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From major guano importer to semibasic position in today's "chemically mixed" fertilizers sums up Pacific Guano history. For the future: decentralization to give flexibility in diverse western market

NO ONE who has followed the fertilizer industry intimately during the past decade can be unaware of far-reaching changes in its structure. From an industry composed predominantly of mechanical dry mixers serving local areas and supplied by a few basic nitrogen, phosphate, and potash producers, it has become largely one of integrated basic producers supplying regional and even national markets with semifinished or finished goods, and often by-passing formulators completely.

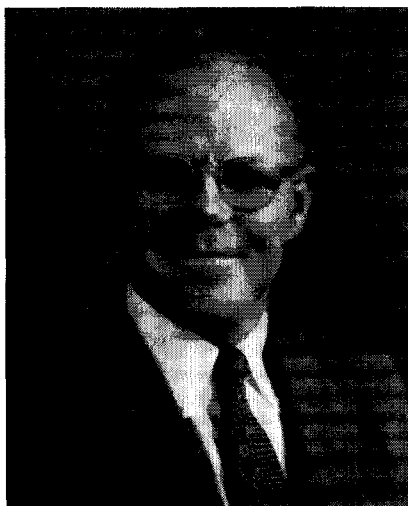
In addition, the simple mechanical blending operation for complete fertilizers has been displaced by production of newer, chemically combined materials. Furthermore—and especially in the West—liquid forms supply a growing part of the market.

Thus, the formulator of the past has in recent years been nipped with a two-jawed bite: process and product obsolescence and increased competition from large, integrated companies. One "out" for the formulator has been to change with the trends. And Pacific Guano Co., wholly owned mainland subsidiary of Hawaii-based Pacific Chemical & Fertilizer Co., has been doing just that.

For many years, backbone of Pacific Guano's operations were two dry, mechanical mix plants at Berkeley and Los Angeles. When it became obvious several years back that these materials were on the way out, management undertook considerable soul-searching as to how to meet the future: Should Pacific Guano convert to one of several granulation processes available? Or, should it go further and become basic in chemically combined materials? What should be done about liquids?

As an upshot of these deliberations insofar as dry fertilizers were concerned, Pacific Guano decided it would become "semibasic" in fertilizers, and joined last year with Triangle Co. of Central California (Salinas), Wilbur-Ellis Co. (Los Angeles), and W. L. Dixon, Jr., to found Western States Chemical Corp. By late 1955, Western States' San Francisco Bay region plant (Nichols, Calif.) was in opera-

tion producing a number of "chemical" grades with sulfuric acid, phosphoric acid, phosphate rock, ammonia, and potash as raw materials. The organizing companies decided against becoming even more basic with a phosphoric acid plant, but provision has been made in the design to add one at a later date, if desired. They also decided against a sulfuric acid plant and located instead "next door" to Allied Chemical & Dye's plant.



The President

William G. Hewitt

Decentralize and sell direct

With this move to a semibasic position in dry fertilizers, Pacific Guano is discontinuing large-scale mechanical dry mix operations. Present management thought is to dispose of much of the equipment, retaining only small-scale units at Los Angeles and Berkeley for specialty mixes.

In liquids, Pacific Guano has moved somewhat slowly in comparison to other western companies, but under present management, headed by William Hewitt as president, it now looks on liquids as an integral part of the fertilizer business. The first of its ammonia converting units were started in the Imperial Valley (Calif.) and near Phoenix in 1954. For the northern California liquids market, Pacific

Guano uses its parent company's converter at Alameda, where Pacific Chemical converts anhydrous to aqua for shipment to Hawaii. Pacific Guano recently started a neutral solutions plant in the Imperial Valley to give it a complete line of liquid materials; to serve central California with liquids, it bought Agro Phosphate Co.'s facilities near Tulare this year.

In a post-war drive for diversification, Pacific Guano has added a complete line of insecticides and herbicides to its product list. An initial formulating unit (dust mill) in Berkeley was later supplemented with a sulfur mill and a toxaphene melter and blender. Pacific also has dust mills at its Imperial Valley and Phoenix sites. Emulsifiables also are now made in the Imperial Valley and at Berkeley. Pesticide philosophy is to market as many processed materials as possible, although the company does handle a few finished materials strictly on a resale basis.

Another facet of ag chemicals that has been important to Pacific Guano is the home garden trade. Here it concentrates mainly on the two major California metropolitan centers, and it plans to increase merchandising of fertilizers and pesticides for this trade under its Gaviota trade mark.

Rounding out its "complete" product list, it supplies seeds to western growers and operates a poultry and cattle feed plant.

Most Companies Grow East to West; Pacific Guano Bucks the Tide

Traditional industrial pattern in the United States seems to be to start in the East and expand westward, and few companies have so far "transgressed" such a tradition. Pacific Guano has not only been one of those few; it started farther west than most, namely in Hawaii.

