

THE SHERWIN-WILLIAMS COMPANY
CLEVELAND, OHIO

BOARD OF OPERATORS
1942nd-----MEETING

August 8, 1967

Handwritten: 80.
AUG 14 1967

COMPANY CONFIDENTIAL TO: Board of Operator's Mailing List

Present: M. N. Allen, D. F. Benfer, H. Berkowitz, W. A. Bittenbender,
S. B. Coolidge, Jr., W. W. Gram, R. F. Hennig, W. Moonan,
H. L. Piepho, C. W. Shotwell, W. O. Spencer, H. E. Spitzer,
W. H. Painting, Secretary

Absent: E. L. Barrett, A. B. Holton, H. C. Lemke, J. S. Prescott,
R. A. Tschannen

Next Meeting: Monday, August 21, 1967, 9:00 A.M.

1942-1 - FACTORY OPERATIONS

Paint, Varnish, and Lacquer Factories

Filled output in gallons for weeks ending July 29th and July 22nd and
year-to-date with the change compared to this period last year:

Pigmented	Week Ending		Year to Date		% Change
	7/29/67	7/22/67	TY	LY	
Total Trade Sales	170,143	169,009	8,985,538	8,938,343	0.5I
(Less A-100 Loxon)					
Kem-Glo	33,524	27,019	2,146,330	2,542,273	15.6D
Super Kem-Tone	63,223	65,495	5,453,460	6,594,040	17.3D
Other Emulsions	153,494	155,831	7,560,045	7,308,090	3.4I
Industrial	185,459	198,301	10,499,780	10,594,285	0.9D
Transportation	17,835	12,910	1,123,647	1,301,752	13.7D
Automotive	56,404	64,826	2,881,465	2,807,067	2.7I
All Others	77,628	68,512	4,057,916	4,561,235	11.0D
<u>Total Non-Pigmented</u>	213,186	259,466	12,611,961	13,246,242	4.8D
GRAND TOTAL	12,611,961	1,019,369	55,320,142	57,893,327	4.4D

Orders Holding - Gallons as of July 29, 1967

Industrial and Transportation	Immed- iate	Future	Total	% Change From LY	Equivalent Week's Production
<u>Pigmented Only</u>					
Direct	529,335	113,135	642,470	36.8D	-
Stock	158,065	99,615	257,680	46.6D	-
TOTAL	687,400	212,750	900,150	40.0D	4.3
GRAND TOTAL	3,528,160	1,801,512	5,329,672	19.1D	4.6

0007-SWP-000029230A

N24286

FACTORY OPERATIONS CONT'D

Paint, Varnish, and Lacquer Factories cont'd

Total filled output year-to-date is now 2,573,000 gallons - 4.4% below last year. There was a decline of 490,000 gallons in the past two week period as production was down considerably at Detroit during the week ending July 29 due to civil strife plus the fact that Gibbsboro was shut down for vacation the two week period which is two weeks later than last year. Production is down in all categories with the exception of Automotive and Trade Sales and Other Emulsions and the increase in these groups is small.

Morrow filled approximately 11,000 gallons the week ending July 29 which included some Trade Sales material as well as Super Kem-Tone. Production should increase from here forward.

Friendship produced a 3,000 pound batch of Sherdye extender which looked very good. Batches can be increased to as much as 6,000 pounds versus 1,000 pound batches previously produced at Gibbsboro.

"Orders Holding" for Industrial and Transportation decreased 47,000 gallons in the past two weeks, most of which is in the "future" category. Much of this is material required for stock. Total "Orders Holding" decreased 219,000 gallons in the past two weeks and is 800,000 gallons or 19% below the comparable period last year.

Labor Negotiations

The contract for Detroit was ratified by a two to one margin. Three year contracts have now been signed for Chicago, Cleveland, and Detroit. Now that the policy has been generally established, negotiations at other plants will follow the same pattern and should be settled without much difficulty.

