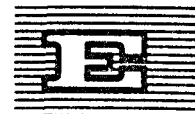


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NATIONAL AND INTERNATIONAL PROGRAMMES OF ACTION

Progress Report on the International Fertilizer Supply Scheme

Note by the Secretary-General of the Conference

1. The Preparatory Committee of the World Food Conference, at its Third Session, requested the Food and Agriculture Organization of the United Nations to provide to World Food Conference with an up-to-date report on the operations of the International Fertilizer Supply Scheme. 1/
2. Pursuant to the request, the Secretary-General of the Conference hereby submits the report as prepared by the FAO.

1/ E/CONF. 65/6 para. 45.

In response to ECOSOC Resolution 1836 (LVI), and acting upon the recommendations of the Commission on Fertilizers, the FAO Council established the International Fertilizer Supply Scheme (IFS) at its Sixty-Third Session in July 1974. The purpose of this Scheme is to ensure the availability of adequate amounts of fertilizers for developing countries and to mobilize financial assistance for those having serious payments problems because of high fertilizer prices.

The world fertilizer situation has grown still more difficult in the past few months. Supplies remain extremely tight and several countries have been unable to obtain their minimum current requirements. Countries on the Indian sub-continent have been most seriously affected both in terms of supply shortfall (see Annex I) and financial resources, the consequences of which could be a serious decline in food production. For many small countries, particularly in Africa, fertilizer procurement has been reduced or in some cases halted entirely for the 1975 cropping season.

Prices are still at unprecedented high levels. The price of urea, which in 1973 ranged around US \$90.00 per ton f.o.b., reached US \$350 in October 1974 and prices of other fertilizers have risen correspondingly. About half the fertilizers used in developing countries are imported. The cost to developing countries of fertilizer imports in 1973/74 was estimated at US \$1.6 billion. Were it possible for these imports to increase at a conservative rate of 6 percent annually, the cost in 1974/75 would be of the order of US \$5.4 billion (at average c.i.f. values) of which US \$3.6 billion would be due to price increases.

In the face of this very serious problem, the International Fertilizer Supply Scheme, which is serviced by a Coordinator and a small unit, embarked initially on four simultaneous activities:

- (i) assessment of the uncovered fertilizer requirements of developing countries with special attention to the countries most seriously affected by economic crisis (MSAs), as defined for the purpose of the United Nations Emergency Operation (UNEO);
- (ii) assessment of the supply availability of fertilizers in producing countries;
- (iii) assessment of sources of finance to match shortfall and supplies;
- (iv) practical arrangements to provide fertilizers to needy developing countries on receipt of requests.

As of 24 October 1974, field missions had been carried out to 16 countries in Asia, Africa and Latin America to assess uncovered fertilizer requirements and seek agreement with the governments concerned on approaches towards a solution of the existing shortfall problems. Simultaneously, desk studies were undertaken on supply shortfalls based on data available in FAO and from institutions dealing with fertilizer production and trade.

On the basis of these assessments, it has been estimated that the uncovered fertilizer requirements as of 24 October 1974 of 21 countries particularly affected by the present economic situation amounted to 930 320 tons of plant nutrients

(534 420 tons N, 255 850 tons P₂O₅, and 140 050 tons K₂O). 87 percent of the total shortfall was accounted for by India, Pakistan and Bangladesh. The cost of this shortfall at current c.i.f. prices corresponded to approximately US \$622 million. Details are given in Annex I. However, it should be noted that the volume of uncovered requirements does not remain static, and the monitoring of IFS cannot be cognizant of all current commercial transactions and aid arrangements nor of monthly fluctuations in domestic production. As much as possible of the needed fertilizer should be delivered in time for the spring cropping season.

As of 21 October 1974, 18 official requests had been received for help under the International Fertilizer Supply Scheme (see Annex II). The total amount of fertilizer requested by these governments amounted to 520 921 tons of nutrients (346 263 N, 123 807 P₂O₅, and 50 851 K₂O) corresponding to a c.i.f. value of about US \$369 million at current prices. It will be noted that the countries which have submitted requests do not correspond exactly with those for which shortfall assessments have been carried out.

