PRODUCT PROFITABILITY

Monsanto
COMPANY

MAY 1967

0633713

PRODUCT PROFITABILITY

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This report has been prepared to serve as a basic reference for volume, price, costs, profitability and potential of Monsanto's principal products. Such products are listed alphabetically by division, broken down between Sales (external) and Internal Use. The products covered herein account for 88% of the total domestic investment. The report will be issued annually or otherwise updated for major product additions, etc.

This information is extremely confidential and special safeguards are recommended to maintain security.

All return figures are calculated on the investment and profit on product sales made to outside customers. Quantities of product indicated for "Internal Use" are transferred as intermediate materials to end products. Investment and cost of intermediates are rolled forward to the end product and included in the profitability of the sale of end products to customers.

Sales are for the domestic divisions only but include their U.S. export sales to foreign customers, foreign subsidiaries and sales through Monsanto Europe. Sales of products manufactured by foreign subsidiaries are not included.

For comparability with the earlier years included in this report, the year 1966 is reported on the same basis as financial reporting for that year rather than the 1967 financial statements. Budget 1967 has also been recast in the financial reporting for the years 1962-66 rather than the current financial statements. Therefore, excess SYD depreciation, direct central office expense and interest expense are included as part of Corporate Charges rather than as part of Operating Income-Division as currently reported in the 1967 financial statements. Based on a current comparability study of prior years, it is anticipated that future reports will include these earlier years on the same financial reporting base as actual 1967.

Results are shown for 1962-63-64-65-66 plus Budget 1967, and on a hypothetical basis of maximum output based on 1967 capacity. Such maximum is shown only as an approximation of current potential, with no attempt made to reflect any such results on intermediate product costs.

As a yardstick for viewing product profitability, return on gross investment of the Company and each division is as follows:

	% Return on Investment					
	Actual					1967
	1962	1963	1964	1965	1966	Budget
Based on U.S. Domestic and Export Net Income						
Company	4.7	4.6	5.7	5.6	5.0	4.7
Agricultural	5.1	5.8	6.6	8.1	7.9	7.8
Hydrocarbons	.3	-	1.4	2.5	2.6	2.5
Inorganic	4.9	5.5	5.6	3.9	3.0	4.4
Organic	5.7	4.6	5.7	6.8	7.0	5.9
Packaging	-	(1.1)	(4.1)	(4.7)	(2.5)	(1.1)
Plastics	6.5	5.5	5.9	6.7	5.8	5.1
Textiles	10.1	8.1	10.3	8.0	6.2	5.0

On page 3 there is a compilation of division returns grouped to show the amount of investment in products having a rate of return which is (a) a loss, (b) low, 0-3%, (c) low to company average, 3-5%, and (d) above company average. The company average at 5% is based on U.S. domestic and export net income for the year 1966.

RETURN ON INVESTMENT
Year 1966

	% of Total Invest.	In MM's Invest.	Corp. Net Income	% Ret. on Invest.
Agricultural Division				
% Return at: Loss	12.4	$ 28.1	$(2.8)	-
0 to 3%	-	-	-	-
3 to 5%	23.4	53.3	2.4	4.5
Over 5%	64.2	146.0	18.4	12.6
Total	100.0	$ 227.4	$ 18.0	7.9
Hydrocarbons Division				
% Return at: Loss	31.0	$ 144.7	$(3.1)	-
0 to 3%	12.1	56.2	1.4	2.5
3 to 5%	31.9	148.7	6.6	4.4
Over 5%	25.0	116.4	7.2	6.2
Total	100.0	$ 466.0	$ 12.1	2.6
Inorganic Division				
% Return at: Loss	33.2	$ 90.4	$(.6)	-
0 to 3%	11.2	30.4	.4	1.3
3 to 5%	37.2	101.4	4.1	4.0
Over 5%	18.4	50.0	4.3	8.6
Total	100.0	$ 272.2	$ 8.2	3.0
Organic Division				
% Return at: Loss	11.4	$ 35.0	$(.6)	-
0 to 3%	48.0	147.2	3.8	2.6
3 to 5%	2.1	6.4	.3	4.7
Over 5%	38.5	117.9	17.9	15.2
Total	100.0	$ 306.5	$ 21.4	7.0
Packaging Division				
% Return at: Loss	82.8	$ 66.3	$(2.1)	-
0 to 3%	17.2	13.8	.1	.7
3 to 5%	-	-	-	-
Over 5%	-	-	-	-
Total	100.0	$ 80.1	$(2.0)	(2.5)
Plastics Division				
% Return at: Loss	25.5	$ 39.8	$(1.7)	-
0 to 3%	32.5	50.7	.8	1.6
3 to 5%	4.4	6.8	.3	4.4
Over 5%	37.6	58.7	9.7	16.5
Total	100.0	$ 156.0	$ 9.1	5.8
Textiles Division				
% Return at: Loss	9.0	$ 67.2	$(12.8)	-
0 to 3%	-	-	-	-
3 to 5%	7.4	55.1	2.2	4.0
Over 5%	83.6	620.1	56.6	9.1
Total	100.0	$ 742.4	$ 46.0	6.2
Combined				
% Return at: Loss	20.9	$ 471.5	$(23.7)	-
0 to 3%	13.3	298.3	6.5	2.2
3 to 5%	16.5	371.7	15.9	4.3
Over 5%	49.3	1,109.1	114.1	10.3
Total	100.0	$2,250.6	$112.8	5.0

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AGRICULTURAL DIVISION
Division Profitability
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	73.7	81.7	95.5	122.9	159.4	179.9
Division Contribution	18.0	21.3	26.9	33.6	38.9	49.8
Corp. Net Income	7.0	8.4	10.8	15.7	18.0	20.0
Corp. Net Income as % of Sales	9.4	10.3	11.3	12.8	11.3	11.1
$ Sales/$ Investment	.54	.57	.59	.63	.70	.67
% ROI - Corp. Net Income	5.1	5.8	6.6	8.1	7.9	7.8
Gross Investment	136.2	144.0	162.6	194.1	227.4	256.7
Product Group - % Return						
Animal Nutrition	10.0	12.8	15.1	25.9	18.4	13.0
Blasting Agents	3.7	3.7	5.6	7.9	6.1	3.5
Pesticides	6.7	8.4	11.8	14.6	14.2	18.7
Plant Foods	4.1	4.1	4.6	5.3	7.9	3.0
Retail Operations			(13.0)	(11.5)	(10.0)	(.8)

In 1966 investment in the divisions' products earned the following rates of return:

	% of Total Investment
Loss	12.4
0 to 3%	-
3 to 5%	23.4
Over 5%	64.2

Product groups are reported on the following pages:

Major products reported comprise 83% of the divisions' investment in 1966.

ANIMAL NUTRITION - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	7.3	6.8	7.8	9.7	11.6	12.5
Gross Profit	2.8	3.2	4.2	5.3	5.8	6.1
SARE	.7	.7	.8	1.3	1.7	1.8
Other Income						
Division Contribution	2.1	2.5	3.4	4.0	4.2	4.3
Corp. Net Income	.9	1.1	1.6	2.1	2.1	1.8
As % of Sales:						
Gross Profit	38.4	47.1	53.8	54.6	50.0	48.8
SARE	9.6	10.3	10.3	13.4	14.7	14.4
Corp. Net Income	12.3	16.2	20.5	21.6	18.1	14.4
$ Sales/$ Invest.	.81	.79	.74	.89	.98	.74
% ROI - Corp. Net Income	10.0	12.8	15.1	19.3	18.4	13.0
Gross Investment	9.0	8.6	10.6	10.9	11.4	13.8

Major products reported for the Animal Nutrition product group are as follows:

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($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap'ty
Sales	$ 2.6	2.4	2.9	3.9	4.9	5.3	5.
Gross Profit	$ 1.2	1.1	1.5	2.0	2.3	2.5	2.5
SARE	$ .4	.3	.4	.5	.7	.8	.
Other Income	$						
Div. Contribution	$ .8	.8	1.1	1.5	1.6	1.7	1.7
Corp. Net Income	$ .3	.3	.5	.8	.9	.7	.
Selling Price/lb.	1.02	.97	.92	.88	.84	.79	.79
Cost of Sales/lb.	.54	.54	.45	.42	.45	.42	.4
As % of Sales:							
Gross Profit	47.0	44.1	50.8	52.0	47.0	47.2	47.
SARE	16.0	13.8	12.5	13.6	14.3	15.1	15.1
Net Income	12.5	12.7	17.8	20.5	18.4	13.2	13.2
$ Sales/$ Invest.	1.49	.88	1.09	1.30	1.32	1.06	1.0
For Sales:							
% ROI (Corp. Net)	18.6	11.2	20.0	24.9	24.3	14.0	14.
Gross Invest:							
Sales	$ 1.8	2.7	2.7	3.0	3.7	5.0	5.
Internal Use	$						
Total	$ 1.8	2.7	2.7	3.0	3.7	5.0	5.0
Capacity - MM lbs:							
Sales	2.6	2.5	3.2	4.5	5.8	6.7	6.7
Internal Use							
Excess	.4	2.3	1.6	(.3)	.1		
Total	3.0	4.8	4.8	4.2	5.9	6.7	6.7

The year 1966 witnessed an increase in net income due to higher volume. Long range prospects for this product are very favorable, however, the ROI will decline from the 1965/66 peak due to continued price attrition.

Capacity was expanded in 1966 to 5.9MM lbs./yr. and a project is currently under study to expand capacity to 8-10MM lbs./yr. by 1968 to keep pace with increased poultry consumption and shortages of natural methronine the chief competitive product.

SANTOQUIN LIQUID
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 1.5	1.9	2.7	3.3	3.7	4.1	5.
Gross Profit	$ .8	1.1	1.7	2.1	2.3	2.5	3.
SARE	$ .2	.2	.3	.4	.3	.6	.
Other Income	$						
Div. Contribution	$ .6	.9	1.4	1.7	2.0	1.9	2.
Corp. Net Income	$ .2	.4	.6	.9	1.0	1.0	1.
Selling Price/lb.	$ 1.08	1.04	1.00	1.03	1.03	.98	.9
Cost of Sales/lb.	$ .50	.42	.38	.37	.39	.38	.3
As % of Sales:							
Gross Profit	53.8	60.1	62.1	64.1	62.1	61.0	61.
SARE	16.0	13.8	12.5	13.6	14.3	15.1	13.
Net Income	15.9	20.9	24.0	27.8	27.0	24.4	25.
$ Sales/$ Invest.	.92	.78	.85	.82	.84	.90	1.1
For Sales:							
% ROI (Corp. Net)	14.6	16.4	20.3	22.9	22.7	22.2	27.
Gross Invest:							
Sales	1.7	2.4	3.2	4.0	4.4	4.5	4.
Internal Use	.7	.8	.7	.8	.9	.9	.
Total	2.4	3.2	3.9	4.8	5.3	5.4	5.
Capacity - MM lbs:							
Sales	1.4	1.8	2.7	3.1	3.6	4.2	5.
Internal Use	.8	.9	1.0	1.2	1.2	1.1	1.1
Excess	2.8	2.3	1.7	1.8	1.4	1.1	
Total	5.0	5.0	5.4	6.1	6.2	6.4	6.4

Return on investment maintained its high level of return (22.7%) in 1966, and future projections indicate the same pattern will prevail.

Market development work is in progress to expand Santoquin into new markets, such as preservation of fish meal. Potential sales in this market are believed to range from $1MM to $3MM annually in Peru, this technology could also be applied to domestic fish meal production with an added $.4MM potential.

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BLASTING AGENTS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	5.2	5.8	7.7	10.7	12.3	13.0
Gross Profit	1.6	1.8	2.3	2.8	2.9	2.9
SARE	.5	.6	.8	.7	.9	.9
Other Income						
Division Contribution	1.1	1.2	1.5	2.1	2.0	2.0
Corp. Net Income	.4	.4	.6	1.1	.9	.6
As % of Sales:						
Gross Profit	30.8	31.0	29.9	26.2	23.6	22.3
SARE	9.6	10.3	10.4	6.5	7.3	6.9
Corp. Net Income	7.7	6.9	7.8	10.3	7.3	4.6
$ Sales/$ Invest.	.49	.54	.71	.76	.79	.75
% ROI - Corp. Net Income	3.7	3.7	5.6	7.9	6.1	3.5
Gross Investment	10.7	10.8	10.8	14.0	14.8	17.2

The major product reported for the Blasting Agents product group is as follows:

AN/FO
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$	1.0	1.6	4.3	6.9	8.6	11.5	14.4
Gross Profit	$	.2	.3	1.2	1.8	2.1	2.6	3.3
SARE	$	.1	.2	.4	.5	.6	.8	.9
Other Income	$							
Div. Contribution	$	.1	.1	.8	1.3	1.5	1.8	2.4
Corp. Net Income	$			.3	.6	.7	.6	.8
Selling Price/Ton	$	87	87	87	93	102	112	112
Cost of Sales/Ton	$	70	71	63	68	77	86	86
As % of Sales:								
Gross Profit		20.0	18.8	27.9	26.1	24.4	22.6	22.6
SARE		10.0	12.5	9.3	7.2	7.0	7.0	6.3
Net Income				7.0	8.7	8.1	5.2	5.6
$ Sales/$ Invest.		.83	.84	.84	.92	.96	.96	1.19
For Sales:								
% ROI (Corp. Net)				5.9	8.0	7.8	5.0	6.4
Gross Invest:								
Sales	$	1.2	1.9	5.1	7.5	8.9	12.0	12.5
Internal Use	$							
Total	$	1.2	1.9	5.1	7.5	8.9	12.0	12.5
Capacity - M Tons:								
Sales		11.5	18.3	49.5	74.5	83.9	103.0	128.7
Internal Use								
Excess		2.9	4.6	12.4	18.6	21.0	25.7	
Total		14.4	22.9	61.9	93.1	104.9	128.7	128.7

The market for ANFO based explosives is rapidly changing, and has replaced dynamite in most large volume uses. Monsanto is a leading marketer of ANFO based explosives, as operations are performed from a network of 15 ANFO plants throughout the country serving the coal and metal mining areas.

Return on investment on AN/FO falls in the intermediate return category, and long range projections indicate that this trend will continue. Sale of ammonium nitrate into the AN/FO market results in an improved ROI over alternate fertilizer sales.

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PESTICIDES - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	22.4	29.0	37.5	50.2	57.1	74.1
Gross Profit	8.0	11.2	16.6	24.4	26.7	40.3
SARE	2.3	2.9	3.6	5.8	7.8	8.3
Other Income		.1	.1			
Division Contribution	5.7	8.4	13.1	18.6	18.9	32.0
Corp. Net Income	2.3	3.5	5.7	9.6	9.4	15.3
As % of Sales:						
Gross Profit	35.7	38.6	44.3	48.6	46.8	54.3
SARE	10.3	10.0	9.6	11.6	13.7	11.2
Corp. Net Income	10.3	12.1	15.2	19.1	16.5	20.6
$ Sales/$ Invest.	.65	.70	.78	.77	.77	.74
% ROI - Corp. Net Income	6.7	8.4	11.8	14.6	14.2	18.7
Gross Investment	34.2	41.5	48.1	65.6	66.4	81.9

Major products reported for the Pesticides product group are as follows:

PARATHIONS
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 9.9	12.7	14.1	18.0	14.1	20.6	26.
Gross Profit	$ 4.9	6.8	7.5	10.5	6.8	10.4	13.
SARE	$ 1.6	1.8	1.8	2.1	1.8	2.2	2.
Other Income	$						
Div. Contribution	$ 3.3	5.0	5.7	8.4	5.0	8.2	10.
Corp. Net Income	$ 1.4	2.2	2.7	4.5	2.5	4.1	5.3
Selling Price/lb.	$ .65	.64	.60	.60	.57	.54	.5
Cost of Sales/lb.	$ .33	.30	.29	.25	.29	.27	.2
As % of Sales:							
Gross Profit	49.4	53.2	52.8	58.1	48.2	50.0	50.
SARE	16.0	14.5	12.8	11.6	12.8	10.7	9.
Net Income	13.8	17.1	19.1	25.0	17.7	19.9	20.
$ Sales/$ Invest.	.69	.79	.76	.76	.56	.81	.9
For Sales:							
% ROI (Corp. Net)	9.5	13.6	14.4	18.9	10.0	16.1	20.
Gross Invest:							
Sales	$ 14.4	16.1	18.7	23.8	25.0	25.4	26.
Internal Use	$		.7		.8	.8	.
Total	$ 14.4	16.1	19.4	23.8	25.8	26.2	27.
Capacity - MM lbs:							
Sales	15.3	19.8	23.4	30.3	24.7	37.9	48.
Internal Use			1.2		1.2	1.4	1.
Excess	5.1	(.3)	(.8)	5.7	16.1	10.7	
Total	20.4	19.5	23.8	36.0	42.0	50.0	50.

Return on investment in the Parathion family declined in 1966 due to reduced cotton acreage in the U.S. and a generally poor cotton insecticide year both in the U.S. and in the export markets.

Further expansion of Parathion capacity to 50MM lbs./yr. is in progress at Anniston, and will be on stream for 1967 sales. The long range outlook for Parathion still remains favorable, although competitive pressures from foreign imports have resulted in a market price reduction in 1967.

RAMROD 20G
($ in Millions)

		Actual				1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$				3.3	11.3	14.2
Gross Profit	$				1.3	7.1	9.0
SARE	$				.4	1.2	1.3
Other Income	$						
Div. Contribution	$				.9	5.9	7.7
Corp. Net Income	$				.5	3.0	3.8
Selling Price/lb.	$				.38	.38	.38
Cost of Sales/lb.	$				.23	.14	.14
As % of Sales:							
Gross Profit					39.4	62.8	62.8
SARE					12.8	10.7	9.2
Net Income					15.2	26.5	26.8
$ Sales/$ Invest.					.59	1.04	1.25
For Sales:							
% ROI (Corp. Net)					8.9	27.5	33.3
Gross Invest:							
Sales	$				5.6	10.9	11.4
Internal Use	$						
Total	$				5.6	10.9	11.4
Capacity - MM lbs:							
Sales					8.8	29.8	37.3
Internal Use							
Excess					2.2	7.5	
Total					11.0	37.3	37.3

Ramrod is a highly profitable product with a return on investment over the next five years forecast to range from a 26% minimum to a potential of 40%.

Major expansion at the Muscatine plant (CIPA) and at the Krummrich Plant (NIPA) have been undertaken to fully exploit this product line which will be the major source of new profit growth over the next five years. This program will provide the necessary facilities to achieve forecast sales and, in addition, will provide reserve capacity to permit full exploitation of the corn/soybean herbicide market which has a realistic sales potential of $80MM.

RAMROD 65 WP
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$					1.1	7.0	8.[illegible]
Gross Profit	$					.5	4.7	5.[illegible]
SARE	$					.1	.7	.[illegible]
Other Income	$							
Div. Contribution	$					.4	4.0	5.[illegible]
Corp. Net Income	$					.2	2.0	2.[illegible]
Selling Price/lb.	$					1.11	1.40	1.4[illegible]
Cost of Sales/lb.	$					.67	.46	.4[illegible]
As % of Sales:								
Gross Profit						45.5	67.1	67.[illegible]
SARE						12.8	10.7	9.[illegible]
Net Income						18.2	28.5	29.[illegible]
$ Sales/$ Invest.						.73	1.49	1.7[illegible]
For Sales:								
% ROI (Corp. Net)						13.3	42.5	52.[illegible]
Gross Invest:								
Sales	$					1.5	4.7	5.[illegible]
Internal Use	$							
Total	$					1.5	4.7	5.[illegible]
Capacity - MM lbs:								
Sales						.9	5.0	6.3
Internal Use								
Excess						.2	1.3	
Total						1.1	6.3	6.3

Ramrod WP, another member of the Ramrod/Randox family of herbicides also has an ROI potential in the 26-40% range.

The major raw material expansions at Muscatine and Krummrich, discussed previously, (Ramrod 20 G) also pertain to this highly profitable product. The major uses are the same, the only difference being that Ramrod WP is a spray and contains 65% active material, and its sister product, Ramrod 20 G, contains only 20% active material.

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RANDOX GRANULAR
($ in Millions)

		Actual				1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.4	2.3	4.5	8.1	12.1	12.6	15.6
Gross Profit	$ .4	.9	2.0	4.7	6.8	7.5	9.3
SARE	$ .2	.3	.6	.9	1.5	1.3	1.4
Other Income	$						
Div. Contribution	$ .2	.6	1.4	3.8	5.3	6.2	7.9
Corp. Net Income	$ .1	.3	.7	2.0	2.6	3.1	4.0
Selling Price/lb.	$ .30	.32	.32	.34	.34	.35	.35
Cost of Sales/lb.	$ .20	.19	.18	.14	.15	.14	.14
As % of Sales:							
Gross Profit	31.9	40.6	44.5	58.8	56.2	59.5	59.5
SARE	16.0	13.8	12.5	11.8	12.8	10.7	9.0
Net Income	5.0	11.0	14.9	25.3	21.5	24.6	25.6
$ Sales/$ Invest.	.64	.67	.74	1.14	1.57	1.54	1.79
For Sales:							
% ROI (Corp. Net)	3.2	7.4	11.0	28.8	33.8	37.8	45.9
Gross Invest:							
Sales	$ 2.2	3.4	6.1	7.1	7.7	8.2	8.7
Internal Use	$						
Total	$ 2.2	3.4	6.1	7.1	7.7	8.2	8.7
Capacity - MM lbs:							
Sales	4.7	7.2	14.1	23.7	35.1	35.8	44.7
Internal Use							
Excess	7.7	5.2	9.2	15.6	8.8	8.9	
Total	12.4	12.4	23.3	39.3	43.9	44.7	44.7

Return on investment and net income made substantial increases in 1966. The Ramrod/Randox family of products will be the major contributor to future growth of the Division, however, it is expected that sustained growth will be in Ramrod, while Randox sales will show a gradual decline due to the better performance and higher profitability of Ramrod.

<u>RANDOX LIQUID</u>
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap't
Sales	$	.8	.8	.9	1.1	1.2	1.1	2.
Gross Profit	$	.3	.3	.4	.5	.7	.6	1.
SARE	$	.1	.1	.1	.1	.1	.1	.
Other Income	$							
Div. Contribution	$	.2	.2	.3	.4	.6	.5	1.
Corp. Net Income	$			.1	.2	.3	.3	.
Selling Price/Gal.	$	5.57	5.82	6.17	6.71	6.84	6.86	6.8
Cost of Sales/Gal.	$	3.71	3.89	3.40	3.30	2.80	2.88	2.8
As % of Sales:								
Gross Profit		33.3	33.1	45.0	50.8	58.3	54.5	54.
SARE		16.0	13.8	12.5	11.6	12.8	10.7	9.
Net Income		5.6	7.4	15.2	20.7	25.0	27.3	23.
$ Sales/$ Invest.		.88	.81	1.11	1.12	1.00	.92	1.5
For Sales:								
% ROI (Corp. Net)		5.0	6.0	16.8	23.2	25.0	25.0	35.
Gross Invest:								
Sales	$	.9	1.0	.8	.9	1.2	1.2	1.
Internal Use	$							
Total	$	.9	1.0	.8	.9	1.2	1.2	1.
Capacity - MM Gals:								
Sales		.1	.1	.1	.1	.2	.2	.
Internal Use								
Excess		.1	.1	.2	.2	.1	.1	
Total		.2	.2	.3	.3	.3	.3	.3

This formulated herbicide has shown excellent growth, with return on investment now at 25% in 1966. Long range projections however show a gradual decline in sales of this product, as was the case for its sister product, Randox Granular. This decline is again due to the higher performance and profitability of Ramrod.

ROGUE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ .6	2.1	2.9	3.6	5.1	4.4	13.9
Gross Profit	$ .3	1.4	2.1	2.5	3.6	2.8	8.8
SARE	$ .1	.3	.4	.4	.6	.5	.8
Other Income	$						
Div. Contribution	$ .2	1.1	1.7	2.1	3.0	2.3	8.0
Corp. Net Income	$ .1	.5	.9	1.1	1.5	1.2	4.0
Selling Price/Gal.	$10.77	10.80	10.36	10.25	10.20	7.33	7.33
Cost of Sales/Gal.	$ 4.23	3.51	2.90	3.11	3.00	2.67	2.67
As % of Sales:							
Gross Profit	60.7	67.5	72.0	69.6	70.5	63.6	63.6
SARE	16.0	13.8	12.5	11.6	12.8	10.7	5.8
Net Income	19.3	24.1	29.2	32.0	29.4	27.3	28.8
$ Sales/$ Invest.	.45	.56	.79	.81	.94	.73	1.85
For Sales:							
% ROI (Corp. Net)	8.7	13.5	23.0	25.8	27.8	20.0	53.3
Gross Invest:							
Sales	$ 1.2	3.7	3.7	4.4	5.4	6.0	7.5
Internal Use	$						
Total	$ 1.2	3.7	3.7	4.4	5.4	6.0	7.5
Capacity - MM Gals:							
Sales	.1	.2	.3	.3	.5	.6	1.9
Internal Use							
Excess	.2	.2	.1	.5	1.4	1.3	
Total	.3	.4	.4	.8	1.9	1.9	1.9

This product made an excellent contribution to division profits and produced a 27.8% return on investment in 1966. It has achieved widespread acceptance by rice growers for post-emergence treatment of barnyard grass and certain broadleaf weeds, and has very little competition in this area.

The Rogue patent remains in litigation and the 1967 budget reflects competition from imported material. The current outlook indicates that the patent status will be resolved in Monsanto's favor as early as 1968 or as late as 1970. When the patent is resolved, net income should approximate double that of 1966.

0633731

2,4-D ACID
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 2.6	2.8	3.4	3.1	3.7	3.1	5.0
Gross Profit	$ .6	.6	1.0	1.0	1.1	.8	1.3
SARE	$ .4	.4	.4	.4	.5	.4	.5
Other Income	$						
Div. Contribution	$ .2	.2	.6	.6	.6	.4	.8
Corp. Net Income	$	.1	.3	.3	.3	.2	.4
Selling Price/lb.	$ .28	.28	.28	.28	.28	.27	.27
Cost of Sales/lb.	$ .22	.22	.20	.19	.20	.20	.20
As % of Sales:							
Gross Profit	21.9	21.7	29.9	32.0	29.7	25.8	25.8
SARE	16.0	13.8	12.5	11.6	12.8	10.7	10.0
Net Income		1.9	7.4	9.3	8.0	6.5	8.0
$ Sales/$ Invest.	.51	.53	.62	.50	.55	.46	.71
For Sales:							
% ROI (Corp. Net)		1.0	4.5	4.6	4.5	3.0	5.7
Gross Invest:							
Sales	$ 5.2	5.3	5.5	6.2	6.7	6.7	7.0
Internal Use	$ 2.3	2.1	2.2	1.9	2.3	2.3	2.3
Total	$ 7.5	7.4	7.7	8.1	9.0	9.0	9.3
Capacity - MM lbs:							
Sales	9.5	9.9	12.0	10.9	13.0	11.6	18.4
Internal Use	5.0	6.9	7.1	5.5	7.0	7.2	7.2
Excess	4.7	2.4	.1	4.6	3.1	6.8	
Total	19.2	19.2	19.2	21.0	23.1	25.6	25.6

The 4.5% return on investment in 1966 represents a modest return for the year, and again bears out the effect of the reduced cost of Dichlorophenol and its intermediates.

Government use of 2,4-D mixtures in Vietnam is the major factor influencing current outlook. D acid products will be in short supply for 1967 as a result of increased government demand, and it is expected that the 1967 budget for government sales will be exceeded.

0633732

2,4,5-T ACID
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.7	1.7	1.3	1.6	1.5	1.5	3.8
Gross Profit	$ .4	.1	.4	.6	.5	.6	1.5
SARE	$ .2	.2	.2	.2	.2	.2	.3
Other Income	$						
Div. Contribution	$ .2	(.1)	.2	.4	.3	.4	1.2
Corp. Net Income	$	(.1)	.1	.2	.2	.2	.6
Selling Price/lb.	$ .91	.84	.84	.84	.83	.88	.88
Cost of Sales/lb.	$ .67	.79	.61	.52	.56	.53	.53
As % of Sales:							
Gross Profit	26.3	6.8	27.2	38.3	33.3	30.0	30.0
SARE	16.0	13.8	12.5	11.6	12.8	10.7	7.9
Net Income	2.3	(5.3)	6.0	11.0	13.3	13.3	15.8
$ Sales/$ Invest.	.85	.66	.52	.62	.44	.44	1.00
For Sales:							
% ROI (Corp. Net)	1.9	(3.5)	3.1	6.3	5.9	5.9	15.8
Gross Invest:							
Sales	$ 2.0	2.5	2.6	2.8	3.4	3.4	3.8
Internal Use	$ .9	.4	1.2	1.7	1.4	1.4	1.4
Total	$ 2.9	2.9	3.8	4.5	4.8	4.8	5.2
Capacity - MM lbs:							
Sales	1.8	1.9	1.6	1.9	1.8	1.7	4.3
Internal Use	1.0	.6	1.3	2.3	1.8	1.8	1.8
Excess	(.6)	.3	1.1	.6	1.3	2.6	
Total	2.2	2.8	4.0	4.8	4.9	6.1	6.1

Return on investment was 5.9% in 1966, down slightly from the comparable 1965 ROI, but still a marked improvement over prior years. Over the 5 year period, cost reductions more than offset sales price decreases, and anticipated improvement in raw material yields will further reduce costs in 1967.

Government use of 2,4,5-T mixtures in Vietnam is the major factor influencing current outlook. T products will be in short supply for 1967 as a result of increased government demand, and it is expected that the 1967 budget for government sales will be exceeded.

PLANT FOODS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	38.8	40.1	38.5	41.4	57.5	61.5(1
Gross Profit	13.0	13.1	14.4	13.9	20.4	13.6(2
Station Distr.					1.0	.9
SARE	4.0	4.0	4.0	2.5	2.9	3.1
Other Income	.1	.1	.1	.2	.7	
Division Contribution	9.1	9.2	10.5	11.6	17.2	9.6
Corp. Net Income	3.4	3.4	3.9	4.8	8.4	3.2
As % of Sales:						
Gross Profit	33.5	32.7	37.4	33.6	35.5	30.0
SARE	10.3	10.0	10.4	6.0	5.0	6.6
Corp. Net Income	8.8	8.5	10.1	11.6	14.6	6.8
$ Sales/$ Invest.	.47	.48	.45	.50	.54	.45
% ROI - Corp. Net Income	4.1	4.1	4.6	5.3	7.9	3.0
Gross Investment	82.3	83.1	85.4	89.9	106.8	105.0

Major products reported for the Plant Foods product group are as follows:

	Page
Ammonium Nitrate	20
Anhydrous Ammonia	21
Concentrated Nitric Acid	22
DAP 18-46-0	23
Nitrogen Solution	24

(1) Includes Resale Items of $14.6 - all ratios related to sales exclude these items.

(2) Includes Loss on Resale Items of $.5M.

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AMMONIUM NITRATE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 17.9	17.6	17.6	16.7	15.7	13.4	17.8
Gross Profit	$ 5.9	6.0	6.7	6.0	5.3	4.0	5.2
SARE	$ 1.2	1.3	1.4	1.1	.8	.8	1.0
Other Income	$			.1	.1		
Div. Contribution	$ 4.7	4.7	5.3	5.0	4.6	3.2	4.2
Corp. Net Income	$ 1.6	1.9	2.2	2.2	1.7	1.0	1.4
Selling Price/Ton	$ 57	55	54	53	52	45	45
Cost of Sales/Ton	$ 38	36	34	34	35	32	32
As % of Sales:							
Gross Profit	33.0	33.9	38.0	35.8	33.8	29.9	29.9
SARE	7.0	7.4	7.8	6.3	5.0	6.5	5.6
Net Income	8.8	10.5	12.5	13.0	10.8	7.5	7.9
$ Sales/$ Invest.	.49	.49	.49	.44	.45	.38	.49
For Sales:							
% ROI (Corp. Net)	4.3	5.2	6.1	5.8	4.9	2.8	3.9
Gross Invest:							
Sales	$ 36.8	35.6	35.9	37.6	35.0	35.6	36.3
Internal Use	$ 1.2	2.1	4.4	7.1	10.7	10.4	10.4
Total	$ 38.0	37.7	40.3	44.7	45.7	46.0	46.7
Capacity - Tons:							
Sales	317	319	324	317	298	300	395
Internal Use	10	17	47	72	113	116	116
Excess	162	132	95	107	70	95	
Total	489	468	466	496	481	511	511

Return on investment declined to 4.9% in 1966 due to continued price attrition and slightly higher manufacturing costs.