Kem-1-Coat Premium House Paint - A2 W 15

Production had been cut off as stocks appeared sufficient at both branch and factory levels. Due to continued demand, evidently in excess of sales, factories were again required to produce. Since production was not anticipated, this resulted in a raw material shortage for the Mildicide required resulting in stockouts at some factory locations. This Mildicide is also required for A-100 and the shortage resulted in inability to produce sufficient A-100 to meet all requirements.

Mr. Hennig reported that Dow Chemical Company, the only supplier, did have production difficulties but are now back in production and expect to produce at a rate sufficient to provide 10,000 pounds per month through October and additional material thereafter. It was possible to obtain 700 pounds this week which is being allocated based on immediate need.

The Technical Department has no satisfactory substitute Mildicide but will revise some A-100 formula colors to conserve stock.

Mr. Hennig reported that the Chicago Can factory had, as of August 3, 22,000 gallon and 20,000 quart cans in stock. Authorization will be granted to produce another 50,000 1-gallon cans.

0007-SWP-000029230B

0007-SWP-000110400

FACTORY OPERATIONS CONT'D

Kem-1-Coat Premium House Paint - A2 W 15 cont'd

Mr. Allen reported that there should be sufficient inventory at branches to meet our requirements but there is a hesitancy to release stock for transfer. Mr. Benfer will obtain inventory by size by branch including material available for transfer so that transfers can be made as soon as possible not only to reduce inventories but meet the critical need at some locations.

Chicago Chemical Operations - Expressed in Pounds

<u>PRODUCTION</u>	<u>Week Ending</u> <u>7/31/67</u>	<u>TY</u>	<u>%</u> <u>Change</u>
<u>Chemical Products</u>			
Beta Naphthol	-	4,203,000	43.7D
Para Cresol	169,234	9,466,000	18.1D
Phthalic Anhydride	399,820	16,428,000	0.7D
Tobias Acid	-	1,678,000	16.6D
Other Chemicals	65,561	3,388,000	-
P.C. Colors	16,424	775,000	7.2I
Azo Pigments	58,523	*	-
Other Colors	54,594	4,193,000	1.0I
Esters	86,000	3,537,000	-
 TOTAL C.P. OPER.	 850,156	 36,744,000	 13.5D
 <u>Dry Color</u>	 30,923	 2,077,000	 70.7D
 <u>Flushed Color</u>	 101,513	 6,486,000	 6.5D

* Azo Pigments included with other colors.

Para Cresol

Production was started up August 7, a week earlier than anticipated due to receipt of recent orders. It now appears that future requirements will permit continued production and still maintain an inventory of 200,000 pounds as of August 31.

Phthalic Anhydride

Production has been very good for the past two weeks. If it continues at this rate and the demand does not improve, inventory at August 31 will exceed goal by as much as a million and a half pounds.

Mr. Hennig reported that Phthalic Anhydride is still very tight and that we should continue to produce as much as possible. In the event that there is an inventory problem, the Purchasing Department will arrange for shipment. Substantial amounts of Phthalic Anhydride have already been shipped for export from stock at Garland, Newark, and Chicago.

0007-SWP-000029230C

0007-SWP-000110401

FACTORY OPERATIONS CONT'D

Tobias Acid

Operations are planned to resume on September 5. Present inventory is 366,000 pounds but should approach goal of 300,000 pounds by August 31.

Azo Pigments

Production for the past week was exceptionally high. Some pigments were produced for flush color which is a one-stage operation and therefore increases weekly output.

Alkali Blue

Production for the past week was below standard due to some quality problems which when corrected will result in increased output in later weeks.

Flushed Color

Historically, costs have been high and output low in the Flushed Color Department. A new forecasting approach is under study which should result in increased output and reduced inventories with consequent lower costs. This system is expected to be implemented next year.

