CORPORATE

profile...

Mississippi farmers, faced with a critical shortage of nitrogen fertilizer, formed a company and built an ammonia–ammonium nitrate plant which some said couldn't be built

DURING THE YEAR ending June 30, 1957, Mississippi Chemical Corp. produced 97,292 tons of anhydrous ammonia and 160,584 tons of ammonium nitrate. This production resulted in sales totaling $12.5 million. Compared to $3.9 million in 1951–52, MCC's first full production year, this is quite a record—especially for a plant which some said was impossible to build. But those who cast this dim view failed to reckon with the tenacity of Mississippi farmers.

During and immediately after World War II, farmers nearly everywhere were faced with a critical shortage of nitrogen fertilizer. What was available sold for over $100 per ton. In August 1947, the Mississippi Bureau Federation met to discuss the problem. Out of the meeting came the bold suggestion that a campaign be conducted to see if the farmers could and would build their own nitrogen fertilizer plant. Indeed, the task seemed nearly impossible at that time.

Opponents of the plan voiced two important arguments besides, of course, money. They pointed out that making nitrogen fertilizer was a highly technical process and that they were, after all, only farmers. And even if they were able to manage the plant, major producers would probably lower prices and drive them out of business.

But for these two strong objections there were two equally strong answers. Mississippi farmers were long on good common and business sense. With a minimum of technical supervision, they were sure that they could operate the plant. As for the majors' cutting prices—fine. After all, the object of the idea was to supply farmers with nitrogen fertilizer at a reasonable price. If the proposed plant forced the majors to do this, then that was all right, too.

So important were the fertilizer needs considered that the state legislature appropriated $50,000 to finance a sample campaign and feasibility study. In the fall of 1947, this question was asked of farmers in nine Mississippi counties: "If a nitrogen plant were built in Mississippi, how much stock would you purchase in the plant?" The answers were so encouraging that plans were made to get an actual stock subscription program under way.

The President . . .

C. S. Whittington

A Dependable Supply at a Reasonable Price

Even at this stage, there were some doubts as to the final outcome of the project. Funds collected from the farmers were put in escrow with the understanding that, if sufficient money were not raised, the entire amount would be refunded. But toward the close of 1948, it became apparent that sufficient funds would be raised for construction of the plant, and in October of that year Mississippi Chemical was organized with a total subscription of $2.5 million.

The new company selected a plant site just north of Yazoo City, Miss. The people of Yazoo County, by an overwhelming vote of 2843 to 16, provided an additional $750,000 through a bond issue under the state's "Balance Agriculture with Industry" program. A $3.3-million loan was obtained from the Reconstruction Finance Corp., and the farmer-owned MCC was on its way.

By this time it was 1950. Material shortages resulting from the Korean war, coupled with numerous strikes, slowed completion of the plant. But in March 1951, the nitric acid and ammonium nitrate plants went on stream and, operating with purchased ammonia, yielded 1550 tons of ammonium nitrate. By June 1951, the plant was making its own ammonia; after a brief "shakedown" period, it reached its normal capacity of 120 tons of ammonia and 140 tons of ammonium nitrate daily.

The company's record of production, sales, and earnings over the past six years has re-affirmed the wisdom of the farmers' decision to build their own nitrogen fertilizer plant. Expanded plant capacity now stands at 270 tons of ammonia and 440 tons of ammonium nitrate daily. Total assets have increased to about $18 million. And the fears of the doubters have long since been dispelled.

