



February 17, 2021

U.S. International Trade Commission
500 E Street Southwest
Washington, DC 20436

RE: Investigation No. 701-TA-650-651

Dear Sir/Madam:

The American Soybean Association (ASA), the National Corn Growers Association (NCGA), and the National Cotton Council (NCC) appreciate the opportunity to provide the United States International Trade Commission (USITC) comments for the hearing record on the petition by the Mosaic Company for countervailing duties on Russian and Moroccan imports of phosphate fertilizer. It is our view that countervailing duties on these imports will adversely impact the availability of phosphate fertilizer in the United States and adversely affect crop production and farmer livelihoods.

Background on the ASA, NCGA, and NCC

The American Soybean Association, founded in 1920, represents all U.S. soybean farmers on domestic and international policy issues important to the soybean industry. ASA has 26 affiliated state associations representing over 300,000 producers in 30 soybean-producing states.

Founded in 1957, NCGA represents nearly 40,000 dues-paying corn farmers nationwide and the interests of more than 300,000 growers who contribute through corn checkoff programs in their states. NCGA and its 48 affiliated state organizations work together to create and increase opportunities for corn growers.

The NCC is the central organization of the United States cotton industry. Its members include producers, ginners, cottonseed processors and merchandizers, merchants, cooperatives, warehousemen and textile manufacturers. A majority of the industry is concentrated in 17 cotton-producing states stretching from California to Virginia. U.S. cotton producers cultivate between 10 and 14 million acres of cotton with production averaging 12 to 20 million 480-lb bales annually.

Why Countervailing Duties Would Impact Availability and Lead to Shortages

Phosphorus is one of the primary macronutrients necessary for plant growth and is vital to crop production. Adequate levels of phosphorus in the soil will benefit early season root development and helps provide the energy crops need to maximize its growth and production. Phosphate fertilizers are widely used by corn, cotton, soybean, and other crop producers throughout the United States.

While many row crop farmers have observed recent increases in fertilizer prices with concern, the greater problem caused by Mosaic's petition, driving our request that the USITC remove



countervailing duties, is that these duties are adversely impacting availability of phosphate fertilizer in the United States. Additionally, these duties reduce competition and choice available to farmers in the U.S. marketplace.

Fertilizer is an indispensable input to ensure soil has necessary nutrients to enable crops to grow. It is essential for obtaining and sustaining high yields and making crop production profitable. Since the preliminary duties were imposed on Russian and Moroccan imports, adequate supply of phosphates to meet domestic needs have become a concern. Bloomberg's Green Market's outlook for 2021 states, "We forecast U.S. prices to rise further and expect local supply outages to provide upside risk during the spring season¹."

The reason for local outages becomes apparent from the data. In the last year of available data from the Food and Agriculture Organization of the United Nations (FAOSTAT) (2018), the ratio of U.S. imports to agricultural use was 42%. Figure 1 shows the share of world's monoammonium phosphate (MAP) and diammonium phosphate (DAP) exports from sources other than the U.S. Three countries dominate the exports: Russia, Morocco and China. U.S. imports from China are currently subject to a 25% tariff under Section 301. If these proposed countervailing duties are applied to Morocco and subject sources in Russia, less than 15% of the exports in the world would be available to U.S. farmers without tariffs.

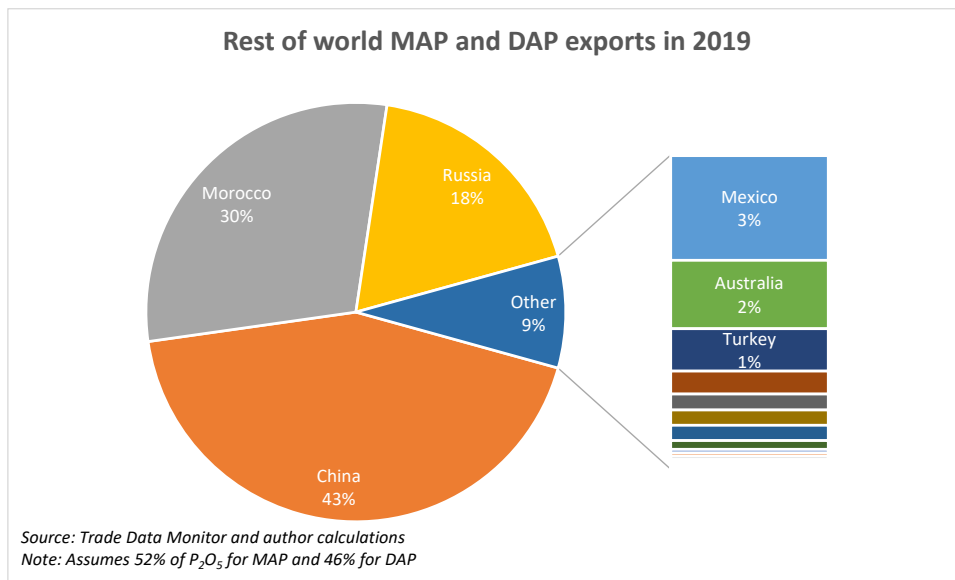


Figure 1

Unfortunately, this amount would not satisfy the recent levels of U.S. import demand. Aggregating phosphate imports by material weight is problematic due to differing phosphorus pentoxide (P₂O₅) levels. However, MAP and DAP are relatively consistent in P₂O₅ content and represent the most

