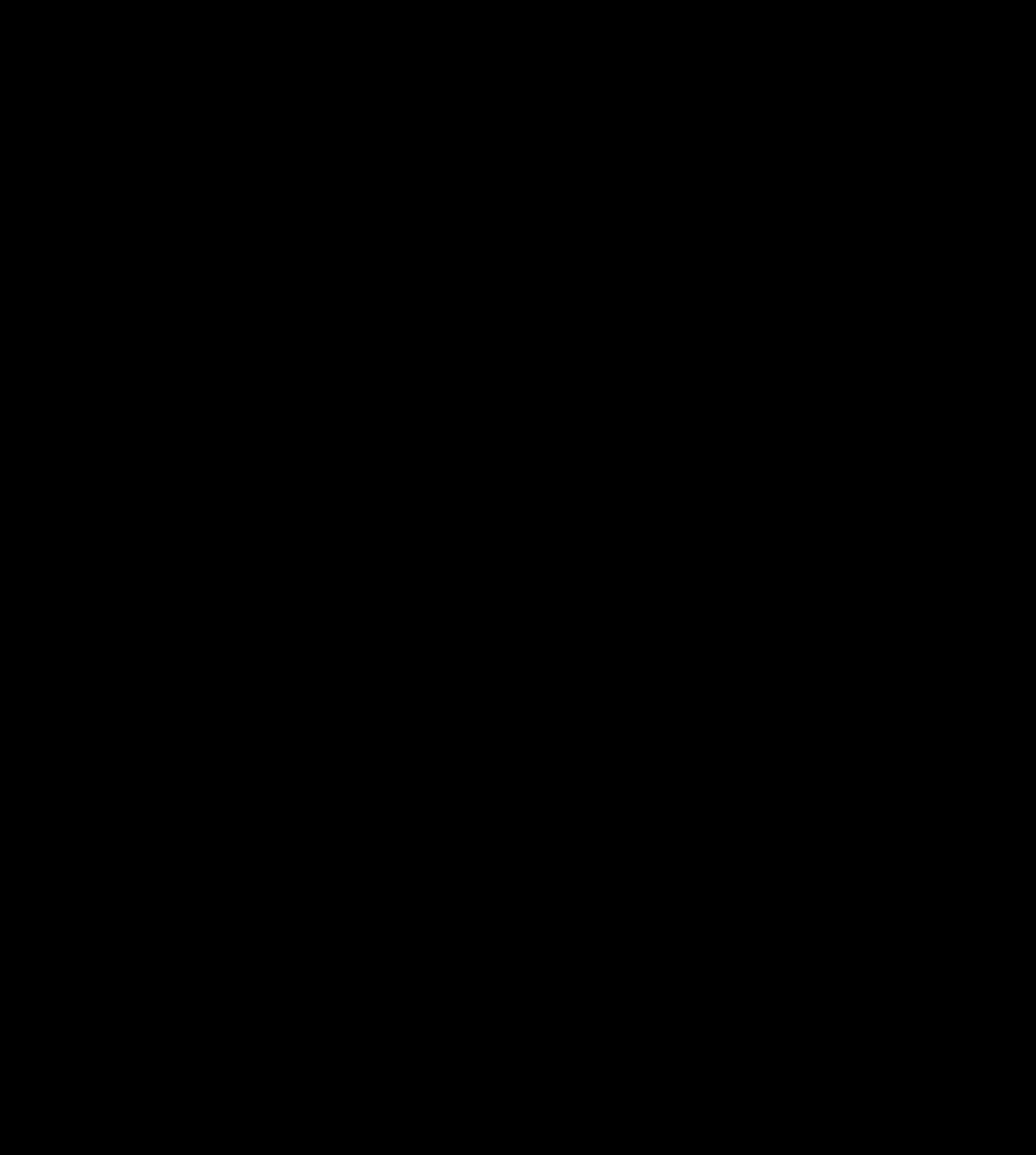




P R O C E E D I N G S

62ND ANNUAL CONVENTION
OF THE
NATIONAL PAINT, VARNISH & LACQUER ASSOCIATION

Wednesday
November 15, 1950

Gold Room
Fairmont Hotel
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PACIFIC STENOTYPE REPORTING COMPANY

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I N D E X

	Page
Call to Order, by President Joseph F. Battley	1
Invocation, by Wallace F. Bennett	1
Presentation of A.P.R.A. Award	3
Welcome to Delegates	
A. T. Montayne	7
James J. Keating	10
Jack W. Zucker	13
W. A. Pendray	18
Report of Memorial Committee	20
Report of Treasurer	24
Report of President	26
Report of By-Laws Committee	30
Report of Nominating Committee	30
Address by Leo Cherne	33
Adjournment	61

I N D E X

P a g e

THURSDAY MORNING SESSION

Trade Sales Session	62
Paint Power, by Mr. Frank West and Miss Lenore Kent	63
The Crusade for Peace, by Hon. Karl R. Bendetsen	65
Clean-Up, Fix-Up, 'Paint-Up On the Air, by Granville M. Breinig	91
Adjournment	92

THURSDAY AFTERNOON SESSION

Industrial Finishes Session	93
National Advertising Campaign, Mr. A. E. Horn, Chairman	94
Right Needs Might, by Mr. Robert R. Gros	96
Industrial Finishes Forum	119
Adjournment	149

I N D E X

P a g e

FRIDAY MORNING SESSION

Call to Order	150
Final Report of By-Laws Committee, Mr. J. V. Thompson	151
Motion to Approve Reports, Carried	153
Role of Government Services Administration in Government Supply, by Mr. Willis S. MacLeod	155
Manpower Problem in Relation to Present Defense Activities, Mr. Arthur W. Motley	161
Objectives and Operation of National Production Authority, Mr. Charles C. Concannon	173
Final Report of Nominating Committee, Mr. F. N. Redheffer, Chairman	175
Motion to Elect Entire Ticket, Carried	178

FRIDAY AFTERNOON SESSION

Call to Order	184
DRYING OILS	
Castor, Mr. H. H. Fritts	185
Fish, Mr. L. J. Reizenstein	187
Imported Tung and Oiticica Oil, Mr. E. T. Rocca, Jr.	189
Linseed, Castor, Mr. V. A. Acer	192
Linseed, Soybean, Mr. J. W. Moore	193
Soybean, Mr. W. H. Eastman	195
Tung, Mr. T. H. O'Connor	200

	P a g e
PIGMENTS	
Colors, Mr. A. F. Brown	203
Colors, Mr. Sevier Bonnie	206
Titanium, Mr. J. Shrawder, Jr.	209
Titanium, Mr. Graham Corddry	211
White Lead, Mr. Miles Zoller	214
Zinc, Mr. A. C. Eide	217
Zinc, Mr. R. M. Neumann	219
SOLVENTS, THINNERS AND DRIERS	
Alcohol Derivatives, Mr. L. A. Keane	222
Report on Driers, Mr. A. B. Mullaly	224
Report on Solvents, Mr. M. H. Scott	229
Report on Solvents, Mr. B. R. Reed	231
Report on Turpentine and Resin, Mr. Ernest Holdman	234
RESINS	
Report on Resins, Mr. J. B. Wiesel	236
Report on Glycerin, Mr. C. J. O'Connor	238
Report on Natural Resins, Mr. R.O. Innes	243
Report on Resins, Mr. Carleton Ellis, Jr.	245
Report on Resins, Mr. N. J. Timmons	247
Report on Resins, Mr. W. S. Whitescarver	247
Report on Rubber Resins and Latex, Mr. H. R. Thies	249
Drums, Mr. Gordon Zuck	268
Adjournment	273

FRIDAY AFTERNOON SESSION

November 17, 1950

... The Friday Afternoon Session, entitled "Raw Material Symposium", was called to order at 2:30 P.M., by President Joseph F. Battley who presided ...

PRESIDENT BATTLEY: As you probably know, we have been seriously concerned for several months before the Korean War about the noticeable and ever-increasing shortage of certain raw materials. So, it was felt advisable to change our program for Friday afternoon and have a "Raw Material Symposium" at which we would have our raw material suppliers members of the Association discuss this current situation and the future prospects, and answer a few questions.

Now, these gentlemen are limited to three minutes because we have so many to talk, and we have a train leaving at 5:00 o'clock, and so many of them are going to be on that train, regardless.

If you have pertinent questions that have not been covered by the speakers, don't hesitate to get up on the floor to a microphone and ask your questions.

Our first group will cover the drying oils, and we will hear from Mr. H. H. Fritts who will talk to us on Castor.

CASTOR

H. H. Fritts
New York, New York

Mr. Chairman, Ladies and Gentlemen: It is regrettable that at this particular time the castor oil situation is in such a state of confusion that it is practically impossible to make any positive statements regarding the availability of castor oil or castor beans for the first six months of 1951.

As you know, the bulk of beans that are imported in this country--I would say 95 per cent of them--are imported from Brazil.

The first reports out of Brazil from year to year state that the crop will be short, and on all of these occasions we have found that we had just as many beans, if not more, coming out the following year as we did the previous year.

However, based on some reliable information, it now appears that the crop will definitely be short in Brazil.

Where the normal crop ran around approximately 200,000 tons per year, it is a conservative estimate that the crop this year will not exceed 147,000 tons, which is quite a reduction.

In addition to this, Brazil is enjoying what you might call an inflated prosperity, and their demands for castor oil for consumption within Brazil have increased from a normal use of around 20,000 tons to around maybe 45,000 tons which fur-

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ther complicates matters.

One of the other things we feel might have serious effect upon the availability of castor oil is the fact that you all perhaps know that it is considered a strategic material and has been stocked now by the government for the last two to three years, and just what their demands and requirements might be, we do not know as yet. But we have every reason to believe that there will probably be a great demand, and that, together with the short crop and the other series of complications, makes the picture for castor at this time not look, we might say, any too favorable.

There have been some steps taken in this country to improve the availability of castor oil by an economy program, but that is still in its infancy. Success has been enjoyed in being able to develop a type of plant. We know how to plant them. It is known where they should be planted; the harvest equipment has been perfected where it can be done economically, and we hope before too long we can get some relief from the crop being raised in this country.

Still, that is a long-range program, and this year I believe there was approximately some 9,000 acres harvested, and for the time being it looks as if there will probably be 45,000 acres planted this next year. But that even is just a drop in the bucket compared to what we would like to have for consump-

tion in the paint trade as well as other products that are being helped from the market due to the lack of castor oil.

PRESIDENT BATTLE: Thank you very much, Mr. Fritts.

Following the presentation of all of the drying oils, we will have the question-and-answer period, not following each talk.

Now, Lou Reizenstein of Pittsburgh will tell us about fish oil.

FISH OIL

L. J. Reizenstein
Pittsburgh, Pennsylvania

It is rather a long swim out here for an eastern fish to come three thousand miles to tell you about fish oil, but we will do the best we can.

Unlike linseed oil, we had, at the beginning of this year, no half-billion pound carryover in the form of a government stockpile. There was virtually no fish oil at the beginning of this season, and it was hoped that we would have adequate catches to meet our needs.

Menhaden oil is produced off Long Island, Jersey, Delaware, Chesapeake Bay, down into the Carolinas and there is a somewhat sizeable production now on the Gulf Coast.

Actual figures are practically unavailable, because the fishermen are rather secretive on the quantity produced, but

it is not unlikely that we will have about 1,500 to 2,000 tank cars on the Atlantic Seaboard by the time the season will have completed itself.