Customers are Stockholders

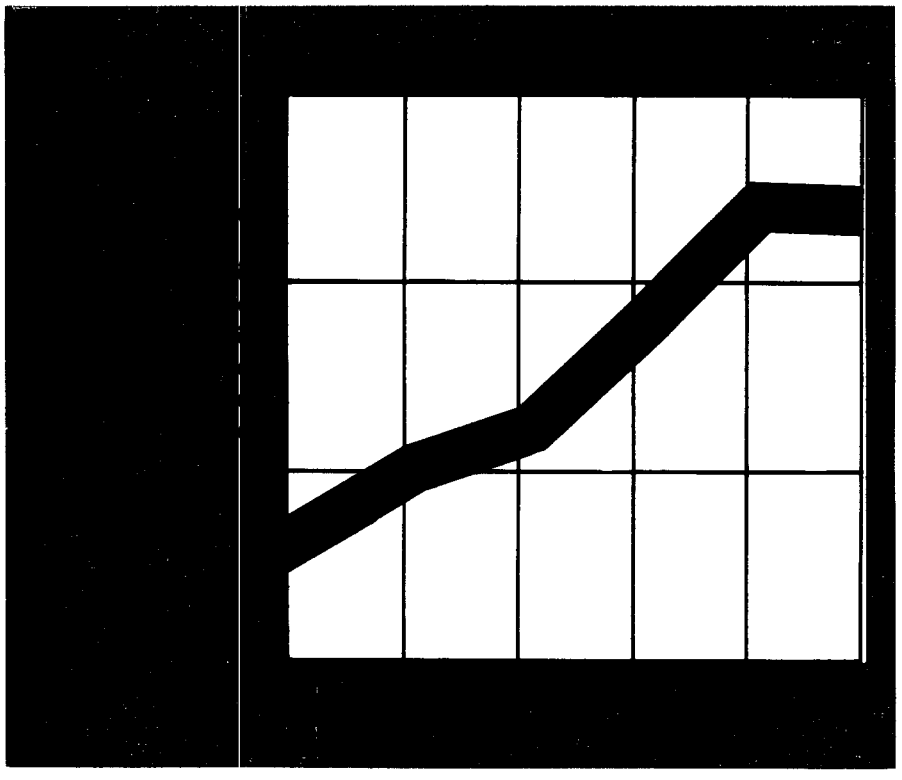
Unlike stockholders in most corporations, MCC's stockholders are also its customers. The formation of the company depended upon the investments of people who need and use fertilizer. MCC sells its products to stockholders as follows:

- One ton of ammonium nitrate annually for each $50 of stock.
- One ton of anhydrous ammonia annually for each $85 of stock.

MCC's owner-customers pay competitive prices for their nitrogen-fertilizer. However, at the end of a production year after actual costs are determined, they receive a cash patronage refund representing the difference between production cost and sale price. Last year these refunds, $28.50 per ton for anhydrous ammonia and $18.29 per ton for ammonium nitrate, totaled $3.6 million. In its six years of operation, MCC has paid back to its stockholder-customers $11.5 million in patronage refunds.

This means that a farmer who invested $100 in the first issue of MCC stock has had returned to him $167 in cash—and his stock is now worth $250. What's more, for the past six years he has had his dependable source of nitrogen fertilizer at cost.

A farmer's fertilizer requirements, however, seldom end with the basic nitrogen fertilizers. He also needs high-analysis mixed fertilizer, phosphates, and potash. MCC is doing



something about this, too. An affiliate company, Coastal Chemical, has been formed to produce and distribute these materials. As in MCC, which will own a majority of the voting shares, stock in Coastal Chemical is limited to fertilizer users. Basis for stock purchase is one share of stock ($25 par value) for each ton of low analysis fertilizer used.

Coastal Chemical's new plant at Pascagoula, Miss., will make 600 tons per day of sulfuric acid, 75 tons per day of phosphoric acid, and 350 tons per day of various high-analysis, water-soluble fertilizers. As in MCC, stock owners will be able to purchase their pro rata share of production.

At MCC's Yazoo City plant, another expansion program is under way to increase nitric acid production 150 tons per day to 470 tons per day. Ammonia output will go up an additional 30 tons per day.

In its six years of production, MCC has been what it started out to be—a dependable supplier of nitrogen fertilizer at a reasonable price. In addition, it has proved that farmers:

- Will invest large sums of money in their own enterprise.
- Can provide sound management and direction for a large industrial operation.
- Can increase their income and reduce the cost of materials they purchase by making the materials themselves.
- Can provide a yardstick for price and distribution practices by owning a portion of the facilities producing the commodities they buy.