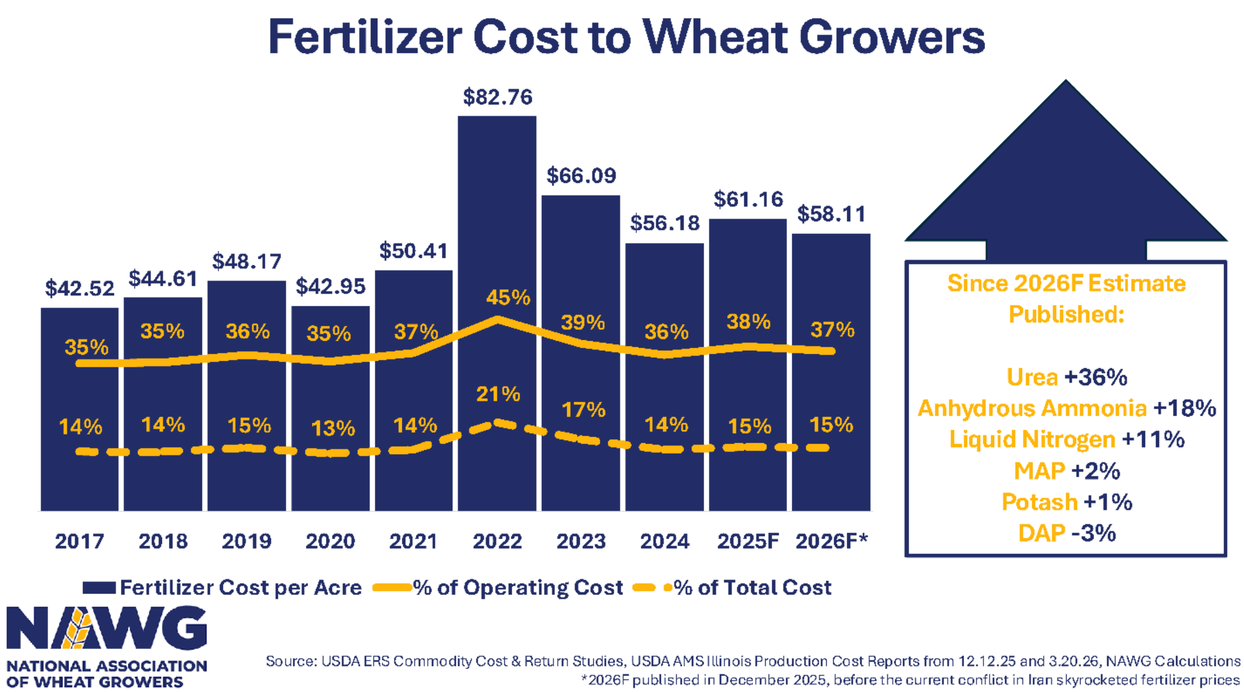
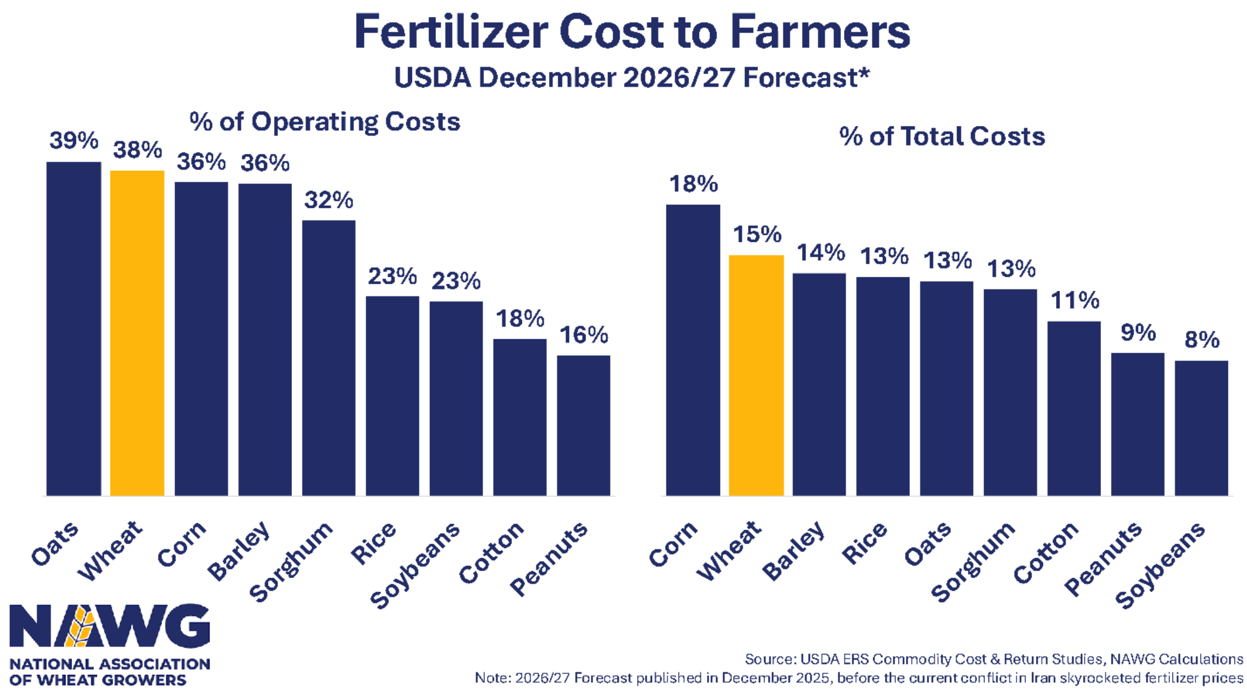
Countervailing Duties on Phosphate Fertilizer Harms Wheat Growers

