

The Secretary  
Senate Select Committee on Agriculture and Related Industries  
PO Box 6100  
Parliament House  
Canberra ACT 2600

19/03/2008

Dear Sir,

I am writing to you in my capacity as National President of the Australian Fertilizer Services Association.

Thank you for the opportunity to make a submission to your inquiry, “into pricing and supply arrangements in the Australian and global fertilizer market”.

The Australian Fertilizer Services Association represents small and medium sized businesses in the retail supply, logistical support and contract services part of the Australian fertilizer industry. We represent some 240 members across the country.

Our members are in effect “the meat in the sandwich” in that they are caught between the manufacturers or importers and the users, the farming community, who are their customers. The inadequate communication of the facts surrounding fertilizer supply and pricing problems by the major producers, has placed our members in the invidious position of being the bearers of bad news yet unable to provide their customers with a rational explanation of the causes.

We are hopeful that your enquiry will reveal the facts of the situation and provide some indications of the outlook for the future.

#### Pricing

The critical issue is the extremely high price for products and the attitude by some producers that with the increase in wheat prices farmers can afford to pay. Is the high price for certain products as a consequence of the world fertilizer market at work or is it as a consequence of a deliberate strategy by the major producers?

As distributors, our members have limited capacity to influence the retail price of fertilizer and limited physical or financial capacity to stockpile product to enable them to “ride out” any short term supply or pricing constraints.

Maximum retail prices are virtually set by the manufacturers and importers so there is little scope in the other market sectors to have any real impact on pricing. There is significant competition at the wholesale level through a range of selling models across the country and at the retail level, the market is intensely competitive, enabling customers to use this competitive situation to exert real pressure on retail margins. At this level the market is working well.

## Supply

The past few months have seen a marked shift in customer buying patterns, an unexpected lift in early demand and limits being placed on supply from both importers and local manufacturers.

As there are no crops going into the ground yet, it seems likely that there are significant quantities of fertilizer already in farm storages, as farmers buy what they can, to avoid the rising prices.

It is also the case that many of our members have encouraged this as they seek to assist their farmer customers to access product from whatever source at the best available price at the time. This is a demonstration of the competitiveness of the current retail fertilizer market.

These supply limits are affecting most regions but are particularly severe in Victoria. The reasons and mechanisms for these supply limits to date have been poorly communicated by the manufacturing and importing sectors, creating an element of distrust in the market, by distributors and farmers and resulting in numerous conspiracy theories.

There is evidence to demonstrate that we may be experiencing a demand for fertilizer products far greater than had been anticipated and the industry is having difficulty in responding. Such forces could be beyond the control of the Australian market which, because of relative geographical isolation, is now suffering.

## Outlook

The area of greatest concern for our members is the outlook. How long is the current situation going to last? What do farmers and distributors do to stay in business? Is the unavailability of fertilizer and very high price going to persist and for how long? At the same time our members and the farming community see the share prices of these manufacturing companies increasing sharply and this adds to the mistrust and conspiracy theories.

Our arm of the industry has little or no control over the content, accuracy and timing of communication from manufacturers and importers about current and future supplies. A lack of communication raises concerns about transparency and therefore what is likely to happen in the industry in the future.

We would be pleased to answer any questions you may have. If I can be of any further assistance, please don't hesitate to call me on

Yours sincerely

Rod Abbott

National President  
Australian Fertiliser Services Association