1942-2 - AUXILIARIES - Expressed in Tons

	<u>Week Ending 7/29/67</u>			<u>Week Ending 7/22/67</u>		
	<u>Produced</u>	<u>Shipped</u>	<u>Stocked</u>	<u>Produced</u>	<u>Shipped</u>	<u>Stocked</u>
Barium Monohydrate	-	50	1,219	-	160	1,269
Barium Carbonate	186	81	985	182	136	877
Leaded Zinc	-	91	751	78	105	842
Lithopone	188	163	726	161	152	701
Zinc Oxide	1	243	3,352	268	2	3,594
Zinc Sulphate	208	253	771	229	140	816

	<u>Week Ending 7/29/67</u>	<u>Week Ending 7/22/67</u>
Cans Manufactured	2,753,664	3,753,851
<u>Five-Gallon Pails</u>		
Manufactured	Vacation	43,153
Inventory	21,000	21,000

Maumee Chemical

As reported previously, it was necessary to reduce the labor force in July due to a cutback in customers' orders. The plant is now shut down for vacation and will resume operations on August 14. It is planned to produce Isatoic Anhydride the last two weeks in August due to new orders, which is a month or six weeks earlier than anticipated. This will reduce the present stock of Phthalic Anhydride and result in some September requirements.

0007-SWP-000029230D

0007-SWP-000110402

1942-3 - RAW MATERIALS AND SUPPLIES

Total usage for the past two weeks is as follows:

	Week Ending	
	7/29/67 Tankcars	7/22/67 Tankcars
Linseed Oil	10	9 1/4
Soybean Oil	5 1/2	5 1/2
Tall Oil & Fatty Acids	1 1/2	1
Other Oils	1 1/2	1
TOTAL	18	16 3/4
Styrene Butadiene Latex	3 1/4	4 1/4
Acrylic Latex	3	3 1/4
PVA Latex	1/2	3/4
TOTAL	6 3/4	8 1/4
Phthalic Anhydride	217 1/2 tons	173 3/4 tons
Isophthalic Acid	11 1/2 tons	6 1/4 tons

Phthalic Anhydride

The inventory declined 24 tons in the past two weeks. Total inventory as of July 29 was 1590 tons including 889 at paint and varnish factories, 91 at Maumee and 610 tons at Phthalic Anhydride factory - excluding 458 tons to be redistilled.

Since September 1 orders have been placed on outside suppliers for 3,588 tons domestic material and 1,822 tons have been imported for a total of 5,410 tons.

Tin Plate

Steel companies have raised the price of tin plate effective the first week in September, 25 cents per base box or 2.7%. This will undoubtedly result in an increase in tin cans of at least this amount, possibly more to cover higher labor costs.

Cobalt

This material is again available for use in manufacture of driers. It was possible to book through Belgium sources 40,000 pounds for September delivery and 20,000 pounds for December. Also, a new Canadian source has been developed. This should cover our requirements at least through the 1968 fiscal year and possibly through September and October.

Slow Moving, Obsolete, Etc. Raw Materials and Packages
Inventory - June 30, 1967

The following is the quantity and value as of June 30 of materials and packages in factory inventories that have not been purchased or manufactured since September 1, 1966. The remaining inventory as of August 31, 1967 is subject to write down as a reserve but will remain in factory inventory at full value unless disposed of prior to that time.

0007-SWP-000029230E

0007-SWP-000110403

RAW MATERIALS AND SUPPLIES CONT'D

Slow Moving, Obsolete, Etc. Raw Materials and Packages

Inventory - June 30, 1967 cont'd

The total value is \$1,074,000 down from \$1,294,000 as of April 30, 1967. In addition to this, there is a quantity of returned goods, spoiled batches, and overgrinds which as of May 30 amounted to 341,000 gallons or \$540,000 so that this total inventory of materials in this category as of June 30 is approximately \$1,600,000.

It is extremely important that plant managers do whatever is possible to reduce the inventory wherever possible in a businesslike way to minimize write down and make available dollars and space for other inventory required for production.

Mr. Hennig reported that it is estimated that the August 31 inventory will be \$3 million higher than last year which anticipates a reduction of \$8 million from the May 31 inventory figures. Inventories as of June 30 showed little improvement over May. Every effort must be made to control inventories within established goals.