By: Betty Resnick

Fertilizer costs are one among many rising input costs for farmers. While fertilizer is a key budget item for all farmers, fertilizer costs are especially critical for wheat growers. According to USDA cost-of-production projections for the 2026/2027 marketing year, published in December before the current conflict in the Middle East skyrocketed fertilizer prices, wheat farmers face the second highest fertilizer costs of major field crops as a percentage of both operating (38%) and total (15%) costs.





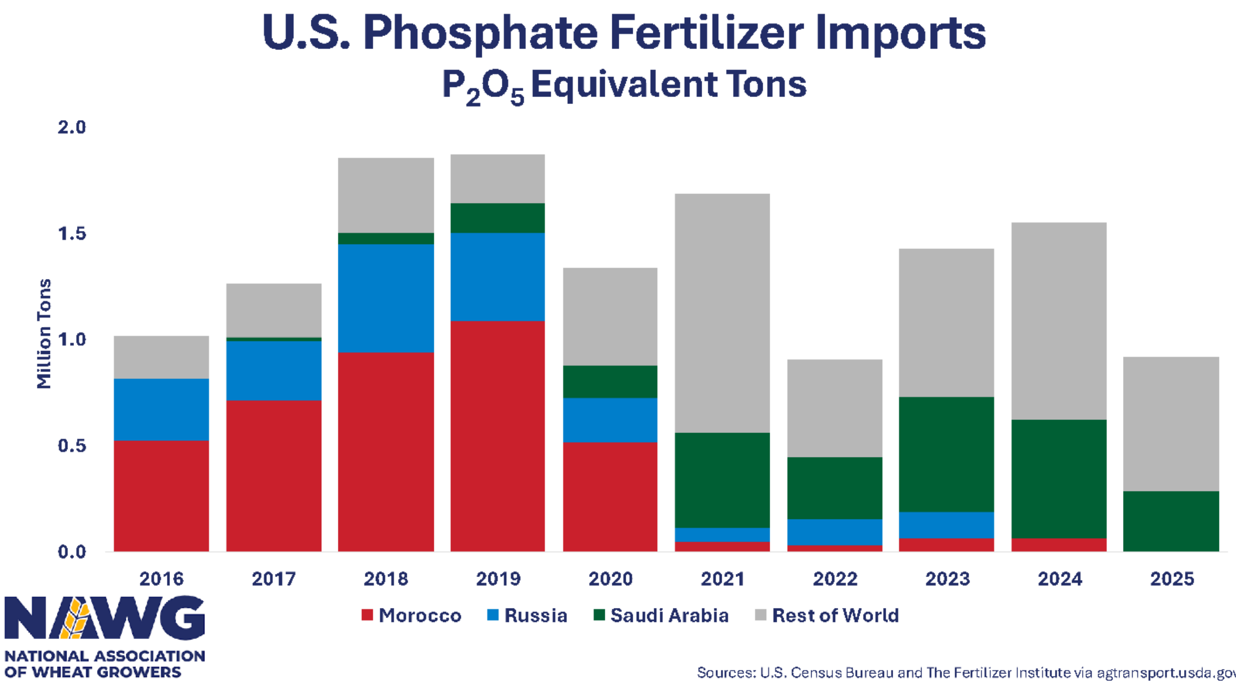
Fertilizer is a global market, and there are many contributing factors as to why fertilizer costs have remained elevated over the last several years. One reason that phosphate has become more expensive in the U.S. market are the countervailing duties (CVD) that were applied in 2021 on imported phosphate fertilizers from Russia, and most influentially, Morocco. CVD are tariffs on U.S. imports that aim to neutralize specific types of government subsidies given to foreign exporters that materially harm domestic industry.

