

Business Outlook Improves as New Season Gets Under Way

The agricultural chemicals industry seems to have settled down some since last fall, when the emotional upset engendered by a poor season was at its peak. Either the situation was not really as bad as it seemed then or the beginning of a new season gives the industry renewed hope. At this point, most producers describe last year's results in milder terms such as "fair," "slow," "slight recession," and "below normal." Several producers say that business last year was good. One said that the industry "took a beating" last year and one other said the industry was "badly burned."

Cautious optimism seems to be the tone now and perhaps it is a mark of health. Most members of the industry agree that the coming season will be better than last year, although there are few glowing descriptions of the good things to come.

For the coming year, there is almost general opinion that business will be better, although most expect the increase to be slight. The brightest spot, mentioned by several producers, is herbicides, sales of which are expected to get better. In the commercial corn-growing belt, acreage controls are expected to stimulate herbicide applications, as farmers try to get the highest possible yields out of reduced acreage. Another spot where herbicides are expected to sell well is the wheat-growing region in Washington State. It is believed that regulations on 2,4-D use in Washington should not materially affect the quantity applied. Education and regulations will bring about the decreased use of the older, so-called high volatile esters, which vaporize and are blown to adjacent areas where crops such as cotton, grapes, or fruit can be injured. The slack will probably be taken up by increased use of the low volatiles and amine salt formulations, according to the same source.

In the Northeast, authorities expect sales to be good because of the fact that prices for crops have been good. Generally farmers in that area are more willing to use agricultural chemicals in order to produce quality products if prices are good. California producers see indications of an increase in insect population and are basing their programs on this. In the northern Midwest, manufacturers are worried about drought, rainfall so far having been slight this season.

One producer broke down his estimates on the basis of products. He expects systemics and fungicides to have a very bright future, predicting that they will have a much wider range of use this

year. The fungicide, Captan, he said, appears to be off to a good start.

The key to 1954 activity seems to be weather and moisture conditions. At present, this seems to bode well for the industry, but, of course, weather prophecies are even less to be trusted than economic predictions.

Producers are allowing inventories to decrease. A few report presently high inventories, but most say stocks are less than this time last year. Without exception, they say that formulators' stocks are low and expect that formulators will be buying to meet only current needs and close to use time. Formulators are also thought to be holding off purchases in the hope that they will get the same price breaks prevalent last year.

Production Cutbacks

Most refused to comment on whether or not production was being cut back (see chart). Some frankly admit they are not producing at all, particularly in the Southwest. Some in the same area have cut back production 50% or more. One insecticide producer is expanding in the Southwest, the only expansion of basic capacity noted in our survey.

Consignment selling seems to be one of the most fundamental ills of the industry. None of the producers like it, but none will take the lead in stopping it, although it is generally conceded that the first to stop would have plenty of company before too long. This was demonstrated by the discontinued consignment selling of DDT last season. Another solution to the problem would be a smaller number of formulators and one producer predicted that this could come about very rapidly if the present season turns out as badly as the past one. Another source said he sees a healthier situation approaching, as credit seems to be tightening up all along the line from producer to formulator to distributor.

Some indications of next year's business prospects can be inferred from the U.S. Department of Agriculture's estimate of minimum and maximum requirements (see table) for the coming crop year, although the estimates are based on past history and not on indicated insect infestations. However, Harold H. Shepard of USDA says that estimates may be more dependable this year in view of the fact that results are now available for the past four years.

Disappearance figures (AG AND FOOD, Feb. 17, page 175) for the past crop year on some of the major agricultural chemicals show considerably reduced volume in every case except herbicides, and insecticides from plant sources. Dr. Shepard said that although not all re-

Pesticide	1954 Crop Year Requirements	
	(THOUSANDS OF POUNDS)	
	MINIMUM	MAXIMUM
Benzene hexachloride ^a	8,000	11,000
Calcium arsenate	8,000	20,000
Copper sulfate ^b	100,000	125,000
2,4-D (acid basis)	26,000	28,000
DDT	60,000	80,000
Lead arsenate	16,000	30,000
Parathion	3,000	4,000
Pyrethrum flowers ^c	7,000	8,000
Rotenone roots ^c	4,000	5,000
Sulfur, ground ^d	300,000	400,000
TEPP	350	500
2,4,5-T (acid basis)	4,000	5,000
Chloro IPC	1,000	1,500

