

Ag and Food Interprets

capacity in recent months, and the latter deems distribution of ammonia now to be a minor problem. Expansion of water shipment and storage terminals on part of both represent efforts to level out the peak demand problem.

Sales Incentives

An important factor in ammonium sulfate, Chester Edwards, believes consideration should be given to the "sales incentive" programs that were used from 1920 to 1929 to move this material. Mr. Edwards, president of Nitrogen Products, Inc., New Brunswick, N. J., says these were not complicated and that under them any fertilizer manufacturer could contract to take his sulfate in 11 equal monthly quotas, July through May, at a base price.

At a slight premium the manufacturer could buy his sulfate, if he preferred, on an eight-month contract calling for delivery of equal monthly quantities from October through May, or for four months, January through April. The spot price, of course was higher than any of the contract prices.

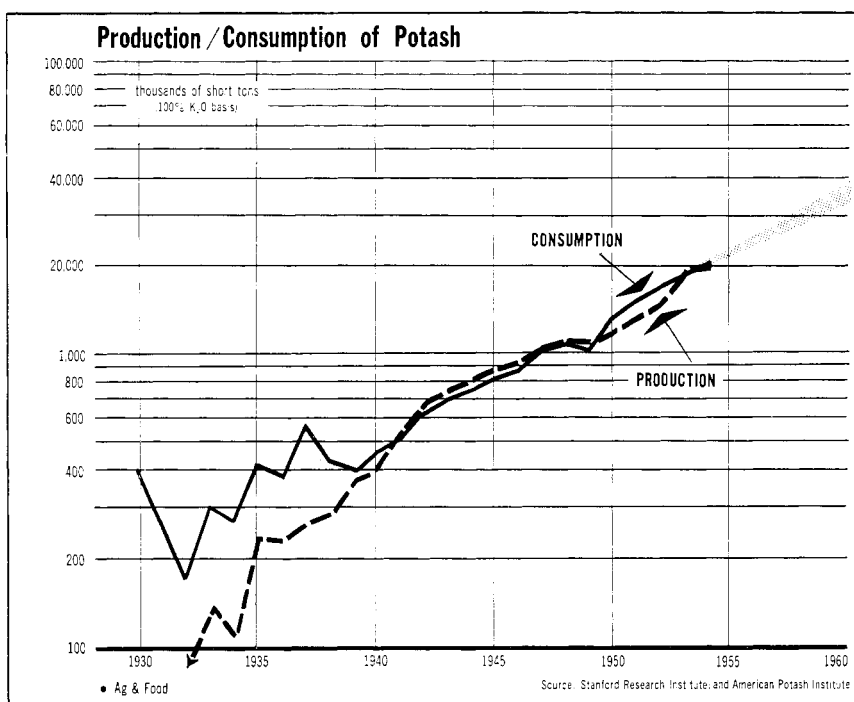
A more extended and continuing program is the movement in the industry to encourage fall planting. As William F. Price of Swift & Co. asked before the meeting of the American Society of Agronomy, would the fall planting idea be suitable in various growing areas and for different soils? For example, would it be suitable for the whole area north of the Ohio River and east of the Plains States? Would the plan work on sandier soils in the northern tier of states, or would it be economical only on heavier soils in any latitude?

Here is where the many farm associations could cooperate, the speaker thought, where research remains to be done through grants-in-aid and fellowships, and which in turn merits the interest of bankers in deserving loans.

Potash Mining

Expansions at Carlsbad seen based on potash consumption continuing steady growth. By 1960, 3 million tons?

ANNOUNCEMENTS last month that two new potash mines were coming in Carlsbad and that another was being expanded raised a large "why?". It was widely assumed that present potash capacity was sufficient and that, if there was a scarcity in the potash industry, it was only in storage capacity.



Also in the minds of many was recent talk of European potash being "dumped" in the U. S.

One of the best explanations of this new activity in Carlsbad is the curve of potash consumption in recent years, which shows a steady increase during the past 10 years and suggests a domestic potash market of more than 3 million tons by 1960.

National Potash, one of the new groups, started from Freeport Sulfur's discovery of potash in its Carlsbad reserves. Freeport, having been exclusively in sulfur, looked for a companion with specialized experience to go along on a bulk mining operation. Result: a company owned 50-50 by Freeport and Pittsburgh Consolidation Coal. National Potash expects to be producing a quarter million tons of K_2O annually by 1957. The National Potash development will be a \$19 million venture, with stock owned by Freeport and Pittsburgh worth about \$4.5 million. Freeport and Pittsburgh are also providing an additional \$2 million to provide National with working capital. The company has also obtained a \$12.5 million loan from an insurance company.

The other major entry in the Carlsbad area is Farmers Chemical Resources Development Corp. This \$12 to \$15 million venture was originally announced as a joint undertaking of Kerr-McGee Oil Co. and the National Farmers Union. Latest word comes from Phillips Petroleum saying the new corporation will be owned 50% by Farmers Union, with Phillips and Kerr-McGee jointly

owning the other half. This surprise move puts Phillips into production of all three major plant nutrients.

Although potash consumption has shown a steady rise for the past 10 years, domestic production has generally been able to meet these demands. Temporary shortages in peak seasons have been caused more by shortages of storage space than by lack of production. Existing potash producers seem to have become reconciled to the realities of seasonal demand for their product and most have now completed permanent storage facilities for off season production. The storage bottleneck may have been a deterrent to any large scale expansion of production facilities up to now. With storage problem coming under control, present potash producers may move toward increasing production. International Minerals & Chemical recently announced plans for expansion by a quarter of a million tons.

