



May 4, 2012

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Via email: comments@pcaobus.org

PCAOB Rulemaking Docket Matter No. 37

Concept Release No. 2011-06 *Auditor Independence and Mandatory Audit Firm Rotation*

Dear Board Members:

Agrium Inc. wishes to submit our comments to the Public Company Accounting Oversight Board regarding Concept Release No. 2011-006 "*Auditor Independence and Audit Firm Rotation*". This Concept Release focuses on the enhancement of auditor independence, objectivity and professional skepticism through mandatory audit firm rotation.

Agrium is a global producer and marketer of agricultural nutrients. Agrium generated approximately \$15.5 billion in revenue in 2011, has a market capitalization of approximately \$13.5 billion and employs over 14,000 people globally.

The PCAOB since its inception has been an influential governing body protecting investors by overseeing the audits of public companies. The Board has made vast improvements to its standards in the past decade, enhancing audit quality, independence and objectivity. We believe continued improvement of audit standards is necessary and we support the Board in this process. However, we believe that there are more effective alternatives for enhancing auditor independence than mandatory audit firm rotation.

We are strongly opposed to mandatory audit firm rotation due to its high potential to negatively affect audit quality. We have not seen substantial evidence that supports a link between auditor tenure and audit failures and the Board conceded that there is no such identifiable link in Concept Release 2011-006. We also believe the costs of mandatory rotation outweigh potential benefits.

Our main areas of concern arising from this Concept Release are:

- A decline in audit quality in the first few years with new auditors, potentially increasing the likelihood of audit failure;

- Additional time and costs required to complete an audit in a rotating environment;
- Undermining of a public company's ability to select the most qualified audit firm given the limited pool of firms of sufficient size to appropriately audit large companies;
- Redundancy of mandatory audit firm rotation as a result of mandatory audit partner rotation and annual audit firm review by the audit committee;

The necessary level of expertise to complete an audit of a complex company is gained over time through research, effective professional relationships with management and audit committees, and as the firm completes annual audits. Mandatory audit firm rotation would cause significant loss of client and industry specific knowledge and accordingly no overall benefit would be gained. We believe the potential decline in audit quality resulting from a change in firm is the most critical factor to consider when evaluating mandatory audit firm rotation.

Agrium is a complex, uniquely diverse global company. Our audit requires a high level of industry-specific knowledge. Areas of knowledge required by our auditors include detailed knowledge of the underlying business, regulatory, economic and operational issues in:

1. Manufacturing:
 - 10 nitrogen manufacturing and upgrading facilities located globally in Canada, United States, Argentina and Egypt;
 - 2 phosphate facilities located in Canada and the United States;
 - Controlled-release product manufacturing in 6 locations in North America;
 - Fertilizer granulation and blending plants in the United States.
2. Mining:
 - Potash and phosphate mines in Canada and the United States.
3. Marketing of agriculture products in North and South America, Europe and Australia:
 - Direct to grower sales through over 1,300 locations;
 - Sales to industrial customers and distributors of agriculture products.
4. Distribution:
 - Networks serving Western Canada, United States and Europe;
 - Rail, pipeline, barge and ocean vessel channels.
5. Service Delivery:
 - Agronomic and livestock-related services;
 - Custom crop nutrient blends and application.

Our current audit firm maintains specialized knowledge in these areas, accumulated over several years as we have expanded and diversified. We do not believe that another audit firm would have the same level of knowledge or be able to acquire it in sufficient time to complete a quality audit in the initial years following rotation. Accordingly, changing audit firms would have an immediate adverse affect on the quality and cost of our audits.

We believe that audit costs would increase in the long term as a result of rotation. Increased costs would include costs paid to the audit firm and our internal costs including increased staff time. Today's practice of audit committees and audit firms negotiating services insures the appropriate balance between service, quality and cost.

Agrium's audit committee annually evaluates our audit firm to ensure it is independent, free from bias, possesses comprehensive knowledge of our business and has adequate time and resources to complete a high quality audit. Our audit firm devotes substantial time and resources to ensuring it has a detailed understanding of our businesses and key drivers of our operational and financial performance. This knowledge is essential to performance of a quality audit. Enforcing rotation reduces the likelihood that an audit firm will invest time and resources toward achieving a high level of understanding of a new client's industry and business. We believe mandatory audit firm rotation is redundant in combination with annual audit committee reviews and mandatory audit partner rotation.

Measures for Improvement

We appreciate the Board's initiative to work with stakeholders to improve auditor independence, objectivity and professional skepticism. We believe successful implementation of standards is the result of significant discussion, consideration and acceptance by accounting professionals.

Some actions we support are:

- Enhancing communication processes between auditors and audit committees;
- Auditors providing audit committees with more information and opportunity to review and critically assess their engagement plan; and
- Audit committees providing a more robust report to shareholders.

We believe it is important for audit committees to understand the role inspection programs of the PCAOB and the Canadian Public Accountability Board play in assuring audit quality and that Board inspection observations become part of the overall process for evaluating the performance of the auditor. Results from PCAOB and CPAB inspections can be utilized by the audit committee to enhance their understanding of areas of audit risk and discuss these areas with the auditors to be knowledgeable of the actions the auditor is taking to manage identified risks. We also support further enhancement of communications by formalizing an audit plan review process requiring the auditor to provide the audit committee with the audit plan for review and acceptance. The addition of requiring a comprehensive conversation between the auditor, audit committee and, where appropriate, management as part of the audit committee's oversight responsibilities will help to ensure the audit committee is satisfied with the scope of the audit.

Acting on behalf of shareholders, audit committees are an essential aspect of the audit engagement. We believe that by requiring audit committees to diligently report on their actions and reasoning in appointing, compensating, retaining and overseeing the work of the auditor, they will effectively address any concerns that may arise regarding the auditor-client relationship. Such reports expand on the enhancement of communication between the independent auditor and the audit committee and could be a valuable tool for the audit committee to improve communication with shareholders. We view the improvement of audit committee involvement in the audit engagement as an effective method for improving overall audit quality and auditor independence.

Conclusion

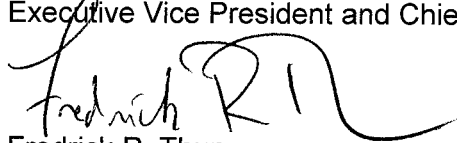
We support the Board's goals in reviewing auditor independence, objectivity and professional skepticism. Mandating audit firm rotation will eliminate our audit committee's opportunity to select the firm with the highest ability to perform a quality audit of our businesses. Accordingly we do not believe mandatory audit firm rotation is in the best interests of shareholders and other stakeholders. We do, however consider this Concept Release to be an important reminder for auditors and audit committees to review their practices and ensure they are acting with independence and in the best interests of shareholders. We believe requiring improved communications between the independent auditor and the audit committee and maximizing the audit committee's effectiveness are the most valuable measures for the continued improvement of audit engagements.

We trust that the Board will consider our comments.

Sincerely,



Stephen Dyer
Executive Vice President and Chief Financial Officer



Fredrick R. Thun
Vice President and Corporate Controller