low prices and increasing gas costs over the past year or two have led to the shutdown of a number of U.S. ammonia plants. While imported Russian ammonia was filling that gap a reasonable supply/demand relationship existed. With the Soviet arrangement now in jeopardy due to government embargoes, ammonia could be in tight supply.

Beyond this current fertilizer year I would predict that fertilizer consumption in the Prairie Provinces will grow at a rate at least equal to that of the past five years. In that case by 1984 nitrogen consumption will be up by 691,000 tons to 1,320,000 tons. Phosphate use would increase by 110,000 tons to 510,000 and total fertilizer by 1,200,000 to 3,170,000 tons. This growth will not come uniformily over the next five years since supply may limit the increase for the next two years.

Future growth of the fertilizer industry will of course be closely linked to the growth in cereal grain markets. Thirty million tonnes of grain for export is the target, up from 18 to 20 million tonnes at present. To achieve this export target western farmers will have to grow some 48 - 50 million tonnes of grain. Our best year was in 1976 when the crop was 38.5 million tonnes. Last year it was 30 million tonnes. A production

increase of 13 - 15 million tonnes will be needed to achieve that goal. Opinion is divided as to whether it can be done. Average yield over the past five years has been .74 tonnes per acre, equivalent to 27 bushels of wheat. To grow that additional grain will require a production increase of .25 tonnes per acre or it will mean that farmers will have to seed some 17.5 to 20 million more acres. Undoubtedly the target will be achieved by some combination of the two. Either way fertilizer will be the key.

To take a very simplistic approach I have assumed that major portion of the increase will come from acreage taken out of summerfallow. Assume that summerfallow acreage is reduced by 12 million acres and that acreage is fertilized at 60 lbs. N and 30 lbs. P_2O_5. This would require 360,000 tons N times two since fallow acreage requiring no nitrogen is also reduced, and 180,000 tons of P_2O_5. This translates into some 1,200,000 tons of nitrogen and 360,000 tons of phosphate fertilizers. Added to current sales in Western Canada we come to a total of approximately 3.5 million tons.

To make all this happen of course the economic climate will have to be favourable. If grain prices are adequate and the quotas are not restrictive, I have no doubt but that farmers will respond to the challenge. And most of it will happen right here in Saskatchewan.