However, your fishing out here on the Pacific Coast, in the San Francisco Bay and Monterey area, after a very good beginning, developed into a complete washout, so, as a result, it is doubtful if over a hundred tank cars will have been produced in this area, speaking of Monterey and San Francisco Bay of which possibly forty tank cars came out of the Bay Area, and maybe all together sixty out of Monterey.

The fishing in the Los Angeles area is proceeding. It has been estimated that 425 tank cars have been sold, of which 250 remain. It is doubtful if a much larger amount will be sold.

Now, fish oil actually in the past has never gone, in the main, to the protective coating field, so it is not unlikely that, with what will be still produced, and what is now on hand of the processors, there may be an adequate amount for the essential needs of the protective coating field; but, as we sit here today, you can't anticipate the next six months.

Now, we will have to realize also that fish oil itself does not exist alone. All of these oils which all of the gentlemen here will speak about, have an economic and price relationship within one another; and, in many cases, can be

used interchangeably. Fish oil has ceased to be a substitute and, in many formulations, is absolutely essential for the needs, and I feel you will have an adequate quantity.

You will not see fish oil this season restored to the large differential that it had in the past, and we will have to accustom ourselves to the type of differential that existed before World War I, where a two-cents-a-pound price advantage prevailed.

All in all, I believe that the producers are ready, not only with standard fish oils, but also with the improved oils where you have, in many cases, substitutes for the harder drying oils, such as the dehydrated castor and Chinawood in certain formulations. These I believe will be available in adequate quantity.

PRESIDENT BATTLE: Thank you.

The next report will be on imported tung and oiticica oils by Mr. Rocca of the Pacific Vegetable Oil Company.

Imported Tung and Oiticica Oil
B. T. Rocca, Jr.
San Francisco, California

Perhaps there has never been a time when the future of tung oil looked more questionable, from the supply standpoint; but, in spite of the headlines, in spite of the war in the Orient, stocks of oil in the United States, have increased

from \$18,700,000 at the first of the year to \$26,000,000 at the present time, and supplies are coming out quite regularly from Hong Kong.

The Chinese Nationalist Government had set up a corporation known as the China Vegetable Oil Corporation, which took a dominant part in getting out tung oil, while they were in power. When the Communists took over, they soon took over the China Vegetable Oil Corporation, lock, stock and barrel, and went quite a few steps further than the China Vegetable Oil Corporation.

They, at the start, began a smaller way of increasing their hold on the industry until, at the present time, they tell me there is complete control by them.

They seem anxious to do business, and they are taking a lease out of these capitalist books and keep inching the price up regularly. They formed a group of exporters known as the Tung Oil Guild of Shanghai. They have set a floor price. No shipments are permitted out of China below the floor price, which is, to the American dealer today, 23 - 1/2 cents CMP San Francisco, and 24 cents New York. Those caught cheating and fudging have been so badly treated that they had to drop out of the business.

In spite of the Korean trouble, the Chinese in the interior of China advise that the situation there is quite

normal and the exchange has strengthened. Conditions generally are better than ever. The supply of tung oil is coming out normally. The old crop is practically exhausted, but the new crop will be on shortly, and barring the unforeseen, there should be no reason why there should not be enough tung oil for the requirements.

Last year, the total disbursement in the United States, that is in the calendar year 1949, was about 108,000,000 pounds. So far this year, the average disbursement is about the same, an average of 9,000,000 pounds a month.

The Oiticica oil crop last year was estimated at 12,000 tons, and 2,000 tons were shipped from Brazil. It is too early to predict what the new crop is, but it should be a normal one. Imports have been at the rate of about a million pounds a month, and there is every indication that they will continue at about that rate.

The quality of the oiticica oil is improving constantly, and let us hope that more of you become interested in buying it.

PRESIDENT BATTLE: Thank you, Barney. Now, we will hear a report from Mr. Acer of Spencer-Kellogg on castor and linseed oil.

Linseed, Castor

V. A. Acer
Buffalo, New York

The conditions surrounding the two oils that I have been asked to speak about are vastly different.

As Mr. Fritts has told you, the outlook for castor oil is very tight.

Yesterday Mr. Fritts and I talked the thing over and decided that they would carry the burden of the talk on castor oil, and we compared notes, and I would like to endorse what he said and emphasize that the immediate situation looks rather bad.

Several people here at the convention have asked me about the by-product of castor oil, that is, castor meal or castor pumice, and I am sure that it is not a factor of sufficient importance to make any great difference one way or the other.

As to linseed oil, the situation is comparatively very comfortable, most comfortable, the most hopeful we have seen for a good many years.

Mr. Moore of Archer-Daniels-Midland Company is going to talk to you on linseed oil, and I will be here at his side to help out in any way possible.

That is all I have to say on the subject.

PRESIDENT BATTLE: We will now hear from Mr. James

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Moore of Archer-Daniels and Company of Minneapolis. He will talk about soybean and linseed oil.

Linseed, Soybean

J. W. Moore
Minneapolis, Minnesota

One of the questions asked more than any other questions is: What is the government going to do with their stockpile of 500,000,000 pounds of linseed oil and about 10,000,000 bushels of flax?

Now, I am not in a position to quote any government authorities. I will not come out with any definite statement. As a matter of fact, the only statement that they have come out with on their stockpile is the minimum selling price at which to sell flaxseed and linseed oil, but if you will read on further down in the fine print, you will find that they also say that they will sell at the market price.

Now, they have consistently kept their selling price above the market price, and I have every reason to believe that they will follow that same policy, because one thing that they do not want to do which has been their policy for a long time is not to interfere in any way with the marketing of any products of which they hold a surplus.

Now, the thing that I think will be of most interest to everyone is our supply situation as it pertains to the free

stocks of linseed oil. When I say, "free stocks," I mean stocks held in private hands, not government stockpile.

On October 1, our holdings of linseed oil and flaxseed amounted to 522,000,000-odd pounds of oil.

Now, the consumption of linseed oil in drying products for the last three months of July, August, and September, the figures are available for those, and it was 198,000,000 million-odd pounds of oil which, as compared with 155,000,000-odd pounds in the same quarter a year ago; however, we have had a thirty per cent in consumption of linseed oil in those three months.

Now, if we project this same thirty percent over the balance of the crop year, there will be a consumption of roughly 681,000,000 pounds of linseed oil.

Now, I think that most of you will agree with me that the big switch from soybean oil and other oils over to the cheaper linseed oil was not actually reflected in the three months which I have just spoken about, so if we consider at least fifty per cent of the soybean oil that formerly was in use will be switched over to linseed, because, after all, their price is very definitely in favor of doing it, that will mean another 80,000,000 pounds of linseed oil, so we have come up with a total figure, a conservative figure of around 761,000,000 pounds of linseed oil which will probably be used during the next crop year which will give us a deficit from our dry oil

of around 240,000,000 pounds. Many of the people I have talked to figure it will be nearer 300,000,000 pounds of linseed oil that we will have to tap the government stockpile more to tide us over. I think we can all be very thankful that we have got the stockpile of linseed oil at this time.

PRESIDENT BATTLE: Thank you, Jim. We will now hear about the future and present situation regarding soybean from Mr. Rodney Eastman.

Soybean

W. H. Eastman
Minneapolis, Minnesota

The current soybean situation is perhaps the most confusing situation in the industry. I can't think of a period of time in my nearly forty years of experience in the commodity markets, the fat and oil market, when more confusion existed than we have facing us in the case of soybean oil.

In giving you my views in a condensed form necessitated by time limitation, I am going to discuss my views with you under four main subjects.

First, the total of fat and oil; over the United States, that has a definite bearing on availability of soybean oil, the availability of soybean oil itself, the probable market trends for soybean oil in the future, and the price disparity and the substitutions that are pregnant to this situa-

tion.

First, with regard to the total fat and oil reservoir, we are going to have the fat and oil reservoirs this year which may turn out to be the largest in the history of our nation, something to the tune of probably about twelve billion pounds. The government's last estimate was 11,800,000,000. We may run up to twelve billion pounds, and I believe that insures us of available supplies for all normal needs, and for a normal export.

As to the supply of soybean oil itself, we certainly have a visible supply of soybean oil from our carryover of 2,800,000 of soybean and a crop estimated at 281,000,000. I think that is low. I think when they are all counted, it will be more like 285,000,000 bushels. That is going to give us something in the neighborhood, in my opinion, of 2,400,000,000 pounds of soybean oil this year, and might even run to two and one-half million pounds, just short of the largest fat and oil item in the total fat reservoir which was estimated at 2,800,000,000.

So, barring a tremendous increase in the rate of exports, I think we will have all the soybean oil that we can possibly consume, even with the short crop of cottonseed oil. I am looking at the estimates that we will export under ECA, probably 12,000,000 bushels in beans and 8,000,000 bushels of beans in the form of oil, making 20,000,000 exports under ECA

program and perhaps that might be cut down 15 or 16 million bushels.

The Army probably will purchase somewhere in the neighborhood of five or six million bushels and then there will be a small amount of private exports. I doubt if the exports run more than 25,000,000 or 26,000,000 bushels for the current crop year, and surely we have a crop that justifies exporting that amount and still have plenty available for processing.

The price trend is very confusing, to say the least. As you probably know, there were a good many factors that presented themselves all at one time, just about the time the crop was moving to market.

It is a very unusual situation. With the largest crop in history, we look for a stabilized situation for some time, but it did not prevail.

I have picked out of the air one and one-half cents as a low.

There were a large number of factors, many of them obscure at that time, that forced the price of soybean oil upwards. The farmers surprised everyone in the enormous crop, and at the present time best estimates indicate that they are holding between fifty and sixty per cent of the crop. This is one crop that the farmers cannot feed on the farm like they feed corn and oats and barley. They cannot eat them, and they

must market them. When they will show the disposition to market them, I cannot see, but right now they are holding them and holding them tight.

Then with this factor, there is a tremendous amount of speculation in the market and particularly in these commodities by local speculators. There was a great deal of cost-spreading and straddling going on about the time the crop was supposed to come to market. These straddlers were being cost-spread, and they began by making their soybean oil and that forced the oil up in the volatile extreme you have seen.

I look for a recession in price, not a large one, but some recession. Normally, we should expect some corrective, and if that does not come in the next sixty days, I doubt if we will have it.

If the speculative export, fired by war, continues, we may not have the setback. If it does come, it will be after February 1.

I look for upward price tendencies for fats and oils. If fats and oils are showing increasing price depreciation, other commodities will in turn follow.

We have had so many conflicting and obscure facts, there are a large number of price disparities that have thrown out of gear some of our normal thinking and some of the logic that we have applied in past years; for example, last year, at

harvest time, lard and cottonseed oil were about the same price. Today the cottonseed oil is about seven cents per pound over soybean oil and three and one-half cents per pound over soybean oil and seven cents per pound over lard. Think of the price disparity. Soybean oil two and one-half cents a pound over linseed, tallow and lard the same price, but lard on the hoof is four and one-half cents per pound over lard.

As a result of these price disparities, you are going to see a tremendous shift in consumption among bakers and food processors and that will have a tendency to hold the price of soybean oil down. Lard is being used for tallow in soap and these two commodities are now selling at about the same price.

Linseed oil will be consumed perhaps to the tune of 100,000,000 to 150,000,000 pounds, I predict, but the switch from soybean oil consumption to linseed oil, particularly in the floor covering industry and foundry industry and some of the other normal uses in paint.

PRESIDENT BATTLE: I am sorry, but you are a little over three minutes. I promised these people I would get them on the five o'clock train. I don't mean to be rude, but I have to call you on your time.

