



Mosaic International Australia Pty Ltd Tel 613-8862-6472  
ABN 51 110 543 470 Fax 613-8862-6656  
Suite 408, 737 Burwood Road  
Hawthorn, VIC 3122  
Australia  
[www.mosaicco.com](http://www.mosaicco.com)

March 19, 2008

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

Dear Secretary,

***Re: Inquiry on Fertilizer Pricing/Supply Conditions in  
Australian/Global Markets***

Mosaic International Australia Pty Ltd provides the following submission in relation to the "Inquiry into pricing and supply arrangements in the Australian and global fertilizer market", established on 14 February 2008 by the Australian Senate.

Mosaic International Australia Pty Ltd, is a wholly owned subsidiary of The Mosaic Company, a fertilizer manufacturer and distributor based in the United States of America. This office represents The Mosaic Company in the Asia Pacific region.

Our submission is based on our knowledge as it pertains to our activities in this marketplace, representing The Mosaic Company in all activities regarding the marketing and sales of our own company produced fertilizers to Australian fertilizer importers.

I. Global Context

On a global level, there are a number of reasons why fertilizer prices have increased in the last year or so. There have been a combination of factors: the recent surge in demand both for agricultural products (*e.g.*, wheat, corn and rice, etc.) and agricultural input (*e.g.*, fertilizer, fuel, etc.), higher input cost (*e.g.*, raw feedstock materials and, again, energy) which fertilizer manufacturers face, the sharp escalation in freight rates and significant structural adjustments in global crop nutrient markets during the past several years.

First, global nutrient demand today is growing at more than double the historical rate. The latest estimates from the International Fertilizer Industry Association (IFA) indicate that global nutrient use will increase 13% or about 20 million tonnes during the three years from 2006 through 2008. That is a compound annual growth rate of 4.0% during this period, more than double the 1.8% rate from 1995 through 2005. The 20 million tonne increase in global demand is almost the equivalent of adding another United States to world demand in just three years.

Second, the global crop nutrient industry was not equipped to meet a demand surge of this magnitude. A combination of factors including sharply higher energy costs, new capacity in regions with lower cost energy and the political decision by China to develop its own phosphate industry squeezed margins and caused numerous plant closures during the first six years of this decade.

Third, the production and distribution of crop nutrients are energy intensive so the sharp increases in petroleum and natural gas prices have pushed up the cost of crop nutrients to farmers worldwide. Nitrogen, in particular, requires large amounts of natural gas or another hydrocarbon feedstock.

The mining and processing of phosphate and potash minerals are energy intensive. The large draglines that dig phosphate ore from the earth are powered by electricity as are the powerful pumps that slurry the ore to beneficiation plants as far as 10 miles from the mine cut. Even the reagents used in phosphate and potash ore separation are directly or indirectly impacted by the increases in petroleum prices. Significant amounts of natural gas are used for drying freshly granulated products.

Costs of key raw materials also have increased dramatically during the last year, especially in the case of phosphate. For example, the price of sulphur, an important raw material for the production of phosphate fertilizer, has increased by a factor of four to six at key pricing points during the past 12 months. The price of anhydrous ammonia, another key raw material in the production of the leading ammonium phosphate products such as diammonium phosphate (DAP) and monoammonium phosphate (MAP) also has surged to record levels during the last 12 months.

Non-integrated producers who purchase phosphate rock or phosphoric acid to make phosphate fertilizer account for almost one-third of the world's phosphate supply. As a result, the market requires output from these high cost players in order to meet global demand, and the marginal cost of these high cost fabricators impacts the market price.

## II. The Situation in Australia

With respect to the situation in Australia, there are various issues impacting the supply arrangements into this country. In general, Mosaic sells its products FOB Tampa, Florida and competes for the Australian import customers' business against various other manufacturers and traders from around the world. This year will see phosphate fertilizers (the

majority of what we sell for consumption in Australia) imported from Morocco, Tunisia, China, Mexico and the USA and competing against the domestic Australian production on a delivered basis.

While the world FOB prices have increased dramatically, so have the global freight rates to ship it from the point of manufacture to Australian ports. This has dramatically impacted the delivered prices. Offsetting this has been the surging strength of the Australian dollar, which has softened the impact of the rising prices.

While prices delivered to Australian farmers have escalated in line with the increases seen in the global fertilizer and freight markets over the past year, the gross margins per hectare that farmers are realizing have significantly improved over the same timeframe. The outlook is still very positive for farmers as forward crop prices for the Australian crops that the majority of our products are applied to (wheat, barley, canola and sorghum etc) are at record prices and look to stay that way in the near future. (based on forward pricing grain markets).

Based on the positive outlook for the Australian grain farmer, the demand for fertilizer to grow larger crops is even greater than it has been in the recent past. This phenomenon is not unique to the Australian farmer, and while we continue to see strong demand for agricultural products around the world, we will see strong demand for fertilizer, and positive outcomes for Australian farmers.

### III. Conclusion

Mosaic International Australia Pty Ltd hopes respectfully that the foregoing brief description of global and Australian supply/demand factors will assist the Select Committee in understanding the current situation with respect to fertilizer.

March 19, 2008

Yours truly



Peter K. Cameron  
Managing Director  
Mosaic International Australia Pty Ltd