

ESCAMBLA CHEMICAL CORPORATION
INTEROFFICE MEMORANDUM

To: Mr. P. E. Mills

Date: November 6, 1967

Copies:

From: T. L. Carey

Re: Monthly Report
October, 1967

GENERAL

Agricultural Chemicals had a very good October and this at a time when we understand our competitors were not doing very well. Sales exceeded one million dollars - some 25% above the 6 + 6 estimate. Results were \$30,000 better than the 6 + 6 profit estimate and included a \$23,000 Atlanta moving expense charge.

You will note that our current estimate for the year is \$40,000 better than it was a month ago.

Approval of the Expenditure Requests for Sales has provided a "shot-in-the-arm" effect and enthusiasm is high. It is expected that all the dealers and agents will be signed up in time for the season.

SALES

This group is generating some real enthusiasm. Sales are projected to be good for both November and December and this is the reason for the anticipated better results.

The first steps toward moving into the Animal Feed Supplement business is being studied in detail. We have met with a leading liquid feed supplement manufacturer who has several franchises available in our marketing area. The idea is to start the program at three farm service centers this next year. This program will allow us to gain some valuable experience in this field at a very modest investment. (It appears only 3 are open at this time.) This approach was outlined in our Business Plan and will provide additional profitable sales in the fall and winter - October through March.

As experience is gained, we plan to move into other lines of animal feed supplements as a complement to our fertilizer business.

AP00045737

I note from Mr. Sullivan's report that some more duplication of effort on reports has been eliminated which allows his department more time for their sales problems and programs. There seems to be more and more good items showing up as a result of having the sales group in Pensacola.

PRODUCTION

A positive production variance of \$31,000 was produced from the Agricultural Chemicals units. A good part of this result comes from excellent sales on ammonium nitrate prills which allowed the unit to operate at peak rate.

All units did run well and the production people are really doing a fine job. They see no major problems coming up and November's result is estimated to be \$20,000 favorable.

This group is readying an idea to reduce the planned February ammonia plant turnaround time from 16 days to 9 days. The idea is to build a new secondary reformer and replace the present one in one move. It appears the payout will be 1 year with about 2,000 tons more ammonia being produced next year. The details of this idea will be completed in November.

PLANT OVERHEAD

This includes Buildings and Grounds, Laboratories, Administrative, Engineering and Process Improvement. This was one of our target areas for profit improvement. The actual spending for October was \$37,000 under the budgeted rate - a most significant improvement! (This overhead charge is distributed to all production units.)

PERSONNEL

We are now down to 653 Escambia people from the June 30 total of 750. We are understaffed by at least three engineers and are diligently looking for their replacements.

Carroll Construction employees are holding steady in the desired 65 to 70 range. (At month end it was 65.)

The corporation has now gone three months without a lost-time injury.

AP00045738

On morale, I quote a paragraph from Mr. Spurlock's report. "The morale of our plant employees is excellent in spite of the unsettled condition due to the possibility of Hooker acquiring us. The recent wage increase as well as the change in the vacation policy had a major impact on our people. The recent wage increase and change in vacation policy were announced at precisely the right time. These two changes were well received and went a long way towards settling the conditions in the plant and minimizing the effects of the Hooker proposal."

INSURANCE

The Direct Damage and Business Interruption Insurance on Boiler and Machinery was finally resolved under new terms and conditions on October 23. You will recall this has been up in the air for some three months and we are pleased to get it settled. It concerns only the ammonia plant and comes about as a result of the losses on the large new plants. We now have coverage after the 4th midnight on use and a \$125,000 deductible combining both Direct Damage and Business interruption.

FREIGHT RATES

Amines

As part of our long-range program to minimize the effect of the general rate increase by the railroads recently, we have been pushing for a change of classification of anhydrous methylamines from compressed gas rate category to that of aqueous methylamines. This change has been approved by the railroad rate people and will become effective within sixty days. A detailed report of cost reduction to Escambia will be issued shortly. Based on estimated tonnages for next year's budget the freight cost reduction should amount to roughly \$25,000.