You can ask questions, and we will publish the complete paper that he had, but please confine your remarks to three minutes. I am sorry, Rodney. (Applause)

Next we will hear about domestic tung oil from Tom O'Connor, the President of the American Tung Oil Association.

I hope you understand that this is the Association that has been cooperating very closely with the National Paint, Varnish and Lacquer Association. There are two associations, I understand.

Tung

T. H. O'Connor
Poplarville, Mississippi

I wish to extend the sincere thanks and appreciation of the American Tung Oil Association to the National Paint, Varnish and Lacquer Association for the invitation to speak on your program this afternoon. We of the domestic tung industry no doubt have many problems which are in common with those of the consumer. With the development of more government regulations and the uncertainty of our future policies in the Far East, particularly with China, which heretofore has been the principal source of tung oil, we believe that it would be well for the end use consumers to survey the domestic industries which supply their raw materials and lend whatever aid and advice may be deemed advisable for their development and security.

The first commercial offering of domestic tung oil was in 1937 when 2,000,000 pounds were produced. Ten years

later--in 1947--the domestic production was 12,600,000 pounds of tung oil--an average increase of approximately 1,000,000 pounds per year.

In 1948, we produced 16,700,000 pounds and in 1949, the last year for which we have relatively complete data, we produced 30,000,000 pounds of domestic tung oil which represents about 28 per cent of the present day domestic consumption.

The 1950 crop in the United States was seriously damaged last spring by a severe frost in March and our estimate of the crop now being harvested is between 18 and 20 million pounds of oil.

With normal growing conditions in 1951, that is without serious frost damage being incurred, we should produce between 40 and 50 million pounds or approximately 50 per cent of the present day consumption of tung oil. The paint and varnish industry uses about 80 per cent of the domestic consumption of tung oil.

Should Great Britain and our government decide to break off diplomatic relations with Red China, then our only source of foreign oil will be Argentina, which is expected to produce about 30,000,000 pounds of oil in 1951.

If the American tung farmer can see the possibility of his product being used at a fair price, one that will allow

him a fair return on his investment, he can in ten years develop enough orchards to produce all the tung oil consumed in the United States at the present day rate of consumption.

The American tung industry is presently planning a program to furnish a year-round supply of domestic oil.

Adequate storage tanks have been constructed at most of the mills so as to make it possible to offer a year-round supply of tung oil which will make for orderly marketing. This will be of great value to the consumers and purchasing agents, in that the peaks and valleys of supply may be leveled off.

Suitable financing is now available to the tung grower through private and government agencies so that he no longer will be forced to sell his oil during a short period of time, thus temporarily flooding the market and causing price uncertainty.

Whether the production of the 1950 and 1951 crop will reach the commercial end users without a government allocation is the all important question which you and we would like to be able to foresee.

Let me assure you that it is the sincere wish of the American Tung Oil industry that our oil shall be used for the maximum benefit of this country with a minimum of government regulations, such as allocations and the like.

The domestic industry is well aware of the fact that

it must coordinate its marketing with the demand and needs of the consumers and to that end we offer the services and cooperation of our industry and our organization, the American Tung Oil Association. (Applause)

PRESIDENT BATTLE: Now, gentlemen, there are microphones up and down the center aisle. If you have any questions, please move to the nearest microphone and state them briefly, and the gentleman who presented the subject, or two of them who know the answers, will reply to your question.

Are there any questions on drying oils?

It looks as if you did a good job, gentlemen.

Will the Pigment group come up this stairway while the Drying Oil group leaves from this stairway? (Laughter)

PIGMENTS

PRESIDENT BATTLE: Now, gentlemen, this subject as you know is one of the most important ones we are facing today, and our first speaker on colors is Mr. A. F. Brown, of Glens Falls, New York!

Colors

A. F. Brown
Glens Falls, New York

Mr. Chairman, Ladies and Gentlemen: The abnormal demand for chemical pigment colors which began early this year

and increased at the inception of the Korean trouble appears insatiable. Some of this demand undoubtedly reflects increased actual consumption, but it is impossible to explain it all on this basis. It started too suddenly and the magnitude is too great. Everyone still has vivid recollections of the shortages that existed during the last World War and as a result there has been a radical change in thinking as to what constitutes a satisfactory working inventory. Those who once considered thirty-day supply sufficient now desire sixty days' stock. The two-month inventory system has been changed to 90 or 120 days. The fact that those here have not increased stocks does not mean that your customer or his customer has not built inventory. To cite an example from another industry which consumes large quantities of chemical colors--the printing ink. Paper stocks of all kinds are in short supply. I recently learned of a food manufacturer whose product is marketed in lavishly printed cartons who has been ordering many extra millions of cartons. These must be printed so that they actually represent a tremendous amount of color stored in other than dry form. I believe then that the demand that exists today reflects some increased actual consumption, but to a large extent reflects inventory build up somewhere along the line before the real consumer is reached. Assuming no step up in military preparations, I think that before spring

this abnormal demand will have subsided to a considerable degree.

The extent to which this will actually happen depends entirely upon the degree of intensification of the war effort. This country has ample productive facilities to make all the color that can be normally consumed and it only resolves itself into a question of obtaining the necessary raw materials.

The alkali strike the past summer seriously affected the production of all chrome colors. A shortage of this nation's No. 1 basic chemical, sulphuric acid, is now threatened not because of this country's consumption of acid but because the Marshall Plan has been so successful that we are now competing with our own dollars in the markets of the world and are exporting too much sulphur. When will we stop exhausting our natural resources to an unreasonable degree and expect the rest of the world to show some resourcefulness and not expect everything to be done to make it easy for them? Europe has plenty of natural pyrites that can be used in place of sulphur at slightly higher costs.

The color industry uses many of the metals required in other ways in a military effort. Lead, zinc, chromium, tin, antimony, tungsten, molybdenum, cadmium are some of these. If the military program is not stepped up too greatly I believe there will be ample supplies of colors in the months to come,

because the pipe lines are gradually filling up. If the defense program is greatly accelerated because of an all-out war, then there will be restrictions of various kinds influencing the production of colors just as there will be in almost all products of a normal economy. (Applause)

PRESIDENT BATTLE: The next speaker will be Sevier Bonnie, of Kentucky, on Colors.

Colors

Sevier Bonnie
Louisville, Kentucky

Mr. Chairman and Gentlemen: My colleague, Mr. Brown, has already presented the story describing the availability of pigments in a very clear form. My remarks necessarily dovetail into his, and perhaps I can bring out one or two minor details which will explain the picture a little more clearly.

Essentially, I feel the same way about the availability of colors as he does. I also wish some of the basic pigment producers, such as the zinc people, the lead people, and the bichromic people had made their speeches first because the availability of colors to a large degree depends on quantities of those basic chemicals from which they are made.

Colors roughly fall into two groups, the organics, which are grays, reds and iron blues.

As Mr. Brown has pointed out, we are all running at

about capacity for making these colors. Things will go along very well unless we run into shortages of sulphuric acid, or benzole, which is all-important to intermediates industry, and naphthalene which seems to be in pretty good supply, and one little item, nitrite, which we all need to make practically any of the reds disappeared two months ago because of the strike in the alkali industry.

So, any statement we make about the organic oils has got to be made on an "if"--if this doesn't happen and that doesn't happen--basis. If the things run along the way they are, we will be able to supply even the strong demand which we have today.

The other group of colors is the inorganic group, embracing chromium yellows, zinc chromate, blues and chrome greens. Chrome yellows, as you of course know, depend on the available supply of lead. There seems to be plenty of lead, even though the price goes up every month. The chrome supply looks rather good.

One of the big producers of chrome will have increased capacity this coming year, though, as you know they were all shut down and curtailed very severely two months ago by the trouble in the caustic soda industry, so that was what cut off the bichromate, and that is what cut off chrome yellow. So, there again we can't try to forecast what we can do in

chrome yellows. It all depends on what the lead people and the chromate people do for us.

Zinc chromate, which, of course, is a very big item in the defense program, the supply of zinc oxide, I would say, is tight, though the industry uses only a small part of the zinc oxide produced.

Chrome, I think, is going to be in good supply. So, with the defense orders which you will probably have on zinc chromate, it looks as if you would be able to supply what zinc chromate is needed.

The industry did a fine job during the last war. Millions and millions of companies put in their orders for zinc chromate.

Iron blues seem to be in fairly low supply. Caustic soda is the essential ingredient and the only one that might suffer in a shortage is in fair supply, though you hear some rustling of shortage along the Canadian border.

We feel pretty safe on iron blues, though the consumption now, as Mr. Brown points out, is above normal, we are anticipating shortages. (Applause)

PRESIDENT BATTLE: Thank you very much.

Now, as you know, one of our major pigments and our major problem is titanium. Unfortunately, Graham Corddry had to leave town suddenly, but he left his statement with me.

(Laughter) I will read his statement and answer any questions in so far as the answers are included in the Statement that I read. (Laughter)

First, we will hear from Mr. Shrawder of Dupont.

Titanium

J. Shrawder, Jr.
Wilmington, Delaware

Mr. Chairman: Despite an estimated 100 per cent increase in titanium pigment capacity in the last ten years, we find ourselves once more in an oversold position. I may add that the titanium pigment industry is by no means unique in this respect.

The paint industry has been, and continues to be, the largest consuming factor in the pigment industry. It is our belief that the paint industry consumes between two-thirds and three-fourths of the titanium pigments produced, and that this factor has not changed significantly in the last decade.

What, then, are the factors responsible for the present shortage? We need mention only a few. Not only is more paint being made today than ever before, but the hiding level has been increased perceptibly. The building industry, at its peak, requires titanium not only for paint, but for roofing, siding, floor covering and related building products. The appliance industry has kept pace in this marathon, as has also

the automotive industry. On each count the demand for TiO_2 has increased.

The immediate prospect for titanium pigment supplies is clouded by direct government purchases for reactivated paint plants. The amount of pigment required for this purpose, must be considered in the overall availability picture. It is obvious that as defense preparations achieve momentum, the direct government purchases of TiO_2 will increase.

The other factor of immediate significance in determining pigment availability for civilian use is the extent to which DO ratings may be applied. It has been necessary for us to establish a pool for rated orders which reduces the quantity of pigment available for distribution for civilian use. It is not possible at this time to predict the magnitude of quota cuts necessary to handle rated orders. We will, however, adjust civilian quota percentages to the highest level commensurate with actual defense requirements.

Obviously, the current governmental restrictions on credit buying will have some influence on both home construction and retail sales of many items requiring finishes. It is too early to predict the possible effect on pigment supply.

In attempting to arrive at conclusions regarding titanium pigment available for the year 1951, we see that there are unknown quantities associated presently with govern-

mental controls of one type or another. In addition, the possibility of raw material shortages within the pigment industry cannot be ignored.

The supply of sulphuric acid, which is a major ingredient, may well be reduced to the fact that the sulphur companies have announced that they will not be able to supply sulphur in the quantity that was supplied in 1950.

In addition to sulphuric acid, other processing chemicals are becoming increasingly difficult to obtain, and undoubtedly will continue to be a problem.

In the absence of major capacity increases during 1951, it is our opinion that we are faced with a situation where demand may well continue to exceed supply. Thank you.
(Applause)

PRESIDENT BATTLE: Thank you very much.

This statement, as I said, will be published. It is the statement of Mr. Corddry.

Titanium

Graham Corddry
as read by General Joseph F. Battle

We value substantially the productive capacity since 1947 and 1948, yet even prior to the unprecedented demand which, at the outbreak of hostilities in Korea, the demand exceeded the total production, and now far exceeds it.