Phosphate Market:

Phosphate fertilizers are manufactured using mined phosphate rock. Phosphorous is one of the three primary nutrients needed to grow crops. While the majority of phosphate rock used in the U.S. is domestically produced, demand outstrips supply by approximately 3 million metric tons as of 2024 – requiring imports. Over 95% of phosphate rock mined in the U.S. goes to wet-process phosphoric acid for fertilizers and animal feed supplements.

Globally, the top phosphate rock producers are China and Morocco. China severely restricts export of phosphate, including a current ban on exports of all phosphate fertilizers, limiting their role in the traded market. Morocco has nearly 70% of global phosphate reserves, and is the world's top exporter of phosphate rock. In the five years preceding the imposition of CVD on phosphate fertilizer, imports of Morocco made up over half of U.S. phosphate fertilizer imports in most years. Since implementation of the CVD, Moroccan phosphate fertilizer imports to the U.S. have fallen dramatically, from a total of 3.8 million

P_2O_5 equivalent tons between 2016-2020, to only 0.2 million tons between 2021-2025 and zero imports in 2025.



Cost to Farmers of Countervailing Duties on Phosphate Fertilizers:

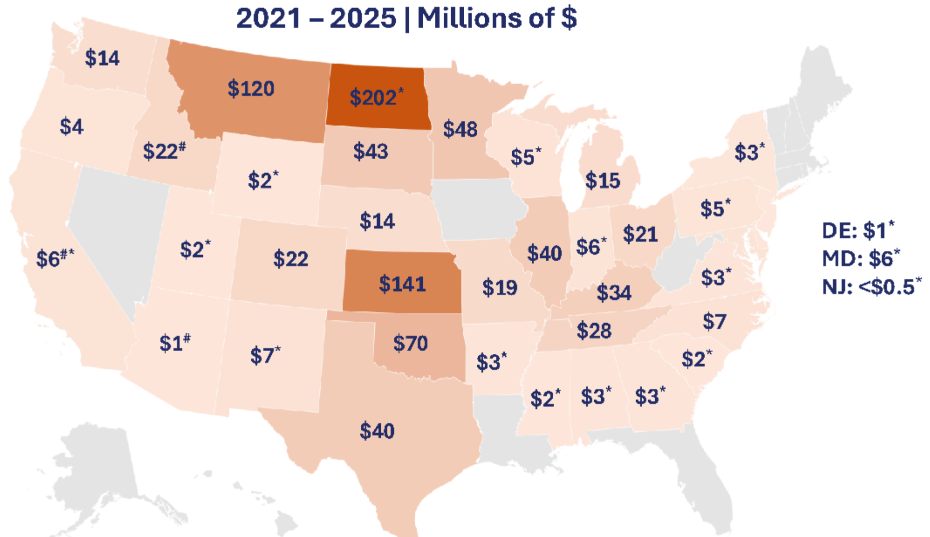
Research from the Agricultural and Food Policy Center at Texas A&M estimates that the CVD on Moroccan phosphate fertilizers cost the producers of major U.S. crops (corn, soybeans, wheat, rice, sorghum and cotton) a combined $6.9 billion across the 2021 through 2025 growing seasons through increased fertilizer costs. Wheat growers bore just under $1 billion in additional costs during the studied timeframe.

