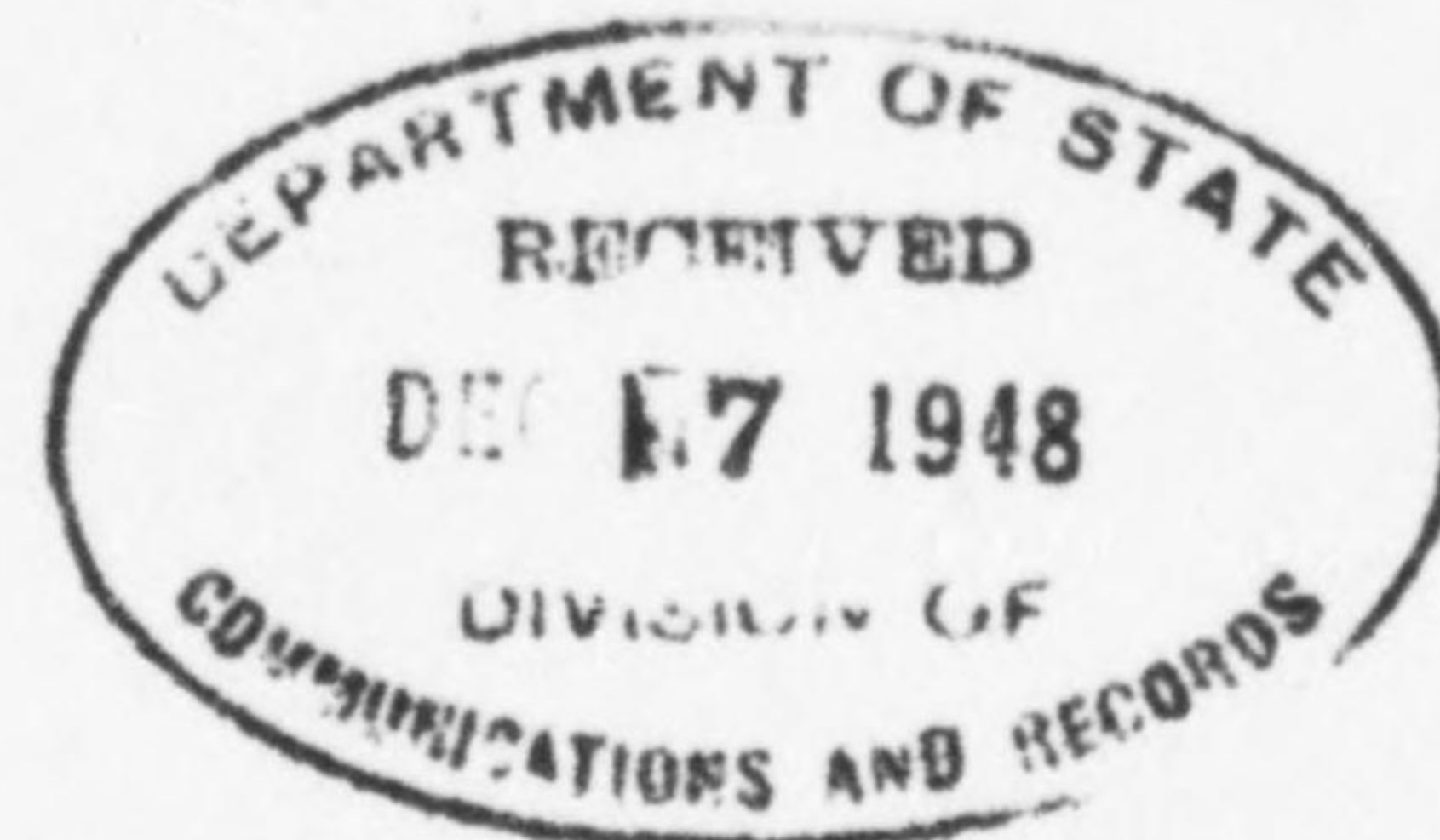


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DEPARTMENT OF THE ARMY
OFFICE OF FOOD ADMINISTRATOR FOR OCCUPIED AREAS
WASHINGTON, D. C.

29 November 1948

Chief
International Resources Division
Department of State



ATTENTION: Mr. C. W. Nichols

Dear Sir:

In order to partially meet the serious potassic fertilizer deficiency existing since the beginning of war in the Far East, the Department of the Army has been attempting to procure approximately 151,600 metric tons of contained K₂O for Japan, the Ryukyus, and Korea for the present fertilizer year.

Requirements of the Occupied Areas of the Far East total 245,400 metric tons, as follows:

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Japan	200,000
Ryukyus	4,000
Korea	<u>41,400</u>
	245,400

In view of the world-wide shortage of this type of fertilizer, procurement programs have been scaled downward to a level agreed upon with the Theater as being the minimum level consistent with the responsibilities of the United States.

Contracts were made during the latter part of FY 48 calling for deliveries of 22,900 metric tons of contained K₂O from the following sources:

8045

Spain	13,608
France	5,020
USSR Zone,	4,172
Germany (thru Holland)	

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DEPARTMENT OF STATE

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Contracts written during the early part of this fiscal year will provide 49,800 tons of K₂O from the Russian Zone, Germany, and 4,130 tons from Bizonal Germany. In addition, SCAP officials have been negotiating for some time with a USSR trade representative in Tokyo for 40,000 metric

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tons of muriate of potash, 40 to 50% K₂O, from Eastern Germany. All terms have been agreed upon except method of payment. All of the above procurements have been coordinated with ECA and the State Department.