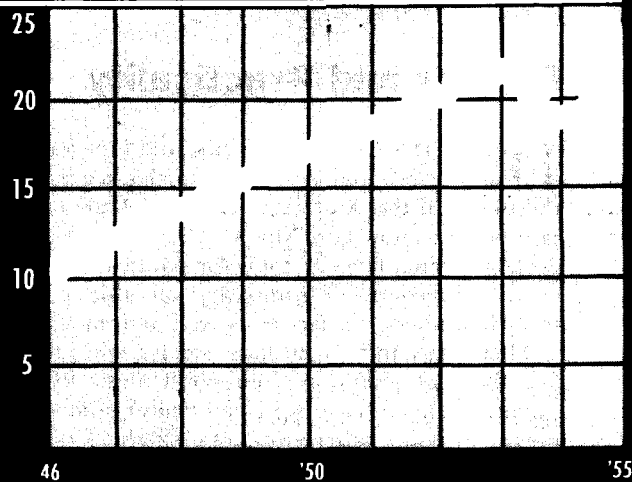
History of Pacific Guano and its parent, Pacific Chemical & Fertilizer, is complex, but it is generally considered to date from 1890 when North Pacific Phosphate Co. organized in Hawaii to exploit phosphate deposits on two small outcroppings, Laysan and Lisianski Islands, northwest of the main Hawaiian chain. The deposit was a type of guano, and when processed it was used extensively on the sugar cane fields. "Guano" became part of the corporate title when NPP changed to Pacific Guano & Fertilizer in 1895.

At about the same time, a second fertilizer company, Hawaiian Fertilizer Co., started in Hawaii, dealing mainly in manure and other animal by-products for fertilizer. For the next quarter century, both Hawaiian organizations developed along parallel lines.

Annual Sales Millions of Dollars

Pacific Chemical & Fertilizer Co.

With a complete range of products for California and Arizona agriculture, Pacific Guano contributes nearly half to these total sales of its Hawaii-based parent.



Each bought out several smaller companies in California, and gradually came to depend on these mainland companies for products as the island deposits began to peter out. Hawaiian Fertilizer merged into PGF in 1922.

Up to the mid-1930's, mainland and island operations were carried out by one corporate entity. Then, mainland and island activities were divided between two companies, Pacific Guano being formed in 1935 to handle the mainland part as a wholly owned subsidiary of Pacific Guano & Fertilizer, which retained the island business. The parent company made one final name change in 1945 to Pacific Chemical & Fertilizer.

For many years, main Pacific Guano product was Peruvian guano, with Pacific by far the major importer of this material to the Pacific Coast. Shipping restrictions stopped imports during the war, and after the war Peru, deciding it could put the guano to use at home, set a high price to discourage exports. Peruvian price aside, however, interest in guano had waned even before the war. It is not the nicest material to handle, and by 1940 when the last shipment was made, unloading costs in California ports ran \$16 to \$18 a ton. The war, then, simply accelerated a Pacific Guano trend to chemical fertilizers—superphosphate, ammonium sulfate, mixed goods, and the like—which had started some years previously. After the demise of guano, dry fertilizers became the company's mainstay until its more recent shift to "chemical mix" and liquid materials.

Philosophy: Make Sales Direct and Decentralize the Company

As some companies have discovered, it is one thing to make products for agriculture, quite another to

sell them successfully. How, then, does Pacific Guano operate? First, the bulk of its sales are direct to farmers. Since its approach today is to move into all phases of agriculture and supply a complete range of products from seeds to fertilizers to pesticides to feeds, Pacific Guano feels it can give better service and retain closer control of marketing efforts by integrating its operations all the way to the consumer rather than going through dealers.

For corporate structure, Pacific philosophy is to decentralize into a number of operating districts insofar as possible. Each such district will be under a manager responsible for processing, warehousing, selling, and billing within the district. In this way, Pacific Guano feels it will be best prepared to cope with local conditions. This need for local flexibility is especially critical in the West, of course, where there is such complete diversity of practices from area to area. Fertilizer, pesticide, and seed needs of the Imperial Valley can be quite distinct from those of the San Joaquin Valley, which in turn will be very different from those in the Salinas area.

Flexibility will be achieved not only from decentralization itself but also from the way each district is organized—products inventoried, ratio of fertilizer salesmen to pesticide salesmen, for example—to meet agricultural needs within the district. District structure will be tailored to the local competitive situation, too.

To date, such districts have been established in the Imperial Valley and in the Phoenix area, and the company has an active program under way to complete the move in its marketing areas from Klamath Falls, Ore., on the north to Phoenix, Ariz., on the south.


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