



photo by Soil Science via Flickr.com

Western Canada Export Industry Brief CHEMICAL PRODUCTS

OVERVIEW

Since 2014, chemical product imports into western Canada from Montana have seen a sharp rise. The increase is largely comprised of fertilizer inputs such as urea, ammonium sulfate, and monoammonium phosphate. Given their nitrogen and phosphorus contents, these products are primary nutrients for healthy crop production and are applied to a variety of crops like barley and rapeseed, prevalent in western Canada. Other chemical products imported from Montana include mining aides such as nickel sulfates, which are used to extract base metals including copper. The fifth-most imported chemical product, thiosulphates of metals, has application in both the fertilizer and mining industries. Chemical products accounted for more than \$35.73M in merchandise imports into western Canada from Montana, ranking as the third most imported product classification in 2015.

OPPORTUNITY

Within the fertilizer industry, Montana primarily serves as a “pass-through” state, providing but not producing key fertilizer inputs. While numerous Montana-based storage facilities exist, there may be untapped opportunity for some value-added processing related to the fertilizer industry, as demonstrated by an expanded plant outside of Shelby, Montana serving the Canadian fertilizer industry. Value-added processing aside, large storage and transload facilities also drive primary job creation.

Top 5 Chemical Product Imports Into Alberta, British Columbia, and Saskatchewan from Montana in 2015

Data provided by WISER, at <http://www.wisetrade.org>, from Statistics Canada, International Trade Division

RANK	HS CODE	PRODUCT	2013 Imports (\$US)	2014 Imports (\$US)	2015 Imports (\$US)
1	310210	Urea	\$212K	\$8.27M	\$8.51M
2	283324	Nickel Sulfates	\$5.45M	\$10.71M	\$8.16M
3	310221	Ammonium Sulfate	\$194K	\$1.79M	\$7.05M
4	310540	Monoammonium Phosphate	\$116K	\$3.94M	\$2.72M
5	283230	Thiosulphates of Metals	\$813K	\$138K	\$1.47M

RECENT INDUSTRY TRENDS

- Urea imports into western Canada grew by over 97% from 2013 to 2015.
- Countries across the globe are becoming more stringent about the amount of herbicide residue permitted in commodity imports, lowering “Maximum Residue Limits” for certain chemicals and/or implementing zero-tolerance policies. Such trends were reflected in western provinces’ import stats for herbicides, which dropped sharply from \$4.45M in 2014 to \$68K in 2015.

RELEVANT ISSUES

Effect of the Exchange Rate and Natural Gas on Fertilizer Input Prices

Natural gas is a primary production input for synthetic fertilizers, so when natural gas price increases, synthetic fertilizer follows suit. Low natural gas prices are keeping the Canadian fertilizer manufacturing industry moving along, despite more expensive U.S. inputs overall due to the current exchange rate.

Ample Global Supply

By the end of 2015, global fertilizer supply was higher than expected for a number of reasons. In the United States, lower crop commodity prices resulted in thinner margins for some producers. In turn, producers delayed fertilizer purchases in the hope of better future pricing or simply purchased less fertilizer. New nitrogen fertilizer plants in countries such as Russia and Saudi Arabia have added capacity to the global market. In China, nitrogen fertilizer production has also surpassed demand, translating into more global supply and increased Chinese exports.

SUMMARIZING THE IMPACT ON MONTANA

Looking ahead throughout the remainder of 2016, worldwide trends are projecting nitrogen fertilizer prices to either slightly decrease or remain soft.

The near-term health of the North American and Montana fertilizer industries will be influenced by not only the cost of natural gas and global supply but also the ratio of corn production versus other crops such as soybean. Nitrogen-based fertilizers are required to grow corn but not soybeans. Hence, an increase in Canadian corn production may lead to increased demand for finished fertilizer product as well as fertilizer inputs coming from Montana. Canadian corn yields were higher in 2015 than in 2014, but data is insufficient to determine a trend.

In addition to serving as a purveyor of synthetic fertilizer inputs, Montana has an opportunity to become recognized as a producer of natural, organic fertilizers. For example, one Montana company offers organic fertilizer that acts as an adjuvant, enhancing the quality and yield of crops without undesirable levels of chemical residue. Additionally, Montana boasts globally renowned expertise in fungus application that can serve as a biopesticide or even as a medium to enhance drought and other stress tolerance in plants.



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