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Agricultural Letter



Number 1262

FERTILIZER USAGE is currently at an all-time high in the United States, and it appears that demand will continue to outstrip supplies of virtually all major products throughout 1974. A sharp increase in the number of planted acres during the past two years and record high crop prices are the main factors responsible for the anticipated record consumption level. Planted acreage of the principal fertilizer-consuming crops (feedgrains, wheat, and cotton) is expected to rise to 212 million acres this year, up 10 percent from last year and 15 percent above 1972 plantings. Fertilizer consumption in the United States totaled 17.8 million nutrient tons during the 1972-73 fertilizer year (July 1 to June 30), a 3 percent increase over the previous year.

In Seventh District states, consumption of some primary nutrients declined in the 1972-73 fertilizer year. Total nitrogen usage declined in all states except Iowa even though planted acres of corn, the primary recipient of nitrogen fertilizer, increased in all district states except Michigan. Phosphate consumption was up in Indiana and Iowa, down in Michigan and Wisconsin, and about the same in Illinois. Potash usage dropped in Illinois, Iowa, and Michigan, but increased in Indiana and Wisconsin. In view of the increase in corn acreage in most district states last year, lower fertilizer applications, especially nitrogen, no doubt contributed to the lower per acre yields.

The production of nitrogen and phosphate fertilizers has been curtailed by the energy shortage, further accentuating the demand/supply imbalance. Production of anhydrous ammonia, a product applied directly to the soil and also a key ingredient in the manufacture of nearly all other nitrogen fertilizers, was reduced this winter when natural gas supplies were cut back at several plants under the "interruptible provision" of the natural gas contract. Production of phosphate rock, the basic material in all phosphate fertilizers, was curbed due to electrical power shortages at several Florida mines.

Last fall, the U. S. Department of Agriculture predicted that U. S. supplies of nitrogen fertilizers (nutrient basis) might fall 10 percent short of total requirements, and that phosphate fertilizers might be 12 percent below requirements. Subsequently, the Cost of Living Council (COLC) decontrolled fertilizer prices to stem the rapid movement of fertilizer to higher-priced export markets. It is likely that this action will cut the projected 1973-74 deficits as much as one-half. Shortages still persist, however, and as of February virtually all fertilizers are being allocated to retailers.

Fertilizer prices jumped sharply when the COLC decontrolled the industry. Retail prices have risen from 50 to 100 percent over a year ago, depending on the particular product and local supply conditions. In addition to much higher prices,

credit normally supplied by the retailer has been drastically reduced, if not eliminated entirely. Institutional lenders are therefore likely to experience an unusually strong spring loan demand in many rural areas.

Supplies of fertilizer are expected to remain very tight in the Seventh District states throughout the spring season. Although phosphate fertilizer is expected to be the most difficult to obtain, nitrogen supplies will also be far under the desired level in most areas. If district farmers increase corn acreage by 10 to 12 percent, as expressed in the USDA's January Planting Intentions survey, nitrogen products may suffer a greater demand/supply deficit in this district than phosphates. Potash supplies should be more readily available; however, shortages may occur in many localities. Transportation bottlenecks may also accentuate existing product shortages.

Although the fertilizer shortage could have a negative impact on crop production in 1974, factors such as good weather could largely offset any losses. Available supplies of fertilizer will have to be utilized in the most efficient manner. Farmers should test soils to determine precise nutrient needs and whether or not pH levels should be adjusted. Other good management practices, such as timely planting of crops, matching seeding rates to available nutrient supplies, and careful control of weeds, will be imperative in order to obtain maximum usage of limited quantities of fertilizer.

Terry Franci
Agricultural Economist

Agricultural Credit Conferences in district states are scheduled for the following dates and locations. Further information can be obtained from the respective state banking association.

- Iowa Agriculture Credit Conference
March 5, Storm Lake; March 6, Des Moines;
March 7, Waterloo/Cedar Falls.
- Indiana Agricultural Clinic
March 20-21, Purdue University, Lafayette
- Michigan Agricultural Lending Conference
March 27-28, Webers Inn, Ann Arbor
- Wisconsin Agricultural Credit Conference
April 16-17, Pioneer Inn, Oshkosh
- Illinois Agricultural Credit Conference
September 18-19, Ramada Inn, Champaign

AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	January	200	+ 9	+ 39
Crops	1967=100	January	211	+ 9	+ 61
Livestock	1967=100	January	191	+ 7	+ 25
Paid by farmers	1967=100	January	157	+ 2	+ 17
Production items	1967=100	January	161	+ 3	+ 22
Family living items	1967=100	January	149	+ 1	+ 16
Ratio of prices received to prices paid	1967=100	January	127	+ 7	+ 19
Consumer price index (all items)	1967=100	December	139	+ 1	+ 9
Food at home	1967=100	December	152	+ 1	+ 22
CASH FARM PRICES (U. S. average)					
Corn	dol. per bu.	January	2.59	+ 8	+ 86
Soybeans	dol. per bu.	January	5.87	+ 4	+ 43
Wheat (all)	dol. per bu.	January	5.29	+11	+122
Sorghum grain	dol. per cwt.	January	4.03	+ 5	+ 48
Oats	dol. per bu.	January	1.32	+10	+ 63
Beef steers and heifers	dol. per cwt.	January	47.60	+19	+ 18
Hogs	dol. per cwt.	January	40.10	+ 5	+ 29
Milk, all sold to plants	dol. per cwt.	January	8.88	+ 1	+ 36
Milk cows	dol. per head	January	535	+ 1	+ 26
Chickens, broilers, live	cents per lb.	January	20.9	+ 8	+ 22
Eggs	cents per doz.	January	66.6	+ 4	+ 35
INCOME (seasonally adjusted annual rate)					
Cash receipts from farm marketings	bil. dol.	4th Qtr.	101.2	+20	+ 57
Net farm income	bil. dol.	4th Qtr.	30.4	+19	+ 43
Nonagricultural personal income	bil. dol.	December	1,048.2	+ 1	+ 10
FARM FINANCE					
Total deposits at agricultural banks ¹	1967-69=100	January	195	+ 2	+ 18
Time deposits	1967-69=100	January	232	+ 2	+ 18
Net demand deposits	1967-69=100	January	158	+ 3	+ 18
Total loans at agricultural banks ¹	1967-69=100	January	218	+ 3	+ 20
Production Credit Associations					
loans outstanding:					
United States	mil. dol.	November	7,589	- 1	+ 17
Seventh District states	mil. dol.	November	1,323	0	+ 10
new loans made:					
United States	mil. dol.	November	1,205	+ 8	+ 32
Seventh District states	mil. dol.	November	181	+ 7	+ 36
Federal Land Bank Associations					
loans outstanding:					
United States	mil. dol.	November	10,926	+ 1	+ 22
Seventh District states	mil. dol.	November	1,861	- 4	+ 10
new loans made:					
United States	mil. dol.	November	226	- 8	+ 26
Seventh District states	mil. dol.	November	30	- 3	+ 36
Interest rates					
		week ending			
Three-month Treasury bills	percent	2/13	7.08	- 1	+ 30
Federal funds rate	percent	2/13	8.93	- 2	+ 36
Government bonds (long-term)	percent	2/13	7.43	0	+ 8
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	October	1,733.7	+20	+ 91
Agricultural imports	mil. dol.	October	715.6	+11	+ 23
FARM MACHINERY SALES					
Farm tractors	units	December	15,850	+47	+ 38
Combines	units	December	1,753	-13	- 48
Balers	units	December	1,086	+58	+ 43

¹ Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.