Some people have questioned whether the current tightness in the titanium pigment might not be the result of a diversion of large quantities to industries outside the main field.

Actually, during 1950 we delivered a substantially greater proportion of our output to your industry than in 1949. It may seem strange to you that we reduced allocations in recent months, but this is simply because we shipped during the early part of 1950, not only our current output but also accumulated inventory.

We now have available only our regular production which we are increasing as rapidly as possible. We are now operating under NPA Regulation No. 2.

This regulation requires that we give priority to all defense orders over civilian business. We have adopted the policy of supplying pigment on priority in excess of, or without respect to, civilian quotas.

We will then total all priority business and reduce each customer's quota percentage-wise in an amount sufficient to take care of the DO rated oils.

We suggest that each customer place his priority business with his regular supplier.

We do not know what tonnage will be required for DO orders, but is estimated, some ten percent for the combined

amounts of October and November, and we believe that priority orders for titanium pigment will pyramid during the next several months, and that the full effect of the defense program will not be felt until next year.

It seems reasonable to expect the development of this program will mean further cuts in civilian quotas.

We are now expanding production capacity of both titanox A and titanox C pigment and the C pigment expansion should be completed and in production by September 1951, and that of the pure pigment now being scheduled for March or April 1952.

To summarize the general picture, we believe that the increased government business activity since the beginning of the Korean War has been provided by the high rate of consumer buying. It appears that the further stimulant will be provided by business efforts to accumulate inventory, which, in turn, will be followed by a rising rate of defense and military production.

Thus, inventory accumulation may serve as a major support to the economy in the period between the consumer buying surge and the later sharp rise in the military orders.

Thank you. (Applause)

PRESIDENT BATTLE: Now, the White Lead situation will be discussed by Miles Zoller.

White Lead

Miles Zoller
Cincinnati, Ohio

Mr. Chairman, Ladies and Gentlemen: At the present time, the supply of all various types of White Lead is comfortably covering the demand. This was not true during late summer and early fall months when demand was greater than supply, temporarily, a more or less normal seasonal condition.

Several important factors and "ifs" concern possibilities for 1951. First of all, it is my opinion from information available which is certainly subject to correction as I do not have first hand information on competitive situations that the production capacity of the white lead industry is as great today as it has been during the last 20 years. The Paint industry's demand for white lead has fluctuated greatly during that time, caused by varying general business volume and substitution of other pigments for white lead in house paint and the resubstitution of white lead for those pigments both from technical and availability standpoints. For example, during the first eight months of 1950 white lead shipments were almost double what they were during the comparable period in 1949. In any event it can safely be said that the production capacity of the industry is certainly large enough to take care of any foreseen demand in 1951, although peak seasonal buying may cause some discomfort temporarily.

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A factor of greater import is the white lead raw material situation, namely pig lead. Everyone is aware of the critical situation with respect to non-ferrous metals, in our present economy. I have sought advice and information on the subject from the industry's association and principal producers. In brief it is anticipated that U. S. Mine output will increase from an estimated 425,000 tons in 1950 to 435,000 tons in 1951, secondary production from 350,000 tons estimated for 1950 to 425,000 tons in 1951, and that estimated imports in 1950 of 460,000 tons will decline to 300,000 tons, an overall reduction in available lead from 1,235,000 to 1,160,000 tons. Imports in 1950 have been unusually large due to reduced demands from Europe on account of accumulation of stocks there in 1949. When the domestic market improved in 1950 considerable quantities were shipped into the U. S. Since those European stocks have been dissipated, movement in this direction in 1951 will be substantially lower. In addition, the increase in the import tariff from 1-1/16 to 2-1/8 cents per pound, effective January 1, 1951, will mean that the European market will become more attractive to other producers in countries like Mexico, Canada and Australia.

The expected consumption in 1950 is estimated at about 1,160,000 tons to which must be added 110,000 tons that went into government stockpile, making a total of 1,270,000 tons in-

dicating a small deficit for 1950. The expected drop of less than 100,000 tons in supplies of lead available to the U. S. market in 1951 should not unduly alarm consumers if allowance is made for the fact that during 1950, a large quantity of lead was absorbed into the U. S. stockpile. The present indication is that there will be no buying for the stockpile in 1951. The quantity of lead actually available for consumers, therefore, may be somewhat greater than in 1950. On the whole, the picture is one that indicates the probability of a well-balanced situation.

What cannot be foretold is the effect of governmental controls, if and when instituted, on the lead situation. If end use controls on lead products develop similarly to those during World War II, the amount of white lead available for the Paint Industry may be seriously curtailed. This I don't look for during 1951 if the world-wide situation remains fairly status quo, because as outlined previously there should be enough lead available in the U. S. for all consuming industries.

Thank you. (Applause)

PRESIDENT BATTLE: Thank you.

We have two speakers on Zinc. The first is Mr. A. C. Eide.

Zinc

A. C. Eide
Columbus, Ohio

General Battley, Gentlemen: I think that General Battley was referring to a new zinc order that came out of Washington the other day which requires the producers to set aside ten percent of their products on DO orders. Personally, I think that is more than ample for the next few months, but more may be needed later.

Zinc is a strategic material on the critical list and is being stockpiled in large tonnages as zinc metal. The United States today, even at present high prices, is not mining sufficient zinc to maintain its manufacturing facilities at capacity operation. Consequently, zinc has been imported since 1940 in large quantities in the form of zinc concentrate for conversion into metal. About 25 to 30 per cent of our zinc must be imported. Most of it comes into this country in the form of zinc ore concentrates but a substantial tonnage at times is imported as slab zinc. Fortunately, most of our imports come from Canada and Mexico, all of which can move by rail.

The sales of zinc oxide show rather violent fluctuations. The demand for all grades of zinc oxide at the present time, particularly from the two large consuming industries-- paint and rubber--is again taxing the capacity of the producers.

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Fortunately, American Process lead free zinc oxide and leaded zinc oxide are produced mainly from ore mined in the United States, and for the most part, mining of ore and manufacturing of zinc oxide are well integrated operations. It would seem, that the zinc oxide producers should be able to maintain capacity operations on both American Process and leaded zinc oxide. French Process will be difficult since it is produced from metal and will be subjected to more stringent government regulations if emergencies continue.

In my opinion, the zinc oxide producers have done a fairly good job and do not believe that any paint manufacturer has been hurt due to any shortage of this material. This is not the case with consumers of zinc metal, who in many instances have been forced to shut down or drastically curtail certain operations.

Lithopone is still produced in substantial tonnages though it is obvious less would have been produced during past years if titanium pigments had been available in unlimited quantities. Several lithopone plants have been permanently shut down so potential production is appreciably less than existed heretofore.

It would be very helpful if the paint manufacturers could find some method in times like this of equalizing the month-to-month demand instead of the producer having to cope

with extremely heavy demand during periods of seasonal activity in certain types of paint products.

The very tight situation existing in zinc metal and ore supply can be further reflected in zinc pigments as the military program expands.

I thank you. (Applause)

PRESIDENT BATTLE: Thank you very much.

Our next speaker is Mr. Ralph Neumann. Ralph!

ZINC

R. M. Neumann
New York, New York

I don't know what more I can say than Mr. Eide has already said, but when I prepared this paper, I said, "Well, I wonder what the paint manufacturers want to know about zinc?" So I asked this question: "Will zinc oxide be available in sufficient quantity next year to meet the needs of the paint industry for production of civilian goods?"

I wish it were possible to give you a specific answer to that question, but the effects of the rearmament program and Government curbs on civilian production make it especially difficult to foresee clearly what supply and demand conditions will prevail in the zinc oxide picture during 1951.

So far as zinc oxide output is concerned, there is a possibility that the tonnage produced in this country in 1951

may be somewhat less than that produced in 1950. This may be due to a shortage of scrap from which secondary oxide is produced or a reduction in the availability of slab zinc from which French Process oxide is produced or a lack of ore concentrates suitable for lead-free oxide manufacture.

At the present time, as for the past several months, manufacturers' stocks of zinc oxide are at a minimum and the high output rate of that pigment is insufficient to meet demand from the paint, rubber, ceramic, linoleum and other important consuming industries, as you may well know. How long this situation will continue into the new year, and to what degree it may get better or worse, depends principally on the overall demands for zinc oxide in civilian products as well as in those for the defense program.

As you may remember, in World War II large tonnages of zinc oxide were used in protective coatings for cantonments, ships and other war material; in rubber for tank treads, Army automotive tires, self-sealing fuel tanks, insulated wire and mechanical rubber products for the war effort; in smoke screens for concealing military movements. It is still too early to estimate what tonnage of zinc oxide will be required for this program in the coming year, but it is apparent that whatever amounts are needed will reduce correspondingly the quantities available for civilian goods, and how much this will affect the

paint industry is anybody's guess.

Thank you. (Applause)

PRESIDENT BATTLE: Thank you, Ralph.

... Announcements...

PRESIDENT BATTLE: Are there any questions?

... There were no questions ...

PRESIDENT BATTLE: Thank you very much. (Applause)

SOLVENTS, THINNERS, AND DRIERS

1
PRESIDENT BATTLE: We will first hear from Mr. L. A. Keane.

ALCOHOL DERIVATIVES

L. A. Keane, New York

The remarks I am going to make will be confined to alcohol derivatives. The others will be covered by other speakers, so everything I say will apply equally well to alcohol derivatives.

Let's take a quick look at what has been taking place during the last year. Early this year, there was no shortage, no apparent shortage of alcohol solvents, but from the 1950 crop, they couldn't get nearly enough for normal requirements. That, of course, forced them to turn elsewhere in order to take care of their customers. A great deal of alcohol was bought abroad from Finland, from France, from Cuba, from Canada and Mexico, and also inventories were run down to a very low point in order to keep things going.

Now, there was a great deal of synthetic alcohol used in this country, 103 million gallons for the fiscal year, as captive production or channeled for special purposes and does not find its way, generally speaking, into the market.

Buying has been heavy since back in June and continues unprecedented. This buying has not been Government buying,

buying by the various Government departments, but has been from all sections of the alcohol consuming industries, drugs, chemicals, foodstuffs, surface coatings, etc., and evidently will continue for some time to come.

Now, you have heard a great deal about the Government's synthetic rubber program which will require 120 million gallons of alcohol during 1951. Fortunately, 112 million of that will be of French origin, and we hope it will come through as anticipated.

The remainder, the remaining amount needed for that program, and the amount may be stepped up to 150 million gallons, will have to come out of the beverage industry, because the industrial alcohol production cannot take care of that quantity. There is an enormous productive capacity in the distilling industry. During the last war, they made more than 250 million gallons per year.

Now, I think that you are much more interested in what next year is going to hold than in what is taking place in the past.

Certainly the situation is going to remain very tight for several months to come. There is bound to be a molasses shortage of at least 100 million gallons, when the new crop comes in. That, translated into alcohol, will have to be made up by grain or alcohol from foreign countries, wherever it can

be obtained. There is no question but that prices are going to stay high and maybe considerably higher than at present, although I am not going to try to name any figure, because there are too many factors involved, but molasses costs 20 to 25 cents a gallon and corn is \$1.50 a bushel, and alcohol bought abroad is going to be very priced. I do feel, however, that unless there are factors governing the situation that are not seen at the present time, such as a big rocket program, that there will be enough alcohol available for all essential civilian use in 1951.

PRESIDENT BATTLE: Our next speaker will be on driers.

