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CORDS II C:Z

Fertilizer.

1. Distribution of fertilizer in Region II is handled primarily by two organizations: CVT and Farmers Associations. Private merchants also import fertilizer into the region but in small amounts and usually on an opportunity basis when they have a truck returning from Saigon that would normally be empty and also if the local market is in need of fertilizer. Total sales in Region II are in relatively small amounts when compared to the delta. The 1969 TN8/5 rice production goal was for 27,000 Ha. This plus the vegetable producers in Tuyen Duc constitute the main fertilizer users.

2. Along with the introduction and expansion of TN8/5 rice varieties has come the accent on the use of fertilizer so more and more farmers who are converting to the new rice varieties are becoming aware of the importance of using fertilizer. This awareness is also passing on to farmers growing other crops as well.

3. One common problem among most Region II farmers is their general shortage of capital. To procure the necessary amount of fertilizer, some credit assistance is needed. Available credit is far short of total need though in theory the TN8 farmer is supposed to have a better opportunity to secure credit. Since credit is not adequate, many farmers simply use none or too little fertilizer.

4. Any further increase in the price of fertilizer without increase in price for paddy or improved credit availability would result in less fertilizer being purchased. Though many farmers have been converted to the use of fertilizer, most of them are not yet to the stage where they would gamble by investing more in fertilizer with the hope that their production will increase and therefore their income will also increase more than enough to make their investment worthwhile. Marketing is still too hazardous a matter for the farmer to have that much confidence so far in advance.

5. Private merchants buy from the FA's and then retail in the areas where the FA's and CVT do not have outlets and in some cases even retail in the same areas. Under the CVT distribution system, due to low money reserves in some provinces the farmers ^{have} to pay half the cost in advance and the remainder upon

delivery a few days later. Members of CVT pay 814 \$VN plus transportation for a 50kg bag. Non members may buy but will be charged a little more. Under the Farmers Association system a farmer can buy from a district FA at 800\$VN per 50Kg bag of Ammophosco.

6. There have been some cases where private merchants have brought in fertilizer for sale at a price below both FA and CVT. Of the three, CVT runs the highest.

7. Some price comparisons are shown:

<u>Ammophosco</u>	<u>(1MT)</u>
<u>NINH THUAN</u>	
CIF Saigon	12.100
Transportation and discharge	3.500
Margin	1.000
Retail price to farmer	16.600
<u>DARLAC</u>	
CIF Saigon	12.800
Retail price to farmer	18.000
<u>PHU YEN</u>	
Retail price to farmer	16.000
<u>PLEIAU</u>	
Retail price to farmer	17.400
<u>KHANH HOA</u>	
CIF Saigon	12.100
Transportation	1.200
Discharge&other expenses	770
Margin	2.251
Retail price	16.321
<u>Urea</u>	
<u>PHU YEN</u>	
CIF Saigon	9.000
Transportation	2.005
Discharge& other expenses	800
Margin	1.888
Retail price	13.693

KHANH HOA

CIF Saigon	9.000
Transportation	1.200
Discharge and other expenses	770
Margin	1.755
Retail price	12.725
Retail price as sold by CVT	13.960
Retail price as sold by DIEN KHANH District FA	12.400

8. Overall it appears that those dealing in fertilizer stay within the profit margin limits as prescribed. Padding of the "other expenses" item is possible as is "transportation costs". With the bulk of the fertilizer trade handled by CVT and Farmers Association, the private dealers constitute a very small influence on the market.

9. Any reduction in the subsidy would have the effect of reducing production per ha of land. The farmers would still farm the same amount of land but would ~~reduce~~ the amount of fertilizer used. Any increase in fertilizer price should be in gradual steps and spaced over an extended period of time.

This should be considered an initial report. More data must be collected. More refinement and more definitive measures will be necessary.