	<u>Raw Materials</u>		<u>Packaging Items</u>		<u>Total</u>
	<u>Quantity</u>	<u>% of</u>	<u>Quantity</u>	<u>% of</u>	<u>Value</u>
	<u>6/30/67</u>	<u>8/31/66</u>	<u>6/30/67</u>	<u>8/31/66</u>	<u>6/30/67</u>
<u>PV&L Factories</u>					
Cleveland	197,280	45%	143,784	50%	\$ 66,015.
Chicago	257,395	39%	376,804	67%	120,696.
Newark	121,462	61%	128,925	47%	58,845.
Gibbsboro	42,345	35%	84,199	63%	23,606.
Detroit	62,696	48%	111,845	67%	37,948.
Dayton	32,900	17%	11,928	33%	13,909.
Martin-Senour	4,405	6%	5,588	16%	3,506.
Pittsburgh	27,813	25%	136,295	64%	9,506.
Garland	67,976	28%	79,697	39%	26,711.
Oakland	56,635	29%	106,521	56%	26,842.
Los Angeles	51,153	53%	50,247	51%	26,242.
Total PV&L	922,060	37%	1,235,833	56%	\$413,826.
Chicago C&C Finished Product	238,343				\$221,560.
Chicago C&C Raw Material	100,383	48%	59,362	54%	29,177.
Chicago Tin Can					\$135,993.
Hubbard					45,147.
San Leandro					126,064.
Coffeyville					36,720.
Bound Brook					28,515.
Deshler					15,138.
Linseed Oil Mill					4,778.
Rubberset - E. Newark					19,452.
Rubberset - Gravenhurst					3,905.
Grand Total - Value as of 6/30/67					\$1,074,275.

0007-SWP-000029230F

1942-4 - TECHNICAL

Emulsion Research Laboratory Quality Control Report - June 1967

Domestic

Samples received - 1157
 Rejected - 7
 Pending - 23

<u>Factory</u>	<u>Rejections</u>
Cleveland	Shade - 1
Chicago	Body - 2
Dayton	Shade - 1
Gibbsboro	Body - 2
Garland	Shade - 1

Foreign

Samples received - 43
 Rejected - 3 (Mexico-SKT-2 Texture 1 Shade)

Kem-Glo Criticism Report - July 1967

<u>Factory</u>	<u>Total Batches</u>	<u>Criticism of Color</u>	<u>Rejections</u>
Chicago	18	7	1 (Color & Visc.)
Cleveland	19	5	
Dayton	17	1	
Detroit	2		
Garland	19	8	
Gibbsboro	48	15	
Los Angeles	4	2	
Montreal	4		
Newark	12	3	
Oakland	20	7	3 (Color)
TOTAL	153	48	

Under \$10 Complaints - June 1967

<u>Region</u>	<u>This Year</u>	<u>Last Year</u>
Golf	9	26
Western	81	78
Southeastern	82	64
North Central	68	84
Pacific	3	18
Southwestern	70	73
South Atlantic	82	78
North Atlantic	19	17
Total Month	414	438
Total Year to Date	3304	3863

For the month 210 complaints pertained to Super Kem-Tone and Kem-Glo.

0007-SWP-000029230G

0007-SWP-000110405

1942-5 - STOCKS & DISTRIBUTION

Finished Goods - Stocks and forecast expressed in gallons (000's) for the week ending July 29

	<u>Total Inventory</u>	<u>Forecast for Period Start- ing July 9</u>	<u>Orders Received</u>	<u>Back Orders Holding</u>
Consolidated	5,761	4,507	666	246
Trade Sales Products	1,521	1,296	189	83
Painter Products	745	623	103	41
Institutional Products	1,283	1,074	144	36
All Other Products	2,212	1,510	229	86

The Morrow Factory is included in this report for the first time.

