

Monsanto

FROM (NAME & LOCATION): H. L. Williams, Anniston, Ala.

DATE: March 24, 1969

CC: J. C. Landwehr

SUBJECT: AROCLOR COMPETITIVE QUALITY

R. A. Haydel

G. W. Miller

REFERENCE

V. R. Haupt

W. B. Dunlap

TO : W. A. Kuhn - WKUHN

We have reviewed the problem of meeting potential foreign competition on Aroclor 1242 and believe that the following plan is best suited for the situation:

1. Based on past PR&D work and the collective opinions of all plant personnel, we feel that we can handle spot 20 to 40 drum orders for 1242 having delivered resistivity at least 5000×10^9 by filling hand flushed epoxy-phenolic drums directly from the outlet of the Porocel column. Although this will result in an estimated 1.4¢/lb. premium cost for each order, it is at present the only way the desired objective can be achieved, and even then only on a limited volume. An order lead time of 4 to 6 weeks is desirable.
2. In order to confirm the suitability of the approach suggested above, we plan to fill 20 drums by this method sometime in the next 4 to 6 weeks to confirm as loaded quality. We will also check potential delivered quality by re-analyzing after two months storage.
3. After installation of the new drumming facilities (EDC 5/69), and Porocel columns (EDC 9/69), we will have capability of loading high quality routinely. As soon as all these systems are operational, we will test our routine production to determine whether 5000×10^9 delivered resistivity can be achieved without hand flushing drums. We will not make this test now because the impending changes would negate any findings and require ultimately repeating the high test costs anyway.

Incidentally the new Munch resistivity test may result in an automatic "increase" in quality level. As a first step in evaluating the effects of this test, the next 15 routine production lots will be analyzed both by the Anniston Laboratory and by Dr. Munch.

I believe this plan should satisfy our needs. Your comments will be appreciated.

H. L. Williams
H. L. Williams

:md

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FROM (NAME & LOCATION) D. R. Pogue - General Offices

DATE March 18, 1969

cc: P. G. Benignus
N. T. Johnson
M. F. Baber

SUBJECT REALISTIC VS. BUDGETED
DIELECTRIC FLUID SALES - 1969

REFERENCE

TO : D. A. Olson

Don,

This memo was developed after discussing with Paul Benignus his expectations for our 1969 sales compared to the budget. To maintain continuity in this report I've divided it into two parts. The first part discusses Paul's projections, our historical sales, and budget. The second part discusses progress two months year to date compared to budget and projected. I would recommend detaching the tables, when they are mentioned, to aid readability.

Projected - Historical vs. 1969 Budget (Table 1)

Under Total Dielectric Sales, note our 1969 budget asks for 61.8M lbs. domestic and export. This is a 17% increase over our 1968 sales. Domestically the budget asks for 54.3M lbs., a 20.4% increase over 1968 sales.

Our projected 1969 domestic and export sales will be 55.3M lbs., about 6.5M lbs. under budget. This is about \$950,000 below our domestic/export budget dollar. This entire deviation is in domestic sales. Projected domestic sales represent 6.8M lbs. of the 6.5M lbs. loss in total budget. Our total export budget appears reasonable, with 7.5M lbs. budgeted and 7.8M lbs. projected. The 12.5% - 6.8M lb. deviation from budget in domestic sales represents \$990,000.

The remainder of this report will regard only domestic performance, due to its magnitude.

Our projected sales appear quite realistic when one looks at past performance (Table II). The 1969 budget asks for a 20.4% increase in total dielectric fluid sales. Growth since 1963 has averaged 12% per year (average of yearly percentage sales increases). However, in 1968 our sales declined by 1% (600,000 lbs.). This abrupt reversal in growth would indicate we are feeling the effects of smaller capacitor sizes at least since 1966-67, and an

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abrupt change in growth in 1968 in transformers. Note from Table I "Domestic Dielectric Aroclor Sales", how capacitor volume has leveled since 1966, and the drop in 1968 of transformer sales. The projected 1969 increase reverses 1968 performance with a 1.3% increase, however is 19% below our budget forecast.

CAPACITOR DIELECTRICS - From Table I, "Domestic Dielectric Aroclor Sales by Market", our 1969 budget is 29.8M lbs., a 13% increase over 1968. Our sales growth since 1963 has averaged 11% per year, but has leveled at 4% per year since 1966. Our 1969 projection is a 4% increase, which parallels the 66-68 growth. The difference between our '69 budget and that projected is 2.3M lbs., or \$320,000. Capacitors thus would account for 35% of the \$990,000 total expected dollar loss from our domestic budget.