At the same time as the assessment of uncovered requirements in individual countries, a major effort was undertaken by IFS to define the availability of fertilizer supplies on commercial as well as on aid terms during the emergency period. As of 17 October, 56 000 tons of fertilizer material had been firmly earmarked by the producing countries for the operations of the Scheme and approximately 102 000 tons of fertilizer material had been pledged to the end of 1974 (see Annex III). An additional 150 000 tons of material is at present in sight for the first half of 1975. Four firm pledges were received during the Sixty-Third Session of the FAO Council. They were from New Zealand (US \$5 million in cash), Norway (fertilizer material worth N. Kr. 40 000 000 equal to about US \$7.3 million), Netherlands (approximately 24 000 tons of fertilizer material equivalent to US \$10 million) and the United Kingdom (5 000 tons of fertilizer material) (See Annex III). Following the Council Session numerous contacts were made with potential donors and there are promising indications of pledges forthcoming from several governments some of whom have indicated their willingness to cooperate with IFS through their own bilateral programmes.

Continuous contact has been maintained with the United Nations Emergency Operation in New York to seek additional financing for fertilizer purchases. On the basis of information provided by IFS, UNEO has allocated US\$ 21 million to nine of the countries most seriously affected by the economic crisis, with a recommendation that the funds be used to acquire fertilizers through the Scheme. Agreements to cover these transactions are being drawn up progressively as approval is received from the various governments concerned. A Memorandum of Understanding between UNEO and FAO has been signed, setting forth the basic guidelines for cooperation and transfer of resources.

Contacts have also been established with the World Bank and UNIDO to keep these Organizations fully briefed and to maintain cooperative arrangements with them.

The specific assistance programmes so far undertaken by IFS can be summarized as follows:

- i) 3 000 tons of fertilizers have been made available to Ethiopia. IFS mounted this emergency assistance programme by coordinating the payment by the Ethiopian Government of the 1973 c.i.f. price, the financial contribution of the Netherlands Government which made up the balance to the current price, and supplies of fertilizers which were made available by producers in the Netherlands.
- ii) Arrangements are being made to ship approximately 30 000 tons of fertilizers to four countries in Asia and two countries in Africa. The pledge of the Netherlands Government and a portion of the pledges of the Norwegian and New Zealand Governments will be used for these emergency programmes.
- iii) As already mentioned, programmes financed out of the UNEO allocations totalling US \$21 million are being mounted progressively as agreement is received from recipient countries.
- iv) Following receipt of a request from the Government of Chile, an assessment of the feasibility of remobilizing the Chilean nitrate industry has been initiated. This action should be seen in the context of a world wide effort to explore all possibilities of increasing the supplies of fertilizers.

An integral component of the activities of the International Fertilizer Supply Scheme is the information system proposed by the FAO Council in its Resolution 1/63. This system has been launched on the basis of a questionnaire addressed to both Member and Non-Member Governments of FAO, industries and specialized institutions.

The "fertilizer pool" established as part of the IFS should not be viewed as containing large stocks of fertilizers under the exclusive control of FAO, nor large amounts of cash on an FAO account for fertilizer procurement. The pool represents in fact the total amount of fertilizers which industrialized countries and their industries have earmarked for needy developing countries over and above those covered by normal export contracts. These fertilizers will remain where they are until the moment when adequate and orderly arrangements have been made with recipient governments for their shipment. As to cash resources, the situation is similar. While cash contributions to the Trust Fund of IFS are required, equally valuable are undertakings by governments to earmark a "line of credit" to cover specific amounts for fertilizer procurement. When preparations have been made by IFS for specific assistance programmes, donor countries will then be requested to release their earmarked funds.

The International Fertilizer Supply Scheme has demonstrated that it has the capacity to act effectively and with despatch on emergency requests received from developing countries. By carrying out objective assessments of fertilizer shortfalls, working with governments and industry in identifying sources of fertilizers which can be earmarked for emergency requirements, operating a world wide information system, and by serving as an honest broker between donors and recipients in respect of specific assistance programmes, IFS can play a vital role in helping to resolve the fertilizer emergency in the short term.