While the long range outlook for ammonium nitrate is unfavorable, as indicated by the 1967 budget, current operations indicate that capacity will be sold out during Spring 1967 and the budget as presented will be exceeded. Marketing efforts are being devoted to channeling nitrate into the Blasting Agents market as fertilizer markets for ammonium nitrate are replaced by ammonia and 18-46-0.

0633735

ANHYDROUS AMMONIA
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 13.0	10.7	10.0	13.6	16.3	13.9	18.[illegible]
Gross Profit	$ 5.6	4.6	4.6	6.0	8.2	6.1	8.[illegible]
Station Distr.	$				1.0	.9	.[illegible]
SARE	$ .9	.8	.8	.9	.8	.9	1.[illegible]
Other Income	$	.1		.1	.5		
Div. Contribution	$ 4.7	3.9	3.8	5.2	6.9	4.3	6.[illegible]
Corp. Net Income	$ 1.8	1.6	1.6	2.5	3.2	1.6	2.[illegible]
Selling Price/Ton	$ 66	68	70	64	61	57	5[illegible]
Cost of Sales/Ton	$ 37	38	38	35	30	32	3[illegible]
As % of Sales:							
Gross Profit	42.8	43.8	45.7	44.4	50.3	43.9	43.[illegible]
SARE	7.0	7.4	7.8	6.3	5.0	6.5	6.[illegible]
Net Income	13.6	15.2	16.4	18.1	19.6	11.5	11.[illegible]
$ Sales/$ Invest.	.43	.59	.56	.55	.62	.56	.7[illegible]
For Sales:							
% ROI (Corp. Net)	5.9	8.9	9.2	10.1	12.3	6.4	7.[illegible]
Gross Invest:							
Sales	$ 30.4	18.2	17.8	24.5	26.1	25.0	25.[illegible]
Internal Use	$ 23.2	37.8	39.7	42.4	42.4	43.8	43.[illegible]
Total	$ 53.6	56.0	57.5	66.9	68.3	68.8	69.[illegible]
Capacity - M Tons:							
Sales	199	157	142	214	267	245	315
Internal Use	304	427	427	472	540	561	561
Excess		4	26	27	67	74	
Total	503	588	595	713	874	880	880

Return on investment increased to 12.3% in 1966 as the full-year effect of the new Kellogg $N4_3$ installation at Luling greatly reduced the cost/ton of end product.

Selling prices of ammonia decreased significantly in 1966 as anticipated because of the increased supply and the lower costs of the new type plants now in operation. Further price deterioration is budgeted for 1967 which accompanied by increased cost in the shipping/warehousing area slashes the budgeted ROI to 6.4%.

0633736

CONCENTRATED NITRIC ACID
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$	2.0	1.8	1.8	2.4	2.5	1.9	2.8
Gross Profit	$	.4	.5	.7	1.1	1.0	.8	1.3
SARE	$	.1	.1	.1	.1	.1	.1	.1
Other Income	$							
Div. Contribution	$	.3	.4	.6	1.0	.9	.7	1.2
Corp. Net Income	$	.1	.2	.2	.4	.4	.2	.4
Selling Price/Ton	$	67	65	60	62	61	58	58
Cost of Sales/Ton	$	54	45	36	32	36	31	31
As % of Sales:								
Gross Profit		20.1	31.0	40.6	48.5	40.0	42.1	42.1
SARE		7.0	7.4	7.8	6.3	5.0	6.5	3.6
Net Income		2.5	8.9	13.8	18.5	16.0	10.5	14.3
$ Sales/$ Invest.		.87	.52	.53	.65	.78	.54	.78
For Sales:								
% ROI (Corp. Net)		2.3	4.8	7.4	12.0	12.5	5.7	11.1
Gross Invest:								
Sales	$	2.3	3.4	3.4	3.6	3.2	3.5	3.6
Internal Use	$	1.6	1.5	1.6	.9	1.6	1.8	1.8
Total	$	3.9	4.9	5.0	4.5	4.8	5.3	5.4
Capacity - M Tons:								
Sales		20	27	30	38	41	33	48
Internal Use		15	16	17	20	21	24	24
Excess		12	2	11		3	15	
Total		47	45	58	58	65	72	72

Return on investment in 1966 reached a satisfactory 12.5% due to the highest sales volume attained over the past 5 years. Budgeted 1967 figures show a sharp decline, due to the diversion of more nitric acid to internal use by the Organic Division for manufacture of nitrated organic compounds and the overall decrease in demand for concentrated nitric acid and upgraded 42° Baume acid.

The long range outlook for this product indicates that more nitric acid will have to be channeled to internal use and new markets exploited since the fall of 1967 will see the termination of the Mobay contract. Over the past years, Mobay has been our major customer for nitric acid and will complete its own plant to meet its requirements this year.

DAP - 18-46-0
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$			1.5	14.8	13.0	25.
Gross Profit	$				3.9	2.6	5.
SARE	$			.1	.7	.8	1.
Other Income	$						
Div. Contribution	$			(.1)	3.2	1.8	4.
Corp. Net Income	$			(.1)	1.2	.5	1.
Selling Price/Ton	$			75	75	74	7
Cost of Sales/Ton	$			74	55	59	5
As % of Sales:							
Gross Profit					26.4	20.0	20.
SARE				6.3	5.0	6.5	4.
Net Income					8.1	3.8	5.
$ Sales/$ Invest.				.30	1.44	1.36	1.9
For Sales:							
% ROI (Corp. Net)					11.7	5.3	9.
Gross Invest:							
Sales	$			5.0	10.3	9.5	14.
Internal Use	$						
Total	$			5.0	10.3	9.5	14.
Capacity - Tons:							
Sales				20	197	176	35
Internal Use							
Excess				35	34	174	
Total				55	231	350	350

In the year 1966, the first full year of operation of the DAP plant at Luling the return on investment exceeded the request level of 9%.

P_2O_5 shortages and price increases deteriorate 1967 budgeted ROI and will continue to affect product profitability until we become basic in this raw material. A mineral acquisition program is underway with the objective of securing 60MM tons of phosphate ore reserves, to be followed with mining and P_2O_5 manufacturing facilities by 1971.

Current capacity is limited by the availability of P_2O_5, but will ease somewhat by mid-1968 based on a new supplier contract.

Long range projections, once we become basic in P_2O_5, warrant a 10-12% return on investment.

NITROGEN SOLUTIONS
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 6.1	6.7	5.4	5.0	3.9	3.2	12.8
Gross Profit	$ 2.1	2.4	2.0	1.8	1.2	.7	2.9
SARE	$ .4	.4	.4	.3	.2	.2	.5
Other Income	$						
Div. Contribution	$ 1.7	2.0	1.6	1.5	1.0	.5	2.4
Corp. Net Income	$ .6	.8	.7	.7	.4	.2	.8
Selling Price/Ton	$ 51	48	49	47	46	44	44
Cost of Sales/Ton	$ 34	30	30	30	32	34	34
As % of Sales:							
Gross Profit	34.4	36.6	37.2	36.1	30.8	22.6	22.6
SARE	7.0	7.4	7.8	6.3	5.0	6.5	3.9
Net Income	9.6	11.7	12.1	13.1	10.3	6.3	6.3
$ Sales/$ Invest.	.39	.44	.40	.43	.34	.27	.97
For Sales:							
% ROI (Corp. Net)	3.7	5.1	4.8	5.7	3.4	1.7	6.1
Gross Invest:							
Sales	$ 15.6	15.2	13.6	11.4	11.6	11.7	13.2
Internal Use	$						
Total	$ 15.6	15.2	13.6	11.4	11.6	11.7	13.2
Capacity - M Tons:							
Sales	118	140	111	106	84	73	290
Internal Use							
Excess	202	150	179	184	206	217	
Total	320	290	290	290	290	290	290

Return on investment in 1966 decreased further to 3.4%. Return is forecast as declining from now on due to diversion of all available ammonia and nitric acid to more profitable uses and the decrease in demand for this type of product.

RETAIL OPERATIONS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales			5.8	16.6	37.1	55.2
Gross Profit			1.3	3.6	8.0	13.9
Station Distr.			2.5	5.1	9.8	10.8
SARE			.4	1.2	1.6	2.5
Other Income						
Division Contribution			(1.6)	(2.7)	(3.4)	.6
Corp. Net Income			(1.0)	(1.9)	(2.8)	(.3)
As % of Sales:						
Gross Profit			21.6	21.6	21.6	25.2
SARE			6.9	7.2	4.3	4.5
Corp. Net Income			(17.2)	(11.4)	(7.5)	(.5)
$ Sales/$ Invest.			.75	1.01	1.32	1.42
% ROI - Corp. Net Income			(13.0)	(11.5)	(10.0)	(.8)
Gross Investment			7.7	16.5	28.1	38.8

This product group was established in 1964 to operate all phases of a distribution systems for the direct retailing of the divisions' products. All such products are transferred to this group at wholesale selling prices so that group results represent only the retailing operation.

The growth in this area has been such that 138 MAC's were in operation in the year ended December 1966, with 152 to be fully operative for the 1967 spring selling season. These figures are comparable to the 82 in operation for the same period in 1965 and 40 the previous year.

This rapid growth with its attendant development organization and start-up cost has prevented the program from reaching the break-even point as yet. However, as the number of mature stations increase, steady progress toward that point is apparent. Long range projections indicate that a stable base of 250 stations will be reached by 1970 at which time ROI will trend upward to 5-6% at retail level.

0633740

HYDROCARBONS AND POLYMERS DIVISION
Division Profitability
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales (1)	209.4	229.3	238.4	252.3	268.6	273.4
Division Contribution	7.0	9.5	23.6	33.1	36.4	37.1
Corp. Net Income	1.2		5.6	10.4	12.1	12.2
Corp. Net Income as % of Sales	.6		2.3	4.1	4.5	4.5
$ Sales/$ Investment	.51	.55	.59	.60	.58	.56
% ROI - Corp. Net Income	.3		1.4	2.5	2.6	2.5
Gross Investment	406.8	416.5	407.2	418.4	466.0	484.6

(1) Net of intergroup eliminations.

Product Group - % Return:	1962	1963	1964	1965	1966	1967 Budget
Ethylene & Co-Products	(12.1)	(6.9)	(2.7)	.9	(.8)	
Monomers	4.8	3.8	3.9	4.1	2.8	1.8
Polymers	(.8)	(2.2)	.3	2.3	2.7	2.9
Production & Exploration	3.7	3.0	3.4	2.2	4.7	4.2
Refinery & Marketing	(.4)	.9	(.4)	.8	.4	1.1

In 1966 investment in the divisions' products earned the following rates of return:

	% of Total Investment
Loss	31.0
0 to 3%	12.1
3 to 5%	31.9
Over 5%	25.0

Product groups are reported on the following pages:

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Major products reported comprise 100% of the divisions' investment in 1966.

0633741

ETHYLENE & CO-PRODUCTS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap't
Sales	$ 3.9	13.3	17.9	19.6	20.5	19.2	19.
Gross Profit	$(5.3)	(2.8)	1.0	2.3	1.4	2.0	2.
SARE	$ 2.3	1.4	1.4	1.0	.9	.9	.
Other Income	$	.2	.2	.2	.2	.1	.
Div. Contribution	$(7.6)	(4.0)	(.2)	1.5	.7	1.2	1.
Corp. Net Income	$(4.1)	(2.3)	(.8)	.2	(.2)		
For Ethylene Only:							
Selling Price/lb.	$	.048	.048	.040	.039	.040	.04
Cost of Sales/lb.	$	.048	.040	.036	.034	.029	.02
As % of Sales:							
Gross Profit		(21.1)	5.6	11.7	6.8	10.4	10.
SARE	59.0	10.5	7.8	5.1	4.4	4.6	4.
Net Income		(17.3)	(4.5)	1.0	(1.0)		
$ Sales/$ Invest.	.12	.40	.60	.84	.79	.74	.7
For Sales:							
% ROI (Corp. Net)	(12.1)	(6.9)	(2.7)	.9	(.8)		
Gross Invest:							
Sales	$ 33.8	33.3	29.4	23.4	25.8	25.8	25.
Internal Use	$ 55.8	62.7	60.9	62.8	60.4	69.1	69.
Total	$ 89.6	96.0	90.3	86.2	86.2	94.9	94.
Capacity - MM lbs:							
Sales		56.6	78.5	117.5	125.7	85.0	85.
Internal Use	335.9	399.9	488.2	515.5	549.9	622.2	622.
Excess	(87.6)	144.9	33.3	(52.5)	(65.6)		
Total	248.3	601.4	600.0	580.5	610.0	707.2	707.2

The portion of products used captively continues to rise, restraining sales. Hence, significant cost improvements from improved mechanical performance and higher operating rates will only be revealed in down-stream product areas. Although major added ethylene capacity will be completed in the industry in 1967, our major products are all placed. Some price declines will be noted later in 1967 in ethylene and benzene, with partial offsets in butylenes and xylenes.

MONOMERS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	43.6	49.6	53.3	54.0	57.0	54.7
Gross Profit	11.4	11.0	11.2	13.5	11.8	10.2
SARE	2.1	2.2	2.2	2.6	2.7	2.6
Other Income	.3	.6	.5	.6	.5	.7
Division Contribution	9.6	9.4	9.5	11.5	9.6	8.3
Corp. Net Income	4.1	3.3	3.5	4.3	3.4	2.1
As % of Sales:						
Gross Profit	26.1	22.2	21.0	24.9	20.7	18.6
SARE	4.8	4.4	4.1	4.7	4.7	4.8
Corp. Net Income	9.4	6.7	6.6	8.0	6.0	3.8
$ Sales/$ Invest.	.51	.57	.59	.51	.47	.47
% ROI - Corp. Net Income	4.8	3.8	3.9	4.1	2.8	1.8
Gross Investment	86.3	87.6	89.6	104.9	121.1	115.4

Major products reported for the Monomers product group are as follows:

0633743

ACRYLONITRILE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 9.1	11.4	10.1	15.3	16.8	19.9	32.
Gross Profit	$ 1.3	1.9	1.8	4.3	1.8	1.6	7.
SARE	$ .6	.6	.6	.7	1.0	1.0	1.
Other Income	$ .1	.3	.2	.1	.2	.2	.
Div. Contribution	$ .8	1.6	1.4	3.7	1.0	.8	7.
Corp. Net Income	$ .3	.5	.4	1.3	(.3)	(.8)	2.
Selling Price/lb.	$ .147	.145	.165	.162	.122	.113	.11
Cost of Sales/lb.	$ .125	.121	.137	.115	.110	.103	.0[illegible]
As % of Sales:							
Gross Profit	14.3	16.7	17.8	28.1	10.7	8.0	24.
SARE	6.6	5.3	5.9	4.6	6.0	5.0	3.
Net Income	3.3	4.4	4.0	8.5	(1.8)	(4.0)	7.
$ Sales/$ Invest.	.37	.43	.44	.40	.31	.32	.5
For Sales:							
% ROI (Corp. Net)	1.2	1.9	1.7	3.4	(.5)	(1.3)	3.
Gross Invest:							
Sales	$ 24.9	26.8	23.2	38.2	55.0	61.5	62.
Internal Use	$ 18.6	19.5	34.3	48.6	44.4	38.1	38.
Total	$ 43.5	46.3	57.5	86.8	99.4	99.6	100.
Capacity - MM lbs:							
Sales	55.1	74.8	56.3	90.4	135.0	179.7	292.
Internal Use	48.0	65.5	92.3	150.2	131.1	137.5	137.
Excess	(5.6)	(35.3)	(38.5)	(24.4)	91.4	112.8	
Total	97.5	105.0	110.1	216.2	357.5	430.0	430.[illegible]

Monsanto achieved the position of being the world's largest AN producer when AN-3 came onstream at Chocolate Bayou in May. A sharp drop in captive demand for textiles, and a progressively softening world market as the year progressed led to price decreases and demands below budget. Profitability suffered as a result and AN-3 was shut down in December as a result of high inventories and low demand projections.

A detailed study highlighted the need for a plant in the U.K. beginning in 1969-70 in connection with plans to shutdown our Texas City plant in late 1969.

Programs advanced to utilize a new catalyst giving higher yields in the Chocolate Bayou plants and on recovery of HCN from these plants for use and sale.

BUTADIENE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.6	6.3	8.1	7.9	8.3	7.9	7.9
Gross Profit	$(.7)	(.3)	(.1)	1.1	1.7	1.4	1.4
SARE	$	.3	.4	.4	.4	.4	.4
Other Income	$					.1	.1
Div. Contribution	$(.7)	(.6)	(.5)	.7	1.3	1.1	1.1
Corp. Net Income	$(.5)	(.4)	(.6)	.1	.5	.3	.3
Selling Price/lb.	$ .100	.094	.087	.086	.086	.084	.084
Cost of Sales/lb.	$ .142	.098	.089	.075	.069	.069	.069
As % of Sales:							
Gross Profit	(43.8)	(4.8)	(1.2)	13.9	20.5	17.7	17.7
SARE		4.8	4.9	5.1	4.8	5.1	5.1
Net Income	(31.3)	(6.3)	(7.4)	1.3	6.0	3.8	3.8
$ Sales/$ Invest.	.13	.64	.61	.60	.62	.64	.64
For Sales:							
% ROI (Corp. Net)	(3.9)	(4.1)	(4.5)	.8	3.8	2.4	2.4
Gross Invest:							
Sales	$ 12.7	9.8	13.2	13.1	13.3	12.4	12.4
Internal Use	$	.4	.5	.6	.6	1.1	1.1
Total	$ 12.7	10.2	13.7	13.7	13.9	13.5	13.5
Capacity - MM lbs:							
Sales	15.9	66.8	92.3	92.5	95.6	94.2	94.2
Internal Use		3.5	3.8	5.6	6.2	10.2	10.2
Excess	(2.6)	10.3	(15.5)	(18.1)	(6.5)		
Total	13.3	80.6	80.6	80.0	95.3	104.4	104.4

Higher volume and prices resulted in over budget profits. Some purchases were required due to Chocolate Bayou plant turnaround.

Although the price held generally firm throughout the year, it is expected some declines will be experienced in 1967 and 1968 due to increased availability of by-product material and possibly imports.

METHANOL
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap't
Sales	$ .3	.3	.3	.7	.8	.1	.
Gross Profit	$ .1	.1	.1	.2	.2		
SARE	$						
Other Income	$						
Div. Contribution	$ .1	.1	.1	.2	.2		
Corp. Net Income	$			.1	.1		
Selling Price/lb.	$ .036	.038	.032	.031	.034	.030	.03
Cost of Sales/lb.	$ .024	.026	.027	.022	.025	.022	.02
As % of Sales:							
Gross Profit	33.3	33.3	33.3	28.6	25.0		
SARE							
Net Income				14.3	12.5		
$ Sales/$ Invest.	.50	.75	.60	1.00	.89	.33	.3
For Sales:							
% ROI (Corp. Net)				14.3	11.1		
Gross Invest:							
Sales	.6	.4	.5	.7	.9	.3	.
Internal Use	5.0	5.4	5.3	4.9	5.0	7.1	7.
Total	5.6	5.8	5.8	5.6	5.9	7.4	7.
Capacity - MM lbs:							
Sales	9.4	7.8	9.6	22.0	22.6	4.6	4.
Internal Use	88.5	111.1	124.9	155.7	192.3	226.8	226.
Excess	(11.5)	(32.5)	(48.1)	(91.3)	(128.5)	(80.2)	(80.
Total	86.4	86.4	86.4	86.4	86.4	151.2	151.2

Profit budget was met with slightly higher than budgeted prices and volumes. Due to a general shortage we were forced to withdraw from the merchant market to meet captive requirements. Also, we were forced to import material from Japan in spite of a 15.3¢/gal. duty to meet our demands. Duty drawback will be achieved due to export of methanol derivatives, however.

We are planning a new major sized plant for 1970 in conjunction with the shutdown of the acetylene plant. This new plant will have appreciably lower production costs and put us in the merchant market as a significant factor.

Heyden's share of the plant will be acquired in March, 1967, but will still leave us a net buyer until we get a new plant.

STYRENE MONOMER
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap'ty
Sales	$ 29.2	27.3	28.7	26.8	26.6	24.1	24.1
Gross Profit	$ 10.5	9.6	9.0	7.6	7.6	7.0	7.0
SARE	$ 1.4	1.0	1.0	1.1	1.1	1.1	1.1
Other Income	$ .2	.2	.3	.3	.3	.4	.4
Div. Contribution	$ 9.3	8.8	8.3	6.8	6.8	6.3	6.3
Corp. Net Income	$ 4.3	3.5	3.5	2.9	3.1	2.6	2.6
Selling Price/lb.	$ .101	.095	.085	.076	.076	.076	.076
Cost of Sales/lb.	$ .064	.062	.057	.054	.054	.053	.053
As % of Sales:							
Gross Profit	35.9	35.2	31.4	28.4	28.6	29.0	29.0
SARE	4.8	3.7	3.5	4.1	4.1	4.6	4.6
Net Income	14.7	12.8	12.2	10.8	11.7	10.8	10.8
$ Sales/$ Invest.	.74	.68	.71	.60	.65	.67	.67
For Sales:							
% ROI (Corp. Net)	10.9	8.8	8.7	6.5	7.5	7.3	7.3
Gross Invest:							
Sales	$ 39.4	39.9	40.4	44.5	41.1	35.8	35.8
Internal Use	$ 22.7	25.4	26.2	26.4	29.8	37.4	37.4
Total	$ 62.1	65.3	66.6	70.9	70.9	73.2	73.2
Capacity - MM lbs:							
Sales	299.5	295.7	328.7	327.1	316.0	298.9	298.9
Internal Use	205.4	248.3	303.2	319.3	348.1	440.0	440.0
Excess	11.1	8.0	(64.9)	(28.4)	(14.1)	(38.9)	(38.9)
Total	516.0	552.0	567.0	618.0	650.0	700.0	700.0

Sales performance exceeded budget both in price and in volume giving an over budget profit performance. Capacity was limiting and purchases were required. A 100MM lb./yr. increase in capacity will be available in the third quarter of 1967, but we will still be short of capacity.

World-wide 1967 should see the resolution of our future position in Europe, Spain, Japan and Mexico, including our equity position in Ethyl Synthese and Forth Chemicals, Ltd. Planning will begin on a second plant in the U.S. for the 1970-72 period.

VINYL ACETATE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'y
Sales	$ .9	2.4	4.6	1.4	1.4	.1	
Gross Profit	$(.1)	(.4)	.3	.2	.2		
SARE	$	.2	.1	.1	.1		
Other Income	$						
Div. Contribution	$(.1)	(.6)	.2	.1	.1		
Corp. Net Income	$(.1)	(.3)	(.1)				
Selling Price/lb.	$ .145	.124	.113	.108	.102	.106	.1
Cost of Sales/lb.	$ .160	.147	.106	.092	.091	.094	.0
As % of Sales:							
Gross Profit	(11.1)	(16.7)	6.5	14.3	14.3		
SARE		8.3	2.2	7.1	7.1		
Net Income	(11.1)	(12.5)	(2.2)				
$ Sales/$ Invest.	.27	.38	.50	.35	.47	1.00	1.
For Sales:							
% ROI (Corp. Net)	(3.0)	(4.7)	(1.1)				
Gross Invest:							
Sales	$ 3.3	6.4	9.2	4.0	3.0	.1	.
Internal Use	$ .7	2.7	2.0	7.9	9.2	10.9	10.
Total	$ 4.0	9.1	11.2	11.9	12.2	11.0	11.
Capacity - MM lbs:							
Sales	6.1	19.2	40.6	12.6	14.0	.7	.
Internal Use	4.9	9.0	9.9	52.9	55.4	106.3	106.
Excess		16.8	(5.5)	(11.0)	(11.8)	(42.0)	(42.
Total		45.0	45.0	54.5	57.6	65.0	65.

Higher sales price and volume resulted in better than budgeted profits. Plant capacity was increased to 65.0MM lbs./yr. but purchases were still required. Due to general tightness of market we essentially have withdrawn from merchant market in order to meet growing captive requirements.

We plan to shut down our existing facilities in conjunction with the Texas City AN plant in late 1969 or early 1970 and bring on-stream a new large size plant using an ethylene process. The acetylene facilities will be shut down concurrently.

VINYL CHLORIDE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 2.5	1.9	1.5	2.0	3.1	2.6	2.6
Gross Profit	$ .3	.1	.1	.1	.3	.2	.2
SARE	$ .1	.1	.1	.2	.1	.1	.1
Other Income	$	.1		.1			
Div. Contribution	$ .2	.1			.2	.1	.1
Corp. Net Income	$ .1		(.1)	(.1)			
Selling Price/lb.	$ .077	.077	.070	.065	.065	.056	.056
Cost of Sales/lb.	$ .068	.071	.068	.061	.060	.053	.053
As % of Sales:							
Gross Profit	12.0	5.3	6.7	5.0	9.7	7.7	7.7
SARE	4.0	5.3	6.7	10.0	3.2	3.8	3.8
Net Income	4.0		(6.7)	(5.0)			
$ Sales/$ Invest.	.46	.45	.48	.44	.40	.49	.49
For Sales:							
% ROI (Corp. Net)	1.9		(3.2)	(2.2)			
Gross Invest:							
Sales	$ 5.4	4.2	3.1	4.5	7.8	5.3	5.3
Internal Use	$ 16.4	16.1	15.2	14.3	17.6	18.1	18.1
Total	$ 21.8	20.3	18.3	18.8	25.4	23.4	23.4
Capacity - MM lbs:							
Sales	32.0	24.8	20.4	30.8	35.8	24.5	24.5
Internal Use	104.3	117.1	123.6	126.8	130.5	130.3	130.3
Excess	1.7	(3.9)	(6.0)	(19.6)	(28.3)	(9.8)	(9.8)
Total	138.0	138.0	138.0	138.0	138.0	145.0	145.0

Our VCM plant in Texas City will be shut down the first of 1969 and we will purchase our total U.S. requirement from Dow under a favorable 10 year contract.

Alcoa's chlorine plant at Pt. Comfort, Texas, came on-stream several months late causing us to purchase considerable Cl_2 which added to costs. Performance from a cost standpoint is still not satisfactory at the Cl_2 plant. Responsibility for the Cl_2 operations will be transferred to the Organic Division beginning in 1968.

POLYMERS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales (1)	81.9	81.3	85.6	95.7	106.4	118.3
Gross Profit	10.3	6.6	14.0	19.5	23.1	27.1
SARE	11.4	10.3	8.2	8.7	9.5	10.7
Other Income	1.3	.9	1.4	1.7	1.6	2.1
Div. Contribution	.2	(2.8)	7.2	12.5	15.2	18.5
Corp. Net Income	(1.3)	(3.7)	.5	3.7	5.0	5.9
As % of Sales:						
Gross Profit	12.6	8.1	16.4	20.1	21.7	22.9
SARE	13.9	12.7	9.6	8.9	8.9	9.0
Corp. Net Income	(1.6)	(4.6)	.6	3.8	4.7	5.0
$ Sales/$ Invest.	.50	.49	.54	.61	.57	.58
% ROI - Corp. Net Income	(.8)	(2.2)	.3	2.3	2.7	2.9
Gross Investment	162.7	164.9	159.7	159.1	186.8	203.3

(1) Net of intergroup eliminations.

Major products reported for the Polymers product group are as follows:

H. D. P. E.
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.2	.1	1.3	2.0	3.9	4.0	4.1
Gross Profit	$(.1)	(2.9)	.1	.2	.8	.5	.6
SARE	$ 1.0	.9	.1	.1	.4	.4	.4
Other Income	$						
Div. Contribution	$(1.1)	(3.8)		.1	.4	.1	.2
Corp. Net Income	$(.6)	(2.1)			.2	(.1)	
Selling Price/lb.	$ .310	.310	.104	.112	.139	.138	.138
Cost of Sales/lb.	$ .341	1.930	.092	.102	.109	.122	.118
As % of Sales:							
Gross Profit			7.7	10.0	20.5	12.5	14.6
SARE			7.7	5.0	10.3	10.0	9.8
Net Income					5.1	(2.5)	
$ Sales/$ Invest.	.25	.01	.87	1.05	.54	.62	.63
For Sales:							
% ROI (Corp. Net)	(12.8)	(21.2)			2.8	(1.5)	
Gross Invest:							
Sales	$ 4.7	9.9	1.5	1.9	7.2	6.5	6.5
Internal Use	$		13.6	13.3	10.3	12.7	12.7
Total	$ 4.7	9.9	15.1	15.2	17.5	19.2	19.2
Capacity - MM lbs:							
Sales	3.9	1.6	12.6	17.0	28.1	28.9	28.9
Internal Use			11.0	26.0	36.0	41.9	41.9
Excess			26.4	7.0	(10.7)	(.8)	(.8)
Total*	3.9	1.6	50.0	50.0	53.4	70.0	70.0

* Incl. Tech. Grade

During 1966, HDPE continued the performance improvement trend of the past 2 years. Production exceeded budget by 13% and the first quality cost of goods sold was 25% under budget. Improved product quality plus tighter industry supply resulted in doubling sales over 1965.

Outlook for 1967 is for still better performance in all areas as the plant is debottlenecked to higher volume and lower costs, and new product models penetrate additional markets.

L. D. P. E.
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'l
Sales	$ 20.3	15.8	16.6	18.8	20.5	19.2	19.
Gross Profit	$ 3.5	(.3)	1.5	5.1	6.2	5.3	5.
SARE	$ 2.6	2.1	1.4	1.7	1.7	1.5	1.
Other Income	$ .1		.3	.2	.3	.2	.
Div. Contribution	$ 1.0	(2.4)	.4	3.6	4.8	4.0	4.
Corp. Net Income	$ .1	(1.7)	(.6)	1.2	2.1	1.6	1.
Selling Price/lb.	$ .190	.144	.146	.161	.165	.155	.15
Cost of Sales/lb.	$ .157	.146	.132	.118	.115	.112	.11
As % of Sales:							
Gross Profit	17.2	(1.8)	9.0	27.1	30.2	27.6	27.
SARE	12.8	13.3	8.4	9.0	8.3	7.8	7.
Net Income	.5	(10.8)	(3.0)	6.4	10.2	8.3	8.
$ Sales/$ Invest.	.41	.38	.42	.51	.55	.52	.5
For Sales:							
% ROI (Corp. Net)	.2	(4.1)	(1.3)	3.3	5.7	4.3	4.
Gross Invest:							
Sales	$ 49.2	41.9	39.4	36.6	37.1	37.0	37.
Internal Use	$	1.9	1.2	2.0	1.5	1.7	1.
Total	$ 49.2	43.8	40.6	38.6	38.6	38.7	38.
Capacity - MM lbs:							
Sales	107.0	109.9	113.6	116.5	124.0	123.7	123.
Internal Use		4.4	3.7	6.6	5.6	6.3	6.
Excess	30.5	13.7	3.4	(9.2)	(9.2)		
Total*	137.5	128.0	120.7	113.9	120.4	130.0	130.0

* Incl. Tech. Grade

Continuing firm industry pricing together with improved plant performance and a richer product mix resulted in a record financial performance for LDPE.

Over capacity is expected to cause serious price erosion in 1967, which will be only partially offset by improved plant costs and better product mix.

