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Comments by O.E.E.C. on Recommendation 122 relating to the increased use of fertilisers

Communication

1.

General

1. The competent bodies of O.E.E.C. are fully aware of the importance of using the proper quantities of fertilisers for agricultural production in all member countries. Since the beginning of their work, they have carefully studied the problems of production of and trade in fertilisers, as well as their increased and more efficient application by farmers. In 1952 the Council of O.E.E.C. issued a Recommendation concerning fertilisers which was based on a number of recommendations made by the former Food and Agriculture Committee in a previous report on Basic Conditions for Increasing the Consumption of Fertilisers.

2. Ever since the creation of O.E.E.C, the economic factors affecting the use of fertilisers and the measures likely to make the application of fertilisers more profitable and to increase the intra-European fertiliser trade have been studied in detail.

Present state of fertiliser supplies

3. The remarks made in Recommendation 122 of the Consultative Assembly of the Council of Europe on the supply of raw materials and the production of fertilisers could give the impression that the present state of the European fertiliser industry was unsatisfactory. As shown below, there can be no question of an insufficiency of supply, and, therefore, the quantitative side of the problem can be shelved. OEEC countries as a whole are net exporters of fertilisers of the three plant nutritive elements —• nitrogen, phosphorus and potash. There is, therefore, no problem of insufficient supplies as far as the OEEC area is concerned.

4. Production facilities for phosphate fertilisers exist in all member countries except Iceland, and for nitrogenous fertilisers in all countries except Denmark, Greece, Ireland and Luxembourg. There is an important intra-European trade in these products. This trade not only enables countries' needs to be met quantitatively but also qualitatively with regard to certain types of fertilisers manufactured in other member countries.

5. The situation with regard to potash fertilisers is different. There have so far been practically only two OEEC countries — France and Germany—producing potash, while production will start shortly in Italy, to cover, in the beginning, national requirements. OEEC countries which are not producers of potash fertilisers cover their requirements through imports, partly from other member countries and partly from non-member countries, mainly the Russian zone of Germany, and Spain.

Supply of raw materials for fertiliser production

6. The synthetic nitrogen industry is practically independent of imported raw materials other than those used for power. The phosphate fertiliser industry gets its basic raw material, rock phosphate, in sufficient quantities, from different sources which are competing on the world market, i.e. North Africa, the United States

and USSR. Phosphate deposits in OEEC metropolitan countries are negligible. The same is true for sulphurous materials, which interest the fertiliser industry considerably. The supply of raw potash salt, which is sold as such or concentrated at the mines, does not raise any problem.

Price level

7. Studie s made by the Organisation show that prices for fertilisers vary considerably from one member country to another. The differences in nitrogenous and phosphate fertiliser prices are steadily decreasing— though they still exist. They are due to a number of factors such as the structure of the industry, cost of power, transport of raw materials, wages and the like. Differences in prices of potash fertilisers from one country to another are largely due to different transport costs, and the level of potash prices is strongly influenced by competition from producers in countries outside the OEEC area.

8. There was a time when fertiliser prices were protected by quantitative import restrictions —• since much relaxed within the OEEC area — and often by high customs duties which excluded foreign competition. But it should be remembered that prices of fertilisers are fixed or influenced by Government action in most countries. Some countries have already made provisions at the national level to investigate the existence of monopolistic practices or have even adopted special laws aiming at the suppression of such practices or at keeping them under control. An enquiry shows that in three member countries only are fertiliser prices determined by producers and the trade, including agricultural co-operatives, without any governmental intervention.

9. On the international plane, a number of Governments have already accepted special provisions for the control of monopolistic practices, and within the framework of deliberations concerning the creation of the European Free Trade Area, it has been considered desirable to include in such a treaty some rules of competition which offer protection to consumers against monopolistic marketing practices.

Relaxation or removal of restrictive measures concerning fertiliser imports

10. Thanks to the efforts of O.E.E.C. the import of fertilisers is now freed in most member countries. On 1st July 1957 the import of nitrogenous fertilisers was not liberalised in Belgium, the Netherlands, Turkey or Spain. Phosphate fertilisers were not freed in Denmark, Norway, Spain and Turkey, and potash fertilisers were subject to import quotas in France, Norway, Spain and Turkey. In seven member countries only was the import of fertilisers free of customs duties, while in the others, which are themselves producers, customs duties have still to be paid.