It has made a promising beginning, thanks to the cooperation of a number of producing countries, the fertilizer industry and recipient countries. Its success to date has been limited, not by any weakness in its structure or by lack of effort of its small staff, but by the shortage of resources in fertilizer supplies and in cash.

To achieve the objectives implicit in ECOSOC Resolution 1836 (LVI) and clearly spelled out in Resolution 1/63 of the FAO Council, it must have at the earliest possible date firm commitments of support, in kind and in cash, from governments who have not as yet responded to the appeals of the Council and of the Director-General.

The experience gained by the International Fertilizer Supply Scheme confirms that all aspects related to this vital agricultural input, especially investment in new production capacity, and the elimination of production and distribution bottlenecks, should not be the exclusive concern of a few countries but must increasingly become the subject of a concerted international effort. Only by the continued monitoring of investment, production and distribution, combined with timely corrective action, will it be possible in future to avoid emergencies of the kind which the world is now experiencing.

FERTILIZER SUPPLY SHORTFALL 1975

IN COUNTRIES MOST SERIOUSLY AFFECTED ^{1/}

(in thousand metric tons of plant nutrients)

COUNTRY	N	P ₂ O ₅	K ₂ O	TOTAL
<u>ASIA</u>				
Bangladesh	85.10	17.02	22.80	124.92
India	211.00	145.00	93.00	449.00
Khmer Republic	2.00	1.90	-	3.90
Laos	0.50	0.50	-	1.00
Pakistan	176.00	63.00	-	239.00
Sri Lanka	22.90	7.40	16.20	46.50
Yemen Arab Republic	2.50	2.50	-	5.00
Yemen, People's Dem. Rep.	5.35	1.37	0.37	7.09
Sub-total	505.35	238.69	132.37	876.40
<u>LATIN AMERICA</u>				
Haiti	1.00	1.00	-	2.00
Honduras	8.00	2.60	-	10.60
Sub-total	9.00	3.60	-	12.60
<u>AFRICA</u>				
Central Africal Rep.	0.55	0.13	-	0.68
Chad	1.14	0.91	0.91	2.96
Ethiopia	2.99	-	-	2.99
Madagascar	5.06	6.79	6.12	17.97
Mali	0.70	1.46	-	2.16
Mauritania	0.50	0.50	-	1.00
Niger	0.40	0.22	0.12	0.74
Sierra Leone	1.33	1.15	0.53	3.01
Somalia	5.00	2.00	-	7.00
Tanzania	1.90	-	-	1.90
Upper Volta	0.50	0.40	-	0.90
Sub-total	20.07	13.56	7.68	41.31
TOTAL	534.42	255.85	140.05	930.32
Value in US\$ million ^{2/}	427.54	179.02	15.40	621.96

NOTE: 1/ Calendar year 1975, except for:
 Bangladesh : Aus - Jute season
 India : 1975 Kharif season
 Sri Lanka : 1975 Yala season

2/ Based on average c.i.f. values in October 1974.

(metric tons)

