

Prairie Pools also pointed out that a high and consistent standard of quality based in part on uniformly clean grain has been one of Canadian grain farmers' main selling features. If grain were to be cleaned at a number of small Prairie points, these uniform standards would be difficult to maintain.

The Committee is aware that a report on grain cleaning on the Prairies, prepared by J. Liebfried, former Commissioner of the Canadian Wheat Board, has been submitted to the Honourable Charles Mayer, Minister for the Canadian Wheat Board. The report reviews grain cleaning on the Prairies during the grain handling strike at Thunder Bay and examines the cost and the benefit.

4.7 The Committee urges the Minister for the Canadian Wheat Board to release the report on grain cleaning to assist all concerned to make informed judgments on the cost and benefit of such cleaning.

FERTILIZER PRICING

A. Canadian Price Competitiveness

During the Committee's hearings a number of questions were raised about the various factors which bear on price and price-setting of fertilizer in Canada. Fertilizer prices fluctuated between 1974 and 1981, during the period of the two oil price shocks, but since 1981 they have generally declined except for a brief upsurge in 1984 (Figure 2.14), and they are currently 15% below their 1981 peak. Evidence was presented to the effect that taxes on energy sources used in the production of fertilizer represented a production cost component to grain producers. Several alternatives of oil energy taxes were remedies suggested. There also exists the perception that over-regulation of natural gas should bring about appreciable reduction in the price of fertilizer.

The price of fertilizer as a commodity is established by supply and demand relationships at the international level. Like any other commodity, it sells at whatever price it can command in a market given the competitive forces at work. The hearings confirmed that this country was a small player in the fertilizer market except as a producer of potash, of which Canada produces about 30% of world supply. As a major producer of a high quality product, this country is said to be a price setter for potash. From Saskatchewan, the location of the potash mines, production is shipped to Canadian, U.S. and offshore markets. The Canadian share of the U.S. potash market, with a five-year contract, is currently 15%. Canada's strong competitive position has ramifications for potash entering the U.S.; this issue is discussed under Section C. There is presently a surplus of potash in world markets.

Canada has no indigenous elements supplier of phosphate rock, the critical major fertilizer commodity. Canadian phosphate producers now find it cheaper to bring in the finished product from Florida and North Carolina, the source of North American phosphate rock, than produce it here. There have been difficulties for this portion of the fertilizer industry which has not been able to keep pace with the rest and has in the west done over the past three years. According to a Canadian Fertilizer Institute spokesman, this is because, based on current transportation costs, the local Canadian industry is unable to compete against the large integrated producers in Florida and North Carolina.