Back Orders holding for the above week dropped from 299,000 in the prior week to 246,000. The major part of the Back Order Holding is at three factories. Chicago 48,000 - Cleveland 41,000 - Newark 67,000.

Service Level of Regularly Stocked Items

A preliminary flash report was made to the Board for the Service Level covering the period of July 10 to August 4. These Service Levels for this period, compared to the prior periods, are listed below. The detailed final report will appear in the next Board of Operators Minutes.

There have been some sizeable declines in some Factory Service Levels. Morrow Service Level is reported for the first time:

	<u>Period 7/10 to 8/4</u>	<u>Period 6/12 to 7/7</u>
Chicago	85.1	82.6
Cleveland	84.9	88.4
Detroit	80.9	87.4
Garland	93.5	94.1
Gibbsboro	85.8	89.5
Los Angeles	96.2	95.6
Morrow	84.1	-
Newark	78.9	82.5
Oakland	91.0	92.7

Weekly Warehouse Shipping Performance Report

The following is a report for all factories for the past two weeks:

	<u>Week Ending 7/29</u>	<u>7/22</u>
Total Orders Shipped	5,825	5,380
Total Shipped on Time	5,301	4,750
Service for Week	91.0	88.3
Total Orders Holding at end of week	833	626
% Service for preceding week	88.3	91.6

0007-SWP-000029230H

0007-SWP-000110406

STOCKS & DISTRIBUTION CONT'D

Weekly Warehouse Shipping Performance Report cont'd

Cleveland's shipping performance increased from 72.3% two weeks ago to 83.5% this past week. Gibbsboro Factory's shipping performance decreased from 83.5% to 65.9% this past week. The Morrow Factory increased from 65.0% the previous week to 85.8%.

Ultra Var, A67 V 50

The Technical Department has stopped production on Ultra Var for the present. The Factory Stockkeeping Department has drawn off inventories at all factories and Regional Warehouses and will balance stocks insofar as possible to hopefully provide sufficient stock until a new formula is available.

Oil Stain Non-Wipe Extender, A48 V 25

Mr. Benfer pointed out that in 1963 the Sales Department gave an overly enthusiastic estimate of the sale of this product in half-pints versus quarts. The half-pints did not sell anywhere near the estimate but quarts sold quite well.

There has been an excessive stock of half-pints. For the last two years half-pints have replaced quarts at the quart price. The inventory of half-pints has been reduced from 41,413 at August 31, 1964 to 8,859 at July 31, 1967.

Since this material is 1963 manufacture, an exemption was given in the 1966 year from the three-year depreciation charge to the Branch. This exemption was not continued during the 1967 year.

There have been many complaints from Branches that they are receiving old stock which will be charged off to them at 8/31/67. These complaints have been ignored because the material is perfectly good.

Half-pints will continue to be substituted for quarts until about January 1, 1968. This should dispose of most of the balance of the half-pints.

Mr. Gram stated there was a possibility of this line being changed, which would not require the use of the Extender. Before we produce any additional quarts or half-pints, a check should be made to see where we stand on the possibility of a change in the line.

PV&L Finished Goods Inventory Goals - August 31, 1967

Finished goods goal for August 31 is 89.1 million which is 2.8 million or 3.3% higher than last year. 2.3 of the 2.8 million increase is at Acme and is entirely the result of the increase in leased department stores and the added Levitt operation. Adjusting for additional inventory at Morrow and the increase at Acme, the net inventory goal is less than last year.

The goals appear realistic providing sales meet forecast and factory production eases down. Factory inventory goals will not take priority over service standards.

0007-SWP-0000292301

0007-SWP-000110407

1942-6 - MISCELLANEOUS

Automotive 1968 Colors

Mr. Gram reported that the production to date on 1968 colors was disappointing as only 47 out of a total of 85 had been completed. The situation is more serious than normal inasmuch as the Automotive Industry is pushing to produce as many 1968 cars as early as possible prior to any possible labor difficulties.

