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LEAD INDUSTRIES ASSOCIATION

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NEW YORK 17, N. Y.

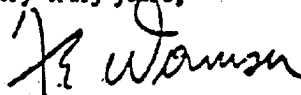
January 25, 1946

To Members of the Lead Industries Association:

SUBJECT: THE LEAD SITUATION

Attached please find a statement on The Lead Situation prepared by me, to be read at the Denver Convention of the Colorado Mining Association on January 25, 1946.

Very truly yours,



Secretary.



For Release
January 25, 1946

Lead Industries Association
420 Lexington Ave.
New York 17, N.Y.

THE LEAD SITUATION*

by

F.E. Wormser
Secretary, Lead Industries Association

After World War I lead was frequently referred to as the "precious metal." No doubt the title reflected the marked difference between the price of lead before the war of about 4.00¢ per lb. and the price after the war, to the order of 7¢, 8¢ 9¢ and even 10¢ per lb. In fact, the average price for the ten years 1919-1929 was close to 7¢ per lb.

Perhaps history is repeating itself. Today, after World War II lead is precious in that it isn't freely available but it certainly isn't precious at the OPA ceiling price of 6.50¢ per lb. But that price doesn't give a true picture of the situation as the metal is being heavily subsidized in the United States. For example, in 1945 about \$17,500,000 was paid by the Government to the lead miners so they could maintain their production and lest any one think that this subsidy enabled the mining companies to profit handsomely they need only look at their balance sheets.

Lead is already selling abroad at higher prices than in the United States. This is a most curious situation. I think that in all recorded American history, with one exception in 1937-1938, lead has always brought more in the United States than in the rest of the world, never less. Perhaps even more curious is the fact that the Government now will have to subsidize the producers of any foreign lead to be imported into the United States. All of which is a reflection of lead's current strong position, stronger than that of any other domestically produced non ferrous metal.

The consumption of lead has subsided but little from its wartime rate of over 1,000,000 tons a year and only because of strict government controls on its use. The demand for lead is not expected to decline in the first few postwar years to anything like the rate of the late 1930's. When you investigate that rate you will find it averaged about 650,000 tons a year - but that was in a period of business activity below "normal." In the late '20's it was about 900,000 tons.

*Paper presented at the Denver meeting of the Colorado Mining Association
January 25, 1946.

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In other words, we may look for such a large postwar increase in the use of lead that we need either new domestic ore supplies or we shall have to import a larger tonnage of lead from Mexico, Canada, Australia and other foreign countries than we have ever imported before.

You may ask why is there such a large demand for lead? It is a metal generally so inconspicuous in its applications that 1,000,000 tons a year may be difficult to visualize. But it is there nevertheless. Several of the largest uses of lead, such as the manufacture of storage batteries (which alone consumed about 300,000 tons of lead last year), plus the use of lead as cable sheathing and the use of lead in gasoline, are essentially non-competitive in that substitutes are either more costly or not as effective. In the aggregate these three uses alone are equivalent in tonnage to more than the entire domestic production of lead in any of the last three years. Of course, one must not make the misleading deduction from this simple statement because a large amount of the lead used by the battery industry comes from secondary or scrap sources and any appraisal of the American lead situation must give prominent thought to the scrap industry which has grown increasingly important as the years go by and will grow more and more important as our mines become progressively exhausted. But the fact remains that the postwar demand for lead has outstripped the ability of the domestic mines to meet it alone.

You will note that I have confined this analysis so far to only three uses of lead. I have not given any consideration to other large uses such as white lead, which can consume around 75,000 to 100,000 tons of lead a year, red lead, lead for the chemical construction industry, lead in ammunition, foil, bearing metals, collapsible tubes, solder, type metal and a multitude of other uses. It is well to note that lead is in a most enviable position in that it is generally indispensable for all these applications.

The following table will give you at a glance the prewar and 1945 rates of consumption and show how the 1,000,000 tons of lead a year is accounted for:

CONSUMPTION OF LEAD
(In Short Tons)

	1940*	1945**
Storage Batteries	220,200	310,000
Cable Covering	107,400	109,000
Chemicals	124,800(a)	135,000
Ammunition	56,000	56,000
Tetraethyl	44,000	77,000
Sheet and Pipe	65,000(b)	75,000
Solder	24,000	47,000
Bearing Metal	14,000	40,000
Foil	23,500	19,000
Collapsible Tubes	(c)	17,000
Brass and Bronze	(c)	38,000
Type Metal	16,800	27,000
Terne Metal	(c)	6,000
Weights & Ballast	(c)	12,000
Heat Treating	(c)	3,500
Seals, Nails, Washers	(c)	3,500
Other and Unclassified	86,200	83,000
Total	782,000	1,058,000

*A.S.I.S.
**Estimated

(a) Exclusive of oxides for storage batteries.
(b) Includes lead used in chemical construction
(c) Included in "Other and Unclassified."