¹ Green Markets. "Global Phosphate Quarterly: Supply & Demand, Production Costs and Price Forecasts." January 2021.



widely used phosphates in the U.S. In fact, the two products accounted for 59%² of phosphates for agricultural use in the U.S. during 2018. Furthermore, the two products accounted for 86% of imports in the same year.

Figure 2 shows the most recent world trade data for MAP and DAP. The U.S. has increasingly relied on imports. However, the export levels from countries not subject to U.S. tariffs or duties on phosphates are less than what the U.S. imported in 2018 and 2019. This clearly shows that if every exported ton of MAP and DAP not subject to current and proposed tariffs was imported into the U.S., the amount still would have fallen short of import demand. The reality is the U.S. cannot capture all these imports. Other importers also compete for these nutrients, and the policy uncertainty and good business practices will prevent many exporters from terminating existing relationships to fulfill U.S. demand.

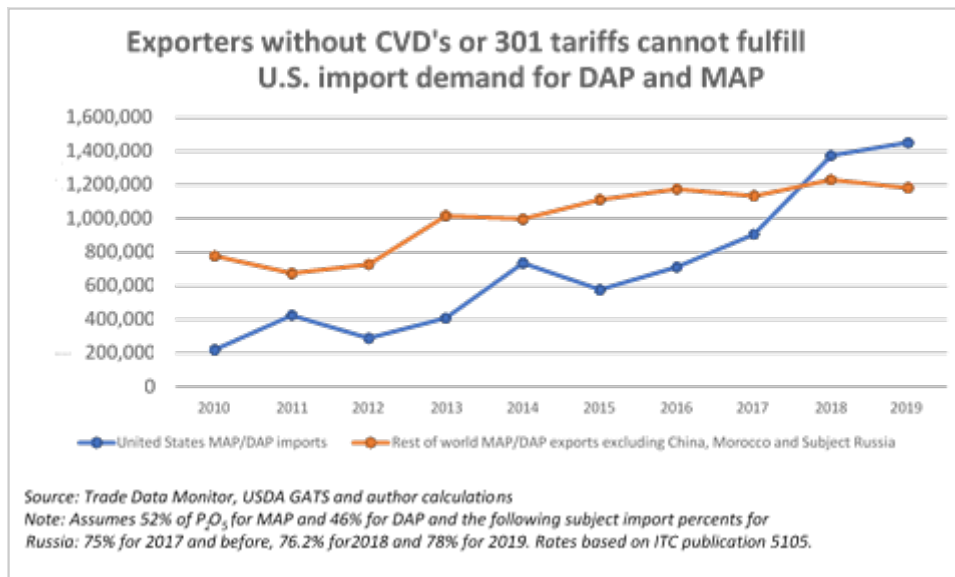
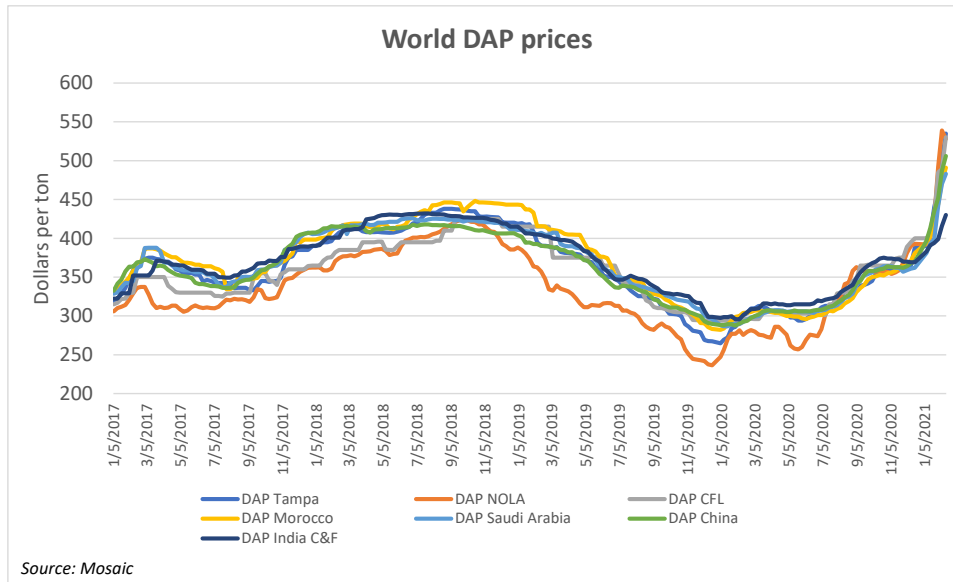


