

Midwest Sales Up, But Not for All

FERTILIZER SALES in the nation's breadbasket are putting a gleam into some producers' eyes, a tear into others'. For the fertilizer year ending this month, plant food consumption in the Midwest is up markedly—as much as 11% over 1957 in some western sections, from 2 to 6% elsewhere. Not all fertilizer producers are sharing the bonanza, though, and some of those who are will be bruised in the price-profit squeeze.

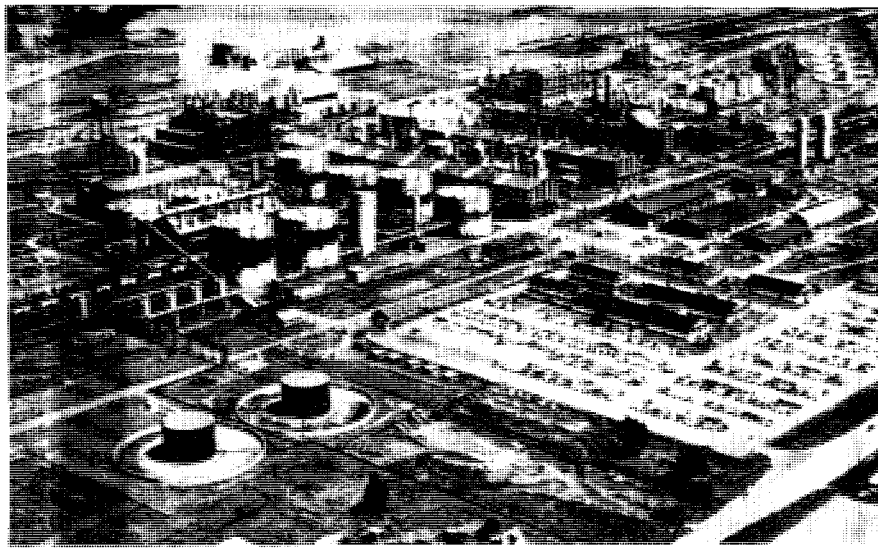
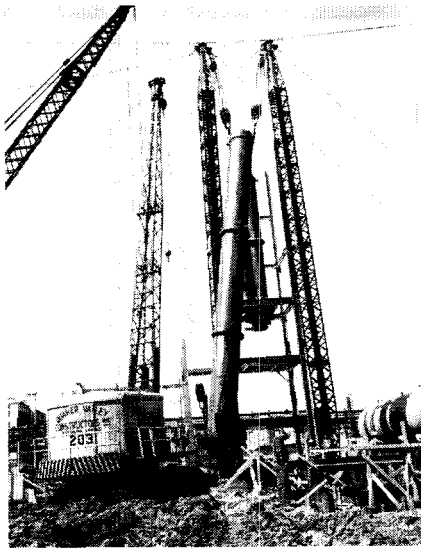
Increased fertilizer use can be traced to two main influences: good weather (except in the extreme southern part) and higher farmer income. But for the first three months of 1958, forecasters had been rather gloomy. Until early April, the Midwest's winter was similar to that in the rest of the country—cold and wet. And pre-season sales reflected weather conditions.

Adding to the pessimism was an increase in nitrogen prices which took effect the first of the year. Before this increase, nitrogen sales were unusually heavy; following it, they tailed off rapidly. But with the onset of good weather, sales began to rise. The difference of \$8.00 per ton between 1957 and 1958 prices deterred fewer farmers as the season progressed.

The corn belt farm income picture is now considerably rosier because of the higher prices livestock are bringing. As a rule, the midwestern farmer's income depends more on prices for hogs and cattle than on those for crops. And last year's good rainfall meant more and bigger animals this year. Moreover, many farmers have increased their buying on credit, and plan to pay off in a few months when their new herds go to market. One economist says that the midwestern farmer is climbing out of his recession while the rest of the nation has plunged into its own. Or, as *Newsweek* reported, the Midwest is "Boomland, U.S.A."

