LEAD INDUSTRIES ASSOCIATION

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FOREIGN PRODUCERS*

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Today the sales problems of the lead producers outside the United States are many and varied, in common with those who are inside the United States. Producers in the sterling or "soft currency" areas, it seems to me, are having an easier time than their fellow producers in the so-called "hard currency" areas, such as Canada. The Australian producer, for example, can sell, if he has a market, in sterling areas to anyone who has sterling, and if, in addition, he can sell lead for U. S. dollars, so much the better.

The Canadian producer, operating within the regulations of the Canadian Foreign Exchange Control Board which was set up during the war as a necessary control for transactions in foreign exchange, and which has been continued during the post-war period, must follow definite rules as to the currency which he may accept for export sales. We have areas known as "Special Arrangement Countries" where, subject to certain regulations, we may sell for Canadian dollars. There are other areas where we may accept sterling, but it must be convertible. There are other areas where we can only accept U. S. dollars. In many of these countries the buyers cannot get dollars. In others, dollars are available, but the holders prefer to spend them on something else and buy their metal in soft currency countries.

As an example, Canadian lead sales in Brazil must be for U.S. currency. The Brazilian consumer, who has an abundance of cruzeiros but seems to be short of U.S. dollars in spite of the current high price for coffee, is under equally stringent exchange regulations which specify the import for which the dollars may be used. Thus, the Canadian may be willing to sell and the Brazilian eager to buy, but, because of exchange restrictions they both find themselves "behind the 8 ball."

In Great Britain, which is a traditional lead market for Canada, there is a pronounced trend towards soft currency countries, of which of course Australia is the chief. Operating with E.C.A. funds to a large extent, it is only natural that Great Britain finds difficulty in going

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outside of United States interests for such lead as she may not be able to purchase in soft currency areas. European countries, not long ago eager purchasers of lead, are now eager sellers - particularly if dollars can be realized. As an example, France was a buyer of pig lead a little more than a year ago, but just before the end of 1949 was reported to have sold 19,000 tons to the British Government.

So, without going into too much detail, I think it is obvious that the No. 1 Problem to producers today outside the U.S.A. may be classified rather broadly under the heading of Foreign Exchange. Various remedies have been put forth, running from the suggestion that the Governments get out of the exchange business (or in fact out of all business) to the return of gold as a medium of exchange. Our own opinion, advanced for what it may be worth, is that some medium of exchange must be found. Otherwise, with the end of the E.C.A. programme in sight, paralysis of export trade might well ensue, with all its disturbing implications. Some tentative moves have been made towards barter - one or two of them involving two or more commodities, and a few have been completed successfully. I know we were offered Turkish tobacco in exchange for lead, but declined the offer. We were afraid we might wake up some day and find ourselves in the tobacco business, which is one we understand even less than the lead business. Perhaps with the accelerated return of prosperity to Europe, these problems will gradually disappear. They are of tremendous scope and tremendous importance, and they have so many angles that they can only be mentioned briefly in a discussion of this sort.

Another problem we have in common with our friends in the States is foreign competition. We heard a great deal last year about lead from Yugoslavia and other European countries, and we watched the arrivals in New York with interest and perhaps some complacency, although we realised what they were doing to the market. Our interest was much intensified when some fairly large tonnages appeared in Canada at a price somewhat under the then-current market. We even had metal arriving from Japan, which before the war was one of our largest markets. Whether this lead was made in Japan and branded "Selby" I am unable to say. These items are just mentioned to show the abnormal pattern of the present world market.

Another problem we have is the loss of sales because of substitutions. Lead-covered cable is a case in point; so-called "tin foil", made of lead, is another; and collapsible tubes is a third. I might even mention white lead, although there are some who claim it is a decadent pigment destined to be replaced by other pigments until consumption reaches a low point where it will probably level off. I do not altogether agree with this view. There are others who claim that the high prices of 1948 and 1949 for lead and linseed oil helped to price this pigment out of the market. I think there is more logic in the latter argument, and it applies not only to white lead but to other lead lead products. And when substitutions because of high prices take place, particularly when capital investment is involved, some of it usually sticks.

even when prices come down. Looking back over the past two years, we can see that while high prices were gratifying, they were, when coupled with short supply, extremely harmful over the long term. I have not suggested any means of fighting these substitutes, but we all know they are being fought. Probably the best weapon is the price of lead itself; next comes the planned campaign and what might be called education, such as those undertaken by the Lead Industries Association; and I think a third weapon is direct contact with the manufacturers. However, the transition in lead from famine to plenty has been so swift that many of us have not had time to adjust our sights. We feel that we are at least holding our own at present, and we can thank heaven that we still have the automobile with its lead-acid battery and Ethyl gasoline. However, few manufacturers want to use a commodity of which the supply is uncertain, and which is subject to wide and sudden fluctuations in price, thus exposing him to market risks. If he can find a fairly satisfactory substitute in plentiful supply at a stable price, he can hardly be blamed for using it.

In addition to the major problems which I have mentioned briefly, we have a number of lesser ones. Under this heading I should place tarrifs and freight rates. In these days of international economics at high government levels, we hear a great deal about lower tariffs and balance of trade. Balance of trade is desirable and we all want it, but we all want the other fellow to lower his tariffs. It will be interesting to see the outcome of the next International Tariff Conference to be held in September in England.

High freight rates are causing some concern to all producers. Fortunately, there are definite signs of lower ocean rates, but rail rates are high and may go still higher - at least in Canada. We recently had another increase in our rates - making the third in less than two years. One of the unfortunate features of these increases now is that they are so far behind the market. I mean that the producers might not actively combat an application for higher rates when lead is selling for 21½¢, but when the application is filed (with lead at 21½¢), and, due to cumbersome machinery and prolonged deliberation by rate-making bodies, is finally granted just when lead hits 10¼¢, the producer may well wonder if it is now justified. Unlike some commodities, rail increases in lead cannot be passed on to the consumer.

These are some of the problems faced by the lead producers outside of the United States, and on examination I think they are pretty much the same problems that plague the U.S. producers too. Most of them I hope will be solved in due course, but in the meantime one may be forgiven for looking back with envy to pre-war days before governments got into business and when the only problems, as we remember them, were price, supply, and the ability of the consumer to pay.

Speaking for Mr. Hallam and myself, I want to thank the Lead Industries Association for the opportunity given to us to place some of our views before you.