^a On the basis of gamma isomer content, including lindane.
^b All domestic uses, including a variety of small industrial and other uses; on a calendar year basis.
^c Imports of raw material.
^d Calendar year basis.
Source: Commodity Stabilization Service, USDA

ports were in on soil fumigants, those in hand indicate a significant increase.

In the Northeast, ag chemicals sales were said to have been not too bad, at least as good as those of any other part of the country. In the Southwest, the industry took a "beating" last year and several sales managers pegged it as the worst they had ever seen and the worst they ever hope to see. Actual tonnage was said to be equal to or greater than 1952, but the price level was said to be so low that total income took quite a dip. California reports differ—one company stating that volume was normal but prices were low; another saying that low volume was the cause of troubles; and a third blaming both volume and prices. Business in cotton insecticides in California was about a third of normal because of light insect infestations.

Opinion Divergent

Thus it is seen that there is a considerable divergence of opinion on the analysis of what happened last year. Some say volume was low, while others say volume was equal to the previous year but that price cutting narrowed profit margins. A third group contends that both factors came into play. Apparently not even members of the industry have a very detailed picture of the situation because of the absence of complete and accurate statistics. For this reason it is difficult to point a finger at any one cause.

USDA's figures are the only ones available and these are not complete—production and use figures on such widely used pesticides as toxaphene, aldrin,

dieldrin, and some others are not given. These chemicals are produced by single manufacturers who do not release production, capacity, and sales information. Furthermore, USDA's statistics cover only the past four years. A hopeful sign pointing to improvement in this situation is that Dr. Shepard reports the industry as becoming more and more cooperative in furnishing data on operations.

How much total sales and profits were down is difficult to estimate (see chart). Most producers of basic toxicants also produce other chemical materials and seldom give breakdowns of total sales in their annual reports in such a way as to indicate the dollar volume of agricultural chemical sales, although most of them have stated in letters to stockholders that business was poor in the ag chemicals field last year.

infestation for the state was about 5000 weevils per acre. The situation this year will depend upon the effects of the winter weather on the larvae and the weather in the early part of the cotton growing season.

Infestations in Tennessee are expected to be lower than in the previous two years. South Carolina also reports a low level of boll weevil infestation.

Pink Bollworm

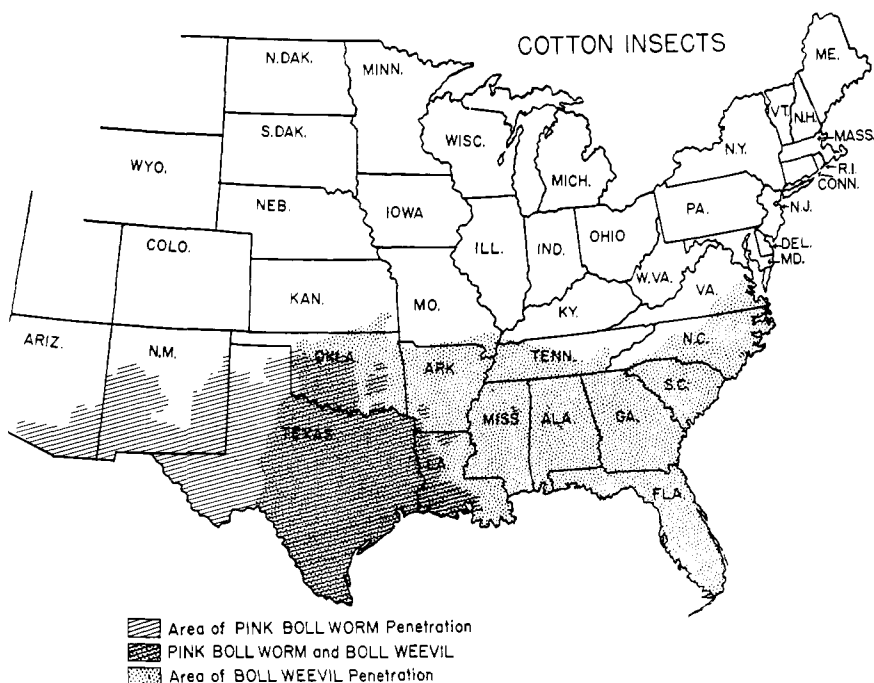
The pink bollworm infestation in southern Texas will probably be down again this year. Inspection of surface debris and bolls in the fields at the beginning of the year indicated a lighter infestation than the previous two or three years. In the north and central regions of Texas the frosts of January may have appreciably reduced the numbers of bollworms overwintering. The USDA does not have its survey completed but it seems possible that the pink bollworm will be down for the first part of the growing season.

