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Reform and Recovery

THINGS ARE LOOKING UP for the fertilizer industry. The war is not over, but some battles have been won. And a number of strategic errors of the past have been brought to light.

In recent years, the fairly old but not always very wise fertilizer industry has had to learn a great deal of both "how to" and "how not to." Some of its lessons were costly, but there are encouraging signs that the industry is now putting at least some of its dearly-bought knowledge into practice.

So many factors influence fertilizer purchases that it is hard to explain just why markets in any given year behave as they do. But we are convinced that at least part of the recovery under way this year stems from reforms the industry has prescribed for, and administered to, itself.

In their just-completed annual survey of economic and technical developments in the fertilizer industry (page 392), AG AND FOOD's widely-traveled field editors have found a decided upswing in sales throughout most of the country. More important, profits, too, are somewhat more robust. They are still far from satisfactory, on the whole, but at least they have moved in the right direction.

Part, but not all, of this year's improvement is due to favorable weather for growers in major agricultural areas. Weather is hardly subject to "reform" by the industry, but certainly it can be an important ally when smarter selling practices are put into effect.

Last year's higher farm income also has played a part in raising this year's plant food sales. With more cash in hand and bolstered confidence in farming's future, growers are in a mood to invest more heavily in fertilizers, pesticides, machinery, land, or any other tool that will cut production costs and enlarge profits. Their confidence, further stimulated by this year's strong upsurge in the general economy, and given rein by changes in acreage allotments, has also brought increased planting of some important crops; this change, too, has had a salutary effect on fertilizer sales.

But the change that holds the most promising prospect for the future is the continuing change within the industry itself. Given lip service—but little more—for many years, the laudable principle of selling fertilizers on a basis more logical than price is finally being adopted as workable. Emphasis on price alone is giving way to emphasis on profit increases that proper fertilization can bring; price cuts as a competitive device are at last being displaced by technical service—to formulators, to distributors, to dealers, to growers. Salesmen, equipped in growing numbers with technical training at the college level, and fortified by more specific instruction through company or association sales training programs, are assuming their rightful place as purveyors not of mere physical commodities, but of integrated programs for profitable progress. Credit is being examined more closely, and tailored more precisely to fit only legitimate needs; its advantages are being weighed more objectively against its limitations, and even where credit totals appear larger they are generally on a more defensible foundation.

There are exceptions, of course. There may always be. But even the exceptions this year seem to be helping the favorable trends along. Outstanding example in the arena of price is the anhydrous ammonia situation in the West. Deep price cuts there, attributed to growing over-capacity and the fear of even more, have led chiefly to "further erosion of already-low profit margins for producers and a tighter squeeze on the middlemen." They have not led to any major increase in nitrogen consumption. Other regions, also burdened in varying degrees with surplus nitrogen capacity, have held the price line on ammonia this year, and have made out much better in this field than has the West. There are doubtless some ramifications to take into account, but it is hard to resist drawing the obvious conclusion from this significant contrast.

All in all, the recovery thus far is most encouraging, and further reform must surely bring further progress. As they meet at the Greenbrier this month for their annual convention, leaders of the industry—particularly those who have had the courage to follow their own advice—will have more reasons than in most recent years to rejoice.