Another deterrent to expanded production may have been the threat of cheap potash imports coming in from Germany and France. The Treasury recently released a decision on hearings held in 1954 to determine whether or not East German and French potash was being dumped in the U. S., underselling domestic producers. Treasury said there was no threat to domestic industry to these hearings the word may have got around that European production was not a threat to the domestic potash industry; opposite may be true. There was a world wide shortage of potash last year, and there appears to be little likelihood that European producers are

going to be increasing their shipments to the U. S.

Indications are that there may still be a temporary oversupply of potash in 1957, when a situation similar to that outlined for nitrogen, (AG AND FOOD, March, page 187) might develop. The fertilizer industry consumes from 90 to 95% of potash production and there may be a time lag between the full production of the potash producers and consumption by the fertilizer industry. The year or two of possible surplus will probably be ended by 1960 when all present and projected production of the Carlsbad area should find a ready market.

Presence of Phillips in Farmers Chemical should work out to mutual advantage of both groups, with Phillips producing all three major fertilizer ingredients and Farmers Chemical probably marketing some of its production through the Farmers Union which may go into fertilizer business.

The big five of Carlsbad may well be a big seven by 1960, and indications are that the newcomers will not be the smallest members.

Ag Chemicals Prospects

Outlook for the industry's future is good, but leaders admit business practices need improvement

BUSINESS APPEARS to be getting better in the agricultural chemicals field but isn't being handled very well. Leaders were emphasizing the second point at the industry's trade association meeting in St. Louis last month, while the tenor of the meeting held a noticeable amount of guarded optimism. Some of the problems that continue to be tough were emphasized by National Agricultural Chemicals Association's president William Allen, of Dow Chemical:

(1) Public Education—"No manufacturer, on grounds that he is small, or late to enter the field, or just because he has no inclination in that direction can excuse himself from a share in this responsibility."

(2) Industry Information—"Manufacturers who are considering whether to enter or leave the production of some item have, at present, no way to determine whether existing plant capacity is adequate with respect to possible markets."

(3) Credit Policies—"Credit is an indispensable part of the conduct of

modern business. Yet there comes a time when operation of unusual credit systems becomes a greater burden than the production and distribution of chemicals." Emphasizing that he was not suggesting industry use a stiff-arm on dealers and distributors, Allen obviously was taking a whack at consignment selling which has become a plague on the industry.

An even sharper blast at the industry's business practices was let go by John Gillis, Monsanto's marketing vice president. He offered some basic commandments: "First, 'thou shalt make a profit.' Second, 'thou shalt study thy costs so thou wilt know a profit when thou seest it.' Third, 'thou shalt not covet thy neighbor's profit.' " The third was no encouragement to price fixing, merely elementary advice to go after competitors hammer and tongs, but not to be suicidal in eagerness to grab his business in a price war.

Is the Market Potential Holding Up?

Always important to the pesticides industry is the farmer's buying power. The NAC group heard from Fred V. Heinkel, president of the Missouri Farmers Association that the prosperity of its \$400 million industry might take a beating if something better isn't done for the farmer. The average price of farm products has gone down 25% since 1951, he declared, and many farmers have left the farm while others have gone broke. He proposed a federally supported food-stamp plan to get rid of farm products surpluses by giving them to low income groups, school lunch programs and other social institutions.

True Morse, Undersecretary of Agriculture, presented a different story in pointing to a rise in farm equities last year from \$144 billion to \$145 billion, while debt remained about the same. He argued that debts of \$17 billion with assets of \$162 billion present a strong position and clear evidence of the financial soundness of agriculture. Furthermore, the need for more and better agricultural chemicals hasn't abated. Morse still rates the loss to crops, pastures, ranges, livestock, and products at \$13 billion a year, with help more urgently needed every year as agriculture becomes more businesslike.

Products Getting Better, But Costs Up

The industry is by no means at a standstill on product development. Actually, the pace is so fast that some are concerned about the risk of the investment required to get into the market in the face of rapid obsolescence. But there is evidence that the old standbys are not dead (10 years is old among organic pesticides) as is seen

in weedkiller 2,4-D's sales of 23,175,000 pounds last year.

Some of the more impressive facts make the picture look lucious. But as Du Pont's Arne Carlson pointed out, it takes a lot of doing and spending. Du Pont's bill in effort and money to get its first substituted urea on the market commercially: "more than four years of concentrated laboratory and field work, preparation, and testing of more than 700 related compounds, and a research expenditure of about \$2 million." NAC president Allen estimated that the costs of discovery and development of a new chemical easily can run to \$1.5 million.

The latest concrete addition to the cost is one of meeting requirements of new control legislation, the Miller amendment to the federal Food, Drug and Cosmetic Act. The new legislation, to go into effect July 22, requires establishment of residue tolerances on any pesticides to be registered for use on food crops. This will mean companies will need to present to the Food and Drug Administration scientific data collected for their products in defense of suggested tolerance levels.

Questions submitted following a panel discussion of the bill and its administration at the St. Louis meeting were extensive and varied, the question period lasting well over an hour. One of the toughest problems is how to cope with the matter of zero tolerance, which has been set by the Department of Health, Education and Welfare for some compounds.

Despite some crying, the high cost of staying in the game, and the harm that has been done the industry by some careless business practitioners, the general tone at the meeting was optimistic. One oldtimer declared it the best meeting since San Francisco (1952). Another very active and very well informed figure, commenting that the picture looked bright at the moment, ticked off names of active industry members from almost every section of the country absent from the meeting and opined confidently that they were just too busy.

British Exports

1954 shipments of Ag chemicals from U. K. up 25% over previous year . . . Exporters mainly larger companies with world-wide connections

BRITISH MANUFACTURERS of agricultural chemicals increased the value of their exports last year in spite of keen