Strongest fertilizer movement has occurred among nitrogen solutions, ammonium nitrate, anhydrous ammonia, and phosphates. Popularity of nitrogen solutions bodes well for urea, and major increases in midwestern urea capacity now under way seem justified (considering that a part of new production will be aimed at direct application, too). Ammonium nitrate sales, especially in bulk, have spurred upward at the expense of ammonium sulfate, which is low in supply because of the slowdown in steel making. Some experts feel that ammonium ni-





Midwestern urea consumption is going up and so is capacity. At left, an 85-ton reactor for converting carbon dioxide and ammonia to urea is being hoisted into position at Spencer's Henderson, Ky., plant. On right is Allied's South Point, Ohio, plant, which will have 110,000 tons of urea capacity by the end of 1958

trate will hold on to its increased market even after coke oven fertilizers become more freely available.

Bulk sales increases aren't limited to nitrogen alone. The season saw a decided shift toward bulk sales of all materials, especially in the North Central states. In Indiana, for example, bulk application jumped from 10% of the total in 1956 to 20% in 1957.

Liquid fertilizers are also enjoying their best year. Even though some liquids makers are dropping out, new ones are setting up business. The most successful operators, as well as the new entrants, are those with established businesses in other fertilizers or in farm supplies or services (feeds, for instance). These mixers make a point of selling a grower on convenience. The trend to bulk may put a damper on liquid fertilizer optimism in the future, but 1958 sales of liquids won't be depressed by bulk application. As a matter of fact, the increased liquid fertilizer business in some areas was achieved at the expense of solid materials.

Strong Contrasts, Low Profits

Although over-all sales are up, there are spectacular differences in performance among various producers. Generally, cooperatives made out better than corporate industrial concerns. But profits aren't high for anyone. In fact, higher sales usually meant lower profit margins. A leading industry man puts it this way: "We've got a big business—with almost no profit."

Many producers claim that discounting is worse this year than ever before. Most optimistic is the man who says that price cutting is not worse than it has been for the past couple of years. In some of the western stretches of the Midwest, "list" price of anhydrous ammonia is 8 to 9 cents a pound. But in the same area, price cutting has

pared this to 7 or 7.5 cents. In another North Central state, a major co-op says prices are "all over the board," and a differential of from \$1.00 to \$10 per ton can be found on most items.

Major Midwest-based industrial producers are showing poor profits for the first quarter of 1958, which ended before the heavy area movement began. Even so, companies like Spencer, Monsanto, and International Minerals feel they are going to have trouble making up for lost sales. IM&C, for instance, had earnings more than a third off from the comparable quarter in 1957. Spencer showed profits of 42 cents per share in the March quarter vs. \$1.41 for the like 1957 period. The company says this drop is due mostly to cold, wet weather and resulting poor plant food sales.

Mississippi River Chemical also reports its ammonium nitrate sales as running behind last year's—but sold more in three weeks during late April and early May than it did in the first three full months of the year. The company is selling very heavily on ammonia solutions because it did not raise prices when other makers did.

Armour & Co., eyeing its lowering fertilizer profit margins, is looking for ways to become more basic in its operation. Already basic in phosphates, the company now wants to acquire anhydrous ammonia and potash supplies to round out its plant food line.

A trend that does not indicate immediate profits, but perhaps will mean increased sales in the future, is selling fertilizer directly to farmers. In several cases this year, manufacturers have by-passed the dealer, permitting the farmer to buy at wholesale prices. Generally, direct sales are to large farms—which are increasing in number. Sometimes, says a sales executive, farmers who buy fertilizer at

wholesale prices resell smaller amounts to neighboring farmers, making some extra money on the side.

Promote More

During a year when sales are looking up, Midwest fertilizer makers still think about ways to sell even more. No one denies that the right kind of fertilizer promotion is the key to stepping up sales. Despite past efforts, the industry still has a long way to go before it can be satisfied with the way fertilizers are merchandised.

From the smallest dealer to the largest basic producer, industry people in the Midwest are studying the National Plant Food Institute survey on farmers' attitudes toward fertilizers. Though the survey for the most part serves to confirm existing beliefs rather than to provide new material, it will play a big role in shaping future promotion plans of the industry.

It is too soon to see any specific Midwest results of the NPMI survey. But with the data in hand, industry has re-appraised its promotional activities. Already some general conclusions have come to light.