Acetone-Toluene

During the month two barges of acetone and one barge of toluene were received through storage at the Port of Pensacola, and the average transportation cost from Texas origin to the port was \$2.00 per ton. The cost has been as much as \$3.25 per ton in the past, however, the \$2.00 rate is the result of better scheduling and rate negotiations with barge owners.

AP00045739

AGRICULTURAL CHEMICALS OPERATING RESULTS

	<u>Actual or Estimated</u>	<u>Original Budget</u>	<u>6 + 6 Estimate</u>
October	(157)	(144)	(180)
November	(326)*	(183)	(209)
December	<u>(211)</u>	<u>(193)</u>	<u>(214)</u>
Year	(610)*	(129)	(594)*

* Ammonia plant turnaround.

The current estimate is \$40,000 better than the last one and still allows for the ammonia plant turnaround.

COLLECTIONS

Both wholesale and retail collections were slightly above budgeted rates and we expect November will be on budget also. Total collections were \$1,571,000.

PESTICIDES, SEEDS, PARTS AND EQUIPMENT

Sales of pesticides exceeded budget by 378%, seeds were 289% over budget and parts and equipment 1139% over budget.

The parts and equipment performance consists primarily of grain bins which show sales of \$187,000 versus budget of \$16,400.

Sales of this group of products, although meeting budget, are expected to level off for the balance of the year.

This area of our business is slated for a substantial increase in 1968. As part of our planning for next year, we are setting this up as a distinct portion of our business. It will operate much as the manufacturing area does. Products will be transferred to the sales group at standard costs and variations between standard and actual costs will be reflected as either a positive or negative variance. Accounting is being most cooperative in this effort.

INVENTORY

Control of inventories has been given concentrated attention during October. District managers have been informed of action to be taken. Farm Service Centers will have reconciled inventories and reported to Accounting by November 15th. Physical inventories will be taken at all service centers before the end of the year.

AP00045740

November 6, 1967

Inventory (cont'd)

Record systems to help insure better control are being studied. Also closer liaison between Accounting and our Service Centers will be initiated.

We believe a monthly inventory check by the District Managers is required and we are looking at the most effective means of carrying this out.

SWAPS AND PURCHASES

The urea solutions swap with Coastal Chemical has been finalized. Freight savings of \$27,000 will result from this arrangement.

Negotiations are underway with Armour on a urea solutions swap which will save us \$25,000 freight and also return \$15,000 storage charge for holding solution for Armour at Pace.

Purchase arrangements for major products have been completed. Contracts will be executed for 15,000 tons of potash, 18,000 tons of di-ammonium phosphate, 8,000 tons of single super-phosphate and 1,500 tons of super phosphoric acid. Within the next month, we will contract for our estimated requirements of 15,000 tons of complete dry fertilizer.

We will need to purchase from 3,000 to 5,000 tons of ammonia to meet sales budgets in 1968. Negotiations are underway to buy as soon as possible if arrangement for storage can be made.


T. L. Carey

AP00045741

Personnel

AP00045742

ESCAMBIA CHEMICAL CORPORATION

Interoffice Memorandum

To: Mr. T. L. Carey

Date: November 3, 1967

From: E. M. Spurlock

Re: Monthly Report - Personnel Department - October, 1967

PERSONNEL

Activity for the Month

<u>Division</u>	<u>No. of Employees 6/30/67 (Marohn)</u>	<u>No. of Employees 9/30/67</u>	<u>Oct. Add.</u>	<u>Oct. Separa.</u>	<u>No. of Employees 10/31/67</u>	<u>Oct. 1967 Budget</u>
General & Admin.	76	56	2	4	54	72
Research	68	57	0	6	51	65
Agri. Chemicals	171	149	7	11	145	180
Ind. Chemicals	15	14	0	0	14	17
Production	<u>420</u>	<u>391</u>	<u>2</u>	<u>4</u>	<u>389</u>	<u>441</u>
Total Escambia	750	667	11	25	653	775

