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Cost vs Quality -
July NC Phosphate Run

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We need to adopt an operating philosophy for the coming NC Phosphate run that will give us an acceptable cost and quality.

I propose that we operate as follows:

1) Drop the level of silicic acid treatment to a level consistent with full rate operation (2M lb/mo.). This level will be about 0.3% vs the current 1.5%. Using soft water for all production, we should see some fairly good product as to the emulsion test but we can't predict how much, if any, will pass. This seems like a fair gamble in the marketplace vs a cost penalty of about $150,000 if we stay at the 1.5% level.

2) We will control output of Step III reaction mass to hold down inventory of alkaline materials prior to continuous washing. This may cause a 5-10% capacity loss but should give us a major yield improvement if we have interpreted the May results correctly. Better yield may help quality.

3) Since phenol (unsubstituted) content is the one quality parameter that has cost us business, we should modify deodorizer conditions to strip as much phenol as possible.

Manufacturing is still committed, longer-term, to passing the emulsion test and achieving an acceptable content of all phenols. However, I consider the above plan of action to represent the best cost-performance situation for this run.

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