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We might spend several hours analyzing the interesting competitive situation in each one of these outlets but time does not permit. Suffice it to say that each application will probably continue to demand large amounts of lead for a long time to come even though some uses may be displaced ultimately by substitutes.

Now what are the domestic lead resources doing to meet this continued large demand for lead? It is no news to you that lead production has declined in the last year but I am afraid a good many people have received a misleading impression from publicity that has been given to the reasons for the falling off of production. I have seen it ascribed to a dwindling of our ore supplies whereas the simple fact is that it is mainly due to a shortage of labor. The United States is far from being depleted of its lead resources but it is undeniably true that during the war normal exploration and development work had to be sacrificed on behalf of production. Now that has to be made up.

Current careful estimates indicate that the lead mines in the United States require about 4,000 additional men and that with this comparatively modest part of the huge American labor supply they could increase production substantially, I should say between 25 to 35%, or perhaps another 100,000 tons of lead a year, assuming, of course, that no restrictions or restraints are put in the way of an incentive to continue operations through price control. By that I mean a complete return to a free market for lead. The following table shows how our production has dropped off in the last few years:

DOMESTIC PRODUCTION OF LEAD
(In Short Tons)

1929	647,995
1939	413,979
1940	457,392
1941	461,426
1942	496,289
1943	453,313
1944	416,861
1945	385,000 (estimated)

*Recoverable lead - U.S. Bureau of Mines

I look for output to grow slowly from now on. One will be immediately struck by the large gap between the 1,000,000 tons a year we need to satisfy the American demand and the 400,000-odd tons drawn from the mines as new lead. This gap has to be made up largely by lead from scrap and the balance from imports. Scrap production should average about 300,000 to 350,000 tons a year leaving 250,000 tons needed from imports if the American mines do not increase their production.

The government lead stockpile has declined to a point where it can contribute only a modest amount of metal during 1946. On December 31, 1945 the government lead stockpile was 75,000 tons. On March 31, 1946 it is expected to be 50,000 tons.

Foreign demand for lead is just as strong as it is in the United States. Europe has been starved for lead for many years. Lead is traditionally a preferred metal for building construction in England. One may anticipate, therefore, a strong continuing bid from Europe for available foreign supplies and currently only a comparatively moderate amount is coming into the United States.

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by government arrangement from Mexico and other foreign countries, compared with what has flowed into the country during wartime, the figures being roughly 10,000 tons per month currently compared with 20,000 tons per month during 1945. This only emphasizes the need of utilizing our domestic resources to help meet the demand.

Available Government statistics indicate that the average price of lead received by miners in recent months is over 8.6¢ per lb. When I spoke to you a year ago I indicated that the price in 1944 was roughly 7.75¢ per lb. I believe that today the price is even higher than the 8.6¢. What it would be without any Government control no one knows, but I feel strongly that the sooner we procure the removal of these Government price controls the sooner the lead situation will be cured. By taking away from the lead market the one means by which the amount of lead coming on to the market was always carefully adjusted, namely the operation of the price of lead in a free market, a great many serious distortions are created which require other regulations to correct. Where Government attempts to do the impossible - to control the domestic lead economy, which is only a fraction of the world lead economy, and to supplant the operations of a free market, the results are not likely to be happy.

It is quite obvious that the official 6.50¢ price is well below the price lead would rule today in the general market and although, to be sure, miners are receiving A and B quotas which are intended to compensate for the lack of a free market, these quotas can be revised at short notice. I know of at least one mine that is not receiving any quota and is turning out lead at the official price. Now that the incentive of wartime patriotism is gone, and recognizing the Government figures that lead is worth more than 6.50¢, any lead company might well question a policy of continuing to turn out the metal at a fixed selling price without any premium in peacetime when it can procure a higher price for the metal if permitted to sell it abroad.

Lead mining operators face an altogether different situation than in wartime. Under the operations of a free enterprise system in America they must decide how they can make the greatest profit from their operations. Any other policy is not sound in peacetime. The greater their net income the more they can expend on further explorations, on taxes to help discharge the huge Government debt, or to get in a strong financial position so as to meet the inevitable rainy day and to maintain employment.

No doubt questions of taxation and the effect of the capital gains tax on new ventures in Colorado mining may take up other parts of this convention. That, too, is a barrier to the resumption of full-scale mining in the United States and I haven't attempted to enlarge upon it here. We might note in passing that there is no capital gains tax in Canada. I believe that has a lot to do with the intensive exploration of Canada's mineral resources now going on.

In conclusion, it seems to me that the Colorado lead mining industry would be well advised to work for a complete removal of all Government price restrictions on lead and its derivatives on June 30, 1946, the expiration date set by Congress. In fact, I can think of nothing better calculated to cure the lead situation than that single step.