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national farmers union
In Union Is Strength

April 14, 2009

An open letter to Canada's Competition Bureau regarding its invitation to the NFU to consult on proposed fertilizer industry mergers.

Ms. Sorina Sam
Competition Law Officer
Industry Canada
Competition Bureau Canada
151 Yonge Street
Toronto, Ontario
M5C 2W7

VIA FAX: (416) 973-5131

Dear Ms. Sam:

Like the Competition Bureau, the NFU is watching the fertilizer sector. Mergers proposed between CF Industries and Terra Industries and between Agrium and CF Industries have the potential to dramatically reduce competition in an already over-concentrated sector.

These mergers are not attempts to gain needed efficiencies, but instead attempts to gain power. Fertilizer corporations have been spectacularly profitable in recent years. 2007 profits for the largest five North American companies (Agrium, CF, Terra, Potash Corp., and Mosaic) totalled more than \$3 billion. 2008 profits neared \$10 billion. The proposed mergers cannot be justified by the need "to remain competitive." Rather, they are transparent attempts to reduce competition.

Thus, we were very pleased to receive your email of March 25 asking to schedule a call between representatives of your agency and officials of the National Farmers Union to discuss the proposed fertilizer company mergers, the competitive dynamics in the sector, and the impact the transactions may have on competition in the Canadian fertilizer industry.

We appreciate your invitation and we will be pleased to work with the Competition Bureau in evaluating the costs and benefits of these proposed mergers, as soon as the Bureau answers our February 19, 2009 letter and provides the requested information.

In our letter, we explain that the Competition Bureau has approved virtually every major agriculture-related merger put before the agency in the past decade: Maple Leaf/Smithfield, Cargill/Better Beef, and, just last month, XL (Nilsson Brothers)/Tyson. This pattern of merger approvals has raised questions among farmers. We, at the NFU, realized that we did

not know what models and methodologies the Competition Bureau was using to predict and evaluate the reduction of competition will have on farmers' and consumers' prices. Thus, in our February 19, 2009 letter, we asked the Competition Bureau to provide us with detailed information on its methods, assumptions, information sources, and conclusions regarding the Tyson/XL decision. Without that information, it is almost impossible to determine how the Bureau makes its decisions, and almost impossible to provide useful assistance to you. (Note that we clearly stated that the Bureau need not divulge any confidential or commercially-sensitive information.)

Thus, the NFU proposes two meetings: first, a meeting to discuss how the Bureau will provide the detailed information that the NFU and others need in order to understand and evaluate the Bureau's merger approval process; and second, a meeting wherein the NFU can provide information to you on the fertilizer industry, its impacts on farmers, and the probable effects of the proposed mergers.

Please contact us within the coming week so that we can schedule these two meetings. I would add that as the busy spring seeding time is coming fast, as farmers, we would prefer to meet as soon as possible.

Again, we look forward to discussing how the Bureau will provide us with the information we require; to receiving that information; and, once we understand the Bureau's methods and assumptions, to collaborating with the Bureau to properly assess the competition-depleting effects of the proposed fertilizer company mergers.

Please contact NFU Director of Research Darrin Qualman or myself at your earliest convenience. Both he and I can be reached by phone at (306) 652-9465, by fax at (306) 664-6226 or by email at qualman@nfu.ca .

Sincerely,

(original signed by:)

Stewart Wells
President
National Farmers Union

cc: Canadian Federation of Agriculture and its provincial affiliates
Leaders of the federal political parties
Various media