Cleveland 14, Ohio | October 17, 1958 | Mr. Dwight P. Joyce

OPERATING ANALYSIS
C-P-M DIVISIONS

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The fiscal year just closed was one of general readjustment so far as the Chemical-Pigment-Metals Division is concerned. During this period the operations of St. Helena were merged with those of the new Adrian Joyce Works, leaving only the production of Cadmolith colors at the old plant.

Around midyear the sale of the White Lead business at Scranton was negotiated and finally consumated early in June.

While sales of C-P-M products during 1958 were off slightly from the year before, there are some bright spots in the picture. In spite of the general recession which caused the metals business at Hammond to fall off considerably and had some effect on Collinsville, we were able to report nice gains from the Baltimore operations. While their export sales took a decided drop, the domestic sales were increased sufficiently to more than offset that loss, especially with the much greater sales to our own paint divisions. A summary of sales and gross profit by division follows:

	SALES IN M $		% Incr. (Decr.)	GROSS PROFIT IN M $		% Incr. (Decr.)
	1958	1957		1958	1957	
Balt.-Domestic	9,278	8,939	4.%	2,638	2,775	(5.%)
" Export	225	867	(74.%)	67	288	(77.%)
Total-Reg. Sales	9,503	9,806	(3.%)	2,705	3,063	(12.%)
Sales to Pt. Div.	3,991	2,417	65.%	957	838	14.%
Total Balt.	13,494	12,223	10.%	3,662	3,901	(6.%)
Hammond-Reg.	2,856	4,668	(39.%)	485	791	(39.%)
Scranton-Reg.	515	1,101	(53.%)	59	116	(49.%)
Collinsv.-Reg.	1,292	1,489	(13.%)	201	244	(18.%)
" Sales to Pt. Div.	82	270	(70.%)	16	44	(64.%)
Total Collinsville	1,374	1,759	(22.%)	217	288	(25.%)
TOTAL C-P-M	18,239	19,751	(8.%)	4,423	5,096	(13.%)

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A breakdown of the sales by product which follows clearly points out the gain in Zopaque sales at Baltimore. The sales in Cadmolith colors continues to drop as it has since 1950 but at a much slower rate of decline. In recent years this business was falling off at the rate of 30% per year and in 1958 the drop diminished to about 11%. The gross profit on this product is being pinched. With lower production and increasing costs to keep the product equal to or better than the competition, who have strengthened colors without a corresponding increase in price, it is making it constantly more difficult to maintain the good percentage gross that has been enjoyed in the past.

Although Hammond's detail by individual product is not summarized below, the reduction in sales dollars exists on all items and ranges from a 12% drop in Tin Powder to 74% drop in Copper Pigment, with the lead and copper powders averaging about 32% off.

The sales dollars in Hammond were down 39% as indicated in the above summary, but the actual tonnage or sales volume is down only 26%, showing that the price reductions in the metal products accounts for a sizeable portion of this decline.

Considering the tremendous drop in automobile sales and other products making use of Hammond's goods, the 1958 sales decline was practically unavoidable and should pick up just as quickly as the business of all concerns using their products gains momentum.

While the sales of Lithopone at Collinsville have slipped somewhat, sales to our own paint divisions reflects the greatest percentage decline. The regular sales were off only 14% in tons and 13% in dollar sales.

The summary of sales by products is as follows:

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	VOLUME IN TONS			SALES - M $			GROSS PROFIT-M $		
	1958	1957	Incr. (Decr.)	1958	1957	Incr. (Decr.)	1958	1957	Incr. (Decr.)
ZOPAQUE:									
10 & 32 Balt.-Domestic	16,212	15,211	1,001	8,144	7,494	650	2,421	2,492	(71)
Export	448	1,763	(1,315)	225	867	(642)	67	288	(221)
Total Regular	16,660	16,974	(314)	8,369	8,361	8	2,488	2,780	(292)
Sales to Paint Div.	7,650	4,567	3,083	3,965	2,387	1,578	952	830	122
Total Balt.	24,310	21,541	2,769	12,334	10,748	1,586	3,440	3,610	(170)
CAD. RED:									
10 & 32 Balt.-Reg.	189	227	(38)	794	1,097	(303)	118	175	(57)
Sales to Paint Div.	5	3	2	21	14	7	3	3	0
Total Balt.	194	230	(36)	815	1,111	(296)	121	178	(57)
CAD. YEL:									
10 & 32 Balt.-Reg.	152	156	(4)	340	348	(8)	99	108	(9)
Sales to Paint Div.	2	7	(5)	5	16	(11)	2	5	(3)
Total Balt.	154	163	(9)	345	364	(19)	101	113	(12)
TOTAL CAD:									
10 & 32 Balt.-Reg.	341	383	(42)	1,134	1,445	(311)	217	283	(66)
Sales to Paint Div.	7	10	(3)	26	30	(4)	5	8	(3)
Total Balt.	348	393	(45)	1,160	1,475	(315)	222	291	(69)
METAL PROD.									
27-Hammond-Reg.	3,841	5,169	(1,328)	2,856	4,668	(1,813)	485	791	(306)
WH. LEAD									
28-Scranton-Reg.	1,494	2,972	(1,478)	515	1,101	(585)	59	116	(57)
LITH. & TITAN:									
35-Collins.-Reg.	8,650	10,084	(1,434)	1,292	1,489	(197)	201	244	(43)
Sales to Paint Div.	521	1,829	(1,308)	82	270	(188)	16	44	(28)
Total Collins.	9,171	11,913	(2,742)	1,374	1,759	(385)	217	288	(71)
TOTAL	39,164	41,988	(2,824)	18,239	19,751	(1,512)	4,423	5,096	(673)

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A review of the operating expenses is lined up below by division and excluding Scranton for better comparison between years since the sale of the Scranton plant around the middle of the year would create a slightly distorted picture if included. The summary by division follows:

OPERATING EXPENSE

(Excluding Scranton)	1958	1957	Incr. (Decr.)	% To Reg. Sales 1958	% To Reg. Sales 1957
Baltimore	621,373	637,659	(16,286)	4.55	3.99
Less Comm. Tfrs.	(37,033)	(43,355)	(6,322)	.27	.27
Balt. Aft. Comm. Tfrs.	584,340	594,304	(9,964)	4.28	3.72
Collinsville	216,938	194,076	22,862	1.59	1.22
Less Comm. Tfrs.	(166,241)	(200,764)	(34,523)	1.22	1.26
Colls. Aft. Comm. Tfr.	50,697	(6,688)	57,385	.37	(.04)
Hammond	139,377	133,912	5,465	1.02	.84
TOTAL OPER. EXP. AFT. COMM. TFRS.	774,414	721,528	52,886	5.67	4.52

Because of the combination of increased sales effort and reduced sales volume, particularly at Hammond and Collinsville, it is only natural that the ratio of operating expenses to net sales should increase. The following breakdown of the operating expenses will indicate the particular items that have increased to the greatest extent:

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(Excluding Scranton)	Expenditures 1958	1957	$ Incr. (Decr.)	% Incr. (Decr.)	% to Reg. Sales 1958	1957
Sales. Sal. & Comm.	194,288	143,950	50,338	35.0	1.42	.90
Salesmens' Exp.	99,208	69,991	29,217	41.7	.73	.44
Other Terr. Chgs. Net After Comm. Tfrs.	24,389	20,248	4,141	20.5	.18	.13
Office Sal. & Loc. Adm.	145,009	129,844	15,165	11.7	1.06	.82
Adv. Local	53,842	56,653	(2,811)	(5.0)	.40	.35
Cash Discount	91,915	89,129	2,786	3.1	.67	.56
Prntg. & Stat.	5,930	9,424	(3,494)	(37.1)	.04	.06
Sales Dev. Ltrs.	20,199	17,956	2,243	12.5	.15	.11
All Other Exp.	139,634	184,333	(44,699)	(24.2)	1.02	1.15
TOTAL	774,414	721,528	52,886	7.3	5.67	4.52

By noting the increase in the 1958 per cent to sales over the last year ratio, it can be seen just where the greatest drive was made, with Salesmens' Salary and Commission taking the largest bite, and the Salesmens' Expense a close second. Apparently even greater efforts in this direction will be needed before really worthwhile results can be expected.

Considering the various changes made during 1958 with the shifting to new facilities and a stepped-up selling program the results were not too bad. I believe last year can be looked upon as the rock bottom springboard from which every division should be able to take off and show tremendous progress and gains throughout the current year. The month of September just closed already gives an indication that this is about to take place.

H. A. CROWL

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