



Review of nitrogen industry by ODM may result in lower expansion goals

AN UNEASY TRUCE REIGNS in the battle of the nitrogen goals. The Office of Defense Mobilization is continuing its review of the industry to determine production potentials and to find out whether companies with pending applications still intend to build new plants. An ODM spokesman says specific applications for certificates of necessity will not be approved until the review has been completed.

There are indications that ODM may reduce its proposed nitrogen expansion goal of 3.5 million short tons by Jan. 1, 1957, if the review finds that existing facilities can make more nitrogen than ODM records show. The review should be completed within two or three weeks.

The present situation is an outgrowth of a meeting called by Commerce Department on Feb. 16 at which nitrogen industry representatives were quick to show their disapproval of the ODM's decision to raise the goals (AG AND FOOD, Feb. 17, page 163). Industry spokesmen said the goals are much too high. They also charged the new goals are based on a survey of requirements that is about three years old. To give a more accurate picture of nitrogen needs, they suggested the survey be up-dated and the goals adjusted accordingly. A subcommittee of four presented these views to ODM, which approved the plan.

Many nitrogen producers think the Government has underestimated the industry's ability to produce. Existing plants, they believe, could supply 15 to 25% more nitrogen in the event of complete mobilization. Conversion to war-time production might bring problems, such as a decrease in process yields and the need for additional storage facilities, but the job could be done.

Complicating the picture is the variance of figures given to explain the new nitrogen goals. ODM says the new goal provides for production of 570,000 short

tons of contained nitrogen more than the goal established in 1952. It goes on to explain that this increase includes 165,000 tons of contained nitrogen previously included under nitrophosphates in the phosphatic fertilizers goal. The 1952 goal called for annual capacity of 2.93 million short tons by target date 1955, plus the 165,000 tons from the phosphatic fertilizer goal, giving a grand total of 3,095 million short tons. Subtracting this total from the new 3.5 million ton goal leaves a net increase of 405,000 tons over the 1955 goal.

Commerce Estimates Production

Unofficial estimates from the Department of Commerce, however, place domestic nitrogen production for the fiscal year ending June 30, 1956, at more than 3.2 million tons. Projecting these figures for six months to the Jan. 1, 1957, target date of the new goal, it would seem that the actual increase in capacity to meet the goal would be in the neighborhood of only 250,000 tons.

Also adding to the confusion are the number of "interested parties" who are watching the nitrogen goal developments. The ODM seeks to correct any deficiencies in potential productive capacity required for national defense. The Commerce Department, as the delegate agency in charge of the nitrogen goal, has an obvious interest. The Department of Agriculture must try to make sure there will be enough nitrogen for both the farmer and the military in case of a national emergency.

Industry does not present a completely united front, either. Some present producers of nitrogen feel that there will be a surplus of their product for the next few years. They take a dim view of building new plants while some of the existing facilities may be forced to curtail their operations. Others, some of whom may have been denied certificates in the

past, view the new goals as a method of getting into the nitrogen picture. Siding with these companies are interests representing areas in which the new plants would be built, if approved.

The present controversy apparently began several months ago when USDA asked for the reopening of the nitrogen goal, which was suspended on Dec. 3, 1953. The chief reason advanced is that USDA believes the present goal would not provide enough nitrogen to go around in the event of total mobilization. Although admitting that an increase in facilities coupled with a surplus of product would create a buyer's market, USDA maintained that the plan to expand the goals is sound. The additional quantities, they point out, would be relatively small when compared with the industry's total output. They maintain it might be possible to operate profitably at less than 100% of capacity, as is the case in the steel industry.

USDA does not completely agree with the industry's forecast that a surplus of nitrogen is likely during the next two years. Some Agriculture officials believe there may be "spot" shortages in some areas.

The Commerce Department, particularly the Business and Defense Services Administration, is understood to have sided with the industry in later discussions. Commerce also feels that the existing nitrogen industry could provide the needed additional capacity after 1955. Adoption would make it more difficult for new companies to enter the nitrogen field.

Before ODM reached its decision to raise the goals, Russell Coleman, president of the National Fertilizer Association, requested that a thorough survey of requirements and market potentials be conducted in each of the 48 states. He also proposed that all interested parties, including the nitrogen industry, should analyze and discuss the survey results. ODM reopened and raised the nitrogen goal before such a study could be made, however.

In explaining their action, ODM said the new goal was a compromise between full mobilization needs and normal peace-time requirements. Under full mobilization, the 3.5 million ton figure would have been considerably higher.

The Feb. 16 meeting was called by Commerce to get the views of its Nitrogen Advisory Committee on the new goals. Another meeting was held at Commerce on Feb. 25 at which the new goals were again discussed.

The primary purpose of the latter meeting, however, was to study another problem faced by the industry—how to get what it considers its fair share of fertilizer purchases for foreign aid programs. Foreign producers can now underbid American suppliers because of lower freight rates.