



NEWS from

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REMARKS BY SENATOR BOB DOLE
AT FERTILIZER HEARINGS
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SUBCOMMITTEE ON
AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION
OF SENATE AGRICULTURE COMMITTEE

Mr. Chairman, I appreciate your timely action in calling these hearings on the fertilizer supply situation. As a representative of the State of Kansas, I can say that this is probably the most critical issue facing agriculture at this time. Hopefully, we can go further than simply discussing the problems today by suggesting some positive steps toward the solution of the problem.

Crisis for Agriculture

Kansas is probably facing a greater crisis than any other state because of the fertilizer shortage. Kansas is the nation's #1 wheat-producing state, providing over 22% of the total U.S. wheat supply. Kansas also ranks as the country's leading grain sorghum forage and silage producer and is a major producer of corn, grain sorghum and other feedgrains.

The fertilizer supply is closely related to the food supply, of course, and recently our food supply has been the focus of much attention. We've been concerned over the supply of wheat for our use here at home as well as for the whole world. We have the prospect of the supply of beef getting tighter with higher costs for feed leading to higher costs for feeding cattle.

Kansas wheat and feed grain output will be a major factor in resolving these areas of concern. Kansas farmers are doing everything they can to increase the supply of wheat and feedgrains. But they can't do it without fertilizer.

Immediate Need

The need for additional fertilizer is urgent. Farmers are trying right now to top-dress the winter wheat crop to boost production at harvest time this spring. The need to top-dress wheat is in many cases greater this year because there was inadequate fertilizer for the normal preparation before planting last fall. With the weather warming up, farmers are also beginning to prepare for feedgrain planting this spring. For both wheat and feedgrains, the greatest need is for nitrogen-base fertilizers. And it is in these types of fertilizer that the supply is tightest.

Cause of the Shortage

Contrary to some other materials in short supply, fertilizer has become an item in short supply more because of greatly increased demand than because of decreased production. Last year, Kansas farmers used about 500,000 tons of nitrogen fertilizers. And demand is expected to be up 35% this year. With fertilizer production expected to remain about the same as last year, the shortfall being felt is tremendous.

Demand has increased for at least three reasons. Expanded acreage is probably the major reason for increased need. Farmers are planting more land this year -- at the urging of the Department of Agriculture and grain consumers. Increased output requires more fertilizer, even more so because the additional acreage being put into production is often less fertile than the land already in use.

- 2 -

Chemical fertilizers are relatively new products, having gained widespread usage in the last ten to fifteen years. Farmers are still finding new uses for fertilizer, contributing to the increased demand.

Increased demand has shown up overseas as well as at home. Last fall, we were able to get price controls lifted on fertilizer to prevent foreign buyers from outbidding American farmers. However, some product was contracted for future delivery and is still being shipped overseas.

Need for Expanded Production

With demand up, and likely to stay up, the major question becomes how to increase production. Hopefully, the industry is responding to sharply increased prices by expanding production. In addition, the Government should be coordinating its efforts with the industry's expansion plans. I hope we can discuss these measures at this hearing.

Dozens of farmers and fertilizer dealers have contacted me to describe the effect of the shortage on them and through conversations with them, several problems have become apparent.

Distribution Problems

The primary problem appears to be a matter of distribution. As with any material in short supply, some individuals, through circumstances beyond their control, wind up being cut off or cut back. The result is near financial disaster for many small dealers and farmers. The problem has been compounded by some fertilizer companies cutting off some of their former dealers or withdrawing from areas where they previously supplied product. The farmers who were cut off are often left without any supply at all because no fertilizer dealers that I know of will take on new customers. Presumably, a farmer whose supply has been cut off will be out looking for a different and more reliable supplier. This should discourage arbitrary cutoffs. However, the only sure way to stop economic dislocation due to the shortage is to increase the supply of product.

To their credit, most fertilizer companies seem to be trying to make an equitable distribution. I have heard of distributions being based on the supply of product purchased over the last three years. However, the problem of many farmers being cut off from any supply at all remains. I hope the fertilizer companies and dealers will make an effort to make at least a minimum supply available to these people.

Fuel Problems for Fertilizer Production

Several other problems are hampering the production of fertilizer. I have been advised that the sales of fuel and natural gas to some fertilizer plants have been reduced or cut off. Apparently, the priority of fertilizer production has not been set at a level equivalent to that of farm production under the Mandatory Allocation Program. Hopefully, the Federal Energy Office and the Federal Power Commission will establish the necessary priorities to minimize plant shut-down for lack of fuel.

Some plants which have been closed for repairs have been unable to obtain the necessary parts to resume production. This may be related to the tight supply of steel. Perhaps the Department of Commerce can respond to this area of concern.

Price Inflated by Brokers

Another aspect of the shortage may be the appearance of brokers, similar to the development we have seen in the propane industry. With prices as high as they are at \$120 to \$150 per ton for nitrogen fertilizers, prices as high as \$300 have been quoted. My understanding is that the industry has agreed to hold prices in the \$120 to \$150 range. Apparently some individuals have been able to buy product and resell it at a fantastic price, raking in a tremendous profit. The market economy, of course, responds to higher prices with expanded output, which we are seeking. However, this can occur only if the producers receive the benefit of the higher prices. I believe that if higher prices are going to be charged, the revenue should go to the producing companies to provide an incentive and financial basis for expansion. The increased revenue should not go to individuals who would not use it to expand fertilizer production.

- 3 -

Cooperation Needed

So, Mr. Chairman, I'm glad to see that these hearings are being held. And I hope the fertilizer industry will respond by explaining the measures they are taking to expand production and to ease the economic dislocations resulting from the shortage. The Administration officials appearing here also could explain their efforts to assist in meeting these objectives. Hopefully, through maximum cooperation between the Government and private sectors, the level of production can be increased as quickly as possible to meet the demand for fertilizer.

Thank you.