Industry efforts to educate the farmer about fertilizers need to be more basic. Information on the fine points of fertilizer use is wasted if the farmer doesn't have a firm understanding of what fertilizers are all about. Near the top of the list of points to be put across is the fact that fertilizers should not be promoted primarily as a means for the farmer to increase his crop yields. Rather, fertilizers are a route to higher profits.

Spencer Chemical provides one example of the "higher profits" approach to fertilizer promotion. It uses a flannelgraph presentation—a flannel board with attractive drawings and signs—to put across the economics of fertilizer use. Operating costs and profits for typical farm situations are

outlined with emphasis on how dollars spent for fertilizer are magnified in the final profit-per-acre summary at the end of the season. Spencer puts on a flannelgraph show for any of its dealers who want to round up a group of farmers. Brand names or specific types of plant foods are not mentioned—just the over-all economics of adding basic nutrients to soil. Since the program started, Spencer has reached about 15,000 farmers.

Soil Tests Up

Of the many ways to promote fertilizer use, soil testing stands out as the most important single item. In the Midwest, soil testing is well established and is increasing every year. Still, there is room for more.

Minnesota reports that soil tests in 1957 were up 15% over 1956, and the upward trend continues this year. Iowa State College tests 60,000 to 80,000 soil samples a year, but with about 180,000 farms in the state still feels there is need for improvement. Missouri has some 102 county labs for soil testing. In Kentucky, farmers sent in 50,000 soil samples last year. Throughout the Midwest other states report encouraging response to soil testing programs.

Industry solidly backs the soil testing idea. Some companies run their own service, although in most cases actual testing is left to the colleges. Once a farmer does have his soil tested he usually follows the recommendation, or at least approaches it. The wide gap between recommended and actual use of fertilizer is caused largely by farmers who use little or none.

Still on the lips of midwesterners is the often heard but seldom answered question, "How long before farmers learn to use enough fertilizer?" An agronomist from Nebraska gives a good answer: "Education is a continuous, never-ending process." Another expert ventures a guess that even with the expected rapid growth in plant food use during the next ten years, farmers will still apply not much over one-half of what they should.

Education, of course, is the solution. This year industry seems ready to step up its farmer education work. Through demonstrations, farmer-dealer meetings, and advertising, plant food manufacturers can undoubtedly increase their markets.

More assistance for the fertilizer dealer may be another facet of the new promotion plans producers are making. For despite more direct selling, most producers still feel that the dealer will be the vital link in furthering farmer education. With producers working through dealers to reach the farmer, dealers will gain a stronger place in the distribution picture.

Weather Reigns in the South

THE FERTILIZER INDUSTRY in the South approaches the end of "the big season" with three strikes already against it, but it is not entirely out. The third strike was a foul ball. Strikes 1 and 2 were the Soil Bank and tight money. The real foul ball, however, was the weather.

Adverse weather conditions—a cold winter and a late, wet spring—have sent fertilizer sales tumbling. Fertilizer movements, according to one observer, have been delayed from four to six weeks. Estimates of fertilizer sales vary widely from place to place—down 2 to 4% here, 6 to 8% there, 10 to 15% somewhere else. But on one thing there is absolute agreement—fertilizer sales are down. And it appears that the substantial tonnage lost because of the late season will not be fully regained this year.

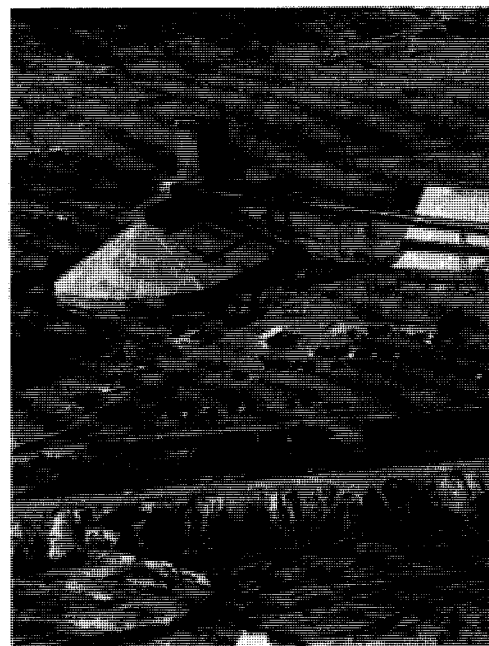
In the Bank

The Soil Bank is making itself felt, too. In the Delta area, about 25% of all cotton land is in the bank. Almost everybody in the Delta who wanted to put his land into the Soil Bank was able to do so. Large acreages of tobacco and corn also went into the bank.