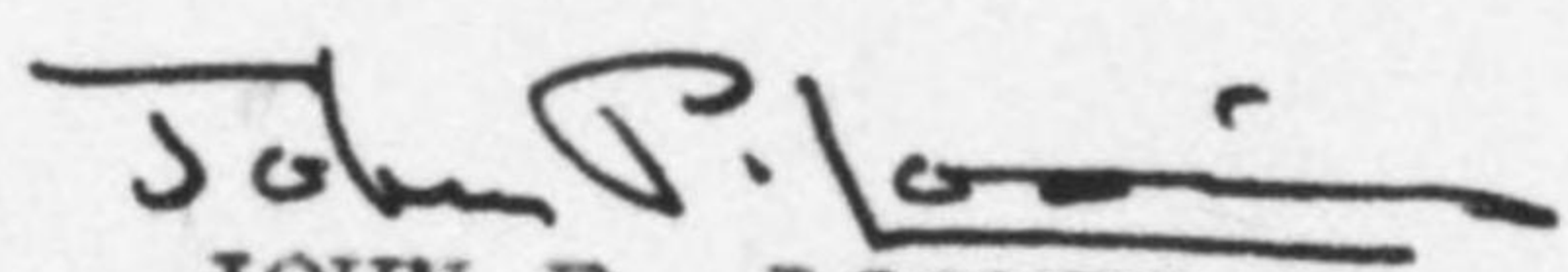
The above contracts will supply approximately 94,800 tons of K₂O during the current fertilizer year. In order to obtain the balance of the minimum requirements, 56,700 tons, the Office of the Quartermaster General recently requested bids on a world-wide basis.

Offers have been received from bidders, who have firm options or other proof of ownership, totaling 35,300 metric tons of K₂O from Spain, and in excess of 150,000 from Eastern Germany. Consideration is being given to procurement of the entire 56,700 tons from Eastern Germany. A possibility exists that an offer of 15,000 tons from Spain may be accepted.

Completion of the procurement program as stated has been discussed with ECA (Mr. Watkins, Code 140, Extension 2525) and this office has been assured that ECA has no objection.

Concurrence in the additional procurement of potassic fertilizers originating in the Russian Zone of Germany and/or procurement of 15,000 tons of K₂O from Spain is requested. It is further requested that reply be expedited to prevent lapsing of bidder's options before contracts can be made.

Sincerely yours,



JOHN P. LOOMIS

Deputy Food Administrator
For Occupied Areas

*Reply drafted by
IR - EL White
12/1/48*

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DEC. 6 1948

In reply refer to
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My dear Mr. Loomis:

Your letter of November 29, recapitulating the potassic fertilizer requirements of the occupied areas in the Far East and the procurement program of the Department of the Army, is acknowledged with thanks.

It is noted that the potash procurement program outlined in your letter has been discussed with the Economic Cooperation Administration and that your office has been assured that the ECA has no objection thereto.

The Department concurs in the procurement of all or a part of the indicated additional quantity of potassic fertilizer (56,700 metric tons of K₂O) from Germany, including the Bizone. In this connection, the Department understands that the Department of the Army has taken steps to obtain, for shipment to other occupied areas, first call on such supplies of potash from the Bizone as may be available for export to the so-called non-participating areas.

With respect to exportable supplies of potash from Spain, apprehensions recently have been expressed informally to the Department by a representative of one of the OEEC countries concerning their prospects of obtaining adequate supplies of potash in 1948-49. Although it was previously considered likely that all OEEC countries would have their 1948-49 potash requirements fully covered by contracts by this date, actually this does not appear to be the case. Existing arrangements of the Netherlands for its 1948-1949 potash supplies afford that country only 53 percent of its 1948-49 requirements as stated to the OEEC, and only 48 percent of its average (1937-39) prewar consumption.

We

Ancl. <i>AP</i>	Mr. John P. Loomis,
Rev. <i>W</i>	Deputy Food Administrator for Occupied Areas,
Dist. <i>M</i>	Department of the Army,
	Room 4C-913,
	The Pentagon,
	Washington 25, D. C.

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We understand that the Dutch are actively endeavoring to obtain additional supplies and that they regard Spain as their likeliest source; their concern is that dollar-area buyers may foredoom their efforts.

In view of the assistance being given to the Netherlands by the United States Government through the IIFC on nitrogenous fertilizer supplies, which shipments are made possible only by the use of special authority granted by Congress, it would appear advisable not to impair this assistance by thwarting, even indirectly, the efforts of that country to meet its potash requirements to the greatest extent possible and thus to achieve a proper balance in its fertilizer supplies.

It is felt that existing information concerning the possible adverse effects upon the supply position of one or more of the OEEC countries of further procurement of Spanish potash by the United States Government may be inconclusive, but is of a character to call for further joint examination of the situation before action is taken. The Department is not prepared at this time, therefore, to concur in the procurement of Spanish potash additional to the 13,608 metric tons of K₂O stated in your letter as already under contract.

Sincerely yours,

C. W. Nichols
Assistant Chief, International
Resources Division

A true copy of the original signed by

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E. L. W.

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Cleared by 'phone *AM*
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Mr. Armstrong Mr. Keyes
12/2/48, LW

Cleared by 'phone with:
ECA U/FAA
Mr. Watkins Mr. Phillips
by ELW (NOTIFIED)

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