

Michigan Corn Growers Association - House Agriculture Committee – 5/18/22

Thank you for the opportunity to speak today. My name is Angel Jenio and I'm the communications director for the Michigan Corn Growers Association. Our association has nearly 1,400 dues paying members and represents the interests of Michigan's 14,000 family corn farmers.

Rising input costs are a major concern for all farmers. Fertilizer prices have soared to record levels, and several companies have unfortunately made a bad situation worse for growers by applying for tariffs to be applied to imports of phosphate and nitrogen fertilizers, respectively.

Here in Michigan, farmers are facing the greatest increase in fertilizer prices in 13 years. Many farmers are unable to even get price quotes from suppliers. Farmers utilize fertilizers to maximize the productivity of their farms. Without access to these critical inputs, farm production will fall, and farm incomes will suffer. Action is required to ensure that Michigan farmers are able to effectively grow their crops.

I have spoken to a number of our growers, and they are seeing prices that are two to three times higher than last year. One grower told me: "On our farm, we've seen significant increases in input costs since last year. Nitrogen prices are 2-3 times higher, glyphosate is 3-4 times higher, potash is 3 times higher, and fall phosphorus and potassium prices are 2 times higher."

Another grower told me this winter: "On our farm, we're seeing prices three times higher than last year for our nitrogen fertilizer. In some instances, our suppliers are unable to guarantee that there will even be enough product available. These price increases are not sustainable for Michigan farmers." And I have heard similar stories from growers across the state.

The structure of U.S. fertilizer manufacturing is highly consolidated, with one company controlling an estimated 90 percent of the U.S. phosphate fertilizer production and another controlling about 42 percent of U.S. ammonia production and 50 percent of U.S. urea production. Both manufacturers have sought import protections from the ITC over the past year. This highly concentrated structure means that local input dealers have very little bargaining power with the manufacturers, and any cost increases are inevitably passed on to the farmer.

We understand that every industry is feeling the effects of supply chain and logistics challenges. However, with fertilizer, we're also feeling the effects of tariffs implemented by the Commerce Department on imports of phosphate-based fertilizers. These countervailing duties were enacted in early 2021 after an International Trade Commission (ITC) investigation found that the import of foreign phosphatic fertilizers injured U.S. fertilizer manufacturers.

These tariffs represent a substantial tax on farmers, who have virtually no bargaining power with input suppliers and are unable to hedge against rising costs of production.

The ITC is currently investigating potential import injury on U.S. nitrogen-based fertilizer producers as well. If the Commission finds that imports compete unfairly against U.S. companies, farmers will again bear the brunt of any tariff implementation.

Another concern is that, researchers at Texas A&M recently conducted an historical analysis going back to 1980 and found that nitrogen fertilizer costs tend to go up when corn revenues increase. Notably,

these prices tend to go up exponentially even after accounting for natural gas prices and higher demand.

We appreciate Representative Carra for introducing this a resolution calling on the U.S. Congress to look into this matter further. Addressing the ongoing price increases and input shortages will be critical to the future of agriculture in Michigan.