But fertilizer dealers see one ace in the hole where the Soil Bank is concerned. They feel that the bank is hastening the trend toward bigger farms and more "vertical integration." And, they reason, since larger farms are usually operated by more business-like farmers who realize the benefits of a sound fertilizer program, increased fertilizer sales are in the offing. At least part of the losses caused by the idle land will be recouped.

Tight money is another obstacle. But this tight money is not in the hands of bankers alone—farmers themselves also share the blame. Most observers agree that tight credit policies have had an effect on farmers' purchases of plant nutrients. But some areas report that farmers can get credit on fertilizer, apparently when they are unable to get it on anything else. In many cases, farmers simply are refusing to take advantage of this opportunity. With all the recession talk, they hesitate to invest money on fertilizer for a crop about which they already have their doubts because of the weather.

Two other factors which might have affected fertilizer sales did little to change the picture. These are freight



New run-of-pile triple super facilities at Davison's Bartow, Fla., plant. Plant made only granulated triple before this new construction

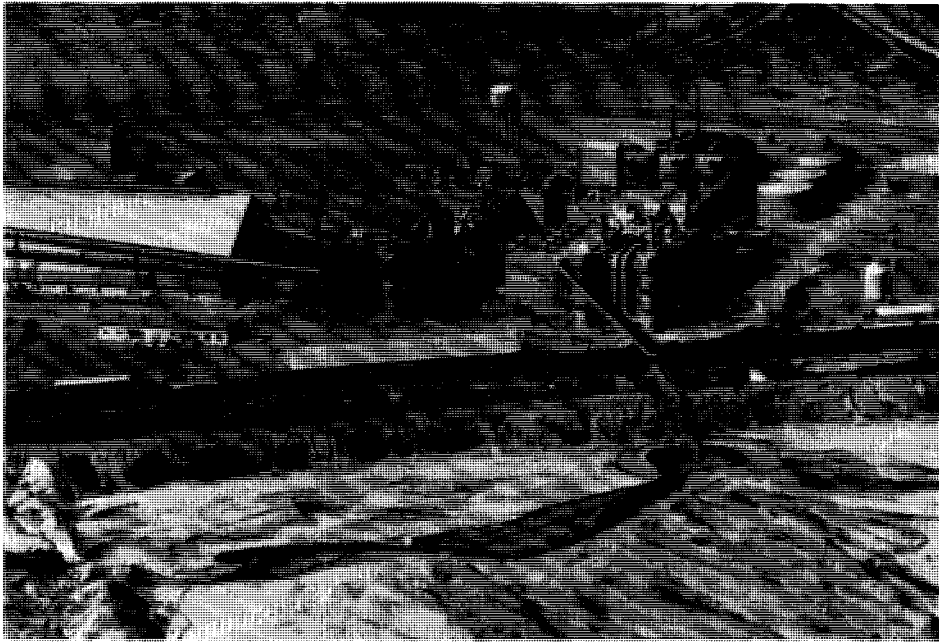
rate increases and prices for farm products. The higher freight rates, although they had little effect on overall sales at the farm level, did result in lower margins of profit for the producer, who absorbed them in many cases.

Prices for farm produce have held up well in the South. Generally, the farm economy seems to be in a somewhat better position than it was several years ago. The general business recession has not been as noticeable in farming as it has in other industries.

Fertilizer Prices Fairly Steady

In the face of rather tough sledding, ammonia prices probably will not advance again this year. The price structure of anhydrous ammonia at the wholesale level seems fairly secure, although prices at the retail level appear soft at present. Whether or not retail prices firm in the near future depends largely on the weather. If wet weather continues, the retail level will remain soft; it should firm up if a dry spell occurs.

The same seems to be true for ammonium nitrate prices. There is some feeling that the two \$4.00 advances last October and this January may have been a little excessive. Some resellers used "off-season" purchases as a means of cutting early "in-season" prices, claims one source. That is, they didn't keep the discount for taking delivery in advance of the season as compensation for storage costs. Rather, they used it to "buy" other business, he adds.