Mr. Spencer reported that the delay was due to many reasons. First of all, the standards for General Motors were received later than normal, the 1968 colors are both more difficult to formulate and manufacture plus the Detroit factory has been hampered in filling and finishing operations due to the installation of new conveyers, accumulating tables, etc. In addition, they had been hampered by a tight labor market and civil strife.

Orders for IBM Equipment

A Letter of Intent has already been issued with IBM corporation for the purchase of a 1287 Optical Reader and a Mass Memory File 2311. Mr. Allen requested and the Board approved issuing a firm purchase order to cover the purchase of these two pieces of equipment in order to assure us a firm delivery date which cannot be guaranteed with a Letter of Intent. These will be supported by a plant and large expense requisition.

Complaint and Criticism Analysis - July 1967

Type Products	Month		Year to Date	
	TY	LY	TY	LY
Trade Sales	1	10	52	168
Super Kem-Tone	1	-	2	1
Other Emulsions	1	-	5	5
Kem-Glo	-	-	1	9
Professional Coatings	1	2	19	11
Automotive	8	1	60	27
Chemical Coatings	25	19	254	275
Graphic Arts	-	-	4	12
Dexall	1	-	4	-
TOTAL	38	32	401	508

Recall Analysis - July 1967

	Month			
	TY	LY	TY	LY
Trade Sales	3	7	79	112
Super Kem-Tone	4	-	17	22
Other Emulsions	1	1	26	5
Kem-Glo	-	3	5	13
Professional Coatings	5	3	40	24
Automotive	10	3	59	52
Chemical Coatings	5	3	42	49
Graphic Arts	-	2	1	5
Dexall	-	-	7	-
TOTAL	28	22	276	282

0007-SWP-000029230J

0007-SWP-000110408

1942-7 - NEW GOODS SLIPS

Final Approval

- 1) Zip Mask, Light Green F25 G 4
This will replace the present material F25 G 3 which is being dropped due to unavailability of one of the raw materials used in the formula.
- 2) Zip Mask, Clear F25 T 6
This will add a clear to the line which can be tinted with Kem Tinting colors.
- 3) Professional Coatings Traffic Zone White B46 W 16 and Traffic Zone Yellow B46 Y 2
This will replace many specials now being produced and will offer a low priced traffic paint line for sale under the Professional Coatings label.

Mr. Spitzer was asked to investigate the possibility of revising the Trade Sales Sher-Guide Traffic Paint to be parallel to this line.

- 4) Zinc Clad 5 Organic Zinc Rich Coating B69 A 45
To add zinc rich products to the Industrial Maintenance Line to be competitive and furnish a complete line.
- 5) Zinc Clad 7 Catalyzed Epoxy Zinc Rich Coating B69 A 47
To add zinc rich products to the Industrial Maintenance Line to be competitive and furnish a complete line.
- 6) Zinc Clad 8 Inorganic Zinc Rich Coating B69 A 48
To add zinc rich products to the Industrial Maintenance Line to be competitive and furnish a complete line.
- 7) Loxon Roof Paint K16 Series
Change rex assignment to A19 Series, effective January 1, 1968.
- 8) Loxon Exterior Masonry Paint K15 Series
Change rex assignment to A25 Series, effective January 1, 1968.
- 9) Loxon Interior Masonry Paint K12 Series
Change rex assignments to A22 Series, effective January 1, 1968.
- 10) Loxon Latex Concrete K13 T 1 and Loxon Latex Concrete Liquid K13 V 2
Change rex assignments to A23 T 1 and A23 V 2 respectively as of January 1, 1968.
- 11) Five-Gallon Pails - Open Head and Tite-Head
Change color standards as follows: Unlined pails from black or white to Turquoise. Interior lined pails from dark gray to light gray. This change will be effective when Hubbard is able to make the changeover.

DROP SLIP

- 12) Zip Mask, Light Green F25 G 3
Dropped due to unavailability of raw material. Being replaced with F25 G 4.

0007-SWP-000029230K

0007-SWP-000110409