We might expect that a recovery in 1970-71 from the impact of smaller capacitor sizes would rebound our growth above 4% to our 63-66 level of >11% per year.

TRANSFORMER DIELECTRICS - From Table I, "Domestic Dielectric Aroclor Sales By Market", our 1969 budget is 24.5M lbs., a 31% increase over 1968. Our growth since 1963 averaged only 13% per year, but actually declined by 7% in 1968. Our 1969 projection calls for a reversal - a 7% increase over 1968. The difference between the '69 budget and that projected is 4.5M lbs. or \$670,000. Transformers thus would account for 65% of the \$990,000 total expected dollar loss from our budget.

Note from Table II that growth since 1963 in transformer fluid sales has been erratic, with over 30% in 1964-65, 4% in 1965-66, 21% in 1966-67, and -7% in 1967-68. However, the overall trend in volume sales from Table I can be observed to level out for the period 1967-1970, based on '67-'68 actual and projected sales for 1969-70.

PROFITS - Table III summarizes prior discussion on deviation in sales volume and dollars between realistic and budgeted dielectric fluid sales. The \$990,000 deviation in realistic vs. 1969 budget domestic sales represents about \$430,000 in gross profit.

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EXPERIENCE 2 MONTHS VS. PROJECTED AND BUDGET - Thus far in 1969 we are 20% below 1968 domestic sales and 23% below budget. Thus the challenge is yet to come as the impact of our budget will not really be felt until June 1969. Our cumulative 1969 budget through May is \$3.14M vs. \$2.97M actual in 1968. However, the budget for the period June - December 1969 asks for \$845,000 over 1968 actual for the same period. We must therefore average \$120,000 per month more in June - December 1969 than in June - December 1968. Truly, the impact of our budget is yet to be felt!

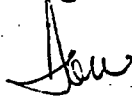
If the "realistic" budget is prorated for 1969 two months year to date our sales would be about 10% under budget instead of 23% actual.

	1968 (2 mo.)	1969 (2 mo.)	1969 (2 mo.-Budget)	1969 (2 mo.-Realistic)
Dielectrics	1.213	\$0.932M	\$1.216M	\$1.07M

PERFORMANCE 2 MONTHS 1969 - CAPACITOR AND TRANSFORMER FLUIDS - Table IV reflects a comparison, by product, of sales two months 1969 vs. 1968. The brunt of our sales decline comes from D50P505 (General Electric-Rome) and Aroclor 1260 (General Electric-Pittsfield) in transformers.

In capacitors, Aroclor 1242 is down 1.02M lbs. from 1968. This can be accounted for, by customer, to Westinghouse-Bloomington (-0.65M lbs.), McGraw-Edison-Milwaukee (-0.1M lbs.) and Sangamo Electric-Pickens (-0.2M lbs.).

Regards,



D. R. Pogue

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/pep
Attachments

P. S. - D. A. Olson:

Don, I talked to H. S. Bergen while drafting this memo. He discussed 1971-73 budget per your memo to him 3-17-69. It was concluded that we could expect faster recovery in capacitor sales during this period if the impact of smaller capacitor sizes will actually bottom by 1970, then resume market growth thereafter.

However, this assumes no further technological changes in capacitors, which may not be true.