REPORT ON DRIERS

A. B. Mullaly

Right now there is going to be issued momentarily a restricting order on cobalt metal. My understanding is that it will affect driers. There are many civilian uses for cobalt metal, and these may be severely curtailed. If you are not familiar with the fact, cobalt is one of the elements used in high-temperature steel which goes into jet engines, so the importance is definitely justified. It is my impression that the authorities have given due recognition to the fact that paint must dry, and cobalt is virtually irreplaceable in that connection. You will know as much as we know, when this order issues.

Manganese metal, I am happy to relate that at the present time manganese, which is destined for drier end use, is a chemical by-product origin. There seems no reason to be seriously concerned in that connection. The qualities of the manganese used for alloy are different from those which we use in connection with other metals you have heard about, zinc and lead; calcium and iron are of no apparent curtailment possibilities.

Naphthenic acid, a by-product of petroleum, has for years been apparently available. However, at this moment it is curtailed in availability because of change in refinery practice, because of increases in uses in the military end uses, which most of you are familiar with, which originated in World War II.

It is entirely possible that 1951 will see a Controlled Materials Program for naphthenic acid. However, in the drier business, all of the producers of metallic dopes have made much-improved driers from tall oil. Tall oil seems to be available to us in adequate supply, so that, for 1951 you may be expected to stretch your naphthenic with the tallates, and we feel certain that you will get by.

I am sorry that there is no synthetic acid which can stretch the available drying acid, so that there would be some other assurance. However, at the moment there is nothing

in that connection that is helpful. The refiners will definitely make an effort and by the end of 1951, or the middle of 1951, the situation may have been eased somewhat.

PRESIDENT BATTLE: The next speaker you will hear from on the subject of driers is Mr. Leon Roon.

REPORT ON DRIERS

Leon Roon

With a three-minute deadline to meet, here is our opinion on driers, straight from the shoulder.

Let us review the impact on driers from the standpoint of the metal and the acid portions separately. Let us take the metals first. We are not particularly concerned about the supplies of lead, iron, calcium, manganese, and zinc. Cobalt, however, does worry us. The demand for cobalt metal for very important military uses is increasing, so even if the NPA places no restriction on the use of cobalt compounds as a drier, there is some question whether your drier manufacturer will be able to get sufficient metal to make cobalt driers to supply all of your military and civilian requirements.

Summing up, cobalt is the only metal used for driers that is going to present a serious problem. Now, let's consider the acid portions that are suitable for liquid driers. Naphthenic acids: The military requirements

for naphthenic acids are increasing so rapidly and in such magnitude, that we question very much your ability to get, in the not-too-distant future, enough naphthenate driers for non-military uses. But we do feel that you will be able to get enough naphthenate driers for use against Government specification finishes requiring negative resin tests.

Ethyl Hexoic acid, used for octoates: This is now being allocated by the only manufacturer, and is in very short supply.

Tall oil: Current export demands are great, but supplies are considered sufficient to meet civilian use demands for liquid tallate driers as the conversion takes place.

For non-liquid types of driers, like the resinates, linoleates and soyates, acid raw materials are currently in sufficient supply.

In view of these situations, we would be inclined to act as follows, were we lucky enough to be paint manufacturers: We would restrict the use of the naphthenate driers we had in stock to, first, military finishes, and second, non-military specification finishes requiring a negative resin test.

Except for the above two end uses, we would replace the metal naphthenates with the corresponding metal tallates, on a metal-for-metal basis, in all coatings. However, in diluted combination liquid driers containing lead with one or

more of the other metals, we would use lead naphthenate in conjunction with the tallates of cobalt and manganese.

We would reduce the amount of cobalt driers in civilian goods by, first, taking a quick look at the large volume items, containing cobalt in combination with other metals, and try to reduce the amount of cobalt metal in the formula by manipulating the other metals.

Second, by taking a special look at the products in which cobalt is used alone. We would attempt to reduce the amount of cobalt in these formulas by trying combinations with manganese, combinations with lead, where permissible, or combinations with calcium. Naturally, in specification finishes, we would work with the naphthenates, but in non-specification finishes we would work with the tallates.

We would give far more consideration to iron tallate in all dark baking finishes, and in dark air drying finishes containing large quantities of fish oil. We would extend D.O. numbers on all purchase orders for all naphthenate driers. We would get in touch with the drier supplier for specific recommendations when the need arises.

We are very grateful for this opportunity you have given us to share with you our knowledge and our thinking regarding the drier situation.

PRESIDENT BATTLE: We also have two speakers on

solvents.

REPORT ON SOLVENTS

M. H. Scott

One would need a crystal ball to read the future on solvent supplies or consumer production. In this kind of guessing contest, there is neither accuracy nor profit. Events yet to be recorded in history will, in a large measure, determine the supply. Perhaps history may offer, in the immediate future, some figures. Let us compare the production figures, for instance, for the years which preceded the tremendous demand and shortage of World War II.

In 1939, industrial alcohol produced was 105 million gallons. In the last fiscal year the production rate was 165 million gallons. That is a good bit better than 50 per cent increase in eleven years. Actually the industry has sufficient capacity to turn out as much as 310 million gallons per year if the necessary blackstrap molasses and other raw materials were available.

Here is an impressive figure that indicates the growing capacity. In 1939, the United States production of butyl was 72 million pounds. This year, 1950, will see it exceed 125 million. Isotope alcohol in 1939 production was 179 million pounds. Today we are producing at the rate of 688 million pounds. Acetone and other vital industrial

solvents show a two-fold increase in pounds per year; in 1940, production was 201 million pounds. This year it is 433 million pounds. That amount will be made in the expanded chemical plants.

We find evidence of increased solvent production. In 1939, these vital solvents were produced at the rate of 145 million pounds. Estimated production for 1950 is still better than 165 million pounds. These, then, are two of the highlights of the growth over the last ten or eleven years in production capacity. It is evident that the total supply of solvents so necessary to the paint and lacquer industry is in much better shape than just prior to World War II, but it does not necessarily follow that you will be able to get all the solvents you require.

We in the chemical industry may not be able to produce these solvents at the same rate as we are at the present time maintaining. For instance, current estimated needs are between 120 million and 150 million gallons in 1951. There is always the possibility that producers may be called upon to supply substantial quantities for other defense needs. If so, there is little doubt that the need will be met.

We cannot foretell what may happen if controls are placed upon us and suppliers of material essential to all-out defense effort. We can only offer the thought that the chemical

industry's capacity for production is much greater today than it was at the outbreak of World War II.

We offer the further thought and earnest prayer that the present plans under way to put our defense in order may help us to avert the catastrophe of still another world war.

PRESIDENT BATTLE: Thank you very much, Mr. Scott.
The next speaker on solvents will be Mr. Reed.

REPORT ON SOLVENTS

B. R. Reed

I think it takes courage to stay in business, after what we have heard in the last three or four days. It is certainly not a very rosy future that we are facing.

Preoccupation today is with supply, present and future, and the price, also present and future. The last five months have seen a rapid shift in availability of solvents. We went along for the first six months of 1950 in what appeared to be a stable peacetime market, with supply exceeding demand, and freedom of choice of product for users until mid-year, when the exact opposite conditions set in. Shortages and gradually increasing prices now seem relatively permanent.

Prior to June, the incentive to expand production of alcohols and prime solvents for the surface coating industry wasn't exactly pressing. A comfortable margin of capacity

existed overdemand, which wasn't expected to be cancelled out by the growth factors in the industry for some time. Since June, demand has increased about 20 per cent to absorb and exceed the surplus productive capacity and plunge us into shortages of almost all important products. Side by side with this increase of demand, we have the increased scarcity and stabilized price of molasses, due to its greater use for cattle feed which ties the price to corn -- 20 cent molasses and \$1.50 corn mean 70 cent alcohol -- and the expansion of synthetic rubber production, which requires alcohol.

Cheap fermentables aren't in sight, so expansion of output by this route won't relieve the situation, even though the wartime duality of price for identical products, one synthetic and the other fermentation, is reestablished. Synthetic alcohols are to a considerable extent captive and subject to competition for the available supply from other industries; acetic acid for rayon, phthalic plasticizers, resins, to name a few. The synthetic industry can't be counted upon to rush in and fill up the place vacated by fermentation. Ketones and secondary alcohols have achieved a position of greater importance during the war and since, but, like esters and primary alcohols, have outgrown productive capacity. The raw material base for Ketones is affected by competing demand for propylene and butylenes required for higher octane fuels, so

relief from this source will necessarily come gradually as a balance is struck and facilities can be expanded.

The present high consumption rate for solvents could not be foreseen. Our company has already increased production 30 per cent above the first six months of 1950, and are doing their utmost to increase production further to meet additional demand.

In the range of hydrocarbons, aromatics are in critical demand. Benzol is desperately scarce with the coal tar production plus the petroleum industry, combined with imports, unable to provide relief. Toluol and Xylol must be allotted, and no improvement in sight. Aliphatics are not exactly in short supply, but rapidly trending in that direction, particularly the lighter fractions -- especially the aromatic type. Jet fuel is taking mineral spirits and could take other straight run aliphatics once the surplus of mineral spirits was absorbed.

Prices might be expected to move in obedience to the supply-demand situation and continue upward. Solvent raw materials are more expensive, subject to the same scarcity factors as solvents themselves; plant construction and amortization rates are higher, labor costs up. The duality of prices between differently derived products is partially restored and may become permanent for the emergency. If the industry is to

have a greater output of solvents of all description, this supply can only be had at higher prices.

Imposed upon this critical situation is the nationwide drift toward greater inflation; 10 per cent a year is what the American people are said to be capable of absorbing without too much complaint, provided it is accompanied by an easier tax burden. The 1939 dollar is now worth 57 cents -- what the 1955 dollar will be worth vitally influences the price future of the product prices for our industry.

PRESIDENT BATTLE: Thank you, Mr. Reed. I am sorry we have to limit these talks, because I am sure we would like to discuss them fully, but we will have the papers published.

We will now hear from Mr. Ernest Holdman on turpentine and resin.

REPORT ON TURPENTINE AND RESIN

Ernest Holdman

In talking with you on turpentine, one of the oldest, if not the oldest, industry in the New World, I have been given three minutes to do so. Now then, according to Williamson in his "History of Maine," the French, then located at Port Royal, now known as Annapolis, Nova Scotia, produced turpentine in the year 1606. Obviously there are no statistics for those pioneering years, but it might be desirable to give you a quick historical picture since the turn of the last century.

As recently as 1908, which records an all-time high production of 750,000 barrels, and these are 50-gallon units, all of it was gum spirits of turpentine -- other qualities were not known then.

At the close of last season's crop, March 31, 1950, gum turpentine production in the United States totaled 323,000 barrels -- a drop of 56 per cent in 46 years. It has been a downward production curve which recovered slightly from the all-time low in 1945, when gum turpentine production in this country reached 244,000 barrels only.

Fortunately, wood turpentine has taken up the slack. This has been a very gradual development, but today the production of wood turpentine exceeds that of gum turpentine in the United States. The 1949-1950 total of all recorded types of American-produced spirits of turpentine gives us a figure of 673,000 barrels -- and this is not too far below the 1908 record crop of gum turpentine.

Turpentine as a solvent and paint thinner has enjoyed expanding markets, thanks to more intelligent distribution. For chemical utilization it has made considerable strides recently in several interesting and already established uses. Naturally, this has made some inroads on readily available supplies.

Total visible stocks on September 30, 1950, amounted to 110,740 barrels, according to the Bureau of Agricultural

Economics of the United States Department of Agriculture. One year ago these stocks stood at 189,380 barrels. The inevitable result has been a price increase, but we in the industry hope for a reasonably stable primary market price.