COUNTRY	NITROGENOUS FERTILIZERS							N	PHOSPHATIC FERTILIZERS							P ₂ O ₅	POTASSIUM FERTILIZERS				K ₂ O	PERIOD DUE
	SA	AN	UREA	15/15/15	20/20/0	DAP	VAR ^{1/}		SS	TS	DAP	15/15/15	20/20/0	VAR ^{1/}	MP		SP	15/15/15	VAR ^{1/}			
1. Rwanda	-	-	-	-	-	-	1,700	385	-	-	-	-	-	1,700	125	500	800	-	1,700	870	First part 1975	
2. Yemen Arab Rep.	-	-	-	-	12,500	-	-	2,500	-	-	-	-	12,500	-	2,500	-	-	-	-	-	" " 1975	
3. Ethiopia	-	-	6,500	-	-	-	-	2,990	-	-	-	-	-	-	-	-	-	-	-	-	" " 1975	
4. Burundi	-	-	-	850	-	480	3,480	976	-	250	480	850	-	3,400	745	440	-	850	3,400	673	" " 1975	
5. Liberia	-	-	1,050	4,200	-	-	-	1,113	-	-	-	4,200	-	-	630	-	-	4,200	-	630	" " 1975	
6. Malta	1,700	170	-	270	-	-	-	456	-	-	-	270	-	-	41	-	-	270	-	41	" " 1975	
7. Bangladesh	-	-	185,000	-	-	-	-	85,100	-	37,000	-	-	-	-	17,020	38,000	-	-	-	22,800	Aug-June 1975	
8. Uganda	2,850	5,500	2,500	-	-	-	16,550	6,749	-	-	-	-	12,650	1,039	6,300	5,000	-	15,200	7,557	First part 1975		
9. Nepal	-	-	10,000	-	-	-	-	4,600	-	2,000	-	-	-	-	920	1,000	-	-	-	600	" " 1975	
10. Yemen, Peoples's Dem. R.	-	-	-	-	-	-	-	5,349	-	-	-	-	-	-	1,368	-	-	-	-	371	" " 1975	
11. Pakistan	-	-	-	-	-	-	-	176,000	-	-	-	-	-	-	63,000	-	-	-	-	-	1974/75	
12. Ghana	17,400	-	100	11,000	8,000	-	4,400	7,204	4,100	1,600	-	11,000	8,000	4,200	5,654	200	300	11,000	4,200	2,534	First part 1975	
13. Cyprus	28,570	13,235	-	-	-	-	19,565	15,000	-	16,304	-	-	-	19,565	12,000	-	-	-	-	-	" " 1975	
14. Chad	-	-	500	-	-	-	7,000	1,140	-	-	-	-	-	7,000	910	-	-	-	7,000	910	" " 1975	
15. Madagascar	3,347	115	3,887	-	80	-	22,526	5,060	590	124	-	-	80	30,481	6,790	1,854	492	-	29,793	6,120	1975/76	
16. Guinea	3,000	-	3,000	1,200	-	-	3,500	2,785	3,000	-	-	1,200	-	3,500	1,375	-	2,000	1,200	3,500	1,775	First part 1975	
17. Peru	-	-	62,300	-	-	-	-	28,658	-	21,000	-	-	-	-	9,660	9,900	-	-	-	5,940	" " 1975	
18. Tonga	-	-	300	-	-	-	300	198	-	-	-	-	-	300	30	-	-	-	300	30	" " 1975	
TOTAL	56,867	19,020	274,837	17,520	20,580	480	79,021	346,263	7,690	78,278	480	17,520	20,580	82,796	123,807	58,194	8,592	17,520	65,093	50,851		

^{1/} Compound fertilizers listed under Nitrogenous, Phosphatic or Potassium fertilizers according to their respective content.

TABLE A

FERTILIZER MATERIALS AVAILABLE TO IFS

AS OF 17 OCTOBER 1974

<u>SOURCE</u>	<u>QUANTITY</u>
<u>Governments</u>	
Israel	{ 50,000 tons of potash at market prices 50,000 tons of rockphosphate at market prices
Netherlands	App. 24,000 tons on aid terms
Norway	App. 18,900 tons on aid terms
United Kingdom	5,000 tons - terms undefined
<u>Industries</u>	
FIAC Members	50,000 tons at market prices
Anic (Italy)	10,000 tons at market prices
TOTAL	<u>157,900 tons*</u>

*Excluding rockphosphate above.

TABLE B

FINANCE AVAILABLE TO IFS

AS OF 17 OCTOBER 1974

<u>SOURCE</u>	<u>AMOUNT</u> (million US\$)
Netherlands	10.35 (towards cost of fertilizer in Table A)
Norway	7.3 (towards cost of fertilizer in Table A)
New Zealand	5.0 (IFS Trust Fund for specific countries)
UNEO	21.0 (Earmarked for fertilizer procurement in 9 countries)
TOTAL	<u>43.65</u>