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The seller's market in asbestos

Producers of asbestos have been pushing up prices in big jumps this year, and more of the same is in store for 1976. As a result of their moves, the costs of a vast variety of products that use asbestos--from brake linings to boiler gaskets and floor tiles--are moving up steadily and will continue to do so next year.

This year's troubles started with a disastrous fire at a major Canadian asbestos mine and a landslide that halted operations at a second large mine. Then a wave of strikes, including one seven-month shutdown, crippled additional Canadian production. Canada, the world's largest asbestos producer, supplies about 95% of the asbestos used in the U. S. Normally it produces about 1.8 million tons annually, but this year that figure will be down by some 40% to only 1.1 million tons. Output is back to normal now, but producers point to costs and narrow profit margins and maintain that these will force them to keep on raising prices.

The price boosts that followed the disasters and the labor settlements came fast. Canadian Johns-Manville Co., which with a rated output of almost 700,000 tons annually is Canada's largest asbestos producer and the industry price leader, started out the year with a 17% increase. It followed with a 7% jump in May and an additional 15% increase on long-fiber asbestos this month. "It's a seller's market now," says one Johns-Manville executive.

Users are worried, and some are bitter. "Our suppliers have a 'spear your friends' policy," says Hugh M. Wells, president of Cincinnati-based Blemker Co., which uses large quantities of asbestos to make gaskets, brake and clutch facings, and insulating cloth tape. "Because of that policy many of our materials costs have doubled in the past 12 months. We've had to double our own product prices in that same period. And I expect materials prices to go up at least another 10% to 14% early next year."

Bootleg asbestos. Most users tried to plan ahead in anticipation of price rises and shortages earlier this year but many still suffered. Frank J. Mattes III, controller of Gardner-Martin Asphalt Corp., a Tampa (Fla.) roofing product maker, says his company built up sizable inventories of asbestos early in the year but when strikes and shortages hit "it was nip and tuck for us for four months." Once the inventories were worked down, says Mattes, "we had to buy asbestos bootleg and had to pay as much as four times our normal price for it."

Johns-Manville's estimates for next year give users little hope for anything better. The company figures that output will not catch up with demand for at least three to five years. Asbestos markets were barely touched by the recession. It takes about three years to get a new mine into production. Despite rising prices, only one major new mine is under construction in North America. That belongs to Abitibi Asbestos Mining Co., 55% owned by Brinco Ltd., of Montreal, a subsidiary of Rio Tinto-Zinc Corp.

One user that is also a producer, Jim Walter Corp. of Tampa, Fla., also is worried about rising asbestos prices. Its Celotex Corp. subsidiary, which buys some of its asbestos from the company's own Canadian mine, last month raised by 6% the price of its asbestos-containing coatings.

Substitutes. Some users have been pressing the hunt for substitutes for asbestos but so far they have had little success. Richard T. McDermott, president of A. W. Chesterton Co., a Stoneham (Mass.) maker of mechanical packings and seals for pumps and valves, is studying the use of Teflon and graphite fibers as substitutes for asbestos.

Rising costs and narrow margins force producers to keep boosting prices

But, he admits, "for the time being asbestos is still a critical material for this company's products." This means a very bleak outlook for McDermott who expects a 25% increase in the price of the asbestos fibers he buys early next year and doubts he will be able to pass all of it on to his customers.

"Asbestos is close to pricing itself out of the market," asserts Anthony Notorangelo, president of General Gasket Corp., a St. Louis (Mo.) producer of boiler gaskets. "Ceramic materials have been around for some time that would replace asbestos in some applications," he says, "but in the past they were too expensive. Now they are looking a lot more attractive." Still, Notorangelo's company has not switched to ceramics because asbestos still maintains a slight price advantage.

Some asbestos users fear that they are bound to lose markets to competing products if they cannot find substitute materials. Certain-Teed Products Corp., for example, makes asbestos pipe, and it fears that if it keeps passing along higher asbestos prices, buyers will shift to using cast iron pipe. "Our price increases will lead people to use competitive products," says Waldfried R. Werner, Certain-Teed's product manager. The company's pipe prices have increased 70% since 1973, largely because of asbestos.



Montreal Star-Canada Wide

A landslide at Johns-Manville's mine at Asbestos, Quebec, crippled production.

Safety standards. New occupational safety and health rules are also pressing users to seek asbestos substitutes. Current rules require that workers cannot be exposed to an atmosphere containing more than five 5-micron fibers of asbestos per cubic centimeter of air in an eight-hour day. This standard will be tightened next July.

Some companies are losing sales rather than meet the cost of reaching these standards. Western Chemical & Mfg. Co. of Vernon, Calif., tried substituting mineral wool and fiber glass for asbestos in the flooring materials it produces but found that these could not compete with asbestos-containing products. "We found that there's really no replacement for asbestos," says Gareld W. Johns, president.

Asbestos producers worry about the long-term impact of the safety issue, especially because the U. S. rules have prompted Canadian asbestos miners to demand greater protection, which leads to higher-cost mining operations. But they seem to have little fear that either rising prices or safety concerns will soon lead to the development of economic substitutes for asbestos. "There'll still be confusion in this industry, especially for users, for at least two years," says William W. Oughtred, president of Asbestos Corp., a major Canadian producer that is 54% owned by General Dynamics Corp. "But for the long haul I'm very optimistic." ■

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