Out here on the Pacific Coast you have the added advantage of additional turpentine supplies which are imported from Mexico -- mostly in bulk and at the rate of some 14,000 to 15,000 barrels annually. As far as we know, this represents approximately 60 per cent of the Mexican turpentine production.

PRESIDENT BATTLE: Thank you. Are there any questions from the floor?

R E S I N S

PRESIDENT BATTLE: The first speaker in this group on resins will be Mr. Wiesel.

REPORT ON RESINS

J. B. Wiesel

Demand for nitrocellulose developed so heavily late August and early September that we were obliged to resort to sales allocation. Allocation is based on customer's average monthly purchases for the first seven months of this year. Currently 100 per cent of this allocated quantity is available to our customers monthly. Demand continues. Barring heavy defense orders, if indicated cutbacks in the automobile,

television, and furniture industries should materialize, some improvement might be expected to develop in the future.

Ethyl cellulose is currently in very short supply due to lack of raw materials for its manufacture. Even with a quota system, deliveries require four to six weeks. Current quota is based on 100 per cent of average month from July 1, 1949 to June 30, 1950. Adequate manufacturing capacity exists to care for present needs, but hope for an improvement in raw material supply is not too good. In addition, a sharp increase in defense order rated business is indicated for the next few months. This will probably limit the supply of ethyl cellulose still further, requiring a reduction in quota. Every effort is being made to improve our position.

Since the use of cellulose acetate in the protective coating industry is relatively small, it has not been necessary as yet to set up any restrictions for the sales of cellulose acetate to this industry.

Chlorinated rubber, parlon, because of the Government rubber order, is being allocated on the basis of the total amount of rubber we are permitted to chlorinate. Currently, customers are receiving 55 per cent of their average monthly purchases for the first six months of 1950. The future availability of rubber to us is solely depend upon the international situation, and hence we are unable to estimate

future conditions.

PRESIDENT BATTLE: The next speaker will talk on glycerin. He is Mr. C. J. O'Connor.

REPORT ON GLYCERIN

C. J. O'Connor

Glycerin, as you know, is a by-product of the soap-making industry. And, in turn, glycerin produces another by-product -- gastric ulcers, in the case of the resin manufacturers. In none of our raw material fields did we encounter such violent changes as we did with glycerin. In the last twenty years, prices quoted directly by producers have varied from $6\frac{1}{4}$ cents per pound to 85 cents per pound. During this past summer, for example, we had advances of as much as 55 cents per pound. This means an average of about $5\frac{1}{2}$ cents per pound increase on synthetic resins, or approximately 20 cents per gallon advance in the case of industrial enamels, which is more than enough to give the resin manufacturer, the paint manufacturer, and the consumer of industrial enamels a bad case of stomach ulcers.

You cannot now determine what the price of glycerin may be, based on the price of tallow, cocoanut oil, or any of the products used in the manufacture of soaps.

A few weeks ago I visited a friend of mine who is president of a soap company, and a very high-grade gentleman.

I doubt if he ever did anything unethical and dishonest in his entire life. He was preparing to ship us a tank car of 88 per cent crude glycerin, and I asked him if he wasn't a bit ashamed to charge us 57 cents per pound. He laughed and said that, after all, they were soap manufacturers, all of their sales promotion was directed toward building goodwill for their finished products, and that they always tried to get a high dollar for their by-products. Further, that he would be censored by his Board of Directors if he sold crude glycerin to us at 45 cents while other soap manufacturers were getting 57 cents. Therefore, we cannot expect any relief from the soap manufacturers until there is a surplus of glycerin, at which time prices will go down just as rapidly as they went up.

In a normal year, the national industrial requirement for glycerin is somewhere around 200 million pounds. Glycerin production from the soap manufacturers has been declining ever since advent of synthetic detergents, or soapless soaps. In 1947, industry obtained approximately 200 million pounds of glycerin from the soap manufacturers, but this year the amount will drop to approximately 170 million pounds. Fortunately, we now have a producer of synthetic glycerin who will manufacture in the neighborhood of 35 million pounds, which will bring the total to almost enough for this year's needs.

Back during the war I accepted an invitation from

the Secretary of the Navy to take an orientation course at Columbia University. One of our subjects was logistics -- having men and material where you want them, and when you want them.

Now if, in your respective businesses you were able to have all the glycerin, all the synthetic resin, all the solvents and all the TiO_2 you needed, when you needed them and where you needed them, you would be entitled to a Master's degree in logistics.

But business has become much too complex to depend upon a belief or a hope that you can always buy what is needed, when it is needed, to fulfill orders, contracts and other sales commitments.

As individual manufacturers, we can do very little to correct such situations, but as an Association a great deal can be done, and to do it will require some long-range planning. In other words, we must get together and take care of our logistics. The soap manufacturers have made an interesting five-year forecast. It seems that during the past twenty years, our use of soap has mounted to from 23 to 27 pounds per capita and, during the past five years, it has averaged 25 pounds per capita. The soap manufacturers are allowing for a six million increase in population during the next five years, which will require an additional 150 million pounds of soap for the

additional six million Saturday night baths.

In 1947 the soap manufacturers produced 207 million pounds of glycerin. During that year, the detergents from which there is no yield of glycerin, had 11 per cent of the market. During 1950, detergents represent 31 per cent of the total production. Consequently, a decrease in glycerin production of 35 million pounds.

Next year, the estimated detergents consumption will represent 35 per cent of the market, and by 1955 it will increase to 45 per cent of the market.

All of which means, of course, that glycerin production from soap manufacturers will drop to about 140 million pounds by 1955, which will be at least 85 million pounds short of our national over-all requirements.

So -- what is the remedy for these violent fluctuations in glycerin prices, and how are we going to arrange for an adequate supply? Synthetic glycerin was produced, in pilot plant, as far back as the late 1930's, but did not go into full-scale production until 1948. The reason for the long delay was that its producers knew they would be competing with a by-product which the soap manufacturers had promised to give away if a synthetic plant were ever built.

Finally, a group of glycerin consumers got together and subsidized a synthetic glycerin plant on a five-year

program. There was a certain element of risk, of course, but we felt that we were paying a relatively small premium for the amount of insurance that was involved. Now that we know what has happened to the glycerin market, I am sure that all of us wish we had taken a larger risk, and those who refused to take any risk at all are now "crying in their beer."

Currently, there is a rumor to the effect that the production of synthetic glycerin is likely to be increased from 20 per cent to 50 per cent next year. This might mean an increase of 16 million pounds. If the plant does not happen to get going until midsummer, the increase would amount to only 8 million pounds in 1951. More than likely, detergents will take that much of a chunk out of the soap business, so that our total glycerin production in 1951 will not be any larger than it was in 1950.

It seems to me that eventually our production of synthetic glycerin should be doubled, which would result in somewhat of a surplus, and, obviously, insure lower prices from the soap manufacturers. Either the present synthetic producer will have to take this risk, or other plants will have to be built along the same lines as the first, with the consumers of glycerin taking the risks. In any event, another plant would be good insurance, and remember, America was built on the taking of risks.

PRESIDENT BATTLE: Mr. R. O. Innes is going to discuss natural resins for us.

REPORT ON NATURAL RESINS

R. O. Innes

Natural resins are reasonably available, as raw forest products production never stops, regardless of the foibles of us humans. Spot stocks of popular grades here and at shipping centers have been low from time to time, and time for replacement seems to be an important factor. Transportation and sorting facilities are improving in the tropics. Labor is to some extent affected by rubber, with its current high price, competing for natives' services.

Although the crop is superior in the first seven months of 1950 -- 6,644 metric tons were exported from the Congo as compared to 8,669 for the entire year 1949. In the past a normal year averaged around 16,000 tons, and 18,000 to 20,000 tons were produced during the war years.

Alcohol soluble manila comes mainly from Indonesia, where internal political and economic conditions are improving. Exports in the first seven months of 1950 were 4,113 tons, against only 3,324 tons in 1949 for the same period. A normal prewar year's production was around 11,000 tons, although this reached around 15,000 tons before the end of the supply in 1942. The Philippines produced around 1,500 tons in a normal

prewar year. Hampered by internal political troubles, and then the devaluation of the Dutch East Indian guilder a year ago September, while the Philippines remained on an American dollar currency basis, trade was set back and is still only getting started again. Production figures for this year will be only several hundred tons.

Kauri from New Zealand is used in comparatively small quantity for finer-type varnishes, and the supply is adequate for the current demand.

Elenis is a plasticizing resin. About 50 tons are exported per year now, and supplies can be increased.

Sandarac from Morocco is under strict control by the French Government for a period of five years to let the trees grow after unmerciful tapping for the several years since the war.

Mastic is a product of the Island of Bllos, where the Greek authorities have controlled production. Only 18-1/2 tons were exported in the first six months of 1950. The price is very high.

In summary, the outlook is fairly good. The natural resins are compatible with the synthetics that replaced them when they were not available during the war. Any of the supporting members of the American Gum Importers Laboratories, Inc., can give information on their uses. So long as the sea

lanes are open, these gums will be available. Restrictions are not anticipated. So long as we can buy such raw materials from nations needing our dollars to buy our manufactures, it is far more economically sound to do so rather than to give them ECA funds.

PRESIDENT BATTLE: There are so many types of resins that our next speaker will take a field in which he speaks with authority, and I am going to ask Mr. Carleton Ellis to present his views at this time.

REPORT ON RESINS

Carleton Ellis, Jr.

As you know, Joe Battley has asked us to state whether sufficient supplies of resins will be available for civilian use after military requirements are met. Answering this question in a nice, clean-cut way is rather difficult to do, since the amount of resin the military establishments are going to need is still a question mark.

So far there has been very little on which one can predict the military needs or -- and this is most important of all -- the rate at which resin containing protective coatings must flow into the rearmament program.

In this connection, one of the best ways in which resin producers can determine the effect of the rearmament program on resin availability is through the "Do" orders which

are passed on to them.

Immediately after the last war there was a very sizable expansion of resin producing facilities, and because of it, it appears that if the necessary resin raw materials are available, the resin industry can take care of all the requirements of both the military and civilian needs. And speaking of civilian needs -- already credit curbs and other restrictions are having their effect and, in fact, there is some talk of easing up on them. The building industry is an example of what these curbs can do, since it is estimated that only 800,000 new homes will be started in 1951 as against 1,500,000 started in 1950.

But all of you well know that glycerin, phthalic, anhydride, alcohol, etc., are not in good supply, and as a result, many resin producers are not operating at capacity, nor does it appear that they will be able to within the next year or so. There is no question but that this puts most of the load on our suppliers, and we would be remiss in not saying that some of them have done a herculean job in coaxing the last pound of production from their plants. Their goal, like the resin producers, is to do an all-out job for the protective coatings industry, so that it in turn can shoulder the great load it must bear during the rearmament program.

In any event, there is no use in kidding ourselves,

because unquestionably we face some rough days ahead. Nevertheless, we do not believe that the problems confronting us are insurmountable, and we feel that the resin industry can meet all military and most civilian requirements.

PRESIDENT BATTLE: Another view on resins will be given by Mr. N. J. Timmons.

REPORT ON RESINS

N. J. Timmons

... Mr. Timmons then read his report. ...

PRESIDENT BATTLE: We will next hear from Mr. Whitescarver.