<u>Carroll Construction Co.</u>	<u>No. of Employees 6/30/67</u>	<u>No. of Employees 9/30/67</u>	<u>No. of Employees 10/31/67</u>
Office	2	2	2
Maintenance			
Insulators	2	3	3
Mechanics	20	8	7
Yard Men	2	2	2
Trash Men	2	2	2
Laborers	9	4	4
Janitors	6	6	6
Painters	<u>5</u>	<u>5</u>	<u>5</u>
Total Maintenance	<u>46</u>	<u>30</u>	<u>29</u>
PVC Laborers	10	9	9
Area B Laborers	15	24	22
Truck Drivers (Traffic)	2	2	2
Railroad Crew	<u>4</u>	<u>1</u>	<u>1</u>
Total Carroll	79	68	65

AP00045743

	<u>No. of Employees 6/30/67</u>	<u>No. of Employees 9/30/67</u>	<u>No. of Employees 10/31/67</u>
GRAND TOTAL	829	735	718

There were 46 walk-in applicants, 45 applications were issued and 5 were received by mail. Sixteen applicants were interviewed and 19 were tested.

TRAINING

School was held for the operation of the 600 H.P. Diesel Switch Engine and one operator was licensed.

One Safety Supervisor attended the National Safety Congress.

SAFETY

The Corporation worked approximately 122,000 man-hours during the month.

The approximate man-hours and the days worked to date without a lost time injury are as follows:

<u>Division</u>	<u>Man-hours</u>	<u>Days</u>
New York Office	417,000	2,279
Research Division	978,500	3,759
Sales Division	81,000	85
Pensacola Plant	418,000	158
Corporation	345,000	85

Pensacola Plant Office personnel completed eleven (11) years without a lost time injury.

Mr. J. C. Spotts, Industrial Safety Representative, Florida Industrial Commission, made an inspection of the plant.

Medical Section

The Medical Section treated 12 injuries for Escambia and 2 for Carroll, performed 5 pre-employment and 8 annual physicals and gave a total of 14 immunization injections.

EMPLOYEE RELATIONS

Two (2) 5-year service awards were presented.

Three (3) 10-year service awards were presented.

AP00045744

EMPLOYEE RELATIONS (Cont'd.)

Plans have been made for Annual Wives' Day Luncheon to be held at Scenic Hills Country Club on November 14, 1967.

The morale of our plant employees is excellent in spite of the unsettled condition due to the possibility of Hooker acquiring us. The recent wage increase as well as the change in the vacation policy had a major impact on our people. The recent wage increase and change in vacation policy were announced at precisely the right time. These two changes were well received and went a long way towards settling the conditions in the plant and minimizing the effects of the Hooker proposal.

INSURANCE

We paid a total of 70 claims under our Group Hospitalization program which amounted to a total of \$ 9,389.77 during the month of October.

We settled three claims amounting to \$ 310.41 under our Automobile Physical Damage Insurance.

A check in the amount of \$ 446.67 was received from the insurance company to cover repairs to damaged tank cars.

Check in amount of \$ 367.08 was received covering loss of solution under our Manufacturers Output Insurance.

We settled one claim amounting to \$ 74.03 under our Auto Public Liability Insurance.

We signed the contract with Hartford Steam Boiler and Inspection Company covering Direct Damage and Business Interruption Insurance on Boiler and Machinery effective October 23, 1967 under new terms and conditions. The new terms are primarily one of deductibles. In the Pensacola Plant, the Loss of Use deductible will not begin until after the fourth midnight and there will be an additional \$ 125,000 deductible combining both Direct Damage and Business Interruption. Hartford did state that after this policy had been in effect for a reasonable length of time, they would consider renegotiating the terms and premium.

AP00045745

INSURANCE (Cont'd.)

We have been actively assisting the attorney for the Oil Insurance Association in preparing their case against the Orbit Valve Company. This suit arises out of our loss of October 24, 1965 in the Methanol Plant. Our interest in this suit is twofold. First, if the case was decided in favor of OIA, we would recover our co-insurance deficiency and, second, we would gain a credit in our retrospective rating with the OIA which would refund us some of our premiums. In any event, we are assisting them to the best of our ability.