The costs derived from an increase in the cost of diammonium phosphate and other phosphate fertilizers. When the CVD on Moroccan imports was at its full initial level of 19.97% between April 2021 and the end of 2023, the study found the tariffs led to a 28.6% increase in the price of diammonium phosphate (DAP) for American consumers.

The National Association of Wheat Growers has further broken-down Texas A&M's national estimates to capture cost borne by wheat growers by state. We calculated state-level costs utilizing average applied pounds of phosphate per acre and application percentages from the 2024 Chemical Use Survey and USDA annual acreage data.

Cost to Wheat Growers
Countervailing Duties on Phosphate Fertilizer

2021 – 2025 | Millions of $



NAWG
NATIONAL ASSOCIATION OF WHEAT GROWERS

Sources: Agricultural & Food Policy Center at Texas A&M, USDA NASS, NAWG Calculations
National average fertilizer use statistics used for durum wheat (#) and winter wheat (*) in absence of state-level data

Unsurprisingly, the states bearing the brunt of the cost from increased fertilizer prices are those with the largest wheat acreage: North Dakota, Kansas, and Montana. However, the state-level costs are also heavily driven by different levels of phosphate fertilizer application across the country, reflecting the fact that farming is an inherently local endeavor with the same crop facing different nutrient needs based on local conditions.

For example, a similar number of winter wheat acres are grown in South Dakota and Oregon, an average of 838,000 acres and 738,000 acres annually between 2021 and 2025 respectively. However, while the USDA Chemical Use Survey finds that 94% of winter wheat acres in South Dakota are treated with an average of 23 pounds per acre of phosphate, only 20% of Oregon's acres are treated with an average of 29 pounds per acre of phosphate. Thus, while South Dakota's winter wheat farmers faced additional CVD-derived costs of $17 million, Oregon's winter wheat farmers faced a smaller bill of $4 million in increased costs.

In all, North Dakota wheat growers faced the highest CVD-related costs increases to the tune of $202 million, followed by Kansas ($141 million) and Montana ($120 million).

Cost to Wheat Growers
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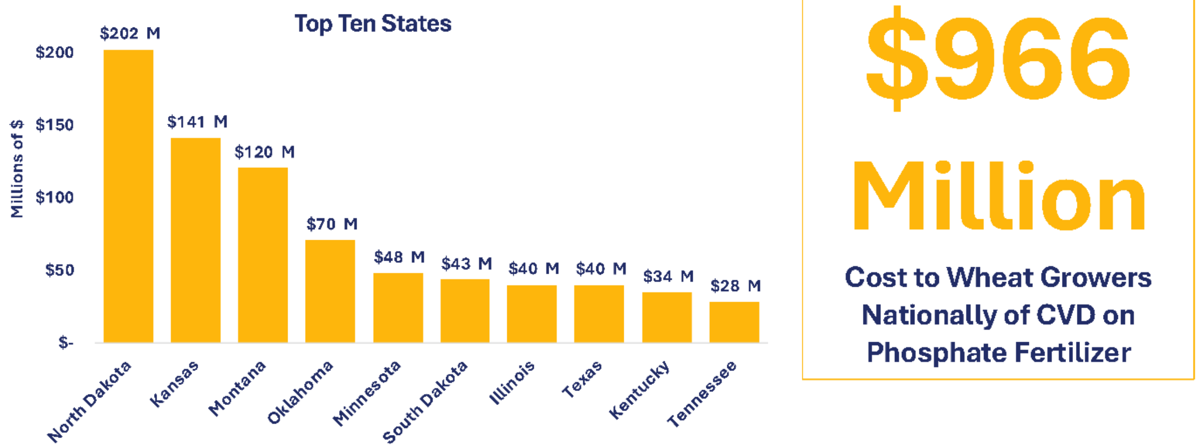

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Sources: Agricultural & Food Policy Center at Texas A&M, USDA NASS, NAWG Calculations

The agriculture industry has struggled mightily in recent years, and wheat growers have not been immune to these overarching trends. Many recent cost drivers of fertilizer prices and farming inputs generally are not in farmers', or U.S. policymaker's, control. However, removing CVD tariffs on phosphate fertilizer imports is, and could provide much needed relief to farmers nationwide.