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The Functional Product Group or the Specialty Chemicals are doing well with the exception of PCB/PCT. When you consider that the PCB/PCT program will cost this group $2.9 million net loss you can see we are making a considerable progress in the other chemicals; such as Dquest for water, chlorinated cyanurates for swimming pools, ethylene-vinyl chlorides for Latex markets, ethylene maleic anhydride for many markets, and non-PCB fluids for various hydraulic markets.

They almost overcame the $10M sales loss of PCB

Customers which represent 91% of our closed system PCB tonnage in di-electric markets have signed hold harmless agreements with us. Factory Mutual has approved a new hydraulic fluid substitute for some PCB uses. All this is good news and with a couple of breaks, the Functional Products Group has a fighting chance of actually producing profit near the 1971 level.

And now for the bad news. We're in considerably more trouble in our ex-U.S. PCB markets.

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Our original program was to duplicate the U.S. program abroad by March 31, having hold harmless agreements in hand or discontinuing sales. Significant problems have arisen, primarily from the mix of different national attitudes toward the environmental problems presented, the attitudes of differing legal systems to our indemnity approach (which in many countries we have not as yet resolved), and a clear indication that ex-U.S. PCB manufacturers assess the risks differently and do not plan to exact hold harmless agreements before making future sales.

Since other ex-U.S. PCB manufacturers plan to continue sales without an indemnity program, it seems clear that few, if any, customers will execute agreements protective of Monsanto. Monsanto's sales and manufacturing abroad, therefore, are