D. R. P.

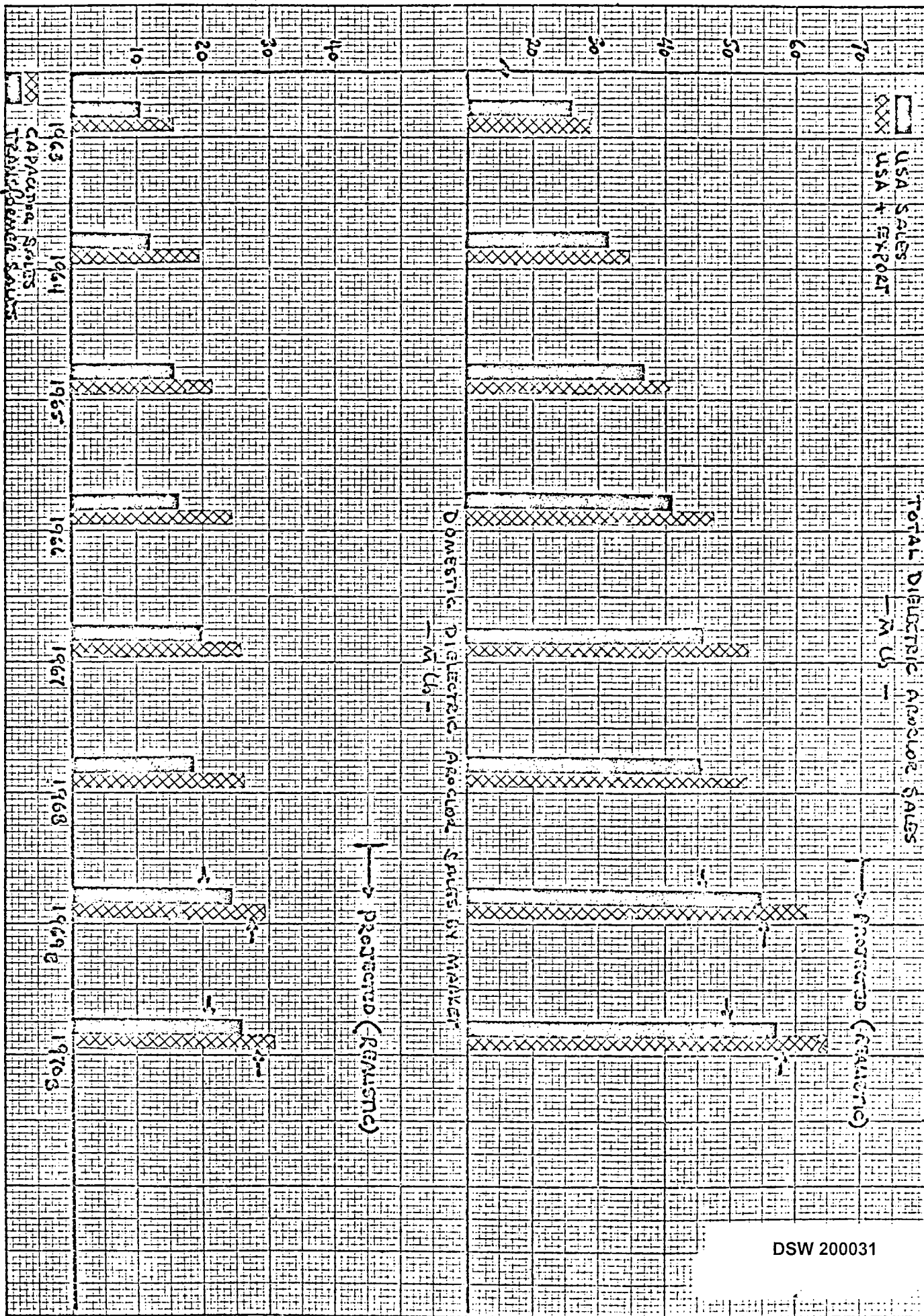


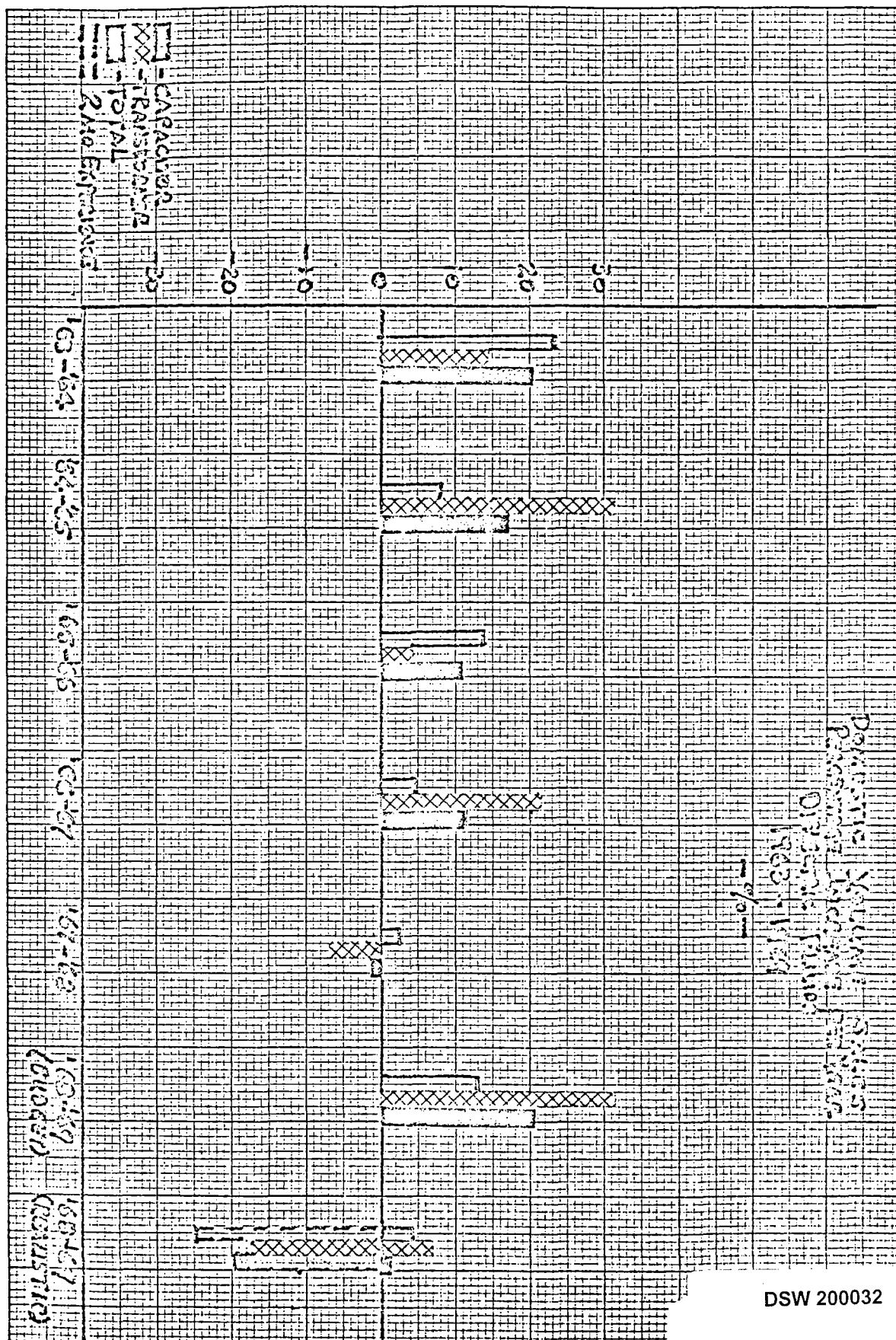
TABLE I

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TABLE II



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TABLE III

Deviation of Realistic vs. Budget
 Dielectric Fluid Sales 1969 - 1970
 -Millions of Pounds and Dollars-

<u>Domestic</u>	1969				1970	
		Sales	Profits ²		Sales	
	<u>lb</u>	<u>Price</u> ¹	<u>\$</u>	<u>\$</u>	<u>lb</u>	<u>\$</u>
Transformer	-4.5	0.148	-0.67	-0.27	-5.0	-0.74
Capacitor	-2.3	0.137	-0.32	-0.16	-2.5	-0.34
	_____		_____	_____	_____	_____
TOTAL	-6.8		-0.99	-0.43	-7.5	-1.08
% Budget	-12.6%		-13.1%		-15.1%	
 <u>Worldwide</u>						
Transformer	-5.1	0.150	-0.76	-0.30	-6.2	-0.93
Capacitor	-1.4	0.137	-0.19	-0.09	-0.9	-0.12
	_____		_____	_____	_____	_____
TOTAL	-6.5		0.95	-0.39	-7.1	-1.05
% Budget	-11.5%		-10.9%		-10.9%	

1 Average 1968 prices used for 1969 and 1970

2 Profits based on 1968 profitability as % of sales

Transformer - 40.1% (domestic); 39.2% (domestic/export)

Capacitor - 49.4% (domestic); 47.8% (domestic/export)

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TABLE IV

Domestic Dielectric Aroclor

Sales 1969 (2 mo.) vs. 1968 (2 mo.)

- M lb -

<u>Transformer</u>	1969 vs. 1968			
	1969 (2 mo.)	1968 (2 mo.)	Diff	%
PPO	424	564	-140	
70-30/54201KA	492 ¹	1149 ²	-657	
A13B3B	216	301	- 85	
D50p505	92	560	-468	
1260	-	215	-215	
100-42	1218	478	+740	
TOTAL	2442	3267	-825	(-25%)
<u>Capacitors</u>				
1242	4281	5305	-1024	(-19.4%)
1254	179	77	+ 102	
TOTAL	4460	5382	- 922	(-17%)
TOTAL DIELECTRIC	6902	8647	-1745	(-20.2%)

1 All 70-30

2 All KA

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