REPORT ON RESINS

W. S. Whitescarver

I want to give you a little more basic view of the situation. There are two factors that I think you people often overlook, the first of which is the resin industry normally operates on a 24-hour basis, and it is physically impossible for us to expand our capacity for production as readily as it is in the paint industry, where you have an eight-hour shift.

The other factor that I want to bring to you is that you think of resins, those of you who do not produce your own, you think of them as raw materials, raw materials going back

to the chemical industry.

I am not going to even mention the obvious things. Let's go a little further back than that and really see how the integrated chemical industry of America is really tied back to our basic chemicals and how, as we learned in the last war, it is one factor that greatly affects things which many of us, without that experience, did not realize.

It has been mentioned that the phenolic resins are short. That is obvious. That goes back to the benzene, and I wonder how many of us realize that the benzene situation at present, it is estimated that in this country we can produce 155 million gallons of benzene and about 52 millions of that are going into styrene and the other half into rubber, leaving 16 million gallons of benzene in the rubber program.

Next year's rubber program calls for 685 long tons of rubber, which, translated back into benzene, is 45 million gallons of benzene out of a total of 155 million.

That is the largest consumer of benzene in normal times, but if we go back to 1944, full-scale war, aviation took 90 million gallons of benzene, and pile that on top of the rubber program, and the aviation gasoline program, 35 million gallons for normal consumption, and you have already a larger quantity of benzene needed than those three uses, than is available this year.

Normally about 50 per cent of those miscellaneous products, nylon, which you know will be stepped up for parachutes, as it did last time, will mean shortages. It only takes in normal times 1.7 per cent of the benzene available, a very essential portion, but as we increase the rubber program, and as we increase the nylon, through military use, if we should go into aviation gasoline or benzene situation should be very critical. It is extremely lucky for this country that the steel industry operates at capacity so that we get benzene, and so we get naphthene.

I merely wanted to say that if we think of those things and watch those products, you will know what we in the resin industry can do for you, because I concur with the statement made a moment ago that the resin industry and the captive resin plants in this country are fully adequate to take care of all needs of synthetic resin, providing the basic raw materials are available.

PRESIDENT BATTLE: The next speaker will speak on the use of rubber resin and latex. As you know, they are basic and essential raw materials.

REPORT ON RUBBER RESINS AND LATEX

H. R. Thies

Floyd Gunn and I have decided to slip this assignment,

inasmuch as both of these products we speak of are the Cinderella products of industry and corrolaries to synthetic rubber production. These products are based on butadiene, which is obtained from petroleum.

There are in the country five plants owned solely by the government, some by private capital. The plants represent an investment of at least \$10 million per plant, so that, back of butadiene, there is at least a \$50 million investment in the plant facilities.

Styrene, the other ingredient of these materials, is produced from benzol and ethylene.

There are four plants in the country producing styrene. These plants represent an average of a twenty-million-dollar investment. Three of them are privately owned with restrictions. The fourth is government owned, so that in this program there is a capital investment of some eighty million dollars on raw material plants.

At the end of the war the production of synthetic rubber was some eight hundred thousand tons. In 1945, the remainder of 1945 and early 1946 this production was cut to two hundred thousand tons. The chemical industry has done a marvelous job of absorbing these raw materials and succeeded in finding usage for almost the capacity of the plants in the five years intervening.

Now, as to what has happened to the synthetic rubber industry. A program was initiated to increase the capacity from two hundred to 475,000 tons as per July 1 of this year. July 7 of this year that program was increased to 575,000 tons. July 30 of this year that program was increased to 675,000 tons. September 1 that program was increased to 755,000 tons, and September 14 it was rounded out to use all the facilities available for the production of 840,000 tons of synthetic rubber for 1951.

Private production added to this is seventy thousand tons of neoprene and eighteen thousand tons of nitrite type rub-

ber.

In the above program of government rubber, there is eighty thousand tons of butyl rubber and 760,000 tons of GRS, or a total rubber production of synthetic rubber in this country of 929,000 tons for 1951, which approximately equals our consumption in 1949 of all rubber of all types.

This figure of 929,000 represents one billion, 858 million pounds of nitrite.

This program requires 532,000 tons of styrene, which is 138,000,000 gallons, which is 17,450 tank cars, which is 1,745 trainloads of 100 cars each.

The butadiene to go with this styrene is 228,000 tons, 57,000,000 gallons, 7,125 tank cars, or 712 trains of 100 cars each.

Therefore, when you are going short on your material that is used in our very insignificant demand of this thing, you are supplying the government with material that would reach in tank cars from end to end across this country.

In the initiation and during the war the government considered that products which had fifty per cent butadiene and fifty percent styrene came under the Cooperative Industry Government Program and were regulated by government.

Under the present situation, the ruling has been changed so that products containing as much as seventy per

cent styrene and as little as thirty per cent butadiene come under the program.

In line with the cutback in the rubber industry of twenty per cent of the base period from July 1, 1949 to July 1, 1950, we have been forced to follow a similar cutback. That leaves us in the position of supplying our older customers, or perhaps cultivating new customers to the point of experimental procedures in the laboratories but assuring them of no immediate supply of raw material.

However, the one bright picture is that if natural rubber should become available, if our stockpile is filled up, there is an enormous amount of synthetic material that will back this program up. (Applause)

PRESIDENT BATTLE: Thank you very much.

Now, Mr. Gunn, do you want to carry on?

RUBBER RESINS AND LATEX

F. J. Gunn
Midland, Michigan

Thank you, General Battley.

Well, Herman at least pretty well covered everything, and that with the combination of the gentleman who spoke just before him doesn't leave very much here. So I will just ramble with a few points that come to mind.

Part of the reason for this shortage of rubber is the

fact that somebody let the stockpile run down practically to nothing. Then there was the big scramble. The government naturally needed to have a large protective stockpile of natural rubber, which has been part of the reason for the recent curtailing of private industry's rubber and making them use synthetic rubber.

Another reason is a slight amount of pressure, let us say, on synthetic rubber production was the fact that the price of natural rubber has gone from somewhere around eighteen or twenty cents a pound up to as high as seventy-four cents, the last figure I heard. Needless to say, there are not many rubber companies who want to buy seventy-four-cent rubber, or natural rubber, if they can get eighteen-and-a-half-cent synthetic rubber out of some government plants.

We don't like to see so much styrene go into that. We have a lot of uses for it. Those, totaled with our competition, use over twenty million pounds a month.

Those are just a couple of reasons we think so much pressure has been put on, and it may be in time, as the price of natural rubber drops, less of the synthetic will be used, and free it for these other uses.

They have mentioned a lot of benzine. One figure sticks out in my mind, that the annual consumption in this country is one billion, 475 thousand pounds. That is an awful

lot of material.

I have some percentage figures, brief ones, that styrene uses about 35 per cent of that phenol which goes into a lot of products. You paint people use about 21 percent. Nylon uses about 11 per cent, and could increase as the other gentlemen said. Others take about eight per cent, and the rest of it is broken up into a lot of uses like DDT, and various detergents and other things.

Ethylene, I don't know much about the total production figures, but that has bounced back and forth with the very thin balance of benzine as to which was causing the shortage of styrene in the country.

Herman mentioned the rubber order and asked me if I would maybe give a little more on that, but there just isn't much more to give than the fact that it is pegged at how much you consumed during that average period from July 1, 1949 to June 30, 1950, and now they have reduced that to 84 per cent under the BM-2 Order.

Part of it says that it includes only the GI rubbers made in government plants and does not include that outside.

In our talks with other people in Washington they say the intent is to control the supplies of styrene and butadiene. Goodyear and any other people in the synthetic rubber market are controlled.

Anybody buying it will have to file reports. If it is over 15,000 pounds a month, you have to file a monthly report. If it amounts to less than 15, it amounts to an annual report, but you are still restricted to what you used in that period before. That is the best interpretation we can get out of it. (Applause)

PRESIDENT BATTLE: Thank you very much, Mr. Gunn.

Are there any questions?

Thank you very much, gentlemen.

Will the Containers group come up, please.

CONTAINERS

PRESIDENT BATTLE: As you know, gentlemen, one of the pressing problems and one of the matters that has been on our minds for some time is the availability of containers; not so much the availability based on a shortage of tin, but on the shortage of steel and steel plate for containers.

Ted Alwyn was supposed to talk on our program. However, we were very fortunate in having Tom Brennan talk to us on cans. So, Tom, will you start off on Containers?

CANS

T. F. Brennan
American Can Company
New York City

General Battley, Ladies and Gentlemen: Just short of

a month ago, I gave a talk for the Raw Materials Group at the New York Club. At that time, I indicated that the "spring painting season" was still with us. There has since been very little change in this situation.

I am not speaking for any particularly company, but the Can Manufacturing Industry as a whole, represented by many large, small and medium size can manufacturers.

The metal situation has been very tight, which has caused some brief cessation of manufacture due to shortages of steel and dislocation of inventories, but with the fruit and vegetable packs now behind us for 1950, we are commencing to see some daylight with a more abundant flow of tin mill products for non-food containers which, naturally, include paint cans. There is still a large backlog of orders which probably cannot be liquidated before the close of the current calendar year.

It is impossible to predict what may happen to the economy of the country under defense conditions, but it seems worthwhile to outline the steel situation as it appears today in its relation to our ability to obtain tin plate.

The finished steel production in the United States runs as follows:

In 1941 there were 62 - 1/2 million tons manufactured, and it is estimated that in 1950 the year will close with a pro-

duction of 75 million tons, followed by an estimated increased production in 1951 of 78 million tons.

The Container Industry, with which are grouped tin cans, crowns, strapping and drums, use the following in tons and percentages of finished steel:

1941 - 4 - 1/2 million tons or approximately 6.8 per cent

1950 estimated at 5 - 1/4 million tons, or approximately 7 per cent

1951 estimated at 5 - 1/2 million tons, or approximately 7 per cent.

The production of electrolytic tin plate from which paint cans are manufactured only accounted for about fifty thousand tons out of the entire annual production prior to World War II, and such production was available from only one tin plate mill. In 1950 there are 12 mills producing electrolytic plate, and the production is estimated at slightly less than three million tons out of a total production of 5 - 1/4 million tons for all industries in this group.

One re-assuring note is that the manufacturing facilities of the Tin Can Industry are adequate to take care of any normal needs and are constantly being improved and added to, therefore, barring drastic imposition of Governmental restrictions, there should be sufficient paint cans in evidence

to take care of the Industry's needs for 1951.

Straws in the wind, despite the present backlog of orders, indicate a lessening in demand for trade sales, but industrial demands still continue at a high peak.

Perhaps the situation can be summed up in a few brief words by quoting from Mr. Benjamin F. Fairless's talk given to the Petroleum Institute at Los Angeles yesterday, in which he stated

"Today we are producing more steel than we have ever produced before at any time in any emergency, and beyond that we are expanding our steel-making capacity more rapidly than ever before in history; nearly twice as fast, in fact, as we did in World War II. The Steel Manufacturers, he promised, will see that industry gets all the steel it needs, but maybe not all the steel it wants."

Thank you. (Applause)

PRESIDENT BATTLE: Next we will hear from Mr. McKewen on Cans and Pails.

CANS AND PAILS

S. McKewen
San Francisco, California

Mr. Chairman: The impact of the past few months on the metal container manufacturers is too well known to require comment. Before Korea, I am quite sure no paint manufacturer was worried about his container supply. Today, container availability is a definite problem. Before making any forecast for

1951, I think a brief review of the 1950 situation is in order.

For the year 1950, paint sales to consumers will probably exceed 1949 shipments by over 15 per cent, and we estimate paint can shipments to manufacturers during 1950 at from 15 per cent to 20 per cent over 1949.