11. In those countries where restrictive measures still exist, a further freeing of trade by relaxing quantitative import restrictions and by reducing customs duties would help to expand intra-European trade and to improve the structure and efficiency of theEuropean fertiliser industry.

Harmonisation of fertiliser trade regulations

12. Proposals for Standard Regulations for Trade in Fertilisers and for Standard Methods of Fertiliser Analysis are under discussion with a view to reaching agreement on their application by member countries in intra-European trade.

Distribution costs of fertilisers

13. The analysis of the structure of fertiliser prices paid by firms gives valuable information on the different cost elements included in the total distribution costs of fertilisers. Because of the great importance of this subject this study will be continued for another year.

Improved education and information of farmers to make better use of fertilisers

14. Sirtces the issue of the Council Recommendation in 1952, referred to in paragraph 1, the European Productivity Agency of O.E.E.C. has launched and continues to implement a number of projects and studies on special problems, aiming at a larger and better use of fertilisers and agricultural lime by farmers.

Reduction of fertiliser prices and other Governmental measures to stimulate fertiliser consumption

15. Because of the great expense incurred by farmers for fertilisers, most Governments took special measures to reduce their prices and to stimulate thereby their consumption. Such measures are described below.

Reduction of transport costs

16. The transport of fertilisers is rather expensive in many countries, and the Governments of Austria, Germany and Norway have arranged for a reduction of the normal railway transport tariffs for fertilisers, while the French Government have made arrangements to avoid an increase in transport costs.

Reduction or abolition of turnover taxes

17. The turnover taxes for fertiliser purchases have been reduced in many countries and at present no turnover taxes are levied at all in Denmark, Greece, Iceland, Ireland, Norway, Sweden or the United Kingdom.

Subsidies

18. The measures mentioned above were not considered in all cases to stimulate sufficiently the consumption of fertilisers, and in quite a number of countries fertiliser prices are financially supported by Governments on the production, trade or consumption level. For a number of years prices, of fertilisers of one or more plant nutrients have been subsidised directly in Austria, Germany, Greece, Norway, Portugal and the United Kingdom. In Italy and Norway subsidies are granted for fertiliser purchases to small farmers only, in order to bring the prices of fertilisers into a more favourable ratio with those for agricultural produce paid to farmers.

Credit facilities and agricultural co-operative for fertiliser distribution

19. The possibility of buying fertilisers on a co-operative basis is widely used in most member countries, and credit facilities granted for the construction of better storage rooms enabled farmers in many countries to make full use of the cheaper prices in force at the beginning of the fertiliser period. In addition, a study on the fertiliser distribution systems applied in member countries, the role of agricultural co-operatives in fertiliser distribution and their influence on the level and structure of fertiliser prices paid by farmers is under way.

Development of prices and consumption of fertilisers since 1949-50

20. The annual OEEC Reports on the Fertiliser Situation indicate that the prices of straight types of fertilisers paid by farmers have followed, to a certain extent, the general trends of price development and have increased in most member countries since 1949-50, especially during the period 1950-53. In the following years this development has been less marked due to an increasing competition in the fertiliser markets and to governmental support in various forms. On the other hand, prices received by farmers for their agricultural produce have increased less in most countries in the first years of the period under review, but have risen relatively more since 1953-54. This development during the last few years enabled farmers in most member countries to buy about the same quantity of fertilisers for one unit of agricultural produce, in particular nitrogenous and potash fertilisers, as in 1949-50.

21. The development of the consumption of fertilisers shows a steady increase for the OEEC area as a whole. As shown in the following table, consumption increased between 1951-52 and 1956-57 by 45 per cent for nitrogenous fertilisers and by 36 per cent and 32 per cent respectively for phosphate and potash fertilisers. This favourable development probably would not have taken place if the relation of fertiliser prices to those of agricultural produce had appreciably worsened in member countries.

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w	Consumption on '000 M. T. 1951-1952[1]	1956-1957[2]	In-crease	Consumption Consommation in kg/ha 1951-1952[3]	1956-1957[4]
N	1.52 5	2.209	45 %	11,9	17,1
P'O'	2.126	2.896	36 %	16,6	22,4
K'O	1.982	2.620	32 %	15,5	20,3

1. OEEC Fertiliser Report, 1954.
2. OEEC Fertiliser Report, 1957.
3. OEEC Fertiliser Report, 1954.
4. OEEC Fertiliser Report, 1957.