LUSTRAN
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 4.1	8.1	13.6	17.7	18.2	23.2	23.2
Gross Profit	$(1.0)	1.9	4.1	6.1	5.3	7.3	7.3
SARE	$ 1.8	1.6	2.1	2.4	2.4	3.2	3.2
Other Income	$ .1	.1	.1	.3	.2	.6	.6
Div. Contribution	$(2.7)	.4	2.1	4.0	3.1	4.7	4.7
Corp. Net Income	$(1.6)		.5	1.7	1.1	1.4	1.4
Selling Price/lb.	$ .328	.290	.296	.291	.286	.267	.267
Cost of Sales/lb.	$ .408	.220	.208	.190	.202	.182	.182
As % of Sales:							
Gross Profit	(24.6)	23.5	30.1	34.5	29.1	31.5	31.5
SARE	43.9	19.8	15.4	13.6	13.2	13.8	13.8
Net Income	(39.0)		3.7	9.6	6.0	6.0	6.0
$ Sales/$ Invest.	.25	.48	.60	.74	.46	.51	.51
For Sales:							
% ROI (Corp. Net)	(9.5)		2.2	7.1	2.8	3.1	3.1
Gross Invest:							
Sales	16.7	16.8	22.8	24.0	39.4	45.6	45.6
Internal Use					.4	4.0	4.0
Total	16.7	16.8	22.8	24.0	39.8	49.6	49.6
Capacity - MM lbs:							
Sales	12.6	27.9	46.0	61.4	63.5	86.5	86.5
Internal Use					2.8	9.0	9.0
Excess	5.3	.5	1.4	(3.1)			
Total*	17.9	28.4	47.4	58.3	66.3	95.5	95.5

* Incl. Tech. Grade

Lustran profitability continues below the 7-8% return possible in this growing, high-margin product. The low budgeted return reflects high initial SARE and capital loads programmed to achieve market penetration. Actual results so far in 1967, which are behind budget, reflect these loads and slippage in the product development schedule.

Our product quality goals have now been achieved, but more than one year behind our original schedule, and six months later than premised in setting the 1967 budget. As a result, sales were 28% behind budget in the first quarter of 1967 and can be expected to continue soft for several more months.

With a fully competitive product line, we are, for the first time, in a position to apply the aggressive commercial measures called for by our strategy. These will take effect in the last half of 1967. Our objective is to regain as much as possible of the time lost and to be back at our original planned level of participation by end 1968.

LUSTREX
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'
Sales	$ 34.6	34.4	34.5	34.0	39.4	47.0	53
Gross Profit	$ 7.0	7.0	6.2	5.4	8.2	11.4	13
SARE	$ 3.8	3.5	2.5	2.4	2.5	2.4	2.
Other Income	$ .8	.5	.8	.7	.6	.8	.
Div. Contribution	$ 4.0	4.0	4.5	3.7	6.3	9.8	11.
Corp. Net Income	$ 1.6	1.2	1.3	1.0	2.4	3.8	4.
Selling Price/lb.	$ .188	.159	.148	.140	.144	.149	.1[illegible]
Cost of Sales/lb.	$ .150	.127	.122	.118	.114	.113	.1[illegible]
As % of Sales:							
Gross Profit	20.2	20.3	18.0	15.9	20.8	24.3	25.
SARE	11.0	10.2	7.2	7.1	6.3	5.1	4.
Net Income	4.6	3.5	3.8	2.9	6.1	8.1	9.
$ Sales/$ Invest.	.64	.62	.63	.63	.69	.70	.7
For Sales:							
% ROI (Corp. Net)	3.0	2.2	2.4	1.9	4.2	5.7	7.
Gross Invest:							
Sales	$ 53.8	55.3	55.2	53.6	57.1	66.7	67.
Internal Use	$	3.5	4.4	6.2	4.5	7.5	7.
Total	$ 53.8	58.8	59.6	59.8	61.6	74.2	75.
Capacity - MM lbs:							
Sales	183.4	216.4	232.7	242.4	273.7	314.9	363.[illegible]
Internal Use		11.9	19.4	23.4	31.7	37.9	37.[illegible]
Excess	66.5	27.0	15.0	56.9	69.1	48.3	
Total *	249.9	255.3	267.1	322.7	374.5	401.1	401.[illegible]

* Incl. Tech. Grade

Polystyrene supply and demand came into balance in 1966. Indications are that this balance will continue at least through 1967, resulting in firm prices and good profitability for Lustrex. Longer-term, profitability of this maturing product can be expected to cycle between 3% return in periods of oversupply and 7% return in periods of shortage.

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OPALON
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 16.7	17.2	17.6	18.3	18.8	18.4	21.1
Gross Profit	$ .6	.6	1.8	2.3	1.8	1.9	2.3
SARE	$ 1.8	1.8	1.8	1.8	1.9	2.5	2.6
Other Income	$ .3	.3	.3	.5	.5	.5	.5
Div. Contribution	$(.9)	(.9)	.3	1.0	.4	(.1)	.2
Corp. Net Income	$(.7)	(.9)	(.5)	(.1)	(.6)	(.7)	(.5)
Selling Price/lb.	$ .171	.162	.169	.164	.165	.172	.172
Cost of Sales/lb.	$ .164	.156	.151	.144	.150	.154	.153
As % of Sales:							
Gross Profit	3.6	3.5	10.2	12.6	9.6	10.3	10.9
SARE	10.8	10.5	10.2	9.8	10.1	13.6	12.3
Net Income	(4.2)	(5.2)	(2.8)		(3.2)	(3.8)	(2.4)
$ Sales/$ Invest.	.54	.53	.55	.54	.53	.50	.57
For Sales:							
% ROI (Corp. Net)	(2.3)	(2.8)	(1.6)	(.3)	(1.7)	(1.9)	(1.3)
Gross Invest:							
Sales	$ 30.7	32.4	32.1	34.0	35.3	36.8	37.2
Internal Use	$				.2	1.0	1.0
Total	$ 30.7	32.4	32.1	34.0	35.5	37.8	38.2
Capacity - MM lbs:							
Sales	97.9	106.3	104.1	111.2	113.7	107.2	122.7
Internal Use					1.8	3.2	3.2
Excess	1.2	8.4	11.9	10.8	5.6	15.5	
Total*	99.1	114.7	116.0	122.0	121.1	125.9	125.9

* Incl. Tech. Grade

Income from Opalon declined in 1966, although it was significantly ahead of budget. Price erosion, not quite as severe as budgeted, combined with a gradual increase in cost produced unit margins 73% of those in 1965 with little change in volume. In addition, lower royalties from foreign operations than budgeted and a deliberately higher research expensiture reduced income.

The 1967 budget predicts more price erosion and even greater research expenditures to produce future profits. Early indications are that the budgeted profit can be achieved in spite of slow sales.

The basic problems continue to be non-competitive monomer cost and a heavy commitment to commodity-type resin products. The forward program involves continuing expansion of paste resin, a high-margin product, and emphasis of bottle materials for sale and for Packaging Division. It also involves purchase of VCM at a competitive price starting in 1969.

ULTRON
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap't
Sales	$ 5.0	5.7	5.8	6.2	6.2	6.2	6.
Gross Profit	$ .3	.3	.2	.4	.3	.4	.
SARE	$ .4	.4	.3	.3	.3	.4	.
Other Income	$						
Div. Contribution	$(.1)	(.1)	(.1)	.1			
Corp. Net Income	$(.1)	(.2)	(.2)	(.1)	(.3)	(.1)	(.
Selling Price/lb.	$ .344	.306	.287	.287	.281	.283	.28
Cost of Sales/lb.	$ .322	.290	.274	.266	.269	.264	.26
As % of Sales:							
Gross Profit	6.0	5.3	3.4	6.5	4.8	6.5	6.
SARE	8.0	7.0	5.2	4.8	4.8	6.5	6.
Net Income	(2.0)	(3.5)	(3.4)	(1.6)	(4.8)	(1.6)	(1.
$ Sales/$ Invest.	.66	.66	.68	.69	.70	.69	.6
For Sales:							
% ROI (Corp. Net)	(1.3)	(2.3)	(2.3)	(1.1)	(3.4)	(1.1)	(1.
Gross Invest:							
Sales	$ 7.6	8.6	8.5	9.0	8.9	9.0	9.
Internal Use	$						
Total	$ 7.6	8.6	8.5	9.0	8.9	9.0	9.
Capacity - MM lbs:							
Sales	14.5	18.7	20.3	21.5	38.4	22.0	22.
Internal Use							
Excess		4.5	4.7	(.1)	38.4		
Total *	14.5	23.2	25.0	21.4	38.4	22.0	22.

* Incl. Tech. Grade

Ultron contribution declined in 1966, slightly more than budgeted. Declining price and slightly higher cost served to cut the unit margin in half. There was no change in SARE. The performance of Ultron is hampered by relatively high-cost resin based upon our non-competitive monomer, as well as highly competitive pricing. We are budgeting 1967 performance slightly better than that achieved in 1966. The budget may be achieved in spite of very slow sales in the first 3 months, because of more favorable costs than expected.

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PRODUCTION AND EXPLORATION - PRODUCT GROUP
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 24.0	23.7	23.8	24.3	26.1	27.0	
Gross Profit	$ 1.6	3.0	3.8	3.6	5.0	4.8	
SARE	$ .4	.5	.6	.7	.5	.4	
Other Income	$						
Depletion Tax Credit	$ 2.4	1.4	2.1	1.8	2.5	2.1	
Div. Contribution	$ 3.6	3.9	5.3	4.7	7.0	6.5	
Corp. Net Income	$ 2.7	2.2	2.6	1.7	3.7	3.6	
As % of Sales:							
Gross Profit	6.7	12.7	16.0	14.8	19.2	17.8	
SARE	1.7	2.1	2.5	2.9	1.9	1.5	
Net Income	11.3	9.3	10.9	7.0	14.2	13.3	
$ Sales/$ Invest.	.33	.32	.31	.31	.33	.32	
For Sales:							
% ROI (Corp. Net)	3.7	3.0	3.4	2.2	4.7	4.2	
Gross Invest:							
Sales	$ 72.3	74.3	77.0	76.7	78.3	84.8	
Internal Use	$						
Total	$ 72.3	74.3	77.0	76.7	78.3	84.8	
Sales:							
Cr. Oil-MM bbls.	7.1	6.6	6.4	6.6	6.6	6.7	
Nat. Gas-MM MCF	23.9	28.0	32.4	35.9	44.7	47.8	
LPG - MM bbls.	.8	.7	.7	.7	.8	.8	

Average sales price for crude oil in 1967 will be approximately on budget but about 2¢ per barrel less than in 1966. An intradivision cut in the average sales price of Venezuelan crude amounting to 34¢ per barrel will result in a $314M under budget realization from these sales. Gas sales price will increase about .4¢/MCF.

Oil and gas sales are budgeted to increase 1% and 6% respectively. The probability of sales exceeding budget is quite favorable and an improvement of 3% is anticipated.

P&E expenses are budgeted to increase $1.15MM (5.4%) as a result of (1) operating more wells, (2) increased cost of gas purchases due to better product prices, (3) increased cost of goods and services, and (4) additional depletion and depreciation as a result of increased sales.

Depletion credit will be lower in 1967 as intangible development costs were taken in 1966 on several high cost development wells in progress at year-end.

Net income in 1967 will be about 3% over budget, and therefore, ROI will be slightly over budget.

The purchases of ABC-financed properties yield at least an 8% discounted cash flow return but these acquisitions do result in deficits during the retirement period of the production payment. Benefits from major acquisitions will not be apparent until 1971.

REFINERY & MARKETING - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales (1)	59.8	65.1	66.1	67.7	68.4	62.6
Gross Profit	6.6	8.8	7.9	9.4	10.9	10.3
SARE	5.5	5.8	6.1	6.4	7.2	7.7
Other Income	.1					
Division Contribution	1.2	3.0	1.8	3.0	3.7	2.6
Corp. Net Income	(.2)	.5	(.2)	.4	.2	.6
As % of Sales:						
Gross Profit	11.0	13.5	12.0	13.9	15.9	16.5
SARE	9.2	8.9	9.2	9.5	10.5	12.3
Corp. Net Income	(.3)	.8	(.3)	.6	.3	1.0
$ Sales/$ Invest.	1.16	1.15	1.28	1.25	1.27	1.13
% ROI - Corp. Net Income	(.4)	.9	(.4)	.8	.4	1.1
Gross Investment	51.7	56.4	51.5	54.2	54.0	55.5

(1) Net of intergroup eliminations.

Major products reported for the Refinery & Marketing product group are as follows:

	Page
Marketing	44
Refinery	45

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MARKETING
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap'ty
Sales	$ 23.3	25.0	25.7	27.4	28.7	31.0	
Gross Profit	$ 3.3	4.7	5.1	5.3	4.1	5.5	
SARE	$ 4.4	4.7	5.0	5.3	5.9	6.5	
Other Income	$ .1						
Div. Contribution	$(1.0)		.1		(1.8)	(1.0)	
Corp. Net Income	$(.8)	(.3)	(.3)	(.4)	(1.7)	(.7)	
Selling Price/Gal.	$ .139	.144	.140	.143	.145	.149	
Cost of Sales/Gal.	$ .120	.117	.116	.116	.124	.123	
As % of Sales:							
Gross Profit	14.2	18.8	19.8	19.3	14.3	17.7	
SARE	18.9	18.8	19.5	19.3	20.6	21.0	
Net Income	(3.4)	(1.2)	(1.2)	(1.5)	(5.9)	(2.3)	
$ Sales/$ Invest.	1.43	1.40	1.57	1.69	1.72	1.77	
For Sales:							
% ROI (Corp. Net)	(4.9)	(1.7)	(1.8)	(2.5)	(10.2)	(4.0)	
Gross Invest:							
Sales	$ 16.3	17.8	16.4	16.2	16.7	17.5	
Internal Use	$						
Total	$ 16.3	17.8	16.4	16.2	16.7	17.5	
Sales - MM Gallons	158.9	166.0	178.3	190.6	197.3	208.7	

Marketing fell below budget in 1966 - and fell sharply below 1965 - largely because of below-budget sales prices and above-budget transfer prices from the refinery. (The latter contributed to above-budget refinery performance). Pricing did improve late in 1966 and is continuing firm into 1967. We have withdrawn from several unattractive marketing areas, but anticipate increased volume in 1967 nevertheless. The combination of improved volume and prices and more attractive pattern is expected to result in a substantial reduction in the division (contribution) loss in 1967. Continuing strategy is to seek incremental profit improvement without significant capital commitment.

REFINERY
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 54.4	58.5	59.9	61.0	62.6	55.4	55.
Gross Profit	$ 3.3	4.1	2.8	4.0	6.8	4.8	4.
SARE	$ 1.1	1.1	1.1	1.0	1.3	1.2	1.
Other Income	$						
Div. Contribution	$ 2.2	3.0	1.7	3.0	5.5	3.6	3.
Corp. Net Income	$ .6	.8	.1	.8	1.9	1.3	1.
Selling Price/Bbls.	$ 4.05	4.08	3.90	4.07	4.27	4.26	4.2
Cost of Sales/Bbls.	$ 3.80	3.78	3.71	3.78	3.75	3.91	3.9
As % of Sales:							
Gross Profit	6.1	7.0	4.7	6.6	10.9	8.7	8.
SARE	2.0	1.9	1.8	1.6	2.1	2.2	2.
Net Income	1.1	1.4	.2	1.3	3.0	2.3	2.
$ Sales/$ Invest.	1.54	1.52	1.71	1.60	1.68	1.46	1.4
For Sales:							
% ROI (Corp. Net)	1.7	2.1	.3	2.1	5.1	3.4	3.
Gross Invest:							
Sales	$ 35.4	38.6	35.1	38.1	37.3	38.0	38.
Internal Use	$ 1.2	1.2					
Total	$ 36.6	39.8	35.1	38.1	37.3	38.0	38.
Sales -							
Refined Oil-MM Bbls.	12.2	12.5	13.4	12.9	12.6	12.8	12.

Performance in 1966 was significantly improved over budget and over 1965 as a result of continuing improvements in sales price and refinery cost performance. (Refinery improvement against 1966 budget more than offset the Marketing shortfall on a consolidated basis). The 1967 budget is at a lower level of profit, as the shortage of Arkansas crude stock increases local prices and forces purchase of more expensive East Texas crudes. The combined result is significantly higher crude costs. Continuing refinery operations cost reductions can only partially offset the crude increases. The level of refinery operations which will yield optimum profits is under continuing review in view of current crude positions and trends.

INORGANIC CHEMICALS DIVISION
Division Profitability
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	132.4	146.2	161.2	163.0	175.8	196.7
Division Contribution	19.3	24.6	28.6	23.6	24.0	32.8
Corp. Net Income	8.1	10.2	11.6	9.3	8.2	12.6
Corp. Net Income as % of Sales	6.1	7.0	7.2	5.7	4.7	6.4
$ Sales/$ Investment	.79	.78	.78	.68	.65	.69
% ROI - Corp. Net Income	4.9	5.5	5.6	3.9	3.0	4.4
Gross Investment	167.3	187.0	207.4	240.7	272.2	284.4
Product Group - % Return:						
Detergents	5.7	4.2	2.9	(.3)	2.5	2.8
Engineering Sales (1)				34.6	35.3	30.1
Heavy Chemicals	9.0	8.9	11.5	8.3	5.9	9.4
Phosphates	4.9	6.8	6.8	4.5	2.0	4.8
Silicon	(17.4)	(13.4)	(3.5)	(11.4)	6.7	8.3

In 1966 investment in the divisions' products earned the following rates of return:

	% of Total Investment
Loss	33.2
0 to 3%	11.2
3 to 5%	37.2
Over 5%	18.4

Product groups are reported on the following pages:

	Page
Detergents	47
Engineering Sales	52
Heavy Chemicals	54
Phosphates	59
Silicon	69

Major products reported comprise 77% of the divisions' investment in 1966.

(1) Years 1962/64 included as part of Heavy Chemicals Product Group.

DETERGENTS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	34.3	37.7	39.8	40.1	41.1	41.6
Gross Profit	7.9	8.9	8.3	4.9	7.6	8.0
SARE	2.6	3.6	3.3	3.1	2.8	2.8
Other Income	.1	.1	.1	.1	.1	.1
Division Contribution	5.4	5.4	5.1	1.9	4.9	5.3
Corp. Net Income	2.2	2.0	1.6	(.2)	1.5	1.6
As % of Sales:						
Gross Profit	23.0	23.7	20.8	12.2	18.6	19.3
SARE	7.4	9.6	8.3	7.6	6.8	6.7
Corp. Net Income	6.4	5.3	4.1	(.4)	3.6	3.8
$ Sales/$ Invest.	.89	.79	.71	.72	.71	.72
% ROI - Corp. Net Income	5.7	4.2	2.9	(.3)	2.5	2.8
Gross Investment	38.4	47.5	56.1	56.0	57.9	58.2

Major products reported for the Detergent product group are as follows:

ACL's
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 4.5	7.0	6.8	6.7	6.3	6.9	8.7
Gross Profit	$ 1.2	1.6	2.7	2.7	2.4	3.2	4.8
SARE	$ .4	.7	.6	.6	.5	.5	.5
Other Income	$						
Div. Contribution	$ .8	.9	2.1	2.1	2.0	2.7	4.3
Corp. Net Income	$ .3	.3	1.0	1.0	.9	1.2	2.0
Selling Price/lb.	$ .609	.538	.527	.483	.498	.488	.490
Cost of Sales/lb.	$ .451	.415	.318	.291	.307	.264	.220
As % of Sales:							
Gross Profit	25.9	22.9	39.7	39.9	38.4	45.9	55.1
SARE	7.7	9.6	8.3	8.6	7.4	6.8	5.9
Net Income	7.3	4.5	14.2	15.4	14.6	17.4	23.2
$ Sales/$ Invest.	.69	.53	.53	.51	.48	.53	.60
For Sales:							
% ROI (Corp. Net)	5.0	2.4	7.5	7.8	7.0	9.2	13.9
Gross Invest:							
Sales	$ 6.5	13.3	12.8	13.2	13.0	13.0	14.5
Internal Use	$						
Total	$ 6.5	13.3	12.8	13.2	13.0	13.0	14.5
Capacity - MM lbs:							
Sales	7.4	13.1	12.8	13.9	12.6	14.1	17.7
Internal Use	.1	.1	.2	2.0	.2		
Excess	.2	10.3	10.7	11.9	4.9	3.6	
Total	7.7	23.5	23.7	27.8	17.7	17.7	17.7

On ACL sales 37% is to Colgate for the dry bleach "Action". Colgate changed "Action's" formula in 1966 to the new product ACL 66. However sales volume declined relative to recent years and large future growth is not expected.

The fastest growing market use is for swimming pool chemicals. Sales to this market are expected to grow at a rate of 25%/year over the next five years.

A broad concentrated effort is under way to capture 60% of the market and reduce costs, increase productivity and improve return on investment.

Future profitability is projected in the 8-12% range.

ALKYLATES
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 12.4	11.1	11.4	12.1	13.9	13.4	14.
Gross Profit	$ 4.2	3.5	2.8	.6	3.0	3.6	3.
SARE	$ 1.0	1.1	.9	.9	1.1	1.3	1.
Other Income	$						
By-Prod. Gr. Prof.	$ .4	.3	.5	.1	.4	.6	.
Div. Contribution	$ 3.6	2.7	2.4	(.2)	2.3	2.9	3.
Corp. Net Income	$ 1.5	1.1	.9	(.5)	.8	1.1	1.
Selling Price/lb.	$ .104	.097	.095	.098	.100	.102	.10
Cost of Sales/lb.	$ .069	.066	.072	.093	.078	.075	.07
As % of Sales:							
Gross Profit	33.5	31.7	24.2	5.0	21.7	26.9	26.
SARE	7.7	9.6	8.3	7.2	8.2	9.6	9.
Net Income	12.2	10.2	8.1	(4.5)	5.9	8.0	8.
$ Sales/$ Invest.	1.00	.80	.45	.51	.74	.70	.7
For Sales:							
% ROI (Corp. Net)	12.2	8.1	3.6	(2.3)	4.4	5.6	6.
Gross Invest:							
Sales	$ 12.5	14.0	25.3	23.6	18.7	19.2	19.
Internal Use	$	.4	.3	.8	.9	.9	.
Total	$ 12.5	14.4	25.6	24.4	19.6	20.1	20.
Capacity - MM lbs:							
Sales	119.9	114.8	119.8	123.6	137.1	131.0	143.
Internal Use	14.4	13.2	28.7	(3.0)	16.9	21.5	21.
Excess	5.7	22.0	(22.1)	29.4	(4.0)	12.5	
Total	140.0	150.0	126.4	150.0	150.0	165.0	165.0

The results of a broad profit improvement program, initiated in mid 1965, were seen in 1966. This improvement is projected to continue into 1967 and the future. Industry excess capacity has already had the effect of a price cut to 10.0¢/lb. in early 1967. This will reduce net backs to 9.85¢/lb., which are expected to hold during the present over supply situation. The results of continued cost reduction programs are projected to keep returns in the 5-7% range.

Monsanto's process is superior to all other in costs and quality.

ALL - CONDENSED AND FLUFFY
($ in Millions)

		Actual				1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 6.6	8.3	8.3	8.4	6.8	6.9	10.3
Gross Profit	$ .9	1.3	1.0	.5	.1	(.4)	.3
SARE	$ .5	.8	.7	.6	.1	.2	.3
Other Income	$						
Depletion Tax Cr.	$	.1	.1				
Div. Contribution	$ .4	.6	.4	(.1)		(.6)	(.6)
Corp. Net Income	$ .1	.2		(.3)	(.2)	(.5)	(.5)
Selling Price/lb.	$ .073	.070	.066	.065	.065	.063	.063
Cost of Sales/lb.	$ .063	.059	.058	.061	.064	.066	.064
As % of Sales:							
Gross Profit	13.2	15.8	11.5	5.4	1.7	(5.8)	(2.7)
SARE	7.7	9.6	8.3	7.1	1.4	2.9	2.8
Net Income	1.8	2.2	.4	(3.7)	(2.8)	(7.0)	(4.5)
$ Sales/$ Invest.	1.02	1.05	1.02	.94	.74	.74	1.07
For Sales:							
% ROI (Corp. Net)	1.9	2.3	.4	(3.5)	(2.1)	(5.2)	(4.8)
Gross Invest:							
Sales	$ 6.4	7.9	8.1	8.9	9.2	9.3	9.7
Internal Use	$						
Total	$ 6.4	7.9	8.1	8.9	9.2	9.3	9.7
Capacity - MM lbs:							
Sales	89.8	119.3	126.4	130.1	105.5	110.0	165.2
Internal Use			(.3)	1.6			
Excess	73.6	41.9	39.8	33.3	58.7	55.2	
Total	163.4	161.2	165.9	165.0	164.2	165.2	165.2

The product "ALL" derives its profits from the Monsanto made raw materials, STP and Sterox. The conversion, packing and shipping are done at cost and reimbursed by Lever.

In 1965 two changes lowered profits. STP prices were cut and the Sterox was changed from Alkyl Phenol based to Alcohol basis. The latter change had greater impact on profits and will continue to affect future profitability (See Sterox-Phenol and Alcohol).

Research effort is being directed to a new formulation for "ALL" which will improve profitability.

STEROX - PHENOL AND ALCOHOL
($ in Millions)

		Actual				1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 4.0	3.8	4.9	4.6	5.2	4.7	8.
Gross Profit	$ .5	1.0	1.2	.5	.9	(.1)	.
SARE	$ .3	.4	.4	.4	.5	.4	.
Other Income	$						
Div. Contribution	$ .2	.6	.8	.1	.4	(.5)	(.
Corp. Net Income	$ .1	.2	.3	(.1)	.1	(.4)	(.
Selling Price/lb.	$ .143	.145	.141	.136	.132	.133	.13
Cost of Sales/lb.	$ .124	.108	.106	.121	.110	.135	.12
As % of Sales:							
Gross Profit	13.5	25.3	25.4	10.9	16.7	(1.2)	3.
SARE	7.7	9.6	8.3	8.1	9.7	9.3	6.
Net Income	1.3	5.9	6.9	(1.5)	.9	(8.4)	(3.
$ Sales/$ Invest.	1.12	1.03	1.26	1.25	1.24	1.13	1.8
For Sales:							
% ROI (Corp. Net)	1.5	6.1	8.7	(1.9)	1.1	(9.5)	(6.
Gross Invest:							
Sales	$ 3.5	3.7	3.9	3.7	4.2	4.2	4.
Internal Use	$						
Total	$ 3.5	3.7	3.9	3.7	4.2	4.2	4.
Capacity - MM lbs:							
Sales	27.7	26.2	34.4	34.1	39.3	35.6	64.1
Internal Use	7.3	9.7	11.4	10.9	10.1	11.2	11.2
Excess	19.1	21.5	18.4	22.1	22.1	28.5	
Total	54.1	57.4	64.2	67.1	71.5	75.3	75.3

The switch to biodegradable actives reduced the volume of Alkylphenol based steroxes, however sales volumes have to be maintained above breakeven.

The necessity to convert high cost Olefins into Alcohols by Houdry has made the biodegradable segment of this business unprofitable in 1966 and 1967.

By the fourth quarter of 1967 lower cost purchased alcohols will be used. However, it is anticipated that product prices will also be reduced as an over supply of straight chain Alcohols become available. This segment of these products are projected to breakeven in the near future.

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ENGINEERING SALES - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales				4.4	3.2	3.7
Gross Profit				2.4	1.6	1.7
SARE	Years 1962/64 included			.1	.2	.2
Other Income	as part of Heavy Chem-			1.2	2.5	1.8
Division Contribution	icals Product Group			3.5	3.9	3.3
Corp. Net Income				2.0	2.2	1.6
As % of Sales:						
Gross Profit				54.5	50.9	44.7
SARE				3.3	7.6	4.8
Corp. Net Income				44.7	66.6	44.2
$ Sales/$ Invest.				.78	.53	.68
% ROI - Corp. Net Income				34.6	35.3	30.1
Gross Investment				5.6	6.1	5.4

Major product reported for the Engineering Sales product group is as follows:

VANADIUM CATALYST
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 1.4	1.2	2.1	3.5	2.1	2.2	2.
Gross Profit	$ .9	.6	1.1	2.0	1.3	1.2	1.
SARE	$ .1	.1	.1	.1	.2	.1	.
Other Income	$ .2						
Div. Contribution	$ 1.0	.5	1.0	1.9	1.1	1.1	1.
Corp. Net Income	$ .4	.2	.5	1.0	.6	.5	.
Selling Price/ltr.	$ 1.68	1.60	1.63	1.57	1.50	1.39	1.3
Cost of Sales/ltr.	$ .637	.817	.785	.661	.59	.60	.6
As % of Sales:							
Gross Profit	62.1	49.0	51.8	58.0	60.6	56.8	56.
SARE	10.4	6.3	4.7	4.2	7.8	5.2	5.
Net Income	31.8	19.8	23.6	28.8	27.5	24.7	24.
$ Sales/$ Invest.	1.26	.76	1.84	2.16	1.17	1.21	1.2
For Sales:							
% ROI (Corp. Net)	40.0	15.1	43.4	62.4	32.1	30.1	30.
Gross Invest:							
Sales	$ 1.1	1.5	1.1	1.6	1.8	1.8	1.
Internal Use	$						
Total	$ 1.1	1.5	1.1	1.6	1.8	1.8	1.
Capacity - MM Ltrs:							
Sales	.8	.7	1.2	2.2	1.4	1.6	1.[illegible]
Internal Use				(.1)	.1	.5	.[illegible]
Excess	.3	.4	.6	(.3)	.4		
Total	1.1	1.1	1.8	1.8	1.9	2.1	2.[illegible]

Vanadium Catalyst sales are closely tied to the sale of new sulfuric acid plants by Engineering Sales. This in turn is dependent upon the expansion programs of industry as occurred in 1964 and 1965.

Catalyst is produced at WGK, MCL and a license in India. Price competition has forced a reduction in Monsanto price. However this product is expected to continue to be highly profitable.

HEAVY CHEMICALS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	15.3	17.6	20.6	18.6	18.8	20.2
Gross Profit	4.1	4.9	6.0	5.2	4.8	6.2
SARE	1.3	1.1	1.2	1.2	1.2	1.1
Other Income	1.4	1.0	1.5	.3	.2	.3
Division Contribution	4.2	4.8	6.3	4.3	3.8	5.4
Corp. Net Income	1.8	2.0	2.8	2.0	1.6	2.4
As % of Sales:						
Gross Profit	27.0	28.0	29.2	28.1	25.6	30.9
SARE	8.7	6.3	5.9	6.2	6.5	5.3
Corp. Net Income	11.7	11.4	13.6	10.8	8.6	11.8
$ Sales/$ Invest.	.77	.78	.85	.77	.69	.80
% ROI - Corp. Net Income	9.0	8.9	11.5	8.3	5.9	9.4
Gross Investment	19.9	22.6	24.3	24.1	27.4	25.3

Major products reported for the Heavy Chemicals product group are as follows:

Note: Years 1961/64 includes Engineering Sales Product Group.

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CAUSTIC POTASH
($ in Millions)

		Actual				1967	
	1962	1963	1964	1965	1966	Budget	Cap''
Sales	$ 1.2	1.9	2.8	3.0	2.5	2.7	5.
Gross Profit	$ .3	.4	.7	.7	.5	.6	1.
SARE	$ .1	.1	.2	.2	.1	.1	.
Other Income	$						
Div. Contribution	$ .2	.3	.5	.5	.4	.5	1.
Corp. Net Income	$ .1	.1	.2	.2	.1	.2	.
Selling Price/lb.	$ .067	.066	.068	.070	.069	.070	.06
Cost of Sales/lb.	$ .048	.052	.051	.053	.057	.054	.04
As % of Sales:							
Gross Profit	28.2	20.5	24.2	23.4	18.3	23.0	30.
SARE	8.9	6.3	5.9	5.7	2.5	2.7	2.
Net Income	7.1	5.4	7.6	7.3	5.6	8.2	13.
$ Sales/$ Invest.	.35	1.03	.88	1.23	.60	.66	1.1
For Sales:							
% ROI (Corp. Net)	2.5	5.5	6.7	9.0	3.5	5.4	15.
Gross Invest:							
Sales	$ 3.5	1.8	3.1	2.5	4.1	4.1	4.
Internal Use	$						
Total	$ 3.5	1.8	3.1	2.5	4.1	4.1	4.
Capacity - MM lbs:							
Sales	18.1	28.3	40.8	43.3	35.8	39.0	73.
Internal Use	16.1	33.0	39.8	32.1	28.2	32.1	32.
Excess	14.0	19.7	5.0	18.2	33.8	34.7	
Total	48.2	81.0	85.6	93.6	97.8	105.8	105.

KOH is used captively at WGK for ACL and for TKPP at Carondelet and Kearny. Sales are primarily for TKPP for liquid detergent manufacture.

