

# Fertoz

19 July 2016

ASX RELEASE / MEDIA RELEASE

## Fertoz Positioned to Take Advantage of Growing Organic Farming and Food Industry in North America

### Highlights

- Fertoz is poised to sell into the growing North American organic agriculture market starting in 2016
- US organic sales hit US\$43 billion in 2015 and grew by US\$4.2 Billion or 11% for the year
- Canadian organic farmland >900,000 hectares in 2014 with increases of 7.2% compound annual growth rate since 2000

Fertoz Ltd (“Fertoz” or the “Company”, ASX:FTZ) is pleased to provide an overview of the growing organic farming and food industry in North America, a key driver of Fertoz’s future sales and strategic plans.

Fertoz’ Wapiti and Fernie Phosphate Projects are ideally located to provide certified rock phosphate to the growing organic food market in Western Canada and the US, where most North American organic farmland is located. Fertoz’s rock phosphate products have been certified for use in the production and/or processing of organic agriculture products in compliance with the requirements of the Canadian Organic Standards (COS) and the USDA National Organic Program.

Managing Director Stephen Keith commented: “We are very pleased with the continued progress at our BC Phosphate projects. Fertoz is well placed to take advantage of the growing demand for organic products in North America. With the progression of our rock phosphate production; the expected lower operating and capital costs; the Company’s existing 27,500 tonne bulk sample permits; and certification as an organic input fertilizer in the US and Canada, the Company has a clear path to take advantage of the significant and growing organic market and is poised to deliver significant returns for our shareholders and partners.”

### Organic Agriculture in the US

According to the Organic Trade Association (OTA), the US organic food market has grown by double-digits every year since the 1990s, with sales increasing from \$3.6 billion in 1997 to over \$43 billion in 2015. The growth rate in 2015 was 11% over 2014, about four times the rate of the overall food market, which is growing at 3%.



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S. Keith  
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### Key Projects

Wapiti  
Fernie  
Dry Ridge

**Fertoz Ltd**

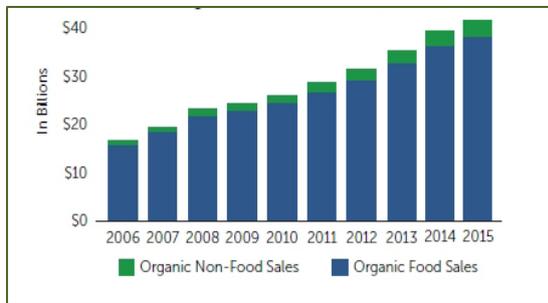
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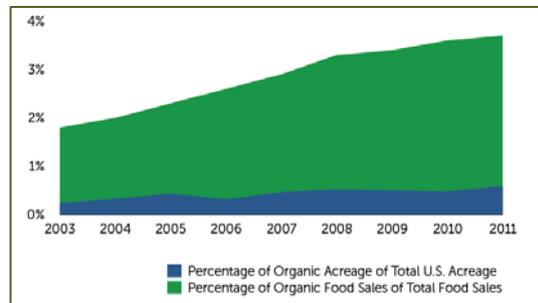
The OTA notes however that production growth is not keeping up with demand. Organic food sales currently make up 4% of total food sales, while acreage devoted to organic agriculture is less than 1% of total US cropland, despite having increased substantially since early 1990s. The potential for expansion is significant, as evidenced by the number of distributors now offering organic fertilisers (refer below).

Latest data reported by the USDA (2011, United States Department of Agriculture) identified over 14,000 US organic farms, comprising 5.5 million acres of land, of which about 3.1 million acres were harvested cropland and the balance were pasture or rangeland. From 1992 to 2011, the compound annual growth rate registered 9.7%.

While there were organic farms or ranches in all 50 states, nearly 20% of the operations were in California, which is also the leader in organic sales, corresponding to about 36% of all US sales. Overall, states located in western US represents approximately 50% of total organic cropland.



**Total US Organic Sales and Growth 2006-2015**

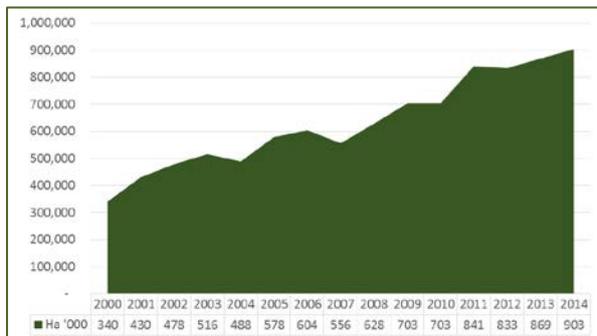


**Organic Acreage vs. Organic Food Sales**

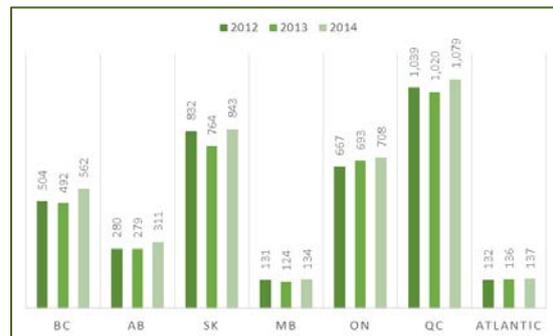
Source: Organic Trade Association

## Organic Agriculture in Canada

According to the Canada Organic Trade Association, Canada has seen a steady rise in organic agricultural land since 2000, increasing from 340,200 hectares to 903,948 hectares in 2014, or equivalent to a 7.2% compound annual growth rate (CAGR). This is represented by a total of 3,780 organic producers. Western Canada (British Columbia, Saskatchewan, Alberta and Manitoba) is the lead organic region in the country, with approximately 84% of total planted area and 49% of organic producers.



**Hectares of Canadian Organic Natural Land**



**Organic Producers in Canada**

Source: COG-COTA 2000-2016

On the organic market as a whole, Mr. Keith commented, *“The continued significant growth in both organic food demand and in the amount of land being used for organic agriculture is a truly exceptional opportunity for Fertoz. The organic market has been growing steadily over a sustained period of time and in the US sales have reached US\$43 billion. However, these sales still represent a small percentage of the overall agricultural market in the US. Not only will Fertoz have the only producing phosphate mine in Canada, but also we are certified as an organic input fertilizer, giving us an advantage in this growing and highly profitable market.”*

The National Sustainable Agriculture Assistance Program website (<https://atra.ncat.org>) lists over 200 distributors and suppliers of organic fertilisers and soil amendments in the USA and Canada, showing the diversity and growth of the organic markets. However, there are currently no operating phosphate mines in Canada, and much of the direct application rock in the US is high in deleterious minerals making it unsuitable for organic agriculture. This has resulted in high prices for highly available direct application rock phosphate with low impurities. Recent discussions with Californian organic groups has highlighted the US\$300/t to US\$400/t cost for low impurity direct application rock phosphate being paid by organic farmers.

For more information on the organic food industry, please refer to:

<https://www.ota.com/>

<https://www.ota.com/canada-ota>

<http://www.usda.gov>

<https://atra.ncat.org>

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