



**SUBMISSION**

on

**International treaty examination of the Agreement on the Indo-Pacific  
Economic Framework for Prosperity**

to

Foreign Affairs, Defence and Trade Committee

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## **About the Fertiliser Association of New Zealand**

The Fertiliser Association of New Zealand is an industry association funded by member companies to address issues of common public good. Member companies include Ballance Agri-Nutrients Ltd and Ravensdown Ltd. Both are farmer co-operatives with some 35,000 farmer shareholders. Between them, our members supply the majority of fertiliser used in New Zealand. As co-operatives, they are driven by delivering best value to farmer shareholders rather than maximising the value of product sales.

The Association member companies have invested significantly in products, systems and procedures which support responsible nutrient management to enable a viable primary industry within environmental limits.

The Association submits on national policy and regulation, with the view that policy and regulation should be enabling, and that controls are both appropriate and necessary while providing for sustainable primary production.

## Introduction

New Zealand is a food growing nation, both for domestic consumption and for export. Growth of healthy food is critically reliant on fertiliser inputs to replace the nutrient removed in food produce.

Geopolitical change and supply disruption has emphasized the vulnerability of fertiliser supply chains. Tariffs, sanctions, export controls, civil unrest, alongside port congestion and shipping, all impact on supply.

A key focus for our member co-operatives is managing supply chains to enable the manufacture and sale of fertiliser products that meet the needs of New Zealand farmers.

New Zealand's ability to sustain supplies and keep providing our fertiliser products and solutions to New Zealand farmers is based on integrated business models, sourcing raw material and finished products worldwide, manufacturing domestically, and distributing product across New Zealand. The focus is on maintaining supply of product at consistent quality to customers and securing continuity throughout the supply chain.

## Supply chain pressures

We are concerned about the impact of the current supply pressures on the food value chain, with high food prices for consumers, and availability and affordability of fertilisers being a substantial challenge to farmers in New Zealand and worldwide. Russia's war on Ukraine, disruptions in supply chains, and unprecedented volatility in energy and commodity prices directly impact on New Zealand farmers and their ability to grow food.

New Zealand does not have a domestic supply of the mineral resources for fertiliser manufacture. The lack of resources means we are uniquely vulnerable to access nutrient raw materials from across the world. As a nation whose economy is dependent on growing food, we are unique in our dependence on imports for the raw material to grow food. These raw materials and products are not substitutable, and supplies are often concentrated. Phosphate rock, potash, and trace elements, and since the closure of Marsden Point, sulphur, are import dependent. While part of New Zealand's urea fertiliser supply is manufactured domestically, we are largely reliant on imported nitrogen fertilisers.

Many raw material resources are concentrated in a small number of countries, so long-term access to supplies requires the ability to maintain strong relationships. International sanctions on Belarus removed one of the two major sources of potash from the market. International export restrictions that are imposed by other jurisdictions also impact on our members ability to source product. China's export controls are a recent example, which meant members needed to rapidly source products such as di-ammonium phosphate, from alternate suppliers.

## Managing risks

The industry approach to managing risk is to foster a range of commercial enduring relationships. Some commercial relationships with individual supply companies have been in place for decades. Strong relationships are built on shared values, understanding, and New Zealand's good reputation for responsible business practices. The fertiliser co-operatives in New Zealand have robust supply management processes with strong due diligence practices addressing a range of issues from quality to labour or health and safety issues. Expectations on supply chain management are continuing to grow. For example, more recently, companies are working to implement the OECD guidance for multinational enterprises and the UN guiding principles for business on human rights.

While commercial businesses have a critical role to play in fostering strong supply chains, Government also has a role to play in managing supply chain risk, especially when the risks have widespread impacts. (See <https://www.oecd.org/trade/resilient-supply-chains/determine-government-role/> and Fostering Economic Resilience in a World of Open and Integrated Markets. Risks, Vulnerabilities and Areas for Policy Action, report prepared for the 2021 UK Presidency of the G7.) While such analysis outlines a range of potential resilience measures, steps identified include consideration of supply risk in trade policy and international engagement.

## IPEF

The IPEF agreement, and in particular the Supply Chain Agreement, model the types of international agreements that can assist in ensuring New Zealand continues to have access to critical materials to support our agricultural economy.

The parties to the agreement are an important source of fertiliser products and raw phosphate rock for New Zealand. Since 2017, imports of fertiliser and phosphate rock from parties to the agreement have ranged from \$150 to \$290 million annually:

Year	Fertilisers HS 31 Cost including insurance and freight NZ\$	Phosphate Rock HS 2510 Cost including insurance and freight NZ\$	Total NZ \$
2017	149,854,189	5,014,883	154,869,072
2018	159,190,429	11,752,772	170,943,201
2019	145,494,579	19,397,231	164,891,810
2020	156,510,293	6,877,267	163,387,560
2021	285,347,877	4,406,331	289,754,208
2022	279,459,582	5,063,678	284,523,260
2023	155,834,414	23,704,503	179,538,917

Imports have included finished fertiliser products from Vietnam, Malaysia, Brunei, South Korea, Australia and the US. Of these Malaysia and Brunei have been important sources of nitrogen fertiliser. Raw phosphate rock has been imported to manufacture superphosphate in New Zealand from Vietnam and Australia. The supply of such phosphate rock is particularly concentrated.

The Supply Chain Agreement will assist in building a collective understanding of significant supply chain risks and create measures to deal with supply disruption. We however recognise that New Zealand's supply chain risks are somewhat unique and could fall outside the mechanisms proposed by the Supply Chain Agreement

We welcome the intent of the commitment of the parties to identify the impact of potential shortages of key supplies on national security and consideration of the risk of dependence on a single supply or single countries on supply risk. It will be important to ensure that there is a link between any action plans developed under the agreement and New Zealand's proposed Critical Minerals policy.

We support this agreement.