Figure 2

Recent price data confirms that the rest of the world is unable to meet U.S demand. New Orleans (NOLA) DAP prices have historically been lower than other world prices, exhibited in Figure 3 below. This became more pronounced in 2019 due to high prevented planting acreage in the United States. The markets attempted to reallocate phosphorus to other areas of the world during this time. After the ITC investigation was initiated, imports from Russia and Morocco collapsed in 2020 with the two countries exporting around half of their 2019 levels. Despite the market's attempt to pull more phosphates into the U.S. by increasing the NOLA price relative to the world, other exporters could only fill a little bit of the gap. Rest of world MAP and DAP imports increased from 220,000 nutrient tons in 2019 to 383,000 nutrient tons in 2020. However, this increase of 163,000 tons pales in comparison to the drop of 638,000 tons from Morocco and Russia.

² Calculations based upon data from FAOSTAT and assumptions of 42% P₂O₅ for DAP and 52% for MAP.



Source: Mosaic
Figure 3

Table 1 provides a set of industry forecasts by Green Markets for the NOLA DAP price compared to other DAP locations. A negative value indicates that the NOLA price is cheaper, which was the case before even before Moroccan and Russian imports arrived at their current volumes. However, the independent forecasting firm expects the NOLA price to exceed prices in India and China starting in 2021 and continuing until 2024. In effect, they believe the U.S. will have to ration phosphate for several years as the lost imports from the CVD’s cannot be readily replaced. The sustained decrease in the historical discount rate indicates that the U.S. desires more phosphate fertilizer but is unable to procure it at prevailing world prices.

Table 1: NOLA DAP price premium (dollars per ton)

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F
DAP India	-27	-38	-25	-58	-24	42	25	25	-30
DAP China	-19	-37	-17	-43	-13	38	25	25	-30

Source: Green Markets. “Global Phosphate Quarterly: Supply & Demand, Production Costs and Price Forecasts.” January 2021

Domestic Market Structure and Timelines Limit Supply Response

In 2020, Mosaic owned 59% of the phosphate rock mine capacity in the U.S. The second largest company, Nutrien, has 25% of the capacity according to Green Markets. Likewise, Mosaic had 63% of the phosphate capacity and Nutrien 29% for the U.S. in the same year. These statistics raise severe concerns about competitiveness when imports are restricted through duties that effectively insulate the domestic market. Given the long timelines to construct new phosphate plants, the five-year span of the CVD, and uncertain nature of the Section 301 tariffs on China’s phosphate imports, it is unlikely that new capacity will be constructed to help meet the shortfall.



As a result, farmers could face difficulties obtaining adequate phosphate supplies. These difficulties would be compounded as they occur during a time when agricultural prices are rising, and U.S. farmers are responding to the signal to increase acreage. On currently available phosphates, producers will still face significantly higher costs. Our analysis indicates that domestic producers could face over \$80 per ton increase in the price of DAP. This would decrease farmer’s income by over \$800 million. This is in addition to other factors currently elevating fertilizer prices such as increased demand and higher natural gas prices. NOLA DAP prices have increased by \$174 per ton since the beginning of November, which is a cause of concern among our farmers.

Though farmers take pride in products made and manufactured in the United States, farmers are also unsettled by the prospect of a single supplier dominating the U.S. market, particularly if the lack of competition has implications for the availability and diversity of products. Farmers rely on choice of diverse tools to optimize their efficiency, sustainability, and resilience in the face of unique production stressors that vary depending on geography, climate, and other conditions. For example, farmers have pushed domestic producers for years to make certain fertilizer formulations, such as Triple Superphosphate, available. However, since domestic producers have not made such products available to farmers, our members have had to rely on imports to access such products.

Due to the aforementioned considerations, corn, soybean and cotton farmers request that the ITC deny The Mosaic Company’s petition and remove countervailing duties on imports of Moroccan and Russian phosphate. If the ITC fails to take these actions, we believe U.S. crop production will be negatively impacted by lack of availability and high prices of phosphate fertilizer. We appreciate your attention to our comments.

Sincerely,

Kevin Scott
President, American Soybean Association

John Linder
President, National Corn Growers Association

Kent Fountain
Chairman, National Cotton Council