To some farmers, fertilizer prices cause little worry. They are the owner-customers of the partially tax-exempt co-ops. They realize that they will get the "excess profit" back regardless of what they pay. Some private companies complain that they are losing money by being forced to sell at below cost to meet the competition of co-ops. Eventually, says one observer, several of these private firms will be driven out of business.

Inventory by Guess

Although some companies claim to have no inventory problems, inventories are proving to be a major sore spot for many. Farmers seem reluctant to take delivery or place firm orders until they are ready to use the materials. And the situation apparently is getting worse each year. One company told *AG AND FOOD*: "If you can guess right and have the supplies on hand when needed, you can manage to make a reasonable profit. We have been able to guess right so far—if the rains will hold off for two more weeks."

Despite the appearance of several new mixed fertilizer products on the market in recent years, "straight" materials continue to account for an increasing part of total consumption in the South. Use of diammonium phosphate is increasing, but so far this product accounts for only a very small percentage of the market. There continues to be talk about trace and minor elements, but little action is taken. Calcium metaphosphate has found limited application, and only small tonnages of ureaforms have been moved.

The one relative newcomer which has been making rapid advances is

pelleted or granulated fertilizer. This material has gained wide acceptance throughout the South.

Promotion Efforts Stepped Up

Although the weather, Soil Bank, and tight money are immediate problems facing fertilizer companies today, there is one problem which is perpetual in the fertilizer industry. That is the general apathy and/or lack of knowledge on the part of many farmers toward the use of fertilizer materials. The industry has continuously had to cope with this situation, but results of the recent NPMI survey (*AG AND FOOD*, April, page 266) spotlighted the extent of the problem.

Many companies throughout the South have tried for many years through their salesmen and dealers to educate farmers about fertilizer ratios and grades, and to explain the benefits fertilizers offer. As a result of the NPMI survey, these efforts have been stepped up. Some companies, even relatively small ones, have indicated that they plan to hire agronomists, especially to formulate information and education programs on proper uses of fertilizers.

Almost everyone agrees that a good education program begins with soil tests. And most companies encourage farmers to have their soil tested. But techniques vary. Some companies test soil samples in their own labs free of charge; others foot the bill for soil analyses at extension and other labs. One company says it recommends soil tests, but does not pay for them. It reasons that if the farmer puts his own money on the line, he will more than likely want to get something back for his investment and will

listen to recommendations more willingly.

Other advertising and sales "gimmicks" are used, but often sporadically. These include radio and magazine advertising, "give-away" literature, and such things as free sample boxes for soil testing. A majority of the companies indicated that they try to participate in farm demonstration programs. These are often joint ventures with agricultural experiment stations or equipment manufacturers. The 4-H Clubs and FFA Clubs are also likely targets for education programs.

Money Talks

But despite all of these efforts to promote increased use of fertilizer, educational programs are falling short of their goals. Something is wrong with the way the information is presented. What is it?

There is increasing opinion that fertilizer companies, county agents, and agricultural schools try to give farmers more technical information—in technical "jargon"—than they are able to handle. Too many farmers understand little (or none) of the chemistry involved in fertilization, and care less. They are more interested in how fertilizer will affect their pocketbooks and bank accounts. That, according to many observers, is the key to successful education programs, and more fertilizer sales. The idea should be pounded home that money invested in fertilizer at the beginning of the growing season will result in increased profits at harvest time—and more money in the bank.

One very successful education program now under way in the South is the Georgia Intensified Soil Fertility Program. This program will eventually cover the whole state but so far, because of limited finances and staff, has been limited to six counties.

The Agricultural Extension Service, University of Georgia, launched the program last fall. It has substantial backing from the fertilizer industry, and the Georgia Plant Food Educational Society has assigned six agronomists to work on the project. NPMI is also helping support the program and will share part of the cost of evaluating its results.

Georgia refers to the project, says Ralph L. Wehunt, extension agronomist, as the \$200-million farm fertility program. This is the amount, adds Wehunt, that Georgia farmers are thought to be losing on three basic crops—cotton, corn, and pastures—by not following approved fertilizer recommendations. By stressing this point, officials hope to get the need for fertilizer across to the farmers.