Corn Borer

The European corn borer is now present as a crop menace in most of the north-eastern quarter of the country. Last year 11 states reported new infestations in 55 counties which had previously been free of the corn borer. The most heavily infested areas are the junction of eastern South Dakota, northeastern Nebraska, and northwestern Iowa and a band across the state of Illinois.

Army Worm

Army worm outbreaks are almost completely dependent upon weather



Source: USDA

Cotton Insects, Grasshoppers, Corn Borer, And Army Worm Still Major Threats

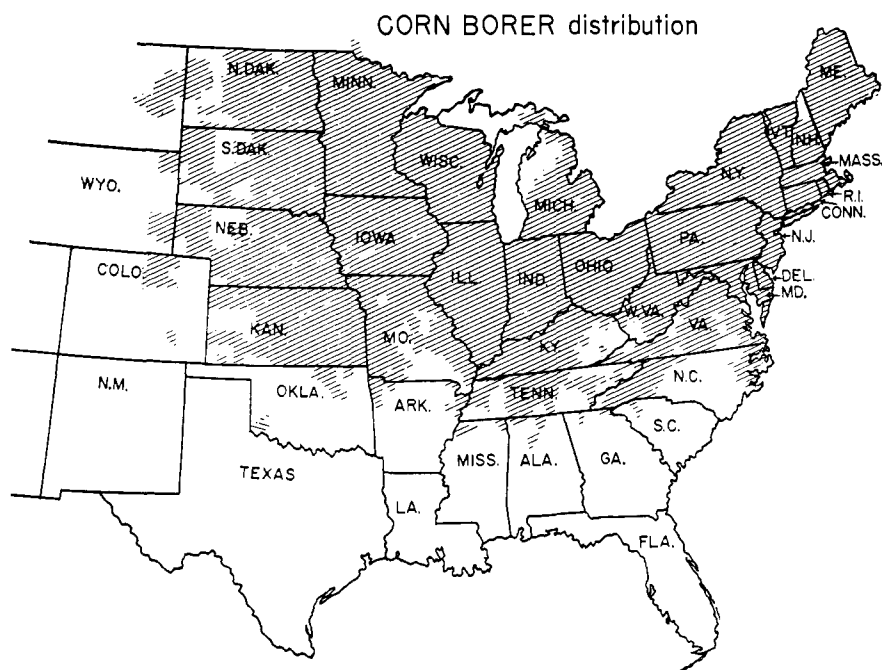
Generally it is still too early in the year to predict accurately the pests which will emerge as major problems this year. The weather in the various regions is perhaps the predominant factor in any insect outbreak. However, it is possible to estimate what might be major threats.

The cooperative insect report, issued by the insect plant pest control branch of the Agricultural Research Service, is a weekly survey of insect infestations by geographical regions of the U.S. This survey is the one centrally coordinated source on insect infestations for the U. S.

Cotton Insects

The boll weevil is still unchallenged as the principal insect enemy of the cotton crop. Better moisture conditions in the cotton region could be an indication that there will be a resurgence of the boll weevil.

For Georgia, hibernation counts made last fall indicated that the level of infestation was about 40% higher than the previous year. The general level of



Source: USDA