E. M. Spurlock

EMS:kc

AP00045746

ESCAMBIA CHEMICAL CORPORATION
INTEROFFICE MEMORANDUM

To: Mr. P. E. Mills **Date:** December 7, 1967
From: T. L. Carey **Copies:**
Re: Monthly Report - November, 1967

GENERAL

November was a good month for the Agricultural Chemicals division. Results were \$80,000 better than budget and \$112,000 better than the 6 + 6 estimate. Wholesale, Retail and Production all contributed to the better results. December should be about as budgeted and we are looking forward to the year as a whole being some \$350,000 better than the 7 + 5 estimate.

Good progress is being made toward getting the commission agents signed up and the facilities installed. It is expected these will be in place in time for the season.

SALES

Approval has been received on moving into the liquid animal feed supplement business in two locations. We will move rapidly on this and expect to be "in business" in December.

Feed Urea sales reflect seasonal demand and could improve since we will be selling this customer's product on a franchise basis.

Mr. Raymond Aust has just joined Escambia as Wholesale District Manager for District No. 78 which covers parts of Mississippi, Louisiana and Arkansas. Raymond has had several years experience in this area and will fill a big gap in our wholesale organization.

The annual General Sales meeting is scheduled for January 9 - 11 in Pensacola. At this meeting we expect to have the detailed budgets ready for distribution and make this a really productive work session.

PRICES

Continued downward pressure on fertilizers and pesticides.

Farm requirements of pesticides are expected to increase in 1968. However, there is little sign of improvement in prices next year.

AP00045747

Prices (cont'd)

Reports indicate that ammonia in storage during the last quarter of 1967 is double that in 1966. Ammonia is available at \$30/ton in quantities as small as 2,000 tons to anyone who has a tank to put it in.

Nitrogen solutions are holding relatively firm. U-32, which is commonly discounted 5% below schedule to large national account buyers, has been reported to be offered at 7 1/2%. To the same class buyer, manufacturing solutions are being discounted at 20% below schedule which is about 5% greater than this past season.

Ammonium nitrate prills are being sold in our area at discounted prices 20% below schedule. Monsanto and Commercial Solvents provide the roughest competition in spite of the fact that Monsanto has been moving prills heavily in the export market.

Prices of ammonia through retail and wholesale outlets, however, are expected to remain as budgeted for 1968.

SWAPS AND PURCHASES

An important swap has just been negotiated with Allied Chemical which will make a major contribution to a favorable product balance for 1968. Escambia will ship 1,700 tons of manufacturing solution from Pace and receive 2,030 tons of U-32 solution from Allied's terminal at Bainbridge, Georgia.

The proposed swap we were negotiating with Armour whereby they would fill our Decatur terminal and we would hold product for them at Pace will not work out due to our lack of U-32 storage. Adequate U-32 storage could have saved us \$25,000 in freight we will now incur when we ship to Decatur from Pace.

COLLECTIONS

November collections are above budget. This is the result of the coordinated efforts of sales and credit personnel who made a special drive in November to improve our receivables picture:

<u>November Collection Results</u>		
(\$000)		
	<u>Actual</u>	<u>Budget</u>
Wholesale	538	414
Retail	<u>1,106</u>	<u>960</u>
Total	1,644	1,364

This program will continue into December and satisfactory results are expected.

AP00045748

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AP00045749

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	<u>November Collection Results</u> (\$000)	
	<u>Actual</u>	<u>Budget</u>
Wholesale	538	414
Retail	<u>1,106</u>	<u>960</u>
Total	1,644	1,364

This program will continue into December and satisfactory results are expected.

AP00045750

PRODUCTION

The ammonia plant turnaround is now scheduled for late February, 1968. The plant is running at its very best. An all time average daily production record was set in November.

The urea plant also set an all time production record in November. This is a product that is in short supply and this extra production is very welcome.

Ammonia nitrate also produced a substantial positive variance of over \$23,000.