A small part of this increase will be due to government purchases. Perhaps as much as half of the increase will be in inventory at dealer levels on January 1, 1951. This would leave the overall paint inventory in a better position as of January 1, 1951, than it was on January 1, 1950.

Estimating 1951 paint sales to consumers slight in excess of 1950 sales, but not enough to offset the inventory buildup which will take place this year, the amount of metal needed for paint cans should approximate 1950's consumption. Superimposed on this will be the unknown quantity of metal required for military needs.

Under the ideal condition that no further government restrictions are imposed, and accepting the estimate that civilian paint can requirements for 1951 will approximate 1950 shipments, there should be both sufficient metal and production facilities to supply both military and civilian requirements. However, even under this ideal situation there may be a general slowing down of deliveries caused by the necessity of inserting military orders into production schedules.

You are all familiar, of course, with the defense order priority requirements, and we can anticipate an inter-

ruption of deliveries, but we really do not think this should seriously disrupt the flow of cans to paint manufacturers supplying civilian needs.

The most worrisome element in the container availability picture is the fear spread by buyers, who overorder, place duplicate orders with different suppliers, and who appeal to government agencies for aid whenever their own supply seems to be in danger. Spot shortages and unnecessarily stringent government controls are possible results which none of us want to experience.

To understand this year's container difficulties it must be explained that paint manufacturers were unable to give container manufacturers adequate notice of their greatly increased demands starting in July.

As most of you know, the three months of July, August, and September are heavy packing months for fruits and vegetables. But what many people do not realize is that during these peak months, plate consumption by can manufacturers considerably exceeds the output of tin-mills.

Consequently, container manufacturers must draw on their own inventory for these known demands. They are unable to carry more than a nominal additional inventory against unusual demands for products which do not normally show increased needs during those months.

In 1951, that is in the latter part of the year, steel mills will have increased their rolling capacity considerably. In addition, we in the container manufacturing business feel that users of containers will give more consideration to their long-range requirements than is customary. Increased metal supplies from steel companies and better estimating on the part of paint can buyers will help to make it possible for the container manufacturers to take care of 1951 requirements. Frantic buying, even for a short period during the year, can upset delivery schedules and may even cause actual shortages if continued long enough.

Now, as to steel pails. Steel pails present a more serious problem than tin cans. While we expect to increase our capacity in 1951 by approximately ten per cent, it must be realized that government requirements for welded containers are exceptionally high at times. These containers are used not only for paints, but for many other products such as oil and chemicals, which are vital to our Armed Forces.

However, even with the abnormal government needs for steel pails, we are of the opinion that both the metal and the production facilities will be available to meet military and civilian needs if buyers will react calmly during those periods when government requirements necessitate postponing deliveries for civilian uses.

It is probable there will be times when urgent military needs will cause what buyers will call critical delays in their shipments. How critical these delays can be will depend entirely on the foresight of buyers.

I should like to again stress the need for buyers of steel containers for civilian use to anticipate their needs well in advance and place their orders accordingly. If container manufacturers are given sufficient time to set up schedules which will allow for the insertion of military orders when received, buyers of paint containers will minimize their difficulties in the coming year.

In summary, we are hopeful about the container availability picture in 1951, and in our opinion, the steel and container industries are capable of supplying both military and civilian requirements in 1951.

Thus, we feel there is no need for arbitrary governmental restrictions, which, if imposed, would probably be directed toward end usage, and which might seriously curtail the supply of metal containers for civilian use.

Whether or not restrictions are applied will depend largely on the attitude of industry during periods when government needs reduce or delay shipments of containers.

We contend the paint industry of 1951 will have sufficient containers to establish a new record of paint sales for

civilian consumption.

(Applause)

PRESIDENT BATTLE: Thank you, Mr. McKewen.

We hope to establish new records in 1951. I hope you are right, now.

We have two men now to talk on Drums. Mr. B. D. Sales will talk first. Mr. Sales!

PRESIDENT BATTLE: We will hear next from Mr. Sales.

REPORT ON DRUMS

D. D. Sales, Jr.

Your President, General Battley, has requested I speak to you on the container situation on the Pacific Coast. Specifically he has asked me to touch on, first, the availability of drums and pails; and second, whether sufficient material will be available for civilian use after the requirements of the military are met.

I would sincerely like to paint a rosy picture for you, but in the light of the circumstances of the past months, I am afraid that I cannot. Our nation is swinging from a civilian economy to a military one. This is the picture today, and in my opinion, there will be no turning back for some time to come. Now, as to the availability of drums and pails, I can answer this question posed by General Battley simply by pointing out that we have the facilities available at both our Los Angeles and Alameda plants to produce drums and pails at a rate equal to or even better than we were producing prior to the Korean war, if a supply of steel continues to be available.

And the second question, as to whether or not our supply of steel will be sufficient to take care of your

requirements after the needs of the Armed Forces are met is partially answered by pointing out that even now, just 1-1/2 months after the establishment of Defense Order Priorities, we are falling short of meeting the demands for containers for civilian use.

The difficult question to answer is, in what degree will we be able to fill your civilian demands in the next six months? The answer depends on three factors: First, how great will civilian demand be? There is a possibility that civil demand will lessen as a result of higher personal income taxes, restrictions on installment buying, a drop in new housing projects, and the further contemplated restrictions of the NPA Administrator. Should this come to pass, your requirements for civilian needs will be smaller, enabling us to fill orders for a greater percentage of those requirements than we can now.

The second factor that will govern the degree to which we will be able to meet your civilian requirements is the amount of military requirements. At present, between 50 and 60 per cent of our production of pails and drums is being shipped to the military, channeled there by defense orders, which you realize we are obliged to accept and fill. It is our conviction that this is just the beginning, and I think you will agree when you realize that between November 6th and 21st

the Armed Services Petroleum Purchasing Agency will let fourteen major contracts covering hundreds of millions of gallons of petroleum products -- a large percentage of which will be filled in drums and pails during the next 7-1/2 months.

Finally, the degree to which we are able to fulfill your civilian requirements will depend entirely on the amount of steel that must be diverted to military use. The mills are required under NPA Order M-1 to set aside five per cent of their monthly production of sheets to fill DO rated orders for steel. Up to this time this five per cent happens to be covering the military needs. However, forecasts indicate that these will greatly increase during the coming year, which may and probably will make it necessary for the five per cent figure to be increased substantially.

All in all, it is not a pretty picture I have painted. To sum up, present indications are that the military will soon be consuming the lion's share of the containers we produce on the Pacific Coast. The only promise we can make to you is to give you our assurance that we will meet your requirements for civilian use whenever it is humanly possible.

PRESIDENT BATTLE: Our next speaker will be Mr.
Gordon Zuck.

DRUMS

Gordon Zuck
Chicago, Illinois

It is quite likely that anything I may say here will be a repetition--either of what others have said here on this subject, or of what you already know. Nevertheless, I do want to review some of the facts pertaining to the availability of steel shipping containers such as pails and drums.

The manufacturers of steel containers--like many other companies--suddenly experienced an almost reversal of their sales and production situation. The early part of the year we were keeping up with demands and, in fact, were soliciting new and additional business. While steel was not in free supply, by any means, the steel container industry, generally, was on an allocation or quota basis, with their regular sources, and were able to maintain fairly normal operations and take care of their customers in a pretty satisfactory manner.

Then, the Korean situation hit, and almost overnight the container manufacturers were deluged with orders. Obviously, they could not expect to get additional steel to meet these sudden demands.

In the case of my own company, we found it necessary to

quickly adopt some type of rationing or allocation that would make the containers that we produce available to our regular customers on a fair and equitable basis. We used the preceeding 18 months as a basing period and arrived at a monthly average to establish fair quotas and at the same time to maintain uniform production that would coincide with incoming steel. This, obviously, meant confining our acceptance of orders to our regular customers and meant limiting quantities to the average that these customers had purchased from us in the past. We, of course, realized that this would not satisfy our customers because their sales were on the increase, and they needed more containers to take advantage of this opportunity to increase their sales. However, we were limited to the amount of steel that we had been getting--and in some cases were getting less than in the past.

I believe most of the Pail and Drum manufacturers followed some similar pattern in the handling of orders.

Actually, the Steel Shipping Container Industry has the available capacity to substantially increase their production of containers if the steel were available.

During the past several weeks, the defense program has made larger and larger demands upon the steel industries--and more and more DO priority orders have been issued so that we are now in a transition period that becomes even more difficult to cope with.

Many of you have DO rated orders, which, of course, will get you delivery of containers. As the Regulation requires these DO orders are given preferential position in schedules.

However, it must be recognized that as more steel is required for defense orders, less will be available for non-defense business.

I am told that on the basis of present defense requirements, we are likely to get 25 per cent less steel for non-defense use in the first quarter of 1951. In the case of my company, we expect to continue our quota program as long as we can and to continue to supply our regular trade with at least a portion of their non-defense needs.

I believe many of you are buying back your drums and reusing them; others are back on a returnable basis with deposits on drums. Obviously, such a program, while probably costly and of considerable nuisance, is a wise program to follow, under present conditions.

Fortunately, the importance of shipping containers to the general economy of the country is recognized--and I believe it is recognized fully by those in government agencies who are charged with the responsibility of writing and invoking limitation orders. This is an encouraging factor. It is likely that some allocation program will be developed that will set aside a given amount of steel for the Shipping Container Industry. In fact, a committee including representatives of the paint, petroleum and chemical industries have just recently

met with some members of NPA to work out a practical plan. But it is also rather certain that if our defense program expands as it is planned, pails and drums will remain in short supply for some time to come.

It is significant that the production capacity of both the steel industry and the steel container industry is considerably greater than at the beginning of the last war.

However, we must recognize that most of our plants are operating on a level equal to or higher than any period that we might call normal, and the thing that irks most of us is that we can't get enough raw materials to take full advantage of these increased sales and high production that are available.

PRESIDENT BATTLE: Thank you very much. Are there any questions?

Now, we come, so far as I am concerned, to the close of what has been the most successful and the happiest convention I have ever attended, but I don't want to close without personally and officially thanking each member of the various groups who came up here to talk to us and settle some of the questions in minds, regarding our raw material supplies, and I know that I speak for each member of the industry. Their comments will be printed in the folder, brought up to date and mailed to all of our members.

I also must thank again Fuller Brawner, Roy Cole, George Fuller and Mrs. Fuller, and the members and ladies of the Entertainment Committee, and the Ladies' Reception Committee headed by Mrs. Garry Goldberg. They have done so much to make this convention successful and to make our stay in California so enjoyable.

I cannot leave without thanking the Utah Paint, Varnish and Lacquer Association in Salt Lake for the entertainment and the fine hospitality shown to our members as they came through Salt Lake. I would also like to call your attention to the fact that Los Angeles expecting you down there after this convention closes, and they have arranged a gala affair. Seattle also extends the hand of friendship, and they are waiting for

you with plans for your entertainment, so we really had a wonderful Convention, and we have been with a group of wonderful people, and for myself, I can only say that I close this Convention formally, but I feel far from being formal at this time.

If there is any business or unfinished business, we can still go into that.

Then, in closing, may I hope and wish and pray for all of you that when we meet in Atlantic City next year, that we will meet under more optimistic circumstances, and that you have been healthy and happy this year, in spite of the things that we feel now will happen.

Goodbye and God bless you, and the 62nd Convention is now adjourned.

... At 4:50 P.M. the 62nd Convention adjourned. ...