After several years of rapid growth, the use of TKPP declined in 1966. The future sales for this market are not expected to grow.

Because KOH and NaoH can be made in the same equipment, some price attrition is expected in the future. This will lower the return to the 5-7% range.

Monsanto is protected on Potassium Chloride with an attractive price for five years.

CHLOROSULFONIC ACID
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap'ty
Sales	$ .7	.9	.8	.7	.8	1.0	1.4
Gross Profit	$ .4	.5	.4	.3	.4	.5	.8
SARE	$ .1	.1			.1	.1	.1
Other Income	$						
Div. Contribution	$ .3	.4	.4	.3	.3	.4	.7
Corp. Net Income	$ .1	.2	.2	.1	.2	.2	.4
Selling Price/lb.	$ .037	.037	.035	.034	.034	.037	.037
Cost of Sales/lb.	$ .017	.016	.016	.019	.019	.018	.017
As % of Sales:							
Gross Profit	54.7	56.4	53.4	42.2	43.0	50.7	53.5
SARE	8.9	6.3	5.9	6.4	6.0	4.9	4.1
Net Income	20.4	22.6	22.4	18.1	18.8	22.1	24.5
$ Sales/$ Invest.	.99	1.32	.95	.82	.85	.98	1.41
For Sales:							
% ROI (Corp. Net)	20.2	29.9	21.4	14.9	16.1	21.6	34.6
Gross Invest:							
Sales	$ .7	.7	.8	.9	1.0	1.0	1.0
Internal Use	$ .4	.3	.4	.9	.8	.8	.8
Total	$ 1.1	1.0	1.2	1.8	1.8	1.8	1.8
Capacity - MM lbs:							
Sales	19.4	23.1	22.5	21.7	24.4	26.0	39.2
Internal Use	24.3	23.6	30.1	40.9	37.3	41.2	41.2
Excess	(.5)	(3.5)	(4.6)	(.6)	.3	13.2	
Total	43.2	43.2	48.0	62.0	62.0	80.4	80.4

60% of the Chlorosulfonic Acid is used captively by the Organic Division. The sales portion has been able to sustain a high level of profitability.

90% of the sales are in bulk tank car shipments. The balance is in drums. From recent analysis of drum business which returns less than 10%, ROI strategies have been implemented which will raise the profitability of this segment of the business.

SILICAS
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$	2.8	3.2	3.3	3.4	3.5	4.4	4.[illegible]
Gross Profit	$	.8	1.1	1.1	1.1	.9	1.5	1.[illegible]
SARE	$	.3	.2	.2	.3	.5	.4	.[illegible]
Other Income	$						.1	
Div. Contribution	$	.5	.9	.9	.8	.4	1.2	1.[illegible]
Corp. Net Income	$	.2	.4	.4	.4	.1	.5	.[illegible]
Selling Price/lb.	$	.294	.302	.295	.312	.323	.297	.27[illegible]
Cost of Sales/lb.	$	.210	.198	.196	.211	.238	.196	.17[illegible]
As % of Sales:								
Gross Profit		28.3	34.5	33.3	32.1	26.2	34.1	37.[illegible]
SARE		8.8	6.3	6.1	8.7	15.0	9.9	9.[illegible]
Net Income		7.6	13.1	12.1	11.0	3.9	11.0	13.[illegible]
$ Sales/$ Invest.		.80	.74	.75	.65	.64	.80	.8[illegible]
For Sales:								
% ROI (Corp. Net)		5.9	9.3	9.1	7.1	2.5	8.8	11.[illegible]
Gross Invest:								
Sales	$	3.5	4.3	4.4	5.2	5.5	5.5	5.[illegible]
Internal Use	$							
Total	$	3.5	4.3	4.4	5.2	5.5	5.5	5.[illegible]
Capacity - MM lbs:								
Sales		9.4	10.5	11.2	10.9	10.9	14.9	17.5
Internal Use		.1		.7	.2	.3		
Excess		3.7	2.6	1.1	3.9	8.3	2.6	
Total		13.2	13.1	13.0	15.0	19.5	17.5	17.5

The silica chemicals, Santocel and Syton, are manufactured at Everett by a process which has some common processing steps and equipment. Because of this, profitability is best looked at in combination to avoid inconsistencies due to allocation of costs and investment between the products.

A major effort was expended in 1966 on plant expansion which was vitally needed. The higher SARE is due to an accounting change in allocating costs to major products within the Heavy Chemicals group.

In 1967 cost reduction and new product research on further capacity increases are being pressed. Sales are budgeted to increase $.9MM (20%).

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SULFURIC ACID
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 4.5	4.6	5.1	5.4	5.8	5.7	5.7
Gross Profit	$ 1.3	1.5	1.8	1.8	1.9	1.8	1.8
SARE	$ .4	.3	.3	.3	.3	.3	.3
Other Income	$						
Div. Contribution	$ .9	1.2	1.5	1.5	1.6	1.5	1.5
Corp. Net Income	$ .3	.5	.7	.7	.8	.6	.6
Selling Price/lb.	$ .009	.009	.009	.009	.009	.010	.010
Cost of Sales/lb.	$ .007	.006	.006	.006	.006	.007	.007
As % of Sales:							
Gross Profit	28.1	32.5	35.9	34.2	32.3	31.5	31.5
SARE	8.9	6.3	5.9	5.7	4.6	5.4	5.4
Net Income	7.6	11.0	13.4	13.9	13.2	11.1	11.1
$ Sales/$ Invest.	.85	.66	.83	.87	.64	.66	.66
For Sales:							
% ROI (Corp. Net)	6.5	7.2	11.2	12.0	8.5	7.3	7.3
Gross Invest:							
Sales	$ 5.3	7.0	6.1	6.2	9.1	8.7	8.7
Internal Use	$ 3.3	3.1	3.0	3.2	3.0	3.0	3.0
Total	$ 8.6	10.1	9.1	9.4	12.1	11.7	11.7
Capacity - MM lbs:							
Sales	486.5	503.8	548.3	565.9	609.0	585.5	585.5
Internal Use	412.0	396.7	395.2	448.1	417.6	466.2	466.2
Excess	38.7	42.7		(70.4)	(83.0)		
Total	937.2	943.2	943.5	943.6	943.6	1051.7	1051.7

The major change in sulfuric acid in 1966 was the start of construction of the #9 unit at W. G. Krummrich to replace #6 and #7. #9 was started up in February 1967 and achieved design conditions within the month.

The shortage of sulfur has not reduced production to date. Price increases have been passed on to the customer but surplus spent acid from reactivated arsenals and conversion of steel plant to HCL pickling have had the effect of forcing wider distribution and more freight absorption.

The drop in 1966 ROI was due to the investment associated with the construction of the #9 unit. The 1967 ROI is down due to budgeted start-up costs on the new unit and the obsolescence associated with the planned retirement of the #6 and #7 units.

All plants are expected to operate at capacity and profitability should return to the 8-12% range.

PHOSPHATES - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	80.5	88.5	94.9	93.7	100.9	113.6
Gross Profit	14.4	19.5	21.7	18.6	15.6	25.6
SARE	4.6	4.7	4.7	4.9	5.4	6.1
Other Income	1.7	1.9	1.4	1.7	1.3	1.4
Division Contribution	11.5	16.7	18.4	15.4	11.5	20.9
Corp. Net Income	5.1	7.5	7.9	6.6	3.4	8.5
As % of Sales:						
Gross Profit	17.9	22.0	22.9	19.9	15.5	22.5
SARE	5.7	5.3	5.0	5.3	5.4	5.4
Corp. Net Income	6.3	8.4	8.4	7.0	3.4	7.5
$ Sales/$ Invest.	.79	.80	.81	.64	.60	.64
% ROI - Corp. Net Income	4.9	6.8	6.8	4.5	2.0	4.8
Gross Investment	103.9	110.5	117.4	146.1	169.4	176.9

Major products reported for the Phosphate product group are as follows:

Note: Heavy investment, high cost Phosphorus as a result of investment and start-up have caused unusually low returns throughout this group in 1965-1966 and 1967 to a lesser extent.

DCP-ANHYDROUS AND DIHYRATE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 2.4	2.5	2.6	2.7	2.8	2.7	4.1
Gross Profit	$ .7	.7	.8	.6	.8	.8	1.5
SARE	$ .1	.1	.1	.1	.2	.2	.2
Other Income	$						
Depletion Tax Cr.	$						
Div. Contribution	$ .6	.6	.7	.5	.6	.6	1.3
Corp. Net Income	$ .3	.3	.3	.2	.3	.3	.6
Selling Price/lb.	$ .075	.074	.076	.072	.076	.075	.077
Cost of Sales/lb.	$ .054	.053	.052	.055	.054	.053	.048
As % of Sales:							
Gross Profit	28.0	29.0	31.3	23.4	29.0	29.5	36.9
SARE	6.0	5.2	5.0	6.5	7.9	7.8	6.0
Net Income	10.7	11.2	12.7	7.8	10.1	9.9	15.1
$ Sales/$ Invest.	.94	.92	.69	.57	.56	.53	.78
For Sales:							
% ROI (Corp. Net)	10.1	10.2	8.7	4.5	5.6	5.2	11.8
Gross Invest:							
Sales	$ 2.5	2.8	3.7	4.7	5.1	5.1	5.3
Internal Use	$						
Total	$ 2.5	2.8	3.7	4.7	5.1	5.1	5.3
Capacity - MM lbs:							
Sales	31.8	34.2	34.1	36.9	37.0	36.0	53.8
Internal Use	19.1	22.2	19.9	20.2	22.6	22.4	22.4
Excess	8.9	.1	2.3	23.1	21.8	17.8	
Total	59.8	56.5	56.3	80.2	81.4	76.2	76.2

Sales of DCP into the dentifrice market were hurt by increase in the use of IMP and TCPP, products which are compatible with fluorides. Monsanto sales of TCPP were well over budget and IMP was on budget, and Monsanto's participation in the total dentifrice market remains at 60% and is growing. Future prospects for IMP and TCPP are excellent while DCP will continue to be partially replaced. Since DCP is a raw material for TCPP, no idle plant capacity will result from the market shift.

PHOS ACID - FOOD
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 4.0	4.2	4.5	4.9	5.1	5.3	7.
Gross Profit	$ 1.3	1.5	1.6	1.6	1.3	1.9	2.
SARE	$ .2	.2	.2	.3	.4	.4	.
Other Income	$						
Depletion Tax Cr.	$ .1	.1	.1	.1	.1	.1	.
Div. Contribution	$ 1.2	1.4	1.5	1.4	1.0	1.6	2.
Corp. Net Income	$ .5	.6	.7	.7	.4	.8	1.
Selling Price/lb.	$ .097	.095	.095	.095	.096	.096	.0
Cost of Sales/lb.	$ .065	.062	.061	.065	.071	.062	.0
As % of Sales:							
Gross Profit	32.8	35.0	35.9	32.1	25.7	36.0	39
SARE	6.0	5.3	5.0	5.0	7.8	6.4	5
Net Income	13.8	15.1	15.5	15.0	8.9	14.5	16
$ Sales/$ Invest.	.88	.83	.83	.69	.57	.58	.
For Sales:							
% ROI (Corp. Net)	12.1	12.5	12.9	10.4	5.0	8.5	12
Gross Invest:							
Sales	$ 4.5	5.0	5.5	7.1	8.9	9.0	9.
Internal Use	$						
Total	$ 4.5	5.0	5.5	7.1	8.9	9.0	9.
Capacity - MM lbs:							
Sales	41.2	43.9	47.6	51.0	52.7	54.6	73.
Internal Use	493.0	550.7	591.4	611.2	609.7	734.4	734.
Excess	30.9	37.1	40.8	29.0	157.8	18.4	
Total	565.1	631.7	679.8	691.2	820.2	807.4	807.

Price pressure in the food acid market (mainly aluminum bright-dip) in the form of special allowances tended to force the net back value down, but a program to eliminate unprofitable sales resulting from the allowances helped hold Monsanto's net back constant. Sales volume suffered slightly as a result, but this will be recovered.

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PHOS ACID - OTHER
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap'ty
Sales	$ 8.0	8.8	8.6	8.7	9.0	12.8	27.3
Gross Profit	$ .3	.9	1.1	1.0	.7	2.5	6.0
SARE	$ .5	.5	.4	.5	.3	.6	1.0
Other Income	$						
Depletion Tax Cr.	$ .3	.3	.2	.3	.2	.3	.3
Div. Contribution	$ .1	.7	.9	.8	.6	2.2	5.3
Corp. Net Income	$ .1	.4	.4	.3	.1	.9	2.5
Selling Price/lb.	$ .065	.066	.066	.067	.069	.069	.070
Cost of Sales/lb.	$ .063	.059	.058	.059	.064	.056	.054
As % of Sales:							
Gross Profit	4.0	9.9	12.5	11.4	7.3	19.2	21.8
SARE	6.0	5.3	5.0	5.1	3.3	4.5	3.4
Net Income	.9	4.1	4.4	3.4	1.1	7.0	9.2
$ Sales/$ Invest.	.63	.68	.62	.44	.48	.68	1.32
For Sales:							
% ROI (Corp. Net)	.6	2.8	2.7	1.5	.5	4.7	12.1
Gross Invest:							
Sales	$ 12.7	12.9	13.8	19.7	18.5	19.0	20.7
Internal Use	$						
Total	$ 12.7	12.9	13.8	19.7	18.5	19.0	20.7
Capacity - MM lbs:							
Sales	121.9	133.1	130.7	129.9	129.7	186.0	392.6
Internal Use							
Excess	72.3	101.1	88.1	101.2	207.8	206.6	
Total	194.2	234.2	218.8	231.1	337.5	392.6	392.6

Pricing in the fertilizer and feed phos. acid market firmed as demand exceeded supply and sulfur price rose. Only the limited availability of phosphorus prevented increased sales level at profitable prices.

POTASSIUM PHOSPHATES
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$	2.1	3.6	5.6	5.3	5.4	5.5	8.0
Gross Profit	$	.5	1.2	2.3	1.9	1.4	1.9	3.0
SARE	$	.1	.2	.3	.3	.3	.3	.[illegible]
Other Income	$							
Div. Contribution	$	.4	1.0	2.0	1.6	1.2	1.7	2.[illegible]
Corp. Net Income	$	.2	.5	1.0	.8	.5	.8	1.[illegible]
Selling Price/lb.	$	.122	.120	.125	.125	.117	.117	.11[illegible]
Cost of Sales/lb.	$	.090	.079	.073	.080	.086	.076	.07[illegible]
As % of Sales:								
Gross Profit		25.8	34.2	41.5	36.0	26.5	35.0	36.[illegible]
SARE		6.0	5.3	5.0	5.3	4.6	4.6	4.[illegible]
Net Income		9.0	13.1	17.3	15.7	10.1	14.1	15.[illegible]
$ Sales/$ Invest.		.78	.92	1.18	.89	.79	.80	1.1[illegible]
For Sales:								
% ROI (Corp. Net)		7.0	12.1	20.4	13.9	8.0	11.2	17.[illegible]
Gross Invest:								
Sales	$	2.7	3.9	4.7	6.0	6.8	6.9	7.2
Internal Use	$							
Total	$	2.7	3.9	4.7	6.0	6.8	6.9	7.2
Capacity - MM lbs:								
Sales		17.5	29.8	44.3	42.4	46.0	46.9	69.0
Internal Use		.1	.4	1.4	.5	21.6	(.3)	(.3
Excess		9.1	4.1	3.9	(2.7)	(5.5)	22.1	
Total		26.7	34.3	49.6	40.2	62.1	68.7	68.7

Monsanto's biggest volume TKPP customer is losing ground in the liquid detergent market with a consequent downward trend on sales volume. Increased effort is being made to improve our sales participation with other customers. Monsanto's market share is 40%.

MCP - ALL GRADES
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.8	1.7	1.7	1.7	1.6	1.7	2.1
Gross Profit	$ .3	.4	.4	.4	.3	.4	.6
SARE	$ .1	.1	.1	.1	.1	.1	.1
Other Income	$						
Div. Contribution	$ .2	.3	.3	.3	.2	.3	.5
Corp. Net Income	$ .1	.1	.2	.1	.1	.1	.2
Selling Price/lb.	$ .071	.071	.071	.072	.075	.076	.074
Cost of Sales/lb.	$ .059	.055	.054	.056	.061	.056	.052
As % of Sales:							
Gross Profit	16.6	22.4	24.5	21.7	18.5	25.7	29.5
SARE	6.0	5.3	5.0	5.3	7.7	8.2	7.1
Net Income	5.5	8.4	9.4	8.1	3.9	7.7	10.5
$ Sales/$ Invest.	.78	.84	.79	.71	.71	.75	.91
For Sales:							
% ROI (Corp. Net)	4.3	7.0	7.5	5.8	2.8	5.8	9.6
Gross Invest:							
Sales	$ 2.3	2.0	2.1	2.4	2.2	2.3	2.3
Internal Use	$						
Total	$ 2.3	2.0	2.1	2.4	2.2	2.3	2.3
Capacity - MM lbs:							
Sales	25.3	24.1	23.7	23.8	21.1	22.6	28.7
Internal Use	.2	.3	(.1)	(1.0)	.3	.3	.3
Excess	1.5	2.6	3.4	4.2	5.6	6.1	
Total	27.0	27.0	27.0	27.0	27.0	29.0	29.0

Prices on food phosphates were up in 1966 and sales volume was generally firm. MCP levening acid was down slightly but companion products in the newer SALP line were up. Profits in these products were limited by manufacturing capacity, which is being increased.

SMP
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 3.2	3.3	3.9	4.0	4.2	5.0	5.
Gross Profit	$ .7	.9	1.1	.9	.7	1.4	1.
SARE	$ .2	.2	.2	.2	.2	.2	.
Other Income	$						
Depletion Tax Cr.	$ .1	.1	.1	.1	.1	.1	.
Div. Contribution	$ .6	.8	1.0	.8	.6	1.3	1.
Corp. Net Income	$ .3	.4	.5	.4	.2	.6	.
Selling Price/lb.	$ .081	.081	.081	.080	.079	.083	.08
Cost of Sales/lb.	$ .062	.059	.058	.061	.065	.059	.05
As % of Sales:							
Gross Profit	23.1	27.0	28.6	24.2	17.6	29.5	31.
SARE	6.0	5.3	5.0	5.0	3.9	4.5	4.
Net Income	8.6	10.8	11.5	9.8	5.5	11.8	12.
$ Sales/$ Invest.	.85	.85	.91	.68	.65	.66	.6
For Sales:							
% ROI (Corp. Net)	7.4	9.3	10.4	6.7	3.6	7.8	8.
Gross Invest:							
Sales	$ 3.7	3.9	4.3	5.9	6.4	7.6	7.
Internal Use	$						
Total	$ 3.7	3.9	4.3	5.9	6.4	7.6	7.
Capacity - MM lbs:							
Sales	39.3	41.1	48.5	49.8	52.9	60.2	60.2
Internal Use	1.3	1.3	1.6	1.2	1.2	2.0	2.0
Excess	3.9	2.8	(7.7)	(1.1)	6.4		
Total	44.5	45.2	42.4	49.9	60.5	62.2	62.2

Sales of SMP were limited by production capacity which was expanded late in 1966 and will be expanded again in 1967. Net back suffered by freight on material purchased for resale. Price and volume will both be up in 1967.

STP - ALL GRADES
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap'ty
Sales	$ 31.2	35.4	37.5	37.4	40.5	46.0	59.3
Gross Profit	$ 4.9	6.7	7.4	5.7	3.0	7.1	10.7
SARE	$ 1.9	1.9	1.9	1.9	1.7	2.1	2.5
Other Income	$				.1		
Depletion Tax Cr.	$ .6	.7	.6	.7	.4	.6	.6
Div. Contribution	$ 3.6	5.5	6.1	4.5	1.8	5.6	8.8
Corp. Net Income	$ 1.6	2.4	2.7	1.7	(.4)	1.9	3.6
Selling Price/lb.	$ .068	.068	.066	.064	.063	.064	.064
Cost of Sales/lb.	$ .058	.055	.053	.054	.059	.054	.053
As % of Sales:							
Gross Profit	15.5	18.8	19.8	15.3	7.5	15.6	18.0
SARE	6.0	5.3	5.0	5.1	4.3	4.6	4.2
Net Income	5.0	6.8	7.1	4.6	(.9)	4.2	6.0
$ Sales/$ Invest.	.72	.76	.76	.60	.54	.60	.76
For Sales:							
% ROI (Corp. Net)	3.6	5.2	5.4	2.7	(.5)	2.5	4.6
Gross Invest:							
Sales	$ 43.2	46.6	49.4	62.3	75.1	76.5	78.1
Internal Use	$						
Total	$ 43.2	46.6	49.4	62.3	75.1	76.5	78.1
Capacity - MM lbs:							
Sales	457.6	521.5	572.0	587.3	638.2	713.4	919.6
Internal Use	36.9	48.2	52.3	46.8	42.0	44.0	44.0
Excess	97.6	128.3	98.7	107.1	273.3	206.2	
Total	592.1	698.0	723.0	741.2	953.5	963.6	963.6

The market for STP is excellent and in spite of shortages customer relations are good. Expansions are complete and costs are improving. Prices are trending upward.

Monsanto is aggressively pursuing a large overseas market and already has increased export sales from 49MM lbs. in 1966 to about 100MM lbs. in 1967.

TSP CRYSTAL
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap't
Sales	$ 2.9	2.6	2.7	2.4	2.7	3.1	3.
Gross Profit	$ .7	.8	.8	.6	.7	1.0	1.
SARE	$ .2	.1	.1	.1	.1	.1	.
Other Income	$						
Depletion Tax Cr.	$						
Div. Contribution	$ .5	.7	.7	.5	.6	.9	1.
Corp. Net Income	$ .3	.3	.3	.2	.3	.4	.
Selling Price/lb.	$ .040	.040	.042	.042	.044	.045	.04
Cost of Sales/lb.	$ .030	.027	.029	.031	.033	.030	.02
As % of Sales:							
Gross Profit	25.3	31.3	31.6	25.6	24.7	32.9	33.
SARE	6.0	5.2	5.0	5.0	3.9	4.5	4.
Net Income	9.0	12.1	12.4	9.9	9.3	13.1	12.
$ Sales/$ Invest.	1.05	.95	1.00	.77	1.07	1.21	1.4
For Sales:							
% ROI (Corp. Net)	9.4	11.4	12.5	7.7	10.0	15.8	17.
Gross Invest:							
Sales	$ 2.7	2.7	2.6	3.1	2.5	2.6	2.
Internal Use	$						
Total	$ 2.7	2.7	2.6	3.1	2.5	2.6	2.
Capacity - MM lbs:							
Sales	72.2	65.7	63.5	58.0	61.1	68.7	84.
Internal Use							
Excess	2.8	18.3	20.5	26.0	22.9	15.3	
Total	75.0	84.0	84.0	84.0	84.0	84.0	84.0

TSP market is stable. Sales to Climaline, our largest single customer, slowl declines, but other customers growth and other uses balance this loss.

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TSPP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap'ty
Sales	$ 4.6	4.8	4.5	4.0	4.1	4.4	5.6
Gross Profit	$ .8	1.0	.8	.5	.3	.6	1.0
SARE	$ .3	.2	.2	.2	.2	.2	.2
Other Income	$						
Depletion Tax Cr.	$ .1	.1	.1	.1	.1		
Div. Contribution	$ .6	.9	.7	.4	.2	.4	.8
Corp. Net Income	$ .3	.4	.3	.1		.1	.3
Selling Price/lb.	$ .062	.062	.060	.058	.058	.059	.059
Cost of Sales/lb.	$ .052	.048	.049	.051	.053	.051	.049
As % of Sales:							
Gross Profit	16.8	21.3	18.0	12.0	8.1	13.2	17.6
SARE	6.0	5.3	5.0	5.0	4.1	4.5	4.1
Net Income	5.8	8.1	6.3	2.7		3.0	5.8
$ Sales/$ Invest.	.95	.95	.89	.73	.67	.70	.88
For Sales:							
% ROI (Corp. Net)	5.5	7.8	5.6	2.0	(.2)	2.1	5.1
Gross Invest:							
Sales	$ 4.8	5.1	5.1	5.4	6.1	6.3	6.4
Internal Use	$						
Total	$ 4.8	5.1	5.1	5.4	6.1	6.3	6.4
Capacity - MM lbs:							
Sales	73.7	78.8	75.9	68.8	71.0	74.3	95.4
Internal Use	2.9	3.2	3.8	3.9	4.8	4.6	4.6
Excess	33.1	18.0	20.3	27.3	24.2	21.1	
Total	109.7	100.0	100.0	100.0	100.0	100.0	100.0

TSPP is an old line product which is primarily used by Lever Bros. Their volume was down so the demand for TSPP was down also. Growing sales of the granular by-product and the development of improved granular yields in 1966 tend to offset the declining Lever Bros. requirements. TSPP is expected to remain a stable product for some time.

SILICON - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap'ty
Sales	$ 2.4	2.4	5.9	6.3	10.6	15.3	15.3
Gross Profit	$(.9)	(.7)	.7		2.7	3.7	4.1
SARE	$ .9	.8	1.2	1.4	.9	1.0	1.0
Other Income	$						
Div. Contribution	$(1.8)	(1.5)	(.5)	(1.4)	1.8	2.7	3.1
Corp. Net Income	$(.9)	(.8)	(.3)	(1.0)	.7	1.1	1.3
Selling Price/Gram	$ 1.31	.78	.71	.57	.65	.62	.62
-Slice	$		1.80	1.56	1.64	1.58	1.58
Cost of Sales/Gram	$ 1.79	1.01	.55	.52	.46	.40	.41
-Slice	$		1.67	1.64	1.25	1.24	1.21
As % of Sales:							
Gross Profit	(36.6)	(29.4)	12.0	.1	25.5	24.4	27.0
SARE	39.2	34.4	19.5	22.3	8.9	6.9	6.9
Net Income	(38.3)	(33.7)	(5.5)	(16.7)	6.8	7.0	8.[illegible]
$ Sales/$ Invest.	.45	.40	.63	.68	.98	1.19	1.19
For Sales:							
% ROI (Corp. Net)	(17.4)	(13.4)	(3.5)	(11.4)	6.7	8.3	9.9
Gross Invest:							
Sales	$ 5.2	6.0	9.3	9.1	10.7	12.9	12.9
Internal Use	$						
Total	$ 5.2	6.0	9.3	9.1	10.7	12.9	12.9
Capacity - MM Grams							
Sales	1.8	3.1	2.7	3.9	5.9	8.7	8.7
Internal Use	.1	.1	.1				
Excess	1.2	2.1	3.1	2.4	.8		
Total	3.1	5.3	5.9	6.3	6.7	8.7	8.7
Capacity - MM Slices							
Sales			2.2	2.6	4.1	6.3	6.3
Internal Use			.1				
Excess			.4	1.6	.8		
Total			2.7	4.2	4.9	6.3	6.3

The turnaround in costs of mid 1965 combined with sales at capacity in every area except Epitaxial resulted in the first profitable year for Silicon in 1966.

An expansion was initiated in the third quarter of 1966 which will increase capacity as the various projects are completed through mid 1967.

Sales are expected to grow at 10% per year and profitability is expected to be between 6-10%.

ORGANIC CHEMICALS DIVISION
Division Profitability
($ in Millions)

	Actual					1967
	1962	1963	1964	1965	1966	Budget
Sales	181.9	188.4	201.5	217.0	248.3	256.2
Division Contribution	34.5	31.5	38.3	42.3	49.1	51.6
Corp. Net Income	13.7	11.7	14.7	18.7	21.4	19.6
Corp. Net Income as % of Sales	7.5	6.2	7.3	8.6	8.6	7.7
$ Sales/$ Investment	.76	.74	.78	.79	.81	.77
% ROI - Corp. Net Income	5.7	4.6	5.7	6.8	7.0	5.9
Gross Investment	239.9	254.5	256.9	273.4	306.5	331.8
Product Group - % Return:						
Fine Chemicals	9.3	6.5	5.9	9.2	8.5	7.8
Fluids	16.3	14.2	11.7	11.2	14.0	11.4
Intermediates	6.6	5.5	5.4	9.2	10.0	6.1
Paper Chemicals	7.5	5.8	3.0	1.4	4.9	4.0
Petroleum Additives	6.1	7.1	7.5	3.5	.3	3.3
Plasticizers	2.1	1.4	4.3	5.7	6.2	4.9
Resin Materials	2.0	.5	3.1	2.8	3.1	2.1
Rubber Chemicals	10.2	8.0	10.6	11.2	11.1	11.1

In 1966 investment in the divisions' products earned the following rates of return:

	% of Total Investment
Loss	11.4
0 to 3%	48.0
3 to 5%	2.1
Over 5%	38.5

Product groups are reported on the following pages:

Major products reported comprise 55% of the division's investment in 1966.

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FINE CHEMICALS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	25.3	24.7	27.5	32.3	36.2	36.7
Gross Profit	9.1	8.0	8.7	10.8	10.7	12.4
SARE	1.8	1.9	2.3	2.3	2.2	2.7
Other Income	.1	.1	.2	.2	.5	.3
Division Contribution	7.4	6.2	6.6	8.7	9.0	10.0
Corp. Net Income	3.2	2.4	2.6	4.1	4.1	4.1
As % of Sales:						
Gross Profit	36.0	32.2	31.6	33.5	29.5	33.9
SARE	7.1	7.8	8.3	7.2	6.1	7.5
Corp. Net Income	12.4	9.9	9.3	12.8	11.4	11.1
$ Sales/$ Invest.	.75	.66	.63	.72	.75	.70
% ROI - Corp. Net Income	9.3	6.5	5.9	9.2	8.5	7.8
Gross Investment	33.9	37.5	43.3	45.0	58.6	52.6

Major products reported for the Fine Chemicals product group are as follows:

ASPIRIN
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 5.0	5.8	6.2	7.6	7.6	8.1	9.1
Gross Profit	$ 1.8	2.1	2.2	3.4	2.7	3.7	4.0
SARE	$ .3	.4	.5	.5	.2	.3	.3
Other Income	$						
Div. Contribution	$ 1.5	1.7	1.7	2.9	2.5	3.4	3.7
Corp. Net Income	$ .6	.7	.7	1.5	1.3	1.5	1.7
Selling Price/lb.(1)	$ .570	.558	.555	.561	.560	.547	.547
Cost of Sales/lb.(1)	$ .360	.354	.356	.309	.360	.297	.306
As % of Sales:							
Gross Profit	36.8	36.7	35.9	44.9	35.7	45.6	44.0
SARE	7.1	7.8	8.2	7.0	2.5	4.1	3.8
Net Income	12.8	12.1	11.9	19.9	16.6	18.5	18.2
$ Sales/$ Invest.	.69	.75	.71	.82	.59	.59	.65
For Sales:							
% ROI (Corp. Net)	8.8	9.1	8.5	16.3	9.8	10.9	11.9
Gross Invest:							
Sales	$ 7.2	7.7	8.6	9.3	12.9	13.8	13.9
Internal Use	$ .1	.1					
Total	$ 7.3	7.8	8.6	9.3	12.9	13.8	13.9
Capacity - MM lbs:							
Sales	8.7	10.4	11.1	13.6	13.7	14.8	16.7
Internal Use	.1	.1					
Excess	1.2	(.5)	.3	(1.2)	(.5)	1.9	
Total	10.0	10.0	11.4	12.4	13.2	16.7	16.7

(1) 100% weight

Monsanto's share of the world market in aspirin will continue at about the same level and the domestic sales will continue to grow at approximately 5 or 6% per year. Aspirin costs were high in 1966 due to unfavorable variances and need to purchase aspirin to satisfy demand, but 1967 is expected to show considerable improvement in costs. Net income will remain at approximately the present levels because of expected price attrition due to the reduction of tariffs. The current budget for selling price is about 1.5¢ per pound less than recent past years as two major accounts have exerted price pressure to the point where this concession has already been made. Capacity for aspirin is now adequate for the first time in two years to supply entire Monsanto demands. Salicylic acid capacity is barely adequate for the current year but a major expansion will be available in the early part of 1968 which should cover all demands for salicylic acid for the next five years.

ETHAVAN
($ in Millions)

		Actual				1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 1.9	1.9	2.0	2.3	2.3	2.5	2.9
Gross Profit	$ .8	.8	.8	1.0	.9	1.3	1.5
SARE	$ .1	.1	.2	.2	.2	.3	.3
Other Income	$				.1		
Div. Contribution	$ .7	.7	.6	.8	.8	1.0	1.2
Corp. Net Income	$ .3	.3	.3	.4	.4	.4	.5
Selling Price/lb.	$6.237	6.100	6.192	6.139	6.340	6.679	6.679
Cost of Sales/lb.	$3.577	3.532	3.802	3.516	3.762	3.337	3.334
As % of Sales:							
Gross Profit	42.6	41.2	38.6	42.7	40.7	50.0	50.1
SARE	7.1	7.8	8.2	6.8	9.2	11.7	10.5
Net Income	15.6	14.7	13.4	18.6	17.7	17.7	18.6
$ Sales/$ Invest.	.82	.77	.73	.81	.82	.89	1.02
For Sales:							
% ROI (Corp. Net)	12.7	11.3	9.8	15.1	14.4	15.8	18.6
Gross Invest:							
Sales	$ 2.3	2.5	2.8	2.9	2.9	2.9	2.9
Internal Use	$						
Total	$ 2.3	2.5	2.8	2.9	2.9	2.9	2.9
Capacity - MM lbs:							
Sales	.3	.3	.3	.4	.4	.4	.4
Internal Use							
Excess							
Total	.3	.3	.3	*	*	.4	.4

* Multipurpose equipment which causes a fluctuating capacity.

The recent incremental capacity increase for this product gives us adequate capacity to supply the U.S. market. The recent price increase of 55¢ per pound will hold until such time as tariff reductions permit foreign ethavan to be imported into the U.S.A. Very modest sales increases are forecast for the current year and income will remain at its present level.

FUMARIC ACID (INCLUDES COLD WATER SOLUBLE)
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.3	1.4	1.4	2.4	3.4	3.7	3.9
Gross Profit	$	(.1)	.2		.3	.4	.5
SARE	$ .1	.1	.1	.2	.2	.3	.3
Other Income	$						
Div. Contribution	$(.1)	(.2)	.1	(.2)	.1	.1	.2
Corp. Net Income	$(.1)	(.1)	(.1)	(.2)	(.1)	(.1)	
Selling Price/lb.	$ .197	.162	.165	.175	.182	.185	.185
Cost of Sales/lb.	$ .198	.167	.142	.177	.165	.164	.160
As % of Sales:							
Gross Profit		(3.6)	14.1	(.9)	8.8	11.7	13.6
SARE	8.2	8.6	7.6	6.9	7.1	9.0	8.7
Net Income	(5.6)	(7.6)	(4.3)	(10.3)	(2.7)	(2.0)	(.7)
$ Sales/$ Invest.	.37	.34	.26	.44	.56	.55	.58
For Sales:							
% ROI (Corp. Net)	(2.0)	(2.6)	(1.1)	(4.5)	(1.4)	(1.1)	(.4)
Gross Invest:							
Sales	$ 3.6	4.0	5.3	5.4	6.1	6.8	6.8
Internal Use	$ .6	.5	.8	.4	.4	.4	.4
Total	$ 4.2	4.5	6.1	5.8	6.5	7.2	7.2
Capacity - MM lbs:							
Sales	6.7	8.5	8.3	13.6	18.9	20.2	21.2
Internal Use	1.3	1.1	1.4	1.4	1.6	1.5	1.5
Excess	5.2	2.2	6.3	2.4	1.3	1.0	
Total	13.2	11.8	16.0	17.4	21.8	22.7	22.7

The total resin, food and cold water-soluble fumaric acid is reported here and operations are at near capacity. However, the extremely depressed price for both the food and the resin use causes profits to be entirely unsatisfactory. Cold water-soluble fumaric acid will show an interesting growth during the year 1967 and the price for this product is about 26¢ per pound as opposed to the average price of 18-1/2¢ indicated here.

PHENACETIN
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 3.0	1.9	1.7	1.7	2.0	1.5	2.(
Gross Profit	$ 1.5	.9	.8	.8	.8	.5	1.(
SARE	$ .2	.1	.1	.1			
Other Income	$						
Div. Contribution	$ 1.3	.8	.7	.7	.8	.5	1.0
Corp. Net Income	$ .6	.3	.3	.4	.4	.2	.5
Selling Price/lb.	$ .915	.866	.840	.827	.787	.737	.737
Cost of Sales/lb.	$ .455	.439	.436	.428	.459	.479	.443
As % of Sales:							
Gross Profit	50.3	49.3	48.2	48.3	41.7	35.1	39.9
SARE	7.1	7.7	8.2	8.2	2.6	4.0	3.2
Net Income	19.3	18.1	18.7	21.3	22.5	14.9	18.3
$ Sales/$ Invest.	.97	.81	.81	.67	.98	.76	1.25
For Sales:							
% ROI (Corp. Net)	18.7	14.7	15.0	14.3	22.0	11.3	22.8
Gross Invest:							
Sales	$ 3.1	2.4	2.2	2.5	2.0	2.0	2.1
Internal Use	$						
Total	$ 3.1	2.4	2.2	2.5	2.0	2.0	2.1
Capacity - MM lbs:							
Sales	3.3	2.2	2.1	2.0	2.5	2.0	3.5
Internal Use							
Excess	.1	1.3	1.4	1.5	1.0	1.5	
Total	3.4	3.5	3.5	3.5	3.5	3.5	3.5

The total market for phenacetin continues to be surprising in view of the adverse publicity concerning its use. Forecasted price reduction budgeted here will not occur unless tariffs are reduced more quickly than expected. In fact, the German import price was recently raised 5¢ per pound and Monsanto's price will come up somewhat above the current average 79¢ price. Earnings for this product will be improved over those forecast.

The lower SARE ratio in 1966 and 1967 is due mainly to a shift in research and development effort.

SACCHARIN
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 2.0	2.0	2.4	2.2	1.8	2.0	3.2
Gross Profit	$ .7	.3	.6	.2	.1	.2	.5
SARE	$ .2	.2	.2	.2	(.2)	.2	.3
Other Income	$						
Div. Contribution	$ .5	.1	.4				.2
Corp. Net Income	$ .2		.1	(.1)	(.1)	(.1)	.1
Selling Price/lb.(1)	$1.569	1.653	1.621	1.454	1.492	1.360	1.360
Cost of Sales/lb.(1)	$1.040	1.463	1.214	1.347	1.386	1.217	1.145
As % of Sales:							
Gross Profit	33.7	12.9	25.1	7.3	7.1	10.5	15.8
SARE	7.1	7.8	8.2	7.0	9.4	11.7	8.5
Net Income	11.3	.9	5.4	(4.6)	(6.5)	(4.9)	1.0
$ Sales/$ Invest.	.92	.59	.57	.49	.42	.49	.74
For Sales:							
% ROI (Corp. Net)	10.4	.5	3.1	(2.3)	(2.7)	(2.4)	.7
Gross Invest:							
Sales	$ 2.2	3.3	4.2	4.5	4.4	4.2	4.3
Internal Use	$			1.9	.1		
Total	$ 2.2	3.3	4.2	6.4	4.5	4.2	4.3
Capacity - MM lbs:							
Sales	1.3	1.3	1.5	1.5	1.3	1.5	2.3
Internal Use							
Excess	.1	.2	.1	.4	.9	.8	
Total	1.4	1.5	1.6	1.9	2.2	2.3	2.3

(1) 100% weight

The budgeted quantity of saccharin will be substantially improved since we are price competitive with U.S. competition and more nearly competitive with Japanese imports. However, the price indicated at $1.36 per pound will not be met because of recent price reductions.

Process improvement plans in the entire toluene sulfonchloride family will result in cost improvements in saccharin although a minimum amount of this cost improvement will be felt in 1967.

SANTOPHEN #1 (INCL. SOLN.)
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ .9	1.0	1.3	1.4	1.6	2.0	2.9
Gross Profit	$ .4	.4	.8	.8	.8	1.1	1.6
SARE	$ .1	.1	.1	.1	.1	.1	.1
Other Income	$						
Div. Contribution	$ .3	.3	.7	.7	.7	1.0	1.5
Corp. Net Income	$ .1	.1	.3	.4	.3	.5	.7
Selling Price/lb.	$ .641	.635	.636	.638	.622	.602	.602
Cost of Sales/lb.	$ .392	.380	.282	.286	.323	.263	.256
As % of Sales:							
Gross Profit	38.8	40.1	55.8	55.2	48.2	56.2	57.5
SARE	7.1	7.8	8.2	7.3	5.5	4.3	3.6
Net Income	13.7	13.8	22.4	26.2	21.2	24.0	25.8
$ Sales/$ Invest.	.63	.60	.73	.79	.70	.93	1.29
For Sales:							
% ROI (Corp. Net)	8.6	8.2	16.4	20.7	14.8	22.2	33.3
Gross Invest:							
Sales	$ 1.4	1.7	1.8	1.8	2.2	2.1	2.2
Internal Use	$						
Total	$ 1.4	1.7	1.8	1.8	2.2	2.1	2.2
Capacity - MM lbs:							
Sales	1.4	1.6	2.1	2.2	2.5	3.3	4.7
Internal Use							
Excess	.6	.3	(.1)	.6	.5	1.5	
Total	2.0	1.9	2.0	2.8	3.0	4.7	4.7

The remarkable growth of Santophen #1 sales will be somewhat arrested during the year 1967 by two factors. A principal customer will reformulate its hospital germicide without the use of Santophen #1. There is a possibility that other germicides more active on Pseudomonas will threaten certain uses for Santophen #1. Secondly, a domestic competitor is now aggressively marketing the same chemical compound so that a small percentage of our business will be lost.

3,4,4 TRICHLOROCARBANILIDE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 3.2	3.2	3.0	3.5	3.9	4.3	6.0
Gross Profit	$ 1.6	1.4	1.6	1.8	2.2	2.5	3.5
SARE	$ .2	.2	.2	.2	.2	.2	.2
Other Income	$						
Div. Contribution	$ 1.4	1.2	1.4	1.6	2.0	2.3	3.3
Corp. Net Income	$ .6	.5	.7	.9	1.1	1.1	1.6
Selling Price/lb.	$1.893	1.891	1.933	1.926	1.911	1.912	1.912
Cost of Sales/lb.	$ .940	1.026	.877	.927	.848	.810	.780
As % of Sales:							
Gross Profit	50.3	45.7	54.6	51.9	55.6	57.7	59.2
SARE	7.1	7.7	8.2	7.8	5.9	5.0	4.2
Net Income	19.3	16.5	22.7	25.5	27.1	25.3	27.0
$ Sales/$ Invest.	1.41	1.08	1.10	1.10	1.41	1.35	1.76
For Sales:							
% ROI (Corp. Net)	27.2	17.8	24.9	28.0	38.2	34.0	47.5
Gross Invest:							
Sales	$ 2.3	3.0	2.7	3.2	2.8	3.2	3.4
Internal Use	$						
Total	$ 2.3	3.0	2.7	3.2	2.8	3.2	3.4
Capacity - MM lbs:							
Sales	1.7	1.7	1.5	1.8	2.0	2.3	3.1
Internal Use					1.1	.8	
Excess							
Total	*	*	*	*	3.1	3.1	3.1

* Multipurpose equipment which causes a fluctuating capacity.

A 10% growth rate is forecast for 1967 and the price of this proprietary product is safe. It appears that the forecast for sales and earnings can be viewed with confidence.

VANILLIN
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 2.6	2.4	3.1	3.3	3.7	3.9	4.2
Gross Profit	$ 1.2	1.1	1.4	1.5	1.8	2.1	2.1
SARE	$ .2	.2	.3	.2	.3	.5	.5
Other Income	$				.2	.1	.1
Div. Contribution	$ 1.0	.9	1.1	1.3	1.7	1.7	1.7
Corp. Net Income	$ .5	.4	.5	.7	.9	.8	.8
Selling Price/lb.	$2.192	2.218	2.214	2.195	2.188	2.336	2.336
Cost of Sales/lb.	$1.160	1.171	1.219	1.187	1.146	1.130	1.156
As % of Sales:							
Gross Profit	47.1	47.2	44.9	45.9	47.7	51.6	50.5
SARE	7.1	7.7	8.2	7.4	9.8	11.8	11.2
Net Income	17.7	17.1	17.8	22.0	24.2	20.3	20.0
$ Sales/$ Invest.	1.12	.94	1.24	1.46	1.45	1.56	1.64
For Sales:							
% ROI (Corp. Net)	19.9	16.1	22.1	32.1	35.1	31.6	32.7
Gross Invest:							
Sales	$ 2.4	2.6	2.5	2.3	2.6	2.5	2.6
Internal Use	$						
Total	$ 2.4	2.6	2.5	2.3	2.6	2.5	2.6
Capacity - MM lbs:							
Sales	1.2	1.1	1.4	1.5	1.7	1.7	1.8
Internal Use							
Excess	.1	.2	(.1)	(.1)	(.3)	.1	
Total	1.3	1.3	1.3	1.4	1.4	1.8	1.8

The 1967 budget for vanillin is overstated primarily because of excessive inventory built by principal customers in 1966. Monsanto's share of market is not threatened and the 1966 price increase of 25¢ per pound is expected to hold. Profits will remain excellent but growth of vanillin sales will not occur.

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FLUIDS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	11.4	12.5	13.3	14.1	17.7	18.5
Gross Profit	5.3	5.9	6.9	6.5	8.6	8.6
SARE	1.6	2.1	2.4	2.5	3.2	3.6
Other Income						.1
Division Contribution	3.7	3.8	4.5	4.0	5.4	5.1
Corp. Net Income	1.6	1.7	2.0	1.9	2.7	2.2
As % of Sales:						
Gross Profit	46.5	47.2	51.9	46.1	48.7	46.6
SARE	14.0	16.8	18.0	17.7	18.2	19.4
Corp. Net Income	14.0	13.6	15.0	13.5	15.3	11.8
$ Sales/$ Invest.	1.16	1.04	.78	.83	.91	.96
% ROI - Corp. Net Income	16.3	14.2	11.7	11.2	14.0	11.4
Gross Investment	9.8	12.0	17.1	16.9	19.5	19.2

Major products reported for the Fluids product group are as follows:

AROCLOR AND THERMINOL FLUIDS
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'
Sales	$ 5.3	5.7	6.6	7.3	9.0	9.6	10.
Gross Profit	$ 2.5	2.7	3.6	3.8	4.7	5.3	6.
SARE	$ .5	.7	.9	.5	.8	1.0	1.
Other Income	$ .1						
Div. Contribution	$ 2.1	2.0	2.7	3.3	3.9	4.3	5.
Corp. Net Income	$ .9	.8	1.2	1.7	2.0	2.0	2.
Selling Price/lb.	$ .154	.153	.151	.150	.153	.154	.15
Cost of Sales/lb.	$ .080	.082	.069	.073	.074	.069	.06
As % of Sales:							
Gross Profit	47.7	46.7	54.2	51.5	51.7	55.0	55.
SARE	9.4	12.5	13.1	7.4	9.1	9.9	9.
Net Income	17.4	14.4	18.9	23.7	22.4	20.8	21.
$ Sales/$ Invest.	.94	.81	.83	.85	.94	1.00	1.1
For Sales:							
% ROI (Corp. Net)	16.4	11.7	15.8	20.1	21.2	20.7	24.1
Gross Invest:							
Sales	$ 5.7	7.1	7.9	8.6	9.6	9.7	9.8
Internal Use	$ 1.6	1.6	2.1	2.2	2.3	1.8	1.8
Total	$ 7.3	8.7	10.0	10.8	11.9	11.5	11.6
Capacity - MM lbs:							
Sales	34.6	37.3	43.6	48.7	59.0	62.7	70.2
Internal Use	12.2	11.4	14.8	16.4	16.7	17.4	17.4
Excess	9.6	7.7	.4	4.5	11.1	7.5	
Total	56.4	56.4	58.8	69.6	86.8	87.6	87.6

Sales and profitability of this family of products can be expected to continue in 1967.

Beyond 1967, sales growth may be reduced due to the substitution of plastic film for paper in capacitors since less aroclors are used per KVAR in units made with plastic film. However, all signs lead to continued good profitability on the aroclors and definite growth for the heat transfer fluids.

PYRANOL FLUIDS
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap'ty
Sales	$ 1.7	1.6	1.8	2.2	2.3	2.3	4.7
Gross Profit	$ .6	.6	.7	.8	.9	.8	1.7
SARE	$ .2	.3	.3	.1	.1	.2	.4
Other Income	$						
Div. Contribution	$ .4	.3	.4	.7	.8	.6	1.3
Corp. Net Income	$ .2	.1	.2	.4	.4	.3	.6
Selling Price/lb.	$ .160	.158	.158	.149	.151	.144	.144
Cost of Sales/lb.	$ .102	.102	.094	.093	.093	.093	.092
As % of Sales:							
Gross Profit	36.4	35.2	40.7	37.9	38.3	35.5	36.1
SARE	12.1	18.4	16.4	6.4	5.2	7.8	8.1
Net Income	10.3	6.5	10.8	16.6	17.5	12.2	13.4
$ Sales/$ Invest.	1.17	1.15	1.13	1.08	1.11	1.13	2.05
For Sales:							
% ROI (Corp. Net)	12.1	7.7	12.2	17.9	19.4	13.8	27.5
Gross Invest:							
Sales	$ 1.4	1.4	1.6	2.0	2.1	2.0	2.3
Internal Use	$						
Total	$ 1.4	1.4	1.6	2.0	2.1	2.0	2.3
Capacity - MM lbs:							
Sales	10.5	10.2	11.4	14.5	15.4	16.1	32.9
Internal Use							
Excess						16.8	
Total	*	*	*	*	*	32.9	32.9

* Multipurpose equipment which causes a fluctuating capacity.

Sales growth can be expected to continue at a modest level and profitability will remain in the high earnings category. Although price reduction was budgeted for 1967, this is not expected to materialize. Profitability in 1967 will only be effected by higher SARE and Corporate Charge allocations.

SKYDROL 500A, 500B, AND SKYDROL 7000
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap't
Sales	$ 3.2	3.3	3.5	3.8	5.4	5.7	5.
Gross Profit	$ 1.7	1.6	1.7	1.9	2.8	3.1	3.
SARE	$ .5	.5	.5	.7	.7	.9	.
Other Income	$						
Div. Contribution	$ 1.2	1.1	1.2	1.2	2.1	2.2	2.
Corp. Net Income	$ .6	.5	.6	.7	1.1	1.1	1.
Selling Price/lb.	$1.468	1.459	1.447	1.526	1.602	1.626	1.62
Cost of Sales/lb.	$ .665	.452	.771	.708	.753	.740	.74
As % of Sales:							
Gross Profit	54.9	53.8	51.8	53.9	53.0	54.5	54.
SARE	14.1	15.9	15.2	20.0	13.6	15.0	15.
Net Income	18.2	17.0	17.5	18.8	21.2	18.7	18.
$ Sales/$ Invest.	1.69	1.54	1.45	1.65	1.31	1.72	1.7
For Sales:							
% ROI (Corp. Net)	30.8	26.1	25.2	30.8	27.8	32.2	32.2
Gross Invest:							
Sales	$ 2.0	2.1	2.4	2.4	4.1	3.3	3.3
Internal Use	$						
Total	$ 2.0	2.1	2.4	2.4	4.1	3.3	3.3
Capacity - MM lbs:							
Sales	2.1	2.2	2.3	2.3	3.4	3.5	3.5
Internal Use							
Excess							
Total	*	*	*	*	*	3.5	3.5

* Multipurpose equipment which causes a fluctuating capacity.

Sales and profitability will continue the trend already established.

The most significant event in 1966 was the final acceptance by the industry of Skydrol 500B, our anti-cavitation fluid, to replace Skydrol 500A. This has thrown an obstacle in the path of our potential competitors who have been near a breakthrough in developing a competitive product to Skydrol 500A. Profitability is expected to continue at present high levels.

Skydrol 7000 sales, for piston engine aircraft, will continue to decrease as the older planes are replaced by jets.

SKYLUBE 600
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap'ty
Sales	$ .9	1.6	1.2	1.1	1.3	1.5	1.5
Gross Profit	$ .5	1.0	1.1	.4	.8	1.0	1.0
SARE	$ .1	.3	.2	.5	.8	.6	.6
Other Income	$						
Div. Contribution	$ .4	.7	.9	(.1)		.4	.4
Corp. Net Income	$ .2	.3	.4	(.1)	(.1)	.2	.2
Selling Price/lb.	$17.569	16.542	16.490	16.462	16.494	16.500	16.500
Cost of Sales/lb.	$ 6.961	6.448	.759	10.677	6.123	6.022	5.233
As % of Sales:							
Gross Profit	60.4	61.0	95.4	35.1	62.9	63.5	68.3
SARE	15.2	18.4	16.9	41.1	60.1	37.7	37.7
Net Income	20.3	18.7	33.1	(12.7)	(5.3)	11.6	14.1
$ Sales/$ Invest.	1.71	.96	.26	.26	.26	.42	.42
For Sales:							
% ROI (Corp. Net)	34.7	18.0	8.5	(3.3)	(2.0)	4.9	5.9
Gross Invest:							
Sales	$ .5	1.7	4.6	4.2	3.6	3.5	3.5
Internal Use	$						
Total	$ .5	1.7	4.6	4.2	3.6	3.5	3.5
Capacity - MM lbs:							
Sales	.1	.1	.1	.1	.1	.1	.1
Internal Use							
Excess							
Total	*	*	*	*	*	.1	.1

* Multipurpose equipment which causes a fluctuating capacity.

Sales in 1966, although greater than 1965, were less than 50% of budget due to over optimistic forecasting on the assumption that requirements would increase due to the Vietnamese war. We are now convinced that only minor growth will occur until some future governmental action occurs to boost this program. At any rate, we will have at least 2 years notice before a major increase in demand is to be satisfied. In the interim, profitability can be expected to remain at near the same general level.

Efforts are continuing to find other uses for the large scale plant which has never been used. No need has been uncovered to date.

The low cost experienced in 1964 reflects the flow of highly favorable variances from intermediate materials (Meta Chlor Phenol, M-Phenoxyphenol and OS124). The high cost in 1965 resulted from production difficulties plus intermediate requirements fulfilled from inventories produced in 1964.

INTERMEDIATES - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	20.4	22.8	22.5	22.5	27.5	25.2
Gross Profit	6.4	5.9	5.9	7.5	8.7	7.3
SARE	1.6	1.1	1.1	1.0	.9	1.0
Other Income		.1	.1	.1	.1	
Division Contribution	4.8	4.9	4.9	6.6	7.9	6.3
Corp. Net Income	1.9	1.9	1.9	3.1	3.9	2.5
As % of Sales:						
Gross Profit	31.2	25.8	26.5	33.2	31.8	28.9
SARE	7.9	4.7	4.8	4.5	3.3	4.2
Corp. Net Income	9.5	8.2	8.2	13.7	14.3	9.9
$ Sales/$ Invest.	.69	.67	.65	.67	.70	.61
% ROI - Corp. Net Income	6.6	5.5	5.4	9.2	10.0	6.1
Gross Investment	29.5	34.0	34.6	33.8	39.2	41.2

Major products reported for the Intermediates product group are as follows:

H ACID
($ in Millions)

		Actual				1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.6	1.7	1.9	1.9	1.8	1.9	2.3
Gross Profit	$ .5	.4	.4	.5	.4	.4	.4
SARE	$ .1	.1	.1	.1	.1	.1	.1
Other Income	$						
Div. Contribution	$ .4	.3	.3	.4	.3	.3	.3
Corp. Net Income	$ .2	.1	.1	.2	.1	.1	.1
Selling Price/lb.	$ .943	.837	.837	.949	.960	.859	.859
Cost of Sales/lb.	$ .641	.632	.670	.682	.769	.680	.697
As % of Sales:							
Gross Profit	32.1	24.5	19.9	28.1	19.9	20.8	18.8
SARE	7.9	4.7	4.9	5.1	3.5	4.6	4.2
Net Income	9.9	7.6	5.5	10.4	6.7	5.6	5.3
$ Sales/$ Invest.	.85	.79	.82	.66	.59	.64	.76
For Sales:							
% ROI (Corp. Net)	8.4	6.0	4.5	6.8	4.0	3.6	4.0
Gross Invest:							
Sales	$ 1.8	2.1	2.3	2.9	3.0	3.0	3.0
Internal Use	$						
Total	$ 1.8	2.1	2.3	2.9	3.0	3.0	3.0
Capacity - MM lbs:							
Sales	1.7	2.0	2.3	2.0	1.8	2.3	2.7
Internal Use							
Excess	.7	.4	.1	.7	.9	.4	
Total	2.4	2.4	2.4	2.7	2.7	2.7	2.7

Recent information from dye manufacturers indicates that the derivatives of H. Acid for the gray and black colors will not be in demand this year. The indicated sales of 2.3MM pounds are substantially overstated. Several months' downtime will be required during the summer to work off inventories and this product will wait for the fashion colors to change. So far, no threat from foreign imports has occurred although with substantial world over-capacity probable, some price attrition will undoubtedly occur before the year-end. However, this price attrition will not go below the 86¢ per pound which is the budgeted net price.

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WATER_PCB-00039911

ORTHONITROANILINE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ .8	.5	.7	.8	1.0	.8	.8
Gross Profit	$ .5	.2	.4	.5	.6	.5	.5
SARE	$ .1						
Other Income	$						
Div. Contribution	$ .4	.2	.4	.5	.6	.5	.5
Corp. Net Income	$ .2	.1	.2	.3	.3	.3	.3
Selling Price/lb.	$ .446	.434	.421	.424	.427	.403	.403
Cost of Sales/lb.	$ .170	.258	.203	.143	.182	.126	.121
As % of Sales:							
Gross Profit	61.8	40.6	51.7	66.4	57.5	68.8	70.0
SARE	7.9	4.7	4.8	4.0	3.0	4.0	4.0
Net Income	24.0	15.0	22.6	33.9	30.0	32.0	32.7
$ Sales/$ Invest.	1.11	.77	1.05	.68	.98	1.18	1.19
For Sales:							
% ROI (Corp. Net)	26.8	11.6	23.6	23.0	29.5	37.9	38.8
Gross Invest:							
Sales	$ .7	.6	.7	1.2	1.1	.7	.7
Internal Use	$						
Total	$ .7	.6	.7	1.2	1.1	.7	.7
Capacity - MM lbs:							
Sales	1.7	1.1	1.7	1.9	2.5	2.0	2.0
Internal Use							
Excess							
Total	*	*	*	*	*	2.0	2.0

* Multipurpose equipment which causes a fluctuating capacity.

A stronger sales volume and sales price are indicated for this product and operations are expected at capacity. A new, continuous process is being investigated for installation within two years providing pilot plant demonstrations are successful.

PARANITROANILINE
($ in Millions)

		Actual				1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 2.3	2.3	2.4	1.8	2.4	3.2	3.2
Gross Profit	$ .7	.7	.7	.7	.6	1.1	1.1
SARE	$ .2	.1	.1	.1		.1	.1
Other Income	$						
Div. Contribution	$ .5	.6	.6	.6	.6	1.0	1.0
Corp. Net Income	$ .2	.2	.2	.3	.3	.4	.4
Selling Price/lb.	$ .430	.429	.416	.427	.404	.390	.390
Cost of Sales/lb.	$ .305	.308	.293	.261	.300	.247	.253
As % of Sales:							
Gross Profit	29.1	28.2	29.5	38.9	25.7	36.7	35.1
SARE	7.9	4.7	4.9	4.0	3.0	4.0	4.0
Net Income	8.5	9.3	9.8	15.6	10.6	13.8	13.0
$ Sales/$ Invest.	.55	.56	.64	.45	.65	.58	.58
For Sales:							
% ROI (Corp. Net)	4.7	5.3	6.3	6.9	6.9	8.0	7.6
Gross Invest:							
Sales	$ 4.1	4.1	3.7	4.1	3.8	5.5	5.5
Internal Use	$	.2	.4	.9	.9	.9	.9
Total	$ 4.1	4.3	4.1	5.0	4.7	6.4	6.4
Capacity - MM lbs:							
Sales	5.3	5.4	5.8	4.3	6.0	8.1	8.1
Internal Use		.3	.7	1.0	1.6	2.5	2.5
Excess							
Total	*	*	*	*	*	10.6	10.6

* Multipurpose equipment which causes a fluctuating capacity.

Substantial volume increase on PNA is forecast partly to supply the shortage of another PNA manufacturer. A price increase of 2¢ per pound has been effected in 1967, but not anticipated in the budget, and will be maintained throughout the current year. A new, continuous process for PNA is being demonstrated in the pilot plant and the 1927 plant currently used will be replaced if sufficient justification exists.

PHENOL
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap't
Sales (1)	$ 6.3	6.2	5.2	4.5	4.6	3.8	3.8
Gross Profit	$ 1.3	.5	1.4	1.4	1.4	1.3	1.3
SARE	$ .5	.3	.3	.2	.1	.2	.2
Other Income	$						
Div. Contribution	$ .8	.2	1.1	1.2	1.3	1.1	1.1
Corp. Net Income	$ .3		.4	.5	.6	.4	.4
Selling Price/lb.	$ .126	.092	.089	.094	.096	.100	.100
Cost of Sales/lb.	$ .099	.084	.066	.066	.066	.067	.067
As % of Sales:							
Gross Profit	21.2	8.3	26.0	30.1	31.7	33.4	33.4
SARE	7.9	4.7	4.9	4.5	3.2	4.0	4.0
Net Income	5.0	.1	6.8	10.9	12.9	10.6	10.6
$ Sales/$ Invest.	.40	.41	.47	.53	.46	.39	.39
For Sales:							
% ROI (Corp. Net)	2.0		3.2	5.8	6.0	4.1	4.1
Gross Invest:							
Sales	$ 15.9	15.1	11.1	8.4	9.9	9.9	9.9
Internal Use	$ 30.0	28.8	34.5	35.6	36.6	38.8	38.8
Total	$ 45.9	43.9	45.6	44.0	46.5	48.7	48.7
Capacity - MM lbs:							
Sales (1)	50.4	67.5	58.3	47.3	47.6	38.0	38.0
Internal Use	119.1	146.0	196.0	218.9	206.9	219.6	219.6
Excess	(5.5)	(21.9)	(20.1)	(27.2)	(8.2)	(3.4)	(3.4)
Total (2)	164.0	191.6	234.2	239.0	246.3	254.2	254.2

(1) Includes purchases for resale.
(2) Avon annual capacity of 33.6MM lbs. included in 1962.

The phenol market price is especially weak and unquestionably the budgeted price indicated here is too high by at least 1¢. The volume of phenol available for sale is somewhat greater than budgeted and the product will be sold at a level about 15% above budget. Continued price pressure will be felt from substantial overcapacity developing from oil companies and from Union Carbide. Efforts will be made to avoid expansion of phenol capacity in view of the deteriorating price. An effort will be made to substitute cyclohexanol/cyclohexanone products from Pensacola into adipic acid manufacture, thereby conserving phenol capacity.

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PAPER CHEMICALS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	13.5	14.0	12.9	12.6	14.1	15.1
Gross Profit	4.0	3.8	3.4	2.9	3.7	3.8
SARE	1.5	1.7	2.0	2.1	1.8	1.9
Other Income		.1	.1		.1	.1
Division Contribution	2.5	2.2	1.5	.8	1.9	2.0
Corp. Net Income	1.1	.9	.5	.2	.7	.6
As % of Sales:						
Gross Profit	29.7	27.5	26.4	23.1	26.0	25.2
SARE	11.3	12.0	15.6	16.8	12.5	12.4
Corp. Net Income	7.8	6.1	3.5	1.5	5.2	4.1
$ Sales/$ Invest.	.96	.95	.86	.96	.95	.97
% ROI - Corp. Net Income	7.5	5.8	3.0	1.4	4.9	4.0
Gross Investment	14.1	14.7	15.0	13.1	14.9	15.4

Major products reported for the Paper Chemicals product group are as follows:

ALUMINUM SULFATE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 1.5	1.5	1.5	1.7	1.6	1.6	1.9
Gross Profit	$(.1)	(.1)	(.2)	(.1)	.1	.1	.3
SARE	$ .2	.2	.2	.3	.2	.2	.2
Other Income	$						
Div. Contribution	$(.3)	(.3)	(.4)	(.4)	(.1)	(.1)	.1
Corp. Net Income	$(.2)	(.2)	(.3)	(.1)	(.1)	(.1)	
Selling Price/lb.	$ .017	.018	.018	.018	.019	.019	.019
Cost of Sales/lb.	$ .019	.019	.020	.020	.017	.018	.016
As % of Sales:							
Gross Profit	(8.4)	(6.5)	(10.9)	(6.8)	8.3	6.6	15.6
SARE	11.4	12.0	15.6	16.6	12.4	12.2	11.3
Net Income	(12.4)	(10.1)	(17.3)	(16.5)	(5.7)	(6.7)	(1.1
$ Sales/$ Invest.	.60	.57	.56	.99	.83	.89	1.01
For Sales:							
% ROI (Corp. Net)	(7.5)	(5.8)	(9.6)	(16.3)	(4.7)	(5.9)	(1.1
Gross Invest:							
Sales	$ 2.6	2.7	2.7	1.7	1.9	1.8	1.8
Internal Use	$						
Total	$ 2.6	2.7	2.7	1.7	1.9	1.8	1.8
Capacity - MM lbs:							
Sales	88.4	87.9	83.7	90.6	85.0	85.0	98.4
Internal Use							
Excess	34.0	20.1	14.7	66.9	13.4	13.4	
Total	122.4	108.0	98.4	157.5	98.4	98.4	98.4

1967 will find alum in the second year of a modest gross profit in spite of the January 1 price increase due to additional cost of handling Bauxite and increased sulfur prices.

MERSIZE RE, TFL & ROSIN SIZE KIP (INCL. CD-2 & CD-2 DRY)
($ in Millions)

		Actual				1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 8.2	8.6	7.5	6.8	8.0	8.5	8.5
Gross Profit	$ 3.2	3.2	2.7	2.2	2.4	2.9	2.9
SARE	$ .9	1.0	1.2	1.1	1.0	1.1	1.1
Other Income	$						
Div. Contribution	$ 2.3	2.2	1.5	1.1	1.4	1.8	1.8
Corp. Net Income	$ 1.1	1.0	.7	.5	.7	.8	.8
Selling Price/lb.	$ .177	.170	.157	.146	.141	.112	.112
Cost of Sales/lb.	$ .108	.107	.101	.099	.098	.074	.074
As % of Sales:							
Gross Profit	38.9	37.3	35.9	32.4	30.3	34.0	34.0
SARE	11.3	12.0	15.6	16.8	12.5	12.5	12.5
Net Income	13.1	11.4	9.1	7.8	8.6	8.9	8.9
$ Sales/$ Invest.	1.53	1.38	1.18	1.24	1.38	1.47	1.47
For Sales:							
% ROI (Corp. Net)	20.1	15.7	10.8	9.7	11.8	13.1	13.1
Gross Invest:							
Sales	$ 5.4	6.2	6.4	5.5	5.8	5.8	5.8
Internal Use	$						
Total	$ 5.4	6.2	6.4	5.5	5.8	5.8	5.8
Capacity - MM lbs:							
Sales	46.5	50.3	47.8	46.6	56.4	75.8	75.8
Internal Use							
Excess						(2.7)	(2.7)
Total	*	*	*	*	*	73.1	73.1

* Multipurpose equipment which causes a fluctuating capacity.

Profits and volume continue gratifying in these products. Continued efforts to hold size prices in the face of a declining resin market is major objective. A complete review of crude tall oil future position and effect on size sales is expected to further increase profits.

PENTACHLOROPHENOL
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap'ty
Sales	$ 1.6	1.7	1.6	1.8	2.0	2.0	4.5
Gross Profit	$ .6	.5	.6	.5	.7	.8	2.0
SARE	$ .2	.2	.2	.3	.3	.2	.4
Other Income	$						
Div. Contribution	$ .4	.3	.4	.2	.4	.6	1.6
Corp. Net Income	$ .2	.1	.2		.2	.2	.7
Selling Price/lb.	$ .169	.161	.156	.142	.144	.152	.152
Cost of Sales/lb.	$ .102	.109	.095	.105	.096	.090	.085
As % of Sales:							
Gross Profit	39.8	31.8	39.4	26.2	33.5	40.9	44.1
SARE	11.3	12.0	15.6	17.1	12.5	12.3	8.7
Net Income	13.8	8.0	9.8	2.1	7.8	9.4	15.9
$ Sales/$ Invest.	.59	.72	.72	.62	.59	.60	1.23
For Sales:							
% ROI (Corp. Net)	8.2	5.7	7.0	1.3	4.6	5.7	19.6
Gross Invest:							
Sales	$ 2.7	2.4	2.3	2.9	3.4	3.3	3.6
Internal Use	$ .8	1.0	1.0	.3	.8	.6	.6
Total	$ 3.5	3.4	3.3	3.2	4.2	3.9	4.2
Capacity - MM lbs:							
Sales	9.4	10.4	10.5	12.6	14.0	13.2	29.3
Internal Use	3.6	5.6	5.5		4.9	4.1	4.1
Excess						16.1	
Total	*	*	*	*	*	33.4	33.4

* Multipurpose equipment which causes a fluctuating capacity.

The return from 25% to a 20% discount on sales to Wood Treating Chemicals Company, plus a firming of prices in the market will increase the gross profit margin to the previous high level.

SANTOBRITE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.1	1.2	.9	.9	.9	1.0	1.6
Gross Profit	$ .2		.1	.1	.2	.3	.6
SARE	$ .1	.1	.2	.2	.1	.1	.2
Other Income	$						
Div. Contribution	$ .1	(.1)	(.1)	(.1)	.1	.2	.4
Corp. Net Income	$	(.1)	(.1)	(.1)			.2
Selling Price/lb.	$ .234	.225	.229	.227	.224	.221	.221
Cost of Sales/lb.	$ .184	.213	.212	.199	.176	.151	.138
As % of Sales:							
Gross Profit	21.5	5.5	7.4	12.2	21.1	31.6	37.6
SARE	11.3	12.0	15.6	17.2	12.5	12.6	10.0
Net Income	1.3	(6.4)	(10.0)	(7.5)	1.8	3.0	10.0
$ Sales/$ Invest.	.42	.43	.34	.50	.37	.46	.72
For Sales:							
% ROI (Corp. Net)	.6	(2.7)	(3.4)	(3.8)	.7	1.4	7.2
Gross Invest:							
Sales	$ 2.7	2.7	2.8	1.8	2.5	2.2	2.3
Internal Use	$						
Total	$ 2.7	2.7	2.8	1.8	2.5	2.2	2.3
Capacity - MM lbs:							
Sales	4.9	5.2	4.1	4.0	4.1	4.6	7.4
Internal Use							
Excess	2.4	3.5	4.3	3.2	3.1	2.8	
Total	7.3	8.7	8.4	7.2	7.2	7.4	7.4

Volume is expected to grow only moderately; however, profits will improve as cost targets are achieved in 1967.

PETROLEUM ADDITIVES - PRODUCT GROUP
($ in Millions)

	Actual					1967
	1962	1963	1964	1965	1966	Budget
Sales	18.9	19.3	20.9	21.5	23.3	24.5
Gross Profit	5.3	5.3	5.7	5.2	4.3	6.5
SARE	2.5	2.5	2.7	3.1	3.0	3.2
Other Income	.1	.1		.1	.1	.2
Division Contribution	2.9	2.9	3.0	2.2	1.4	3.5
Corp. Net Income	1.1	1.2	1.2	.8	.1	1.1
As % of Sales:						
Gross Profit	27.9	27.6	27.3	24.2	18.7	26.6
SARE	13.0	13.1	12.9	14.4	13.0	13.0
Corp. Net Income	5.8	6.0	5.9	3.5	.4	4.4
$ Sales/$ Invest.	1.05	1.19	1.26	1.00	.80	.74
% ROI - Corp. Net Income	6.1	7.1	7.5	3.5	.3	3.3
Gross Investment	17.9	16.3	16.6	21.5	29.0	33.1

Major products reported for the Petroleum Additives product group are as follows:

SANTOLUBE 393
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.5	1.7	1.9	1.9	1.8	1.8	3.1
Gross Profit	$ .5	.7	.7	.8	.6	.8	1.4
SARE	$ .2	.3	.3	.3	.2	.2	.3
Other Income	$						
Div. Contribution	$ .3	.4	.4	.5	.4	.6	1.1
Corp. Net Income	$ .1	.2	.2	.2	.2	.3	.5
Selling Price/lb.	$ .238	.244	.256	.253	.251	.259	.259
Cost of Sales/lb.	$ .158	.145	.163	.153	.167	.141	.139
As % of Sales:							
Gross Profit	33.5	40.8	36.2	39.3	33.4	45.6	46.3
SARE	13.9	14.2	13.7	15.6	14.1	15.0	11.1
Net Income	8.1	11.3	11.0	13.2	10.2	15.1	17.7
$ Sales/$ Invest.	1.74	1.35	2.87	2.32	1.80	1.45	2.25
For Sales:							
% ROI (Corp. Net)	14.1	15.2	31.7	30.7	18.3	21.9	39.8
Gross Invest:							
Sales	$ .9	1.2	.7	.8	1.0	1.2	1.3
Internal Use	$ .6	1.4	.7	.7	.9	.9	.9
Total	$ 1.5	2.6	1.4	1.5	1.9	2.1	2.2
Capacity - MM lbs:							
Sales	6.4	6.8	7.6	7.5	7.3	6.8	11.8
Internal Use	7.6	8.6	9.1	9.4	10.7	9.5	9.5
Excess						5.0	
Total	*	*	*	*	*	21.3	21.3

* Multipurpose equipment which causes a fluctuating capacity.

Sales dropped in 1966 due to a major change in formulation by our major customer. However, the loss was recouped by increased sales in other products. Returns are still favorable and will remain so in 1967.

1966 cost of goods were higher than budget or 1965 actual due to price increase on a major raw material. Costs were also adversely affected by poor yields and process difficulties which will be corrected in 1967.

A plant for this inhibitor will go into operation in Japan in the 3rd quarter, 1967. Plans are also underway to justify an installation in the U.K.

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SANTOLUBE 900 & 907
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$			.2	.3	.4	1.1	4.0
Gross Profit	$						.1	.5
SARE	$						.2	.3
Other Income	$							
Div. Contribution	$						(.1)	.2
Corp. Net Income	$						(.1)	.1
Selling Price/lb.	$			.288	.264	.218	.204	.204
Cost of Sales/lb.	$			.229	.225	.196	.184	.178
As % of Sales:								
Gross Profit				20.6	14.7	10.2	9.7	12.7
SARE				9.7	13.2	13.4	14.1	8.2
Net Income				5.2	(5.7)	(5.5)	(4.5)	1.7
$ Sales/$ Invest.				2.541	.332	.675	.789	2.292
For Sales:								
% ROI (Corp. Net)				13.1	(1.9)	(3.7)	(3.6)	3.9
Gross Invest:								
Sales	$			.1	1.0	.6	1.4	1.8
Internal Use	$			.8	1.5	2.9	2.6	2.5
Total	$			.9	2.5	3.5	4.0	4.3
Capacity - MM lbs:								
Sales				.5	1.3	1.8	5.5	19.6
Internal Use				7.3	7.0	11.9	15.0	15.0
Excess							14.1	
Total				*	*	*	34.6	34.6

* Multipurpose equipment which causes a fluctuating capacity.

Yields and capacity in this new plant were demonstrated for the first time in 1966 but returns continue at an unsatisfactory level. The prospect for these products was originally forecasted to show a 11.0% ROI in 1966. The poor performance was due to (1) a 1.9¢/lb. unanticipated royalty to Lubrizol, (2) over optimism on sales expected and (3) serious price attrition greater then anticipated.

Forecasted sales growth in the next 3 years will reach an annual rate of 35MM lbs. This, along with known process improvements, should bring the ROI to a 4% level by 1970.

SANTOPOID 23 RI & 23 RIA
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$	2.2	2.4	2.4	2.8	2.3	1.8	2.1
Gross Profit	$	.8	.8	.8	1.1	.8	.9	1.0
SARE	$	.3	.3	.3	.4	.3	.3	.3
Other Income	$							
Div. Contribution	$	.5	.5	.5	.7	.5	.6	.7
Corp. Net Income	$	.2	.2	.2	.4	.3	.3	.4
Selling Price/lb.	$	.306	.303	.306	.304	.303	.297	.297
Cost of Sales/lb.	$	.201	.201	.201	.188	.191	.156	.155
As % of Sales:								
Gross Profit		34.5	33.8	34.2	38.2	36.8	47.4	47.9
SARE		13.8	14.2	13.8	15.3	14.4	14.9	13.6
Net Income		8.6	8.0	9.5	12.6	11.2	15.6	16.7
$ Sales/$ Invest.		1.52	1.43	1.64	1.84	1.11	1.23	1.40
For Sales:								
% ROI (Corp. Net)		13.0	11.4	15.5	23.2	12.4	19.3	23.4
Gross Invest:								
Sales	$	1.5	1.7	1.5	1.5	2.0	1.5	1.5
Internal Use	$							
Total	$	1.5	1.7	1.5	1.5	2.0	1.5	1.5
Capacity - MM lbs:								
Sales		7.2	7.8	7.9	9.3	7.5	6.1	7.1
Internal Use								
Excess							1.0	
Total		*	*	*	*	*	7.1	7.1

* Multipurpose equipment which causes a fluctuating capacity.

Costs in 1966 increased over 1965 due to the poor performance on Santolube 393, a major component of this gear additive. Sales remained at a high level due to government orders because of the Vietnam conflict. However, losses in sales are being experienced due to market acceptance of a competitive product of different composition. Further losses are expected in 1967 due this competitive action and an anticipation of lower sales to the government.

The end of 1967 should see us well along in development of a new product to combat competitive in-roads. Profit margins on the remaining 23RI & A business will continue in the high return category.

<u>PLASTICIZERS - PRODUCT GROUP</u>
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	39.4	41.9	46.5	51.0	58.1	58.6
Gross Profit	5.6	5.9	9.9	11.0	13.5	13.1
SARE	2.2	2.5	2.8	2.7	3.3	3.1
Other Income	.2	.1	.1	.2	.2	.1
Division Contribution	3.6	3.5	7.2	8.5	10.4	10.1
Corp. Net Income	1.2	.8	2.5	3.6	4.2	3.6
As % of Sales:						
Gross Profit	14.2	14.0	21.3	21.6	23.3	22.4
SARE	5.7	5.9	6.0	5.3	5.7	5.3
Corp. Net Income	2.9	2.0	5.5	7.0	7.2	6.1
$ Sales/$ Invest.	.71	.69	.78	.81	.87	.80
% ROI - Corp. Net Income	2.1	1.4	4.3	5.7	6.2	4.9
Gross Investment	55.3	60.4	59.5	62.7	67.1	73.3

Major products reported for the Plasticizers product group are as follows:

0633814

SANTICIZER 141
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap'ty
Sales	$ 3.1	2.9	2.8	2.6	2.4	3.2	3.2
Gross Profit	$ 1.3	1.3	1.3	1.4	1.1	1.3	1.3
SARE	$ .1	.2	.2	.2	.1	.2	.2
Other Income	$						
Div. Contribution	$ 1.2	1.1	1.1	1.2	1.0	1.1	1.1
Corp. Net Income	$ .5	.5	.5	.7	.5	.5	.5
Selling Price/lb.	$ .327	.325	.320	.331	.327	.262	.262
Cost of Sales/lb.	$ .191	.178	.168	.157	.175	.157	.157
As % of Sales:							
Gross Profit	41.6	45.1	47.6	52.4	46.5	40.3	40.3
SARE	5.7	5.9	6.0	5.4	6.1	5.9	5.9
Net Income	16.5	16.3	19.4	26.1	20.8	15.3	15.3
$ Sales/$ Invest.	.86	.92	.85	1.00	.93	.82	.82
For Sales:							
% ROI (Corp. Net)	14.1	15.9	16.5	26.1	19.3	12.6	12.6
Gross Invest:							
Sales	$ 3.7	3.0	3.3	2.6	2.6	3.9	3.9
Internal Use	$ .3	.5	.8	.5	.4	.3	.3
Total	$ 4.0	3.5	4.1	3.1	3.0	4.2	4.2
Capacity - MM lbs:							
Sales	9.6	8.9	8.7	7.8	7.4	12.3	12.3
Internal Use	.9	2.2	2.5	2.1	1.4	1.3	1.3
Excess						(.5)	(.5)
Total	*	*	*	*	*	13.1	13.1

* Multipurpose equipment which causes a fluctuating capacity.

Prices remained firm in 1966 with cresylic acid, therefore TCP, short. Raw material prices plus higher percentage shipped overseas with attendant higher packing costs account for increased costs.

Strategy change, past budget, will see us holding current prices and combating TCP with two new phosphate esters. Intent is to hold food grade business with our S-141, at about past levels and building future volume with the new ones.

SANTICIZER 160
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 6.6	6.8	8.2	8.9	10.4	9.3	11.1
Gross Profit	$ .5	1.1	2.8	3.3	3.7	3.6	4.3
SARE	$ .4	.3	.5	.6	.7	.5	.5
Other Income	$			.1			
Div. Contribution	$ .1	.8	2.3	2.8	3.0	3.1	3.8
Corp. Net Income	$	.2	1.0	1.4	1.5	1.4	1.7
Selling Price/lb.	$ .190	.167	.162	.159	.153	.157	.157
Cost of Sales/lb.	$ .177	.139	.107	.100	.098	.096	.096
As % of Sales:							
Gross Profit	6.8	16.6	33.9	37.2	35.8	39.0	39.0
SARE	5.7	5.9	6.0	6.8	6.9	5.7	5.2
Net Income	(.7)	3.3	12.2	16.2	14.1	14.8	15.5
$ Sales/$ Invest.	.60	.63	.83	1.00	.96	.87	1.03
For Sales:							
% ROI (Corp. Net)	(.4)	2.1	10.2	16.3	13.7	12.9	15.9
Gross Invest:							
Sales	$ 11.0	10.7	9.8	8.9	10.8	10.6	10.8
Internal Use	$ 3.6	5.2	4.3	4.0	5.2	4.9	4.9
Total	$ 14.6	15.9	14.1	12.9	16.0	15.5	15.7
Capacity - MM lbs:							
Sales	34.9	40.3	50.4	56.0	67.8	58.8	70.8
Internal Use	13.0	21.4	26.1	31.5	39.7	34.3	34.2
Excess		26.6	(4.2)			11.9	
Total	*	88.3	72.3	*	*	105.0	105.0

* Multipurpose equipment which causes a fluctuating capacity.

1966 saw major volumes moving to Europe preparatory to Antwerp start-up. Drop in pricing reflects the lower net-back from this effort.

1967 volume down as Antwerp picks up Europe and some rest of world business.

For future we see within 2 to 3 years again selling out domestic capacity - however, there will be some price attrition in the flooring end of the business perhaps as low as 13 to 14¢/lb.

RESIN MATERIALS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	20.3	18.7	20.6	22.6	24.0	26.6
Gross Profit	4.2	3.1	5.3	5.2	5.4	5.4
SARE	1.7	1.6	1.5	1.6	1.2	1.3
Other Income			.1	.3	.1	.1
Division Contribution	2.5	1.5	3.9	3.9	4.3	4.2
Corp. Net Income	.9	1.1	1.2	1.2	1.5	1.2
As % of Sales:						
Gross Profit	20.6	16.5	25.6	23.0	22.4	20.3
SARE	8.4	8.7	7.3	7.3	4.8	4.9
Corp. Net Income	3.9	1.0	5.9	5.5	6.1	4.5
$ Sales/$ Invest.	.51	.48	.52	.51	.51	.48
% ROI - Corp. Net Income	2.0	.5	3.1	2.8	3.1	2.1
Gross Investment	39.7	38.9	39.6	44.1	47.2	55.3

Major products reported for the Resin Materials product group are as follows:

ADIPIC ACID
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 6.1	5.7	6.8	9.0	9.5	8.6	8.9
Gross Profit	$ 3.0	3.0	4.1	4.4	4.7	4.3	4.5
SARE	$ .5	.5	.5	.6	.5	.5	.4
Other Income	$ .1	.1	.1	.2	.1		
Div. Contribution	$ 2.6	2.6	3.7	4.0	4.3	3.8	4.1
Corp. Net Income	$ 1.1	1.0	1.7	2.0	2.2	1.7	1.8
Selling Price/lb.	$ .257	.259	.240	.225	.209	.194	.194
Cost of Sales/lb.	$ .129	.121	.096	.115	.104	.097	.096
As % of Sales:							
Gross Profit	49.8	53.2	60.0	48.9	50.2	49.9	50.5
SARE	8.2	8.7	7.4	7.0	5.3	5.3	5.2
Net Income	17.3	18.1	24.4	22.7	23.0	19.3	19.9
$ Sales/$ Invest.	.59	.79	.74	.67	.61	.64	.67
For Sales:							
% ROI (Corp. Net)	10.3	14.2	18.3	15.2	14.0	12.4	13.3
Gross Invest:							
Sales	$ 10.3	7.2	9.3	13.4	15.5	13.4	13.4
Internal Use	$ 2.8	6.1	6.3	5.3	3.5	2.7	2.7
Total	$ 13.1	13.3	15.6	18.7	19.0	16.1	16.1
Capacity - MM lbs:							
Sales	23.7	21.9	28.5	39.8	45.2	44.2	46.0
Internal Use	7.3	23.7	22.8	15.7	11.5	8.0	8.0
Excess	3.8	(8.7)	(11.0)	(7.5)	(2.7)	1.8	
Total	34.8	36.9	40.3	48.0	54.0	54.0	54.0

Volume improved in 1966 and costs improved enough to counteract price attrition.

We expect further price attrition in 1967 as textile adipic enters the market place. We intend to remain competitive in order to hold our 65% market share in the non-nylon market.

Longer range prices will deteriorate further reaching 16¢ within 2 years. Even with this pricing adipic acid will be a good profit earner.

BISPHENOL A
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap'ty
Sales	$ 2.6	3.3	3.4	3.1	3.3	4.5	4.6
Gross Profit	$ .9	1.1	1.3	1.0	.2	1.2	1.2
SARE	$ .2	.3	.3	.2	.1	.2	.2
Other Income	$						
Div. Contribution	$ .7	.8	1.0	.8	.1	1.0	1.0
Corp. Net Income	$ .2	.3	.4	.3	(.1)	.4	.4
Selling Price/lb.	$ .256	.224	.225	.217	.205	.205	.205
Cost of Sales/lb.	$ .172	.149	.142	..147	.192	.150	.150
As % of Sales:							
Gross Profit	32.7	33.6	37.0	32.3	6.2	26.8	26.8
SARE	8.4	8.7	7.4	7.0	4.6	4.7	4.6
Net Income	9.4	9.1	12.4	10.6	(4.3)	8.0	8.0
$ Sales/$ Invest.	.57	.71	.63	.46	.42	.50	.51
For Sales:							
% ROI (Corp. Net)	5.4	6.5	7.8	4.9	(1.8)	4.0	4.1
Gross Invest:							
Sales	$ 4.6	4.6	5.5	6.8	8.1	9.0	9.0
Internal Use	$ .1	.1	.1	.2	.3	.3	.3
Total	$ 4.7	4.7	5.6	7.0	8.4	9.3	9.3
Capacity - MM lbs:							
Sales	10.2	14.6	15.3	14.4	16.3	22.0	22.2
Internal Use	.2	.4	.5	1.6	.7	.8	.8
Excess	3.1	(1.4)	(1.8)	(2.0)	4.0	.2	
Total	13.5	13.6	14.0	14.0	21.0	23.0	23.0

1966 saw an unsuccessful polycarbonate grade BPA start-up. At year-end we still do not have an operating polycarbonate plant and it will be most of 1967 until we do.

We expect to hold and grow in the epoxy grade market, however, we will be hard pressed to meet the 1967 budget without polycarbonate grade sales.

We do not see any major price attrition over the next several years. Maximum effort will be expended in plant revisions and demonstration.

MALEIC ANHYDRIDE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 3.4	2.9	3.4	3.9	4.4	5.1	5.1
Gross Profit	$ .6	.3	.4	.3	.7	.4	.4
SARE	$ .3	.3	.3	.3	.2	.2	.2
Other Income	$						
Div. Contribution	$ .3		.1		.5	.2	.2
Corp. Net Income	$ .1	(.1)	(.1)	(.2)	.1	(.1)	(.1)
Selling Price/lb.	$ .170	.134	.120	.112	.128	.130	.130
Cost of Sales/lb.	$ .142	.121	.105	.104	.109	.119	.119
As % of Sales:							
Gross Profit	16.7	9.6	12.5	7.0	14.9	8.0	8.0
SARE	8.4	8.7	7.4	7.0	4.6	4.6	4.6
Net Income	2.1	(1.8)	(1.7)	(4.9)	2.5	(.7)	(.7)
$ Sales/$ Invest.	.46	.40	.44	.48	.62	.69	.69
For Sales:							
% ROI (Corp. Net)	1.0	(.7)	(.8)	(2.3)	1.5	(.5)	(.5)
Gross Invest:							
Sales	$ 7.3	7.3	7.7	8.2	7.1	7.3	7.3
Internal Use	$ 3.4	3.6	4.0	3.8	4.3	4.3	4.3
Total	$ 10.7	10.9	11.7	12.0	11.4	11.6	11.6
Capacity - MM lbs:							
Sales	19.7	21.9	27.4	35.1	34.6	39.2	39.2
Internal Use	10.3	12.2	15.8	18.4	23.7	23.1	23.1
Excess	18.0	11.0	.6	(5.5)	(2.5)	(12.2)	(12.2)
Total	48.0	45.1	43.8	48.0	55.8	50.1	50.1

Prices firmed markedly during last half of 1966 and look firm for 1967 as demand and capacity meet, current pricing 15.5¢/lb.

Our expansion will come on stream at mid-year. Costs in 1967 reflect start-up expense to be charged off. We will then be the largest domestic supplier of maleic.

Long term we should be in the best competitive position with this product.

PHTHALIC ANHYDRIDE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 5.3	3.8	3.8	3.3	3.6	4.9	6.6
Gross Profit	$(.2)	(1.3)	.1	(.2)	.4	1.1	1.5
SARE	$ .4	.3	.3	.3	.2	.2	.3
Other Income	$			.1			
Div. Contribution	$(.6)	(1.6)	(.2)	(.4)	.2	.9	1.2
Corp. Net Income	$(.4)	(.8)	(.3)	(.4)	(.1)	.3	.6
Selling Price/lb.	$ .137	.091	.100	.081	.092	.099	.099
Cost of Sales/lb.	$ .141	.123	.098	.086	.083	.077	.077
As % of Sales:							
Gross Profit	(3.1)	(34.7)	2.4	(5.5)	10.3	22.2	22.4
SARE	8.3	8.7	7.4	7.9	5.2	4.6	3.9
Net Income	(6.8)	(21.6)	(7.6)	(13.2)	(2.4)	5.4	6.9
$ Sales/$ Invest.	.48	.29	.41	.36	.40	.48	.63
For Sales:							
% ROI (Corp. Net)	(3.2)	(6.2)	(3.0)	(4.8)	(.9)	2.6	4.4
Gross Invest:							
Sales	$ 11.1	13.3	9.6	9.0	9.1	10.2	10.4
Internal Use	$ 15.0	16.7	12.6	11.7	12.2	10.8	10.8
Total	$ 26.1	30.2	22.2	20.7	21.3	21.0	21.2
Capacity - MM lbs:							
Sales	38.5	41.7	37.8	40.2	39.4	49.1	66.8
Internal Use	54.3	58.8	75.2	77.1	87.5	84.6	84.5
Excess	69.5	62.7	28.2	(8.8)	(18.1)	17.6	
Total	162.3	163.2	141.2	108.5	108.8	151.3	151.3

Prices firmed considerably in last quarter of 1966 and at 1st of 1967. Current market firm at 12¢, supply/demand still snug and should remain so in 1967 and 1968.

Chocolate Bayou due to come on stream in mid-1967, we will shut down Queeny at end of year. 1968 will see Monsanto with largest volume - least cost facilities.

Long term feed stock supplies - naphthalene or ortho xylene will govern phthalic profitability. We are planning now to be in an advantageous position.

RUBBER CHEMICALS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	23.5	23.4	24.9	26.6	32.2	37.1
Gross Profit	7.7	7.2	8.3	9.1	10.3	12.0
SARE	1.9	2.2	2.3	2.4	2.6	2.8
Other Income	.2	.2	.2	.2	.2	.2
Division Contribution	6.0	5.2	6.2	6.9	7.9	9.4
Corp. Net Income	2.5	2.1	2.7	3.4	3.8	4.0
As % of Sales:						
Gross Profit	32.8	30.7	33.5	34.3	32.0	32.3
SARE	8.1	9.4	9.2	8.9	8.1	7.6
Corp. Net Income	10.6	9.1	10.9	12.8	11.7	10.8
$ Sales/$ Invest.	.96	.88	.97	.88	.95	1.03
% ROI - Corp. Net Income	10.2	8.0	10.6	11.2	11.1	11.1
Gross Investment	24.4	26.5	25.7	30.4	34.0	35.9

Major products reported for the Rubber Chemicals product group are as follows:

ELECTOL H
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ .6	.6	.6	.6	.9	.9	1.0
Gross Profit	$(.1)	.2	.2	.2	.3	.4	.4
SARE	$	.1	.1	.1	.1	.1	.1
Other Income	$						
Div. Contribution	$(.1)	.1	.1	.1	.2	.3	.3
Corp. Net Income	$(.1)			.1	.1	.1	.2
Selling Price/lb.	$ .541	.546	.537	.545	.539	.548	.548
Cost of Sales/lb.	$ .594	.403	.387	.377	.337	.324	.318
As % of Sales:							
Gross Profit	(9.7)	26.2	27.9	30.8	37.5	40.9	41.9
SARE	8.1	9.4	9.3	8.8	8.0	7.6	7.3
Net Income	(11.3)	6.0	6.1	8.5	13.9	13.9	14.9
$ Sales/$ Invest.	.63	.59	.52	.50	.72	.72	.77
For Sales:							
% ROI (Corp. Net)	(7.1)	3.5	3.2	4.3	10.0	10.0	11.5
Gross Invest:							
Sales	$ .9	.9	1.1	1.3	1.2	1.3	1.3
Internal Use	$						
Total	$ .9	.9	1.1	1.3	1.2	1.3	1.3
Capacity - MM lbs:							
Sales	1.0	1.0	1.1	1.2	1.6	1.7	1.8
Internal Use							
Excess	1.7	.9	.7	.6	.2	.1	
Total	2.7	1.9	1.8	1.8	1.8	1.8	1.8

This product continues to improve in profitability, and we expect the improvement to be maintained through 1967. Increased business in both tire and non-tire market is foreseen.

The improvement in the sales/investment ratio is due to a change in allocation of Nitro Industrial Corporation investment in 1966 and 1967.

SANTOCURE & CYCLEX
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 1.6	1.5	1.6	1.7	1.1	1.2	1.4
Gross Profit	$ .8	.7	.8	.9	.5	.7	.8
SARE	$ .1	.1	.1	.2	.1	.1	.1
Other Income	$						
Div. Contribution	$ .7	.6	.7	.7	.4	.6	.7
Corp. Net Income	$ .3	.3	.3	.4	.2	.3	.3
Selling Price/lb.	$ .641	.651	.633	.578	.636	.587	.587
Cost of Sales/lb.	$ .331	.344	.317	.280	.342	.259	.253
As % of Sales:							
Gross Profit	48.4	47.1	49.9	51.7	46.2	55.8	56.9
SARE	8.1	9.4	9.3	8.8	8.1	7.7	7.0
Net Income	18.1	15.8	20.3	23.5	20.4	22.6	23.9
$ Sales/$ Invest.	1.74	1.37	1.53	1.06	1.15	1.03	1.20
For Sales:							
% ROI (Corp. Net)	31.5	23.0	31.4	25.0	23.4	23.4	28.6
Gross Invest:							
Sales	$ .9	1.1	1.0	1.6	1.0	1.1	1.2
Internal Use	$ .1						
Total	$ 1.0	1.1	1.0	1.6	1.0	1.1	1.2
Capacity - MM lbs:							
Sales	2.5	2.4	2.5	3.0	1.8	2.0	2.4
Internal Use	.5						
Excess						.4	
Total	*	*	*	*	*	2.4	2.4

* Multipurpose equipment which causes a fluctuating capacity.

Loss of the American Cyanamid business due to their decision to make their own material, plus a switch to NS by U.S. Rubber, reduced volume in 1966. Costs were high due to the need to rework material. Profitability and volume will improve in 1967.

SANTOCURE MOR & MOR 90
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	1967 Cap'ty
Sales	$ .1	.3	.6	.8	1.4	1.8	1.8
Gross Profit	$(.3)	(.2)	(.1)		.1	.4	.4
SARE	$	.1	.1	.1	.1	.1	.1
Other Income	$						
Div. Contribution	$(.3)	(.3)	(.2)	(.1)		.3	.3
Corp. Net Income	$(.1)	(.1)	(.1)	(.1)		.1	.1
Selling Price/lb.	$ .640	.658	.671	.669	.679	.673	.673
Cost of Sales/lb.	$3.200	1.105	.747	.650	.623	.505	.505
As % of Sales:							
Gross Profit	(400.0)	(68.0)	(11.4)	2.8	8.2	25.0	25.0
SARE	7.8	9.4	9.3	8.8	8.0	7.7	7.7
Net Income	(232.8)	(42.6)	(14.5)	(5.9)	(1.9)	6.5	6.5
$ Sales/$ Invest.	.05	.30	.54	1.08	1.15	.95	.95
For Sales:							
% ROI (Corp. Net)	(12.4)	(12.8)	(7.8)	(6.3)	(2.2)	6.1	6.1
Gross Invest:							
Sales	$ 1.2	1.1	1.2	.8	1.2	1.9	1.9
Internal Use	$	.2					
Total	$ 1.2	1.3	1.2	.8	1.2	1.9	1.9
Capacity - MM lbs:							
Sales	.1	.5	1.0	1.2	2.0	2.7	2.7
Internal Use							
Excess						(.6)	(.6)
Total	*	*	*	*	*	2.1	2.1

* Multipurpose equipment which causes a fluctuating capacity.

In 1966 a large portion of the sales included material supplied from the UK until the quality of U.S. produced material was checked and accepted by B.F. Goodrich, a new major customer. This portion of the sales in 1966 were made at zero profit. In 1967 we expect to increase business, specifically with B.F. Goodrich, thereby improving both profitability and ROI.

It will be noted that the investment shows a marked increase. This is due to utilizing the facilities full time for this product in 1967 compared with utilizing them part time for other products in 1966.

SANTOCURE NS AND CYCLEX B (INCL. PELLETS)
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$ 3.0	3.1	3.5	4.0	5.0	5.3	6.3
Gross Profit	$ 1.0	.9	1.1	1.2	1.8	2.0	2.4
SARE	$ .2	.3	.3	.4	.4	.4	.4
Other Income	$						
Div. Contribution	$ .8	.6	.8	.8	1.4	1.6	2.0
Corp. Net Income	$ .4	.3	.3	.4	.7	.7	.9
Selling Price/lb.	$ .484	.439	.421	.407	.416	.410	.410
Cost of Sales/lb.	$ .315	.310	.295	.288	.267	.258	.251
As % of Sales:							
Gross Profit	34.9	29.4	30.0	29.4	35.7	37.1	38.8
SARE	8.1	9.3	9.2	8.9	8.1	7.6	6.8
Net Income	11.8	8.4	9.0	9.9	13.8	13.3	14.8
$ Sales/$ Invest.	1.08	.89	.97	.92	.92	1.04	1.20
For Sales:							
% ROI (Corp. Net)	12.8	7.5	8.7	9.1	12.6	13.8	17.9
Gross Invest:							
Sales	$ 2.8	3.5	3.6	4.4	5.4	5.1	5.2
Internal Use	$						
Total	$ 2.8	3.5	3.6	4.4	5.4	5.1	5.2
Capacity - MM lbs:							
Sales	6.2	7.0	8.3	9.8	12.0	12.9	15.3
Internal Use							
Excess						2.4	
Total	*	*	*	*	*	15.3	15.3

* Multipurpose equipment which causes a fluctuating capacity.

A modest increase in sales is budgeted for 1967, with an equivalent improvement in gross profit and ROI.

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SANTOFLEX AW AND AJONE E (INCL. A-31, A-85, GAW)
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 6.5	5.9	3.7	2.5	1.7	1.3	2.6
Gross Profit	$ 3.3	3.3	2.1	1.5	.9	.7	1.5
SARE	$ .5	.6	.3	.2	.1	.1	.1
Other Income	$ .1	.1	.1				
Div. Contribution	$ 2.9	2.8	1.9	1.3	.8	.6	1.4
Corp. Net Income	$ 1.3	1.3	.9	.7	.4	.3	.7
Selling Price/lb.	$ .606	.582	.614	.603	.554	.467	.467
Cost of Sales/lb.	$ .292	.255	.257	.245	.253	.214	.203
As % of Sales:							
Gross Profit	51.8	56.2	58.1	59.4	54.3	54.2	56.5
SARE	8.1	9.4	9.2	8.8	8.0	7.6	5.2
Net Income	19.7	21.8	24.2	28.4	24.8	21.3	25.2
$ Sales/$ Invest.	1.07	1.00	1.07	1.11	.94	.83	1.51
For Sales:							
% ROI (Corp. Net)	21.0	21.9	25.8	31.7	23.4	17.6	37.9
Gross Invest:							
Sales	$ 6.1	5.9	3.5	2.2	1.8	1.6	1.7
Internal Use	$ 1.6	1.9	2.3	2.5	3.2	2.8	2.8
Total	$ 7.7	7.8	5.8	4.7	5.0	4.4	4.5
Capacity - MM lbs:							
Sales	10.7	10.2	6.0	4.1	3.1	2.8	5.6
Internal Use	3.3	4.3	5.1	6.5	7.0	7.2	7.2
Excess						2.8	
Total	*	*	*	*	*	12.8	12.8

* Multipurpose equipment which causes a fluctuating capacity.

This product is becoming obsolescent, showing reduced, but still high, profitability and ROI. We generally expect such losses in AW to be made up by gains in Santoflexes 13 and 77.

SANTOFLEX DD AND AJONE DD (INCL. SANTOFLEX 75, AJONE DDX)
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 4.2	3.6	2.9	2.8	3.1	3.0	4.0
Gross Profit	$ 1.9	1.6	1.4	1.2	1.5	1.3	1.9
SARE	$ .3	.3	.3	.2	.3	.2	.3
Other Income	$						
Div. Contribution	$ 1.6	1.3	1.1	1.0	1.2	1.1	1.6
Corp. Net Income	$ .7	.6	.5	.5	.7	.6	.8
Selling Price/lb.	$ .415	.410	.391	.387	.379	.388	.388
Cost of Sales/lb.	$ .231	.228	.207	.219	.200	.214	.207
As % of Sales:							
Gross Profit	44.4	44.4	46.9	43.4	47.2	45.0	46.7
SARE	8.1	9.4	9.3	9.0	8.2	7.6	6.3
Net Income	16.8	16.1	18.5	19.0	21.7	18.4	20.2
$ Sales/$ Invest.	1.32	1.09	1.27	1.03	1.54	1.57	1.99
For Sales:							
% ROI (Corp. Net)	22.1	17.6	23.5	19.6	33.5	29.0	40.3
Gross Invest:							
Sales	$ 3.2	3.3	2.3	2.7	2.0	1.9	2.0
Internal Use	$						
Total	$ 3.2	3.3	2.3	2.7	2.0	1.9	2.0
Capacity - MM lbs:							
Sales	10.1	8.7	7.4	7.2	8.2	7.7	10.3
Internal Use							
Excess						2.6	
Total	*	*	*	*	*	10.3	10.3

* Multipurpose equipment which causes a fluctuating capacity.

Reduced sales in face of the trend toward Santoflexes 13 and 77 give reduced profitability and ROI. These still remain well above average, however, and we expect them to continue in this way.

The improved sales/investment ratio in 1966 and 1967 results from lower "buy-in" investment from Inorganic due to discontinuance of hard Alkybenzene production.

SANTOFLEX 13 AND AJONE HP (INCL. SANTOFLEX 36)
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$		.2	3.2	5.3	7.6	9.1	10.2
Gross Profit	$		(.1)	.9	1.8	2.3	3.3	3.8
SARE	$			.3	.5	.6	.7	.7
Other Income	$					.1	.1	.1
Div. Contribution	$		(..1)	.6	1.3	1.8	2.7	3.2
Corp. Net Income	$			.3	.6	.8	1.2	1.4
Selling Price/lb.	$		1.100	1.100	.999	.830	.884	.384
Cost of Sales/lb.	$		1.460	.790	.671	.576	.563	.555
As % of Sales:								
Gross Profit			(32.6)	28.4	32.8	30.6	36.3	37.2
SARE			9.3	9.1	8.9	8.2	7.5	7.0
Net Income			21.2	7.9	11.7	10.6	12.9	13.9
$ Sales/$ Invest.			.29	.79	.78	.86	1.00	1.11
For Sales:								
% ROI (Corp. Net Income)			6.3	6.2	9.2	9.2	13.0	15.4
Gross Invest:								
Sales	$		.6	4.1	6.7	8.8	9.1	9.2
Internal Use	$				.2	.5	.1	.1
Total	$		.6	4.1	6.9	9.3	9.2	9.3
Capacity - MM lbs:								
Sales			.2	2.9	5.3	9.2	10.3	11.6
Internal Use					.1	.6	.2	.2
Excess			.4				1.3	
Total			.6	*	*	*	11.8	11.8

* Multipurpose equipment which causes a fluctuating capacity.

A general improvement in profitability and ROI as sales and plant throughput improved in spite of losses (due to our own manufacture) in Canada. Further factors are a higher proportion of non-Firestone sales and a substantial reduction in negative variances and cost of goods due to the recovery of values from 4-NDPA intermediate.

SANTOFLEX 77 AND AJONE H
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$	.3	1.6	1.7	2.4	3.3	3.8
Gross Profit	$		.4	.6	.7	1.2	1.4
SARE	$		.1	.1	.2	.3	.2
Other Income	$						
Div. Contribution	$		.3	.5	.5	.9	1.2
Corp. Net Income	$		.1	.3	.3	.4	.5
Selling Price/lb.	$	.879	.868	.696	.626	.638	.638
Cost of Sales/lb.	$	.742	.608	.435	.435	.414	.402
As % of Sales:							
Gross Profit		15.5	30.0	37.5	30.6	35.0	37.0
SARE		9.3	9.3	8.9	8.2	7.5	6.9
Net Income		1.7	9.4	14.6	10.8	12.8	14.3
$ Sales/$ Invest.		2.18	1.23	.80	.93	1.22	1.38
For Sales:							
% ROI (Corp. Net)		3.8	11.4	11.6	10.0	15.7	19.8
Gross Invest:							
Sales	$	.1	1.3	2.2	2.5	2.7	2.7
Internal Use	$						
Total	$	.1	1.3	2.2	2.5	2.7	2.7
Capacity - MM lbs:							
Sales		.3	1.8	2.5	3.8	5.2	6.0
Internal Use				.1			
Excess		.3				.8	
Total		.6	*	*	*	6.0	6.0

* Multipurpose equipment which causes a fluctuating capacity.

A general improvement in profitability and ROI as sales and plant throughput improved in spite of losses (due to our own manufacture) in Canada. Further factor is the higher proportion of non-Firestone sales.

SANTOWHITE CRYSTALS AND SANTONOX (INCL. SANTONOX R)
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 2.1	2.0	2.0	1.7	1.9	1.6	2.0
Gross Profit	$ .7	.8	.5	.4	.5	.5	.7
SARE	$ .1	.2	.1	.1	.1	.1	.1
Other Income	$						
Div. Contribution	$ .6	.6	.4	.3	.4	.4	.6
Corp. Net Income	$ .3	.3	.2	.1	.2	.2	.3
Selling Price/lb.	$1.808	1.830	1.771	1.616	1.533	1.517	1.517
Cost of Sales/lb.	$1.166	1.145	1.297	1.203	1.087	.996	.944
As % of Sales:							
Gross Profit	35.5	37.4	26.8	25.6	29.1	34.3	37.7
SARE	6.9	7.4	7.3	7.9	7.6	7.5	6.4
Net Income	12.7	12.5	8.4	8.3	10.7	12.2	14.8
$ Sales/$ Invest.	1.70	1.20	1.05	.89	1.26	1.13	1.39
For Sales:							
% ROI (Corp. Net)	21.7	15.0	8.8	7.3	13.6	13.8	20.7
Gross Invest:							
Sales	$ 1.2	1.6	1.9	1.9	1.5	1.4	1.4
Internal Use	$ .1	.1	.3	.1	.1	.1	.1
Total	$ 1.3	1.7	2.2	2.0	1.6	1.5	1.5
Capacity - MM lbs:							
Sales	1.2	1.1	1.1	1.1	1.2	1.0	1.3
Internal Use							
Excess						.3	
Total	*	*	*	*	*	1.3	1.3

* Multipurpose equipment which causes a fluctuating capacity.

In spite of a slight reduction in sales forecast, due largely to competitive activity by American Cyanamid in the rubber chemicals area, smaller negative variances are anticipated and we expect to show marked improvement in profitability and a slight increase in ROI.

The improved sales/investment ratio in 1966 is due to lower utilization of multipurpose equipment and reduced inventory ($.2MM).

PACKAGING DIVISION
Division Profitability
($ in Millions)

		Actual					1967
		1962	1963	1964	1965	1966	Budget
Sales	$		42.0	43.6	41.8	46.9	55.9
Division Contribution	$		(.3)	(3.6)	(2.9)	(.3)	2.3
Corp. Net Income	$		(.6)	(2.9)	(3.5)	(2.0)	(1.0)
Corp. Net Income as % of Sales			(1.4)	(6.7)	(8.4)	(4.3)	(1.8)
$ Sales/$ Investment			.83	.63	.56	.59	.63
% ROI - Corp. Net Income			(1.2)	(4.2)	(4.7)	(2.5)	(1.1)
Gross Investment	$		50.3	69.2	74.8	80.1	89.3
Product Group - % Return:							
Blownware			(1.8)	(5.3)	(5.8)	(2.7)	(.9)
Packaging Materials				(1.4)	(2.7)	.7	.6
Thermoformed						(4.9)	(3.3)

In 1966 investment in the divisions' products earned the following rates of return:

	% of Total Investment
Loss	82.8
0 to 3%	17.2
3 to 5%	-
Over 5%	-

Product groups are reported on the following pages:

	Page
Blownware	118
Packaging Materials	119
Thermoformed	120

Major products reported comprise 100% of the divisions' investment in 1966.

BLOWNWARE - PRODUCT GROUP
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$	30.6	31.8	29.2	31.2	35.4	43.9
Gross Profit	$	2.7	(.1)	.7	3.5	5.0	9.5
SARE	$	3.4	4.0	3.9	3.8	4.0	4.5
Other Income	$	.1	.1	.1	.1	.3	.3
Div. Contribution	$	(.6)	(4.0)	(3.1)	(.2)	1.3	5.3
Corp. Net Income	$	(.6)	(2.7)	(3.1)	(1.4)	(.5)	1.6
Selling Price/M Units	$	71.83	63.01	57.78	52.69	54.49	54.49
Cost of Sales/M Units	$	65.49	63.30	56.40	46.90	46.84	42.99
As % of Sales:							
Gross Profit		8.8	(.3)	2.4	11.2	14.1	21.6
SARE		11.1	12.6	13.4	12.2	11.3	10.3
Net Income		(2.0)	(8.5)	(10.6)	(4.5)	(1.4)	4.1
$ Sales/$ Invest.		.90	.62	.55	.60	.64	.76
For Sales:							
% ROI (Corp. Net)		(1.8)	(5.3)	(5.8)	(2.7)	(.9)	3.1
Gross Invest:							
Sales	$	33.9	51.6	53.1	52.0	55.4	58.0
Internal Use	$						
Total	$	33.9	51.6	53.1	52.0	55.4	58.0
Capacity - MM Units							
Sales		435	485	504	591	680	840
Internal Use							
Excess		40	20	146	59	160	
Total		475	505	650	650	840	840

The decline in selling prices since 1963 reflecting raw material price decreases passed on to customers, intense competition, and volume pricing, has firmed up for 1967 and is expected to be relatively firmer in the future. The apparent increase in selling prices is due primarily to mix.

Major profit leverage points are in selling out plant capacity, debottlenecking present equipment for greater capacity, improving gallonware and decorating costs. In the gallonware and decorating areas, new machines are being installed with improved rates, scrap levels, and decreased labor costs. Marketing's specific objectives include selling out blownware plants. Manufacturing plant performance has improved significantly.

Present strengths are: market coverage and marketing ability, process economies, technical research and process engineering abilities, resin position.

PACKAGING MATERIALS - PRODUCT GROUP*

($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap't
Sales	$	9.2	9.6	9.7	10.8	12.4	14.
Gross Profit	$	1.8	1.6	1.1	1.7	2.3	3.
SARE	$	1.6	1.5	1.3	1.2	1.4	1.
Other Income	$		.2	.2	.1	.1	.
Div. Contribution	$	.2	.3		.6	1.0	1.
Corp. Net Income	$		(.2)	(.4)	.1	.1	.
Selling Price/M Units	$	.570	.519	.490	.464	.465	.46
Cost of Sales/M Units	$	.456	.433	.440	.391	.362	.27
As % of Sales:							
Gross Profit		19.6	16.7	11.3	15.7	18.5	22.
SARE		17.4	15.6	13.4	11.1	11.3	10.
Net Income			(2.1)	(4.1)	.9	.8	3.
$ Sales/$ Invest.		.71	.68	.66	.78	.80	.8
For Sales:							
% ROI (Corp. Net)			(1.4)	(2.7)	.7	.6	2.9
Gross Invest:							
Sales	$	12.9	14.1	14.7	13.8	15.7	17.5
Internal Use	$						
Total	$	12.9	14.1	14.7	13.8	15.7	17.5
Capacity - MM Units							
Sales		16.6	18.3	18.8	21.0	20.5	38.0
Internal Use					2.0	7.0	
Excess		8.4	9.7	17.2	15.0	10.5	
Total		25.0	28.0	36.0	38.0	38.0	38.0

* Represents a combination of Vuepak, Polyflex and Meat Trays.

The product group represents eight Polyflex machines, eight Kerkoff machines for meat tray production, and the Vuepak operation at Springfield. Polyflex selling prices have declined due to continued industry over capacities but seems to have stabilized in 1967. Vuepak prices were increased in 1966 due to a temporary industry shortage. Meat trays are premium priced vs. pulp but are weakening slightly.

Polyflex strategy is to improve outside sales through concentrating efforts on large and medium-size accounts and developing distributors for small accounts, and divert excess capacity into meat tray stock (or other formed shapes) production which allows forming scrap to be reused in sheet extrusion.

Vuepak strategy is to operate the plant at full capacity and to compete for folded lid business at larger accounts.

Major Polyflex technical effort is to lower costs through a cheaper cost mass polymer and improved operating efficiencies (machine speeds).

THERMOFORMED - PRODUCT GROUP
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$		2.2	2.2	2.9	4.9	8.1	22.8
Gross Profit	$		.7	.4	.9	.5	1.6	6.2
SARE	$		.6	.3	.7	1.2	1.6	2.0
Other Income	$							
Div. Contribution	$		.1	.1	.2	(.7)		4.2
Corp. Net Income	$					(.7)	(.6)	2.8
Selling Price/M Units	$		7.55	7.51	7.19	8.15	8.71	8.71
Cost of Sales/M Units	$		4.83	4.58	4.96	7.27	7.00	4.87
As % of Sales:								
Gross Profit			31.8	18.2	31.0	10.2	19.8	27.2
SARE			27.3	13.6	24.1	24.5	19.8	8.8
Net Income						(14.3)	(7.4)	12.3
$ Sales/$ Invest.			.63	.63	.41	.34	.45	.89
For Sales:								
% ROI (Corp. Net)						(4.9)	(3.3)	10.9
Gross Invest:								
Sales	$		3.5	3.5	7.0	14.3	18.2	25.5
Internal Use	$							
Total	$		3.5	3.5	7.0	14.3	18.2	25.5
Capacity - MM Units								
Sales			290	296	403	598	926	2,100
Internal Use								
Excess			193	187	80	122	1,174	
Total			483	483	483	720	2,100	2,100

Thermoformed products include three Polyhedral cup lines at Melrose Park, three new improved Polyhedral lines for cups or tubs, and two more lines to be completed at Bridgeview. In addition, there are five smaller lines at Bridgeview for margarine tubs and lids and cup and tub printing facilities.

This area of business offers the greatest profit potential to the Packaging Division based on (1) its strong leadership position in the plastic vending cup market, and (2) timely entry into growth market for soft margarine tubs.

1966 product group profits were severely reduced by Bridgeview start-up costs which have continued into first quarter of 1967. Recent plant performance is significantly improved.

Future technical efforts will involve reducing cycle time of process and also increase number of cavities in molds - both designed to increase capacity with small capital.

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PLASTIC PRODUCTS AND RESINS DIVISION
Division Profitability
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	71.3	92.7	102.8	112.2	124.5	129.8
Division Contribution	11.1	15.0	18.0	20.3	22.3	23.1
Corp. Net Income	5.0	6.4	7.5	9.3	9.1	8.9
Corp. Net Income as % of Sales	7.0	6.9	7.3	8.3	7.3	6.9
$ Sales/$ Investment	.93	.79	.81	.81	.81	.74
% ROI - Corp. Net Income	6.5	5.5	5.9	6.7	5.8	5.1
Gross Investment	76.5	116.7	126.6	139.2	156.0	175.9
Product Group - % Return:						
Plastic Products	-	(1.1)	(2.0)	(1.8)	(3.8)	(1.3)
Resins	5.3	5.4	5.0	5.6	2.6	3.4
Saflex	21.4	13.2	13.8	16.2	18.1	14.8
Vinyl Acetates	-	4.0	8.6	9.7	9.2	8.8

In 1966 investment in the divisions' products earned the following rates of return:

	% of Total Investment
Loss	25.5
0 to 3%	32.5
3 to 5%	4.4
Over 5%	37.6

Product groups are reported on the following pages:

	Page
Plastic Products	122
Resins	123
Saflex	128
Vinyl Acetates	129

Major products reported comprise 96% of the division's investment in 1966.

PLASTIC PRODUCTS
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 22.6	25.5	29.0	32.0	33.5	36.8	53.5
Gross Profit	$ 3.7	4.4	4.0	4.3	3.8	5.2	11.9
SARE	$ 3.8	4.2	4.0	4.1	4.4	4.4	6.2
Other Income	$				(.2)	(.3)	(.3)
Div. Contribution	$(.1)	.2		.2	(.8)	(.5)	5.4
Corp. Net Income	$	(.3)	(.6)	(.7)	(1.3)	(.5)	1.8
Selling Price/lb.	$				.169	.169	.172
Cost of Sales/lb.	$				.149	.145	.133
As % of Sales:							
Gross Profit	16.4	17.3	13.8	13.4	11.3	14.1	22.2
SARE	16.8	16.5	13.8	12.8	13.1	12.0	11.6
Net Income		(1.2)	(2.1)	(2.2)	(3.9)	(1.4)	3.4
$ Sales/$ Invest.	1.01	.97	.94	.98	.98	.93	1.27
For Sales:							
% ROI (Corp. Net)		(1.1)	(2.0)	(2.2)	(3.8)	(1.3)	4.3
Gross Invest:							
Sales	$ 22.3	26.2	30.7	32.6	34.2	39.7	42.2
Internal Use	$				.1	.1	.1
Total	$ 22.3	26.2	30.7	32.6	34.3	39.8	42.3
Capacity - MM lbs:							
Sales					198.7	217.9	311.8
Internal Use					11.5	11.5	11.5
Excess					66.7	93.9	
Total					276.9	323.3	323.3

Dollars of sales have shown a steady increase of about 10% per year while division contribution dropped markedly in 1966 due to a slow construction economy, sliding prices and added charges for write-off of Good-will. Recovery to earlier levels is budgeted in 1967 with the elimination of many marginal products and expensive orders, reduced COGS achieved through an intensified PT effort and tighter inventory control, and a reduction in SARE as a percent of sales. Further improvement is mandatory and is being sought via: the creation of a research effort for these products to achieve a technical competency leading to further modification of our product lines; imaginative new marketing concepts; and, a much more detailed system of controls administered by an integrated team of well-trained personnel.

Investment opportunities are being defined. Debottlenecking will provide capacity and flexibility required this year with capital aimed in this direction and towards other cost reduction projects.

RESINS - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	31.4	32.6	36.0	34.9	37.2	40.7
Gross Profit	8.7	9.1	10.2	9.2	9.0	10.2
SARE	4.1	3.8	4.2	3.8	4.6	4.2
Other Income	.6	.5	.4	.5	.3	.3
Division Contribution	5.2	5.8	6.4	5.9	4.7	6.3
Corp. Net Income	2.2	2.4	2.3	2.7	1.4	2.1
As % of Sales:						
Gross Profit	27.6	27.9	28.3	26.5	24.2	25.1
SARE	13.0	11.7	11.5	11.0	12.4	10.3
Corp. Net Income	6.9	7.3	6.5	7.6	3.8	5.2
$ Sales/$ Invest.	.77	.73	.77	.73	.68	.65
% ROI - Corp. Net Income	5.3	5.4	5.0	5.6	2.6	3.4
Gross Investment	40.8	44.6	47.0	47.8	54.4	62.4

Major products reported for the Resins product group are as follows:

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AMINOPLASTS
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 9.5	9.7	9.0	8.9	9.4	10.4	11.4
Gross Profit	$ 2.4	2.7	2.4	2.2	1.7	2.3	2.6
SARE	$ 1.0	.9	.8	.9	.9	1.1	1.1
Other Income	$ .1	.1				.1	.1
Div. Contribution	$ 1.5	1.9	1.6	1.3	.8	1.3	1.6
Corp. Net Income	$ .6	.8	.6	.6	.2	.5	.6
Selling Price/lb.	$ .235	.242	.223	.195	.136	.127	.129
Cost of Sales/lb.	$ .177	.175	.165	.147	.111	.099	.100
As % of Sales:							
Gross Profit	24.8	27.7	26.1	24.7	18.1	22.1	22.8
SARE	10.1	9.0	8.9	10.1	9.6	10.6	9.6
Net Income	6.3	8.2	6.7	6.7	2.1	4.8	5.3
$ Sales/$ Invest.	1.06	.96	.96	.99	.84	.87	.94
For Sales:							
% ROI (Corp. Net)	6.7	7.9	6.4	6.6	1.8	4.2	5.0
Gross Invest:							
Sales	$ 8.9	10.1	9.4	9.1	11.2	11.9	12.1
Internal Use	$						
Total	$ 8.9	10.1	9.4	9.1	11.2	11.9	12.1
Capacity - MM lbs:							
Sales	40.2	40.1	40.4	45.6	69.1	82.2	88.3
Internal Use							
Excess	16.7	17.9	27.6	32.0	13.4	6.1	
Total	56.9	58.0	68.0	77.6	82.5	88.3	88.3

Although sales quantities are up, price attrition caused by a price reduction by American Cyanamid of 5¢/lb. on melamine laminating resin, coupled with a higher percentage of low price (5.2¢/lb.) and lower profit urea adhesive resins, explain the lower profit in 1966.

The new lower cost source of raw material melamine, the reduction in manufacturing costs, and the development of melamine laminating resin syrups are expected to furnish the needed recovery in 1967.

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FORMALIN
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 2.4	2.5	3.5	3.1	3.7	4.1	4.1
Gross Profit	$ .8	.8	1.0	1.0	.9	1.1	1.1
SARE	$ .1	.1	.1	.2	.1	.3	.3
Other Income	$	.1	.1	.1	.1		
Div. Contribution	$ .7	.8	1.0	.9	.9	.8	.8
Corp. Net Income	$ .3	.4	.4	.5	.4	.3	.3
Selling Price/lb.	$ .028	.027	.026	.024	.025	.025	.025
Cost of Sales/lb.	$ .019	.018	.019	.017	.019	.019	.019
As % of Sales:							
Gross Profit	33.4	33.6	27.6	32.3	24.3	26.8	26.8
SARE	4.7	4.9	4.4	6.5	2.7	7.3	7.3
Net Income	12.5	16.0	11.7	16.1	10.8	7.3	7.3
$ Sales/$ Invest.	.75	.74	1.00	1.92	1.09	.89	.89
For Sales:							
% ROI (Corp. Net)	9.4	11.8	11.4	19.2	11.8	6.5	6.5
Gross Invest:							
Sales	$ 3.2	3.4	3.5	2.6	3.4	4.6	4.6
Internal Use	$ 2.0	2.0	2.0	2.0	2.0	3.3	3.3
Total	$ 5.2	5.4	5.5	4.6	5.4	7.9	7.9
Capacity - MM lbs:							
Sales	82.3	90.8	135.3	127.4	146.0	190.0	190.0
Internal Use	49.6	51.9	54.7	99.2	87.5	138.4	138.4
Excess	23.1	22.3	30.0	53.4			
Total	155.0	165.0	220.0	280.0	233.5	328.4	328.4

The higher buy-in cost of methanol and the pattern effect of higher formaldehyde content sales with their resulting lower gross profit margins adversely effected 1966 profits.

Although methanol costs will be lower in 1967 when PP&R assumes responsibility for the Heyden half of the Texas City plant, higher buy-in investment and associated research and engineering expense plus the new Formalin plant at Port Plastics depresses R.O.I.

PHENOPLASTS
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 12.5	13.4	14.8	14.8	16.9	18.1	29.6
Gross Profit	$ 3.1	3.4	3.9	3.3	4.1	4.1	8.5
SARE	$ 1.5	1.6	1.7	1.7	1.9	1.9	3.0
Other Income	$ .2	.1	.2	.1	.1	.1	.1
Div. Contribution	$ 1.8	1.9	2.4	1.7	2.3	2.3	5.6
Corp. Net Income	$ .8	.7	.7	.5	.6	.7	2.1
Selling Price/lb.	$ .130	.116	.100	.091	.085	.087	.089
Cost of Sales/lb.	$ .098	.087	.073	.071	.065	.067	.064
As % of Sales:							
Gross Profit	24.9	25.4	26.3	22.3	24.3	22.7	28.7
SARE	12.3	12.1	11.3	11.5	11.2	10.5	10.1
Net Income	6.4	5.2	4.7	3.4	3.6	3.9	7.1
$ Sales/$ Invest.	.67	.65	.60	.57	.57	.54	.84
For Sales:							
% ROI (Corp. Net)	4.3	3.4	2.9	1.9	2.0	2.1	5.9
Gross Invest:							
Sales	$ 18.6	20.6	24.5	26.1	29.8	33.7	35.4
Internal Use	$						
Total	$ 18.6	20.6	24.5	26.1	29.8	33.7	35.4
Capacity - MM lbs:							
Sales	95.8	115.6	147.2	163.0	197.8	208.5	331.5
Internal Use							
Excess	41.0	47.9	25.9	90.2	100.2	123.0	
Total	136.8	163.5	173.1	253.2	298.0	331.5	331.5

Record sales in plywood and bonding resins accounted for the profit improvement in 1966. Lower business levels in 1967 are going to make achieving budget difficult. Efforts are being concentrated on higher profit sales and gaining entry in new markets for Monsanto.

Costs are expected to improve in 1967 when the new Port Plastics Formalin unit will commence operations.

STYRENES
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 5.4	5.5	6.0	6.3	6.0	6.8	9.ε
Gross Profit	$ 2.2	2.3	2.8	2.7	2.3	2.7	4.2
SARE	$ .9	.8	.6	.8	1.5	.8	1.1
Other Income	$ .2	.2		.1	.1	.1	.1
Div. Contribution	$ 1.5	1.7	2.2	2.0	.9	2.0	3.2
Corp. Net Income	$ .7	.8	1.0	1.1	.3	.9	1.ε
Selling Price/lb.	$ .232	.198	.181	.190	.161	.168	.18‹
Cost of Sales/lb.	$ .137	.115	.096	.109	.099	.100	.10ƨ
As % of Sales:							
Gross Profit	40.7	41.8	46.7	42.9	38.3	39.7	42.ε
SARE	16.7	14.5	10.0	12.7	25.0	11.8	11.ƨ
Net Income	13.0	14.5	16.7	17.5	5.0	13.2	16.[illegible]
$ Sales/$ Invest.	.90	.86	.94	.95	.88	.92	1.2‹
For Sales:							
% ROI (Corp. Net)	11.7	12.5	15.6	16.7	4.4	12.2	20.[illegible]
Gross Invest:							
Sales	$ 6.0	6.4	6.4	6.6	6.8	7.4	7.[illegible]
Internal Use	$						
Total	$ 6.0	6.4	6.4	6.6	6.8	7.4	7.[illegible]
Capacity - MM lbs:							
Sales	23.2	27.5	33.5	33.2	37.3	40.4	53.2
Internal Use							
Excess	25.5	20.7	6.4	14.0	16.6	12.8	
Total	48.7	48.2	39.9	47.2	53.9	53.2	53.2

Price erosion in the previously attractive latex cup coating market plus further deterioration of the textile sizing market forced profit margins down in 1966. The $.7MM increase in SARE for 1966 is due to the inclusion of development costs on RJ-100 coatings. Profit recovery is anticipated in 1967 mainly through increased sales of RJ-100 coatings.

SAFLEX - PRODUCT GROUP
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 17.3	17.7	19.1	23.8	29.7	25.9	34.9
Gross Profit	$ 6.8	8.3	9.2	10.5	14.5	13.1	16.6
SARE	$ 1.0	1.3	1.4	1.5	1.7	1.7	2.3
Other Income	$ .2	.3	.6	.6	.5	.4	.4
Div. Contribution	$ 6.0	7.3	8.4	9.6	13.3	11.8	14.7
Corp. Net Income	$ 2.9	3.6	4.0	5.1	6.8	5.6	7.0
Selling Price/Sq.Ft.	$ .151	.155	.160	.245	.227	.233	.240
Cost of Sales/Sq.Ft.	$ .092	.083	.083	.137	.112	.116	.126
As % of Sales:							
Gross Profit	39.0	47.0	48.1	44.3	45.9	47.8	47.6
SARE	5.5	7.2	7.2	6.1	5.4	6.2	6.6
Net Income	16.5	20.1	21.1	21.5	21.5	20.4	20.1
$ Sales/$ Invest.	.129	.66	.65	.75	.79	.68	.89
For Sales:							
% ROI (Corp. Net)	21.4	13.2	13.8	16.2	18.1	14.8	17.8
Gross Invest:							
Sales	$ 13.4	27.0	29.1	31.6	37.5	37.9	39.3
Internal Use	$						
Total	$ 13.4	27.0	29.1	31.6	37.5	37.9	39.3
Capacity - MM Sq. Ft:							
Sales	115.1	114.2	119.5	98.7	130.6	111.2	145.5
Internal Use							
Excess	186.1	68.9	49.9	42.2	31.3	34.3	
Total	301.2	183.1	169.4	140.9	161.9	145.5	145.5

1966 sales increase results from (1) an increase in market participation from 48% to 58% in the automotive portion of the market and (2) increased sales for aircraft and architectural uses. Part of this market participation increase stems from the competitor's product problems, but also results from quality improvements and introduction of new Saflex models.

Cost reductions are reflected in improved gross profit (45.9% of sales); however, reduced auto production will limit 1967 sales and profit to below the 1966 levels. Future domestic growth will depend on auto production and success of research programs aimed at windshield design improvements. The overseas growth rate will be higher, with the switch to 30 gauge not yet effected and the opportunity to replace tempered glass with laminated glass still available.

VINYL ACETATES - PRODUCT GROUP
($ in Millions)

	Actual					1967
	1962	1963	1964	1965	1966	Budget
Sales		18.1	20.5	22.0	23.8	25.5
Gross Profit		4.3	5.7	7.3	7.8	8.8
SARE		2.7	2.5	2.4	2.2	2.6
Other Income		.1	.1			
Division Contribution		1.7	3.3	4.9	5.6	6.2
Corp. Net Income		.8	1.7	2.4	2.6	2.7
As % of Sales:						
Gross Profit		23.6	27.6	33.2	32.6	34.5
SARE		14.8	12.0	11.1	9.2	10.2
Corp. Net Income		4.2	8.3	11.1	10.9	10.6
$ Sales/$ Invest.		.95	1.03	.88	.84	.83
% ROI - Corp. Net Income		4.0	8.6	9.7	9.2	8.8
Gross Investment		18.9	19.9	25.0	28.3	30.8

Major products reported for the Vinyl Acetates product group are as follows:

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BUTVAR
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$		3.7	4.0	5.6	6.2	5.8	10.9
Gross Profit	$		1.1	1.5	2.3	2.5	2.1	5.6
SARE	$		.4	.4	.3	.4	.4	1.0
Other Income	$							
Div. Contribution	$		.7	1.1	2.0	2.1	1.7	4.6
Corp. Net Income	$		.4	.6	1.1	1.1	.8	2.2
Selling Price/lb.(1)	$		1.010	.988	.995	.969	.917	.940
Cost of Sales/lb.(1)	$		.525	.528	.526	.518	.491	.457
As % of Sales:								
Gross Profit			29.7	37.5	41.1	40.3	36.2	51.4
SARE			10.8	10.0	5.4	6.5	6.9	9.2
Net Income			10.8	15.0	19.6	17.7	13.8	20.2
$ Sales/$ Invest.			1.27	1.29	1.27	1.38	1.26	1.95
For Sales:								
% ROI (Corp. Net)			13.8	19.3	25.0	24.4	17.4	39.3
Gross Invest:								
Sales	$		2.9	3.1	4.4	4.6	4.6	5.6
Internal Use	$							
Total	$		2.9	3.1	4.4	4.6	4.6	5.6
Capacity - MM lbs:								
Sales			11.0	12.9	23.5	23.0	21.4	26.9
Internal Use								
Excess			3.4	6.5	2.6	3.1	5.5	
Total			14.4	19.4	26.1	26.1	26.9	26.9

(1) Excluding Ethyl Acetate by-product units.

The Butvar data above represents a composite of Specialty Resins (non-Saflex), Butvar Dispersion, and the by-product, Ethyl Acetate. Sales and profits have increased steadily in the 1963 through 1966 period. Prices have been firm in the domestic market but there has been some erosion from price competition in the export market. Costs have been reduced slightly in 1966 and will be further reduced in 1967 and beyond by (1) conversion costs reduction achieved through the current Bircham Bend automation project and (2) projected lower vinyl acetate monomer prices. Monsanto has a firm competitive position in the domestic market and a growing position world-wide. The outlook is for continuing growth despite the dip budgeted in 1967.

FORMVAR
($ in Millions)

		Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$	4.1	5.0	5.1	5.0	5.0	5.5
Gross Profit	$	1.5	1.9	2.0	2.3	2.4	2.5
SARE	$	.5	.4	.3	.3	.5	.5
Other Income	$						
Div. Contribution	$	1.0	1.5	1.7	2.0	1.9	2.0
Corp. Net Income	$	.5	.8	.9	1.0	.9	1.0
Selling Price/lb.(1)	$	.911	.877	.864	.758	.739	.786
Cost of Sales/lb.(1)	$	.578	.544	.526	.409	.388	.429
As % of Sales:							
Gross Profit		36.6	38.0	39.2	46.0	48.0	45.5
SARE		12.2	8.0	5.9	6.0	10.0	9.1
Net Income		12.2	16.0	17.6	20.0	18.0	18.2
$ Sales/$ Invest:		1.08	1.22	1.04	.89	.79	.86
For Sales:							
% ROI (Corp. Net)		13.2	17.7	18.4	17.9	14.3	15.6
Gross Invest:							
Sales	$	3.5	3.8	4.9	5.6	6.3	6.4
Internal Use	$						
Total	$	3.5	3.8	4.9	5.6	6.3	6.4
Capacity - MM lbs:							
Sales		4.5	5.7	5.9	6.6	6.8	7.0
Internal Use							
Excess		1.5	.3	.1	.3	.2	
Total		6.0	6.0	6.0	6.9	7.0	7.0

(1) Excluding Acetic Acid by-product units.

Growth in sales volume was counteracted by further price attrition in the export market during 1966. However, a substantial reduction in costs was made possible by process improvements and lower vinyl acetate price, significantly raising the gross profit level.

Formvar is a 30-year old, mature product, and future growth will be limited by increasing competition from new wire enamel resins in the domestic market and other polyvinyl formal producers overseas. Prospects are for a modest increase in sales through 1970. Further reduction in costs will more than offset a continuing decline in average selling prices, thus maintaining profits at a relatively high level.

GELVA
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$		6.1	6.7	7.0	7.7	9.3	10.9
Gross Profit	$		1.0	1.3	1.8	2.0	2.9	3.7
SARE	$		1.0	.9	1.1	.9	1.1	1.2
Other Income	$							
Div. Contribution	$			.4	.7	1.1	1.8	2.5
Corp. Net Income	$			.2	.3	.5	.8	1.2
Selling Price/lb.	$		.209	.198	.205	.205	.209	.236
Cost of Sales/lb.	$		.180	.169	.152	.152	.144	.156
As % of Sales:								
Gross Profit			16.4	19.4	25.7	26.0	31.2	33.9
SARE			16.4	13.4	15.7	11.7	11.8	11.0
Net Income				3.0	4.3	6.5	8.6	11.0
$ Sales/$ Invest.			1.11	1.08	1.13	1.01	1.19	1.36
For Sales:								
% ROI (Corp. Net)				3.2	4.8	6.6	10.3	15.0
Gross Invest:								
Sales	$		4.9	5.6	6.1	7.6	7.8	8.0
Internal Use	$		.2	.2	.2	.2	.8	.8
Total	$		5.1	5.8	6.3	7.8	8.6	8.8
Capacity - MM lbs:								
Sales			28.4	32.0	34.2	37.5	44.4	46.1
Internal Use			1.4	1.1	1.6	1.6	5.0	5.0
Excess			7.1	9.4	11.2	7.9	1.7	
Total			36.9	42.5	47.0	47.0	51.1	51.1

Sales and profits of the Gelva products (emulsions, solutions, and solids) have shown uninterrupted growth in the past four years, even though emulsions are sold in highly competitive markets for adhesives and paints. Profits have been maintained in this business by a successful program of cost reduction through automation, while upgrading the remainder of the products line by introduction of higher-value specialties. Overall growth rate of the industry has been and will continue at about 10% per year, and growth of Gelva sales is projected at a slightly higher rate than this. Costs and profits will be further improved by the volume effect and the prospect of vinyl acetate monomer price reductions.

GELVATOL
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$		4.1	4.8	4.3	5.0	5.4	5.9
Gross Profit	$		.7	.9	1.2	1.0	1.4	1.6
SARE	$		.7	.7	.7	.6	.6	.6
Other Income	$							
Div. Contribution	$			.2	.5	.4	.8	1.0
Corp. Net Income	$			.1	.1		.3	.4
Selling Prices/lb.(1)	$		.684	.637	.587	.515	.448	.527
Cost of Sales/lb. (1)	$		.586	.517	.425	.412	.323	.386
As % of Sales:								
Gross Profit			17.1	18.8	27.9	20.0	27.5	27.1
SARE			17.1	14.6	16.3	12.0	11.8	10.2
Net Income				2.1	2.3		5.9	6.8
$ Sales/$ Invest.			.56	.69	.46	.49	.48	.55
For Sales:								
% ROI (Corp. Net)				1.5	1.1		2.8	3.7
Gross Invest:								
Sales	$		6.7	6.6	8.8	9.7	10.7	10.8
Internal Use	$		.7	.6	.6	.6	.6	.6
Total	$		7.4	7.2	9.4	10.3	11.3	11.4
Capacity - MM lbs:								
Sales			5.8	7.0	7.3	9.7	10.3	11.1
Internal Use			.5	.6	.6	.6	.6	.6
Excess			3.3	2.0	1.7	.5	.8	
Total			9.6	9.6	9.6	10.8	11.7	11.7

(1) Excluding Acetic Acid and Methyl Acetate by-product units.

The Gelvatol market is undergoing a major change from high-price, low-volume to medium-price, medium-volume. Price erosion in the past three years has been steep, but the new price levels are opening up large new markets in the textile industry. Gelvatol costs and profits during this period do not reflect the true potential for Monsanto as (1) costs are heavily dependent on vinyl acetate monomer and Monsanto's vinyl acetate monomer costs are not fully competitive, and (2) the present production facility in Bircham Bend is not year geared to the product mix and capacity required to serve the developing market profitability. Strategies and programs are currently being developed to correct both of these apparent shortcomings.

TEXTILES DIVISION
Division Profitability
($ in Millions)

	Actual					1967
	1962	1963	1964	1965	1966	Budget
Sales	265.5	285.0	354.3	369.7	374.3	391.6
Division Contribution	86.5	95.3	136.4	123.7	108.8	92.0
Corp. Net Income	40.6	39.4	59.4	57.6	46.0(1)	41.9
Corp. Net Income as % of Sales	15.3	13.8	16.8	15.6	12.3	10.6
$ Sales/$ Investment	.66	.58	.61	.53	.50	.50
% ROI - Corp. Net Income	10.1	8.1	10.3	8.2	6.2	5.0
Gross Investment	400.3	488.7	576.2	699.3	742.4	785.7
Product Group - % Return:						
Acrilan	3.5	5.8	7.9	6.1	4.5(2)	4.2
Nylon	11.8	8.8	12.4	11.4	10.3	8.1
Polyester					(14.3)	(11.1)

(1) Divisional information is net of the $6.1MM Polythane Goodwill write-off and the $6.0MM profit on the sale of Vonneel and ACSA. However, the Acrilan product group data on page 135 excludes the profit on the sale of the foreign interests. The Spandex group which was charged with the Goodwill write-off is not included in this report.

(2) ROI for Acrilan excludes profit on sale of Vonnel and ACSA.

In 1966 investment in the divisions' products earned the following rates of return:

	% of Total Investment
Loss	9.0
0 to 3%	-
3 to 5%	7.4
Over 5%	83.4

Product groups are reported on the following pages:

	Page
Acrilan	135
Nylon	138
Polyester	143

Major products reported comprise 98% of the division's investment in 1966.

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ACRILAN - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	34.8	48.3	71.2	82.2	91.0	98.2
Gross Profit	17.1	24.6	38.1	41.8	40.6	42.3
SARE	12.7	14.8	16.8	18.7	20.6	22.6
Other Income	.7	1.3	1.7	1.7	1.5	(.5)
Division Contribution	5.1	11.2	23.0	24.9	21.6	19.1
Corp. Net Income	2.3	4.4	9.4	10.7	8.4(1)	8.2
As % of Sales:						
Gross Profit	49.0	51.1	53.5	50.9	44.6	43.1
SARE	36.4	30.7	23.6	22.7	22.6	23.0
Corp. Net Income	6.7	9.1	13.2	13.0	9.2(1)	8.4
$ Sales/$ Invest.	.52	.63	.60	.47	.49	.50
% ROI - Corp. Net Income	3.5	5.8	7.9	6.1	4.5(1)	4.2
Gross Investment	66.5	76.5	119.3	175.0	186.7	195.7

(1) Excludes $6.0MM profit on sale of Vonnel and ACSA.

Major products reported for the Acrilan product group are as follows:

ACRILAN - CARPET
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 11.6	25.4	42.6	54.8	54.1	54.8	88.3
Gross Profit	$ 5.2	12.3	22.0	29.9	27.1	23.4	48.5
SARE	$ 4.8	8.2	11.0	7.7	8.2	9.2	10.3
Other Income	$ .3	.7	1.1	.4	1.5	(.3)	(.3)
Div. Contribution	$ .7	4.8	12.1	22.6	20.4	13.9	37.9
Corp. Net Income	$ .3	2.2	5.1	11.4	9.2(1)	7.1	18.3
Selling Price/lb.	$ .73	.73	.71	.73	.73	.60	.60
Cost of Sales/lb.	$ .40	.37	.34	.33	.36	.34	.27
As % of Sales:							
Gross Profit	45.0	48.5	51.6	54.6	50.1	42.7	54.9
SARE	41.5	32.1	25.8	14.1	15.2	16.8	11.7
Net Income	2.6	8.7	12.0	20.8	17.0(1)	13.0	20.7
$ Sales/$ Invest.	.48	.62	.59	.43	.42	.40	.64
For Sales:							
% ROI (Corp. Net)	1.2	5.4	7.1	8.9	7.2(1)	5.2	13.2
Gross Invest:							
Sales	$ 24.1	40.9	71.9	128.1	127.3	136.8	138.8
Internal Use	$						
Total	$ 24.1	40.9	71.9	128.1	127.3	136.8	138.8
Capacity - MM lbs:							
Sales	15.9	35.0	59.7	74.9	74.4	91.8	147.1
Internal Use							
Excess	7.0	(1.0)	(2.6)	34.1	72.7	55.3	
Total	22.9	34.0	57.1	109.0	147.1	147.1	147.1

(1) Excludes profit on sale of Vonnel and ACSA.

Selling prices remained stable compared to 1965; costs increased $.03 per pound primarily the result of idle plant facilities. R.O.I. decreased to 7.2% from the 1965 high of 8.9%.

In 1967 sales volume is up 23%; sales prices deteriorate by $.13 per pound causing sales revenues to remain at the 1966 level. Cost of sales decreases by $.02 per pound -- the result of increased sales/production. R.O.I. decreases to 5.2% influenced by selling prices, more plant facilities and buy-in's.

ACRILAN - TEXTILE & SOLUTION DYED
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 23.1	21.6	26.2	24.5	28.9	32.7	36.7
Gross Profit	$ 12.2	12.0	15.5	11.8	13.1	16.8	19.8
SARE	$ 7.7	5.9	5.6	9.9	10.9	12.3	12.4
Other Income	$ .1		.6	1.0	1.0	(.2)	(.2
Div. Contribution	$ 4.6	6.1	10.5	2.9	3.2	4.3	7.2
Corp. Net Income	$ 2.4	2.9	4.7	.6	.4(1)	1.0	2.9
Selling Price/lb.	$ .91	.85	.89	.89	.83	.76	.76
Cost of Sales/lb.	$ .44	.38	.36	.46	.45	.37	.35
As % of Sales:							
Gross Profit	52.8	55.6	59.2	48.2	45.3	51.4	54.0
SARE	33.3	27.3	21.4	40.4	37.7	37.6	33.7
Net Income	10.4	13.4	17.9	2.4	1.4(1)	3.1	7.9
$ Sales/$ Invest.	.59	.68	.61	.57	.52	.51	.67
For Sales:							
% ROI (Corp. Net)	6.2	9.1	10.9	1.4	.7(1)	1.7	5.3
Gross Invest:							
Sales	$ 39.0	32.0	43.0	42.8	55.1	54.6	54.9
Internal Use	$						
Total	$ 39.0	32.0	43.0	42.8	55.1	54.6	54.9
Capacity - MM lbs:							
Sales	25.3	25.4	29.3	27.4	34.9	43.2	48.3
Internal Use							
Excess	13.3	3.8	(1.3)	9.5	13.4	5.1	
Total	38.6	29.2	28.0	36.9	48.3	48.3	48.3

(1) Excludes profit on sale of Vonnel and ACSA.

Sales income increased 18% -- a high for the five-year span -- due to an increase in volume (27%). The volume increase was partially offset by a $.07 per pound decrease in selling price. Lower cost of $.01 per pound reflects a lower level of high cost Vonnel bought and resold during the period.

Investment is up 29% over 1965 due to increased usage of plant facilities for Textile production and higher buy-in allocations and results in lower R.O.I.

In 1967 sales income is up 13% on sales volume increase of 24%. The budget sales rate represents an all-time high for the category. Sales revenue per pound is down $.073; cost of sales decreases $.085 per pound, the result of a higher sales/production rate. R.O.I. increases to 1.7% reflecting the higher sales/cost ratio.

NYLON - PRODUCT GROUP
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget
Sales	229.1	235.4	282.1	284.4	267.6	265.7
Gross Profit	108.9	114.9	152.3	141.4	132.2	121.5
SARE	26.9	30.0	30.1	28.2	27.1	30.0
Other Income	.8	.6	.6	(.5)	1.0	(2.8)
Division Contribution	82.8	85.4	122.8	112.7	106.1	88.7
Corp. Net Income	39.0	35.6	55.1	56.0	50.7	42.4
As % of Sales:						
Gross Profit	47.5	48.8	54.0	49.7	49.4	45.7
SARE	11.8	12.7	10.7	9.9	10.1	11.3
Corp. Net Income	17.0	15.1	19.5	19.7	18.9	16.0
$ Sales/$ Invest.	.69	.53	.64	.58	.54	.51
% ROI - Corp. Net Income	11.8	8.8	12.4	11.4	10.3	8.1
Gross Investment	330.0	404.3	443.9	489.8	492.8	521.2

Major products reported for the Nylon product group are as follows:

NYLON - INDUSTRIAL
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 17.0	20.3	16.3	17.6	19.6	17.5	16.5
Gross Profit	$ 7.3	7.3	7.5	7.5	9.0	7.5	7.1
SARE	$ 2.1	2.8	2.3	1.2	1.7	1.2	1.2
Other Income	$	.1		.1	.1	(.2)	(.2
Div. Contribution	$ 5.2	4.6	5.2	6.4	7.4	6.1	5.7
Corp. Net Income	$ 2.4	1.9	2.3	2.9	3.4	3.1	2.9
Selling Price/lb.	$ 1.16	1.02	.98	1.00	1.07	1.01	1.01
Cost of Sales/lb.	$ .66	.65	.53	.57	.58	.58	.58
As % of Sales:							
Gross Profit	43.0	35.9	46.0	42.6	45.9	42.9	43.0
SARE	12.9	13.6	14.1	6.8	8.7	6.9	7.3
Net Income	14.1	9.4	14.1	16.5	17.3	17.7	17.6
$ Sales/$ Invest.	.62	.53	.50	.56	.52	.52	.50
For Sales:							
% ROI (Corp. Net)	8.7	4.9	7.0	9.2	9.0	9.3	8.7
Gross Invest:							
Sales	$ 27.6	38.4	32.9	31.4	37.9	33.5	33.4
Internal Use	$						
Total	$ 27.6	38.4	32.9	31.4	37.9	33.5	33.4
Capacity - MM lbs:							
Sales	14.6	20.0	16.6	17.6	18.4	17.3	16.3
Internal Use							
Excess	1.4	1.0	2.9	(4.2)	.1	(1.0)	
Total	16.0	21.0	19.5	13.4	18.5	16.3	16.3

1966 net income is up 18% due to a $.07 increase in selling price. The improvement in selling price is a result of: more emphasis on industrial yarns produced on textile equipment, reduced output/sales of second grade products and increased activity in warped products (premium price). Cost of sales increased slightly, the result of higher costs associated with warping and the further utility of Textile facilities. The 1966 net income is the best over the five-year span since 1962. Higher investment held the R.O.I. at the 1965 level.

In 1967 R.O.I. is projected at 9.3% primarily the result of reduced plant facility and buy-in investment allocations and the benefit of product sales from inventory. Sales prices decline 5%; cost of sales remains relatively stable.

NYLON - TEXTILE
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$126.1	130.0	146.2	133.6	114.0	109.0	133.8
Gross Profit	$ 66.4	67.3	84.0	75.7	55.5	47.8	62.2
SARE	$ 11.1	10.5	13.4	12.3	12.2	14.9	15.4
Other Income	$ .6	.6	.5	.5	.6	(1.4)	(1.4)
Div. Contribution	$ 55.9	57.4	71.1	63.9	43.9	31.5	45.4
Corp. Net Income	$ 26.6	23.5	32.1	31.1	20.7	14.2	24.9
Selling Price/lb.	$ 1.81	1.74	1.56	1.57	1.39	1.32	1.32
Cost of Sales/lb.	$ .86	.84	.66	.68	.71	.74	.71
As % of Sales:							
Gross Profit	52.7	51.8	57.5	56.7	48.7	43.9	46.5
SARE	8.8	8.1	9.2	9.2	10.7	13.7	11.5
Net Income	21.1	18.1	22.0	23.3	18.1	13.0	18.7
$ Sales/$ Invest.	.69	.62	.65	.52	.48	.46	.57
For Sales:							
% ROI (Corp. Net)	14.6	11.3	14.1	12.1	8.8	6.1	10.6
Gross Invest:							
Sales	$182.2	208.3	227.3	257.6	235.1	234.5	236.0
Internal Use	$						
Total	$182.2	208.3	227.3	257.6	235.1	234.5	236.0
Capacity - MM lbs:							
Sales	69.7	74.7	93.8	84.9	81.9	82.5	101.4
Internal Use							
Excess	.3	13.3	28.7	22.9	14.5	18.9	
Total	70.0	88.0	122.5	107.8	96.4	101.4	101.4

1966 R.O.I. is down to 8.8%, a decrease for the second successive year. Net income decreased 34% from 1965 due to sales price erosion ($.18 per pound) and increased manufacturing costs -- the result of idle facilities and increased by-product levels (11.8% to 14.2%). Selling prices per pound are down 23% over the five years since 1962 while unit cost of sales has decreased 17%. Investment decreased 9% from 1965 due to assignment of plant investment to Textured and Industrial categories and reduced buy-in allocations.

1967 R.O.I. down to 6.1%. Net income down 31%. Sales volume is at the 1966 level with sales revenue down 15% due to another .07 per pound reduction in selling price. Investment down due to assignment of Textile equipment to Tire yarn production.

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NYLON - TEXTURED
($ in Millions)

	Actual					1967	
	1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$ 23.0	15.1	22.8	24.0	26.8	30.8	37.0
Gross Profit	$ 11.5	6.3	12.7	12.1	13.5	12.3	15.6
SARE	$ 2.2	1.5	2.7	5.1	5.2	5.7	5.8
Other Income	$			.1	.1	(.3)	(.3
Div. Contribution	$ 9.3	4.8	10.0	7.1	8.4	6.3	9.5
Corp. Net Income	$ 4.4	2.0	4.6	3.0	3.7	2.3	4.3
Selling Price/lb.	$ 1.44	1.36	1.15	1.11	1.09	.95	.95
Cost of Sales/lb.	$ .71	.79	.50	.55	.54	.57	.55
As % of Sales:							
Gross Profit	50.0	41.6	55.7	50.4	50.4	39.9	42.2
SARE	9.7	9.9	11.8	21.3	19.4	18.5	15.7
Net Income	19.1	13.2	20.2	12.5	13.8	7.5	14.0
$ Sales/$ Invest.	.65	.61	.56	.38	.42	.38	.46
For Sales:							
% ROI (Corp. Net)	12.4	8.0	11.1	4.8	5.9	2.8	5.3
Gross Invest:							
Sales	$ 35.5	24.9	41.4	62.7	63.1	80.9	81.3
Internal Use	$						
Total	$ 35.5	24.9	41.4	62.7	63.1	80.9	81.3
Capacity - MM lbs:							
Sales	16.0	11.1	19.9	21.6	24.5	32.3	39.0
Internal Use							
Excess	7.0	5.9	6.3	4.7	9.4	6.7	
Total	23.0	17.0	26.2	26.3	33.9	39.0	39.0

1966 R.O.I. increased to 5.9% with only a slight increase in investment from year-end 1965. Net income increased 25% from 1965 due to increased sales volume and lower cost of sales.-- the absence of costs associated with starting up new facilities in 1965. The sales revenue is the highest in the five-year span, 1962-1966. The increased volume and lower cost of sales more than offset a reduction in sales price of $.02 per pound.

1967 sales volume up 32% but sales income increases only 15% as the effect of a $.14 per pound erosion in selling price is felt. Cost of sales increase due to start-up of new facilities. R.O.I. down to 2.8% as the effect of new plant investment at year-end without the benefit of a full year's output.

NYLON - TIRE
($ in Millions)

	Actual 1962	1963	1964	1965	1966	1967 Budget	Cap'ty
Sales	$ 45.8	47.5	70.2	69.9	75.3	83.1	87.7
Gross Profit	$ 19.3	19.9	39.5	34.8	37.3	44.6	49.2
SARE	$ 6.9	6.9	10.6	6.5	5.3	7.1	7.2
Other Income	$ .1			(.1)		(.9)	(.9)
Div. Contribution	$ 12.5	13.0	28.9	28.2	32.0	36.6	41.1
Corp. Net Income	$ 5.9	5.3	13.2	13.2	15.4	18.7	21.2
Selling Price/lb.	$ .91	.91	.90	.84	.81	.80	.80
Cost of Sales/lb.	$ .53	.53	.39	.42	.41	.37	.35
As % of Sales:							
Gross Profit	42.1	41.9	56.3	49.8	49.5	53.7	56.1
SARE	15.0	14.5	15.1	9.3	7.0	8.5	8.2
Net Income	12.9	11.2	18.8	18.9	20.3	22.5	24.2
$ Sales/$ Invest.	.50	.47	.55	.52	.48	.49	.52
For Sales:							
% ROI (Corp. Net)	6.4	5.3	10.2	9.9	9.8	11.1	12.6
Gross Invest:							
Sales	$ 92.0	100.5	129.5	133.2	156.7	167.9	168.2
Internal Use	$						
Total	$ 9.20	100.5	129.5	133.2	156.7	167.9	168.2
Capacity - MM lbs:							
Sales	50.2	52.3	77.9	83.2	93.2	103.4	109.6
Internal Use							
Excess	8.8	33.7	14.0	11.6	2.0	6.2	
Total	59.0	86.0	91.6	94.8	95.2	109.6	109.6

1966 R.O.I. of 9.8% was down slightly from 9.9% experienced in 1965. Net income increased over 1965 by 17% to the highest level in five-year span -- primarily the effect of higher volume. Selling price per pound decreased by $.03 while cost decreased $.01 per pound. SARE expenses for 1966 were down 18% as less REDAR efforts were directed toward nonflat spotting yarns. Investment increased 18% due to new plant facilities and increased buy-in allocations.

1967 budgeted sales volume up 11%; sales income up 10%. Cost of sales down sharply -- $.04 per pound as a result of increased production/sales volume.

POLYESTER (INCLUDES DYEING AND FINISHING)
($ in Millions)

		Actual					1967	
		1962	1963	1964	1965	1966	Budget	Cap'ty
Sales	$					11.3	21.3	39.6
Gross Profit	$					(5.2)	(2.4)	7.8
SARE	$					6.0	8.5	9.1
Other Income	$					(.4)	(.4)	(.4)
Div. Contribution	$					(11.6)	(11.3)	(1.7)
Corp. Net Income	$					(7.5)	(6.3)	(1.3)
Selling Price/lb. (Fiber only)						.60	.68	.68
Selling Price/lb. (Incl. Dye. & Fin.)						1.10	1.18**	.88
Cost of Sales/lb. (Fiber only)						.79	.75	.75
Cost of Sales/lb. (Incl. Dye. & Fin.)						1.64	1.32**	.71
As % of Sales:								
Gross Profit						(46.3)	(11.3)	19.7
SARE						53.3	39.9	23.0
Net Income						(66.2)	(29.6)	(3.3)
$ Sales/$ Invest.						.22	.38	.68
For Sales:								
% ROI (Corp. Net)						(14.3)	(11.1)	(2.2)
Gross Invest:								
Sales	$					52.3	56.6	58.5
Internal Use	$							
Total	$					52.3	56.6	58.5
Capacity - MM lbs:								
Sales						10.2	18.0	45.0
Internal Use								
Excess						3.3	27.0	
Total						13.5	45.0	45.0

** Dyeing and Finishing operation is at capacity in 1967 budget.

1966 reflects a loss position of $7.5MM on a year-end investment of $52.3MM. Dyeing and Finishing operations contributed $2.7MM of the loss and represented $17.1MM of total investment. 1966 sales revenue includes $5.1MM and costs of sales includes $8.7MM from the Dyeing and Finishing operation.

1967 budgeted sales revenue increases 88%; cost of sales increases 41%. The net loss is projected $1.2MM lower than 1966. Sales price of polyester fiber increases to $.68/lb.; cost of sales decreases to $.75/lb. Dyeing and Finishi operations, which are budgeted at capacity, contribute $8.7MM to sales revenue and $10.2MM to cost of sales. The net loss at both budget and capacity levels for the Deying and Finishing operation is $1.2MM with an investment of $17.6MM

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