Overall the production variance was a positive \$73,000. This is probably the best production month in the history of Escambia. These people are doing a truly outstanding job.

PLANT OVERHEAD

This includes Buildings and Grounds, Laboratories, Administrative, Engineering, Maintenance Salaries and Process Improvement. This is a prime target for our profit improvement. In November this spending was a favorable \$44,500.

ENGINEERING-MAINTENANCE

The material salvage program continues to generate significant savings - \$3,872 for reused material and \$9,027 for materials repaired and returned to stock in November.

Work sampling surveys have shown a gradual improvement of about 1% per week in productive time during the past month. Travel and idle time is now being separated into categories for analysis to determine possible ways by which improvements can be obtained. Operators have been assigned to the mobile cranes and working schedules will be controlled through a central dispatcher as a first step toward reducing travel time and increasing the availability of this much used equipment. A dispatching and delivery system for tools, parts, and equipment is being studied.

The equipment lubrication program was initiated in Area B in November and will be extended to cover the entire plant area before January, 1968.

AP00045751

Engineering and Maintenance (cont'd)Meeting with J. F. Pritchard Representatives

A meeting was held on November 21 with representatives from J. F. Pritchard Company to discuss Escambia's expansion plans for ammonia, ammonium nitrate, nitric acid and urea. Of particular interest to Escambia is their engineering know-how in expansion of ammonia plants. Pritchard Engineers feel they can modernize our plant (high pressure reforming) and at the same time increase production rates by as much as 100 tons/day for nominal investment. Based on Pritchard's preliminary numbers, it would seem that Escambia could produce ammonia for \$26-27/ton if these revisions were made. A proposal is being prepared by Pritchard for our evaluation.

This could produce a production variance compared to this year of in excess of \$500,000 per year.

PURCHASING

Coastal Chemical will start taking spent sulfuric acid upon completion of their storage tank during the first week in December. A total take of 1,500 to 1,800 tons is planned for the month. This should allow enough time for completion of Escambia's storage tank and emptying the temporary storage in Amines without interrupting DNT production. The acid price to Coastal will be increased to \$10.77/ton from the previous \$8.00/ton.

Bag prices are expected to increase 4% effective January 1, 1968. Requirements will be reviewed and orders placed to cover the next several months.

Some materials such as vinyl chloride monomer, sulfuric acid, platinum and ethyl ether are in tight supply. However, no problems are anticipated in meeting our requirements in 1968.

PERSONNEL

The total number of people on the Escambia payroll is 653 the same as last month. We will reduce our laboratory staff by four technicians and one chemist in December.

Carroll employees are holding in the desired range.

Safetywise, it was another month with no lost time injuries.

AP00045752

December 7, 1967

INSURANCE

The details of the explosion which occurred at Coastal Chemical Company on September 13, 1967 involving a tank containing spent sulfuric acid from our plant have been referred to the Travelers Insurance Company, carriers for our Public Liability coverage, for their information. Travelers has informed me by telephone that our information was very well submitted and, except for a few pertinent points they wish to complete, they will not go any further at this time. They do not want to indicate to Coastal or its Insurance carrier that they are concerned or interested in this accident.

The case of the leaking leased tank cars has been reported also to Travelers, our Public Liability carrier, and they have advised that they are referring the file to the Claim Department in the Jacksonville, Florida office for further investigation. Under this case, it has not been fully determined whether we have any liability or the extent of our liability, if any. Most of the cars are still full of spent acid and we will not know the extent of the damage until they are emptied.


T. L. Carey

TLC/nc

AP00045753

Personnel

AP00045754

ESCAMBIA CHEMICAL CORPORATION

Interoffice Memorandum

To: Mr. T. L. Carey

Date: December 5, 1967

From: E. M. Spurlock

Re: Monthly Report - Personnel Department - November, 1967

PERSONNEL

Activity for the Month

<u>Division</u>	<u>No. of Employees 6/30/67 (Marohn)</u>	<u>No. of Employees 10/31/67</u>	<u>Nov. Add.</u>	<u>Nov. Separa.</u>	<u>No. of Employees 11/30/67</u>	<u>Nov. 1967 Budget</u>
General & Admin.	76	54	1	2	53	72
Research	68	51	0	1	50	65
Agri. Chemicals	171	145	4	1	148	175
Ind. Chemicals	15	14	0	0	14	17
Production	<u>420</u>	<u>389</u>	<u>1</u>	<u>2</u>	<u>388</u>	<u>441</u>
Total Escambia	750	653	6	6	653	770

	<u>No. of Employees 6/30/67</u>	<u>No. of Employees 10/31/67</u>	<u>No. of Employees 11/30/67</u>
<u>Carroll Construction Co.</u>			
Office	2	2	2
Maintenance			
Insulators	2	3	3
Mechanics	20	7	6
Yard Men	2	2	2
Trash Men	2	2	2
Laborers	9	4	4
Janitors	6	6	6
Painters	<u>5</u>	<u>5</u>	<u>6</u>
Total Maintenance	46	29	29
PVC Laborers	10	9	9
Area B Laborers	15	22	23
Truck Drivers (Traffic)	2	2	2
Railroad Crew	<u>4</u>	<u>1</u>	<u>1</u>
Total Carroll	79	65	66

AP00045755

	No. of Employees <u>6/30/67</u>	No. of Employees <u>10/31/67</u>	No. of Employees <u>11/30/67</u>
GRAND TOTAL	829	718	719

There were 62 walk-in applicants, 51 applications were issued and 6 were received by mail. Ten applicants were interviewed and 17 were tested.

TRAINING

School was held for the operation of the Forklift and one operator was licensed.

SAFETY

The Corporation worked approximately 120,000 man-hours during the month.

The approximate man-hours and the days worked to date without a lost time injury are as follows:

<u>Division</u>	<u>Man-hours</u>	<u>Days</u>
New York Office	421,000	2,309
Research	988,500	3,789
Sales Division	99,000	115
Pensacola Plant	508,000	188
Corporation	477,000	115

Medical Section

The Medical Section treated 14 injuries for Escambia and 2 for Carroll, performed 3 pre-employment and 5 annual physicals and gave a total of 22 immunization injections.

EMPLOYEE RELATIONS

Nine (9) 5-year service awards were presented.

One (1) 10-year service award was presented.

Annual Wives' Day Luncheon was held at Scenic Hills Country Club on November 14, 1967 with 134 in attendance.

INSURANCE

We paid a total of 71 claims under our Group Hospitalization program which amounted to a total of \$ 15,638.60 during the month of November.

AP00045756

INSURANCE (Cont'd.)

The details of the explosion which occurred at Coastal Chemical Company on September 13, 1967 involving a tank containing spent sulfuric acid from our plant have been referred to the Travelers Insurance Company, carriers for our Public Liability coverage, for their information. Travelers has informed me by telephone that our information was very well submitted and, except for a few pertinent points they wish to complete, they will not go any further at this time. They do not want to indicate to Coastal or its insurance carrier that they are concerned or interested in this accident.

The case of the leaking leased tank cars has been reported also to Travelers, our Public Liability carrier, and they have advised that they are referring the file to the Claim Department in the Jacksonville, Florida office for further investigation. Under this case, it has not been fully determined whether we have any liability or the extent of our liability, if any. Most of the cars are still full of spent acid and we will not know the extent of the damage until they are emptied.

We settled the following claims during the month of November:

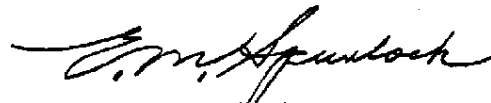
One Auto Physical Damage claim in the amount of \$ 48.31.

Three Manufacturers Output Insurance claims totaling \$ 2,599.50.

One Tank Car Insurance claim in the amount of \$ 589.09.

TAXES

Tax payment was made in the amount of \$ 292,791.56 covering Santa Rosa County's Ad Valorem Taxes for 1967.



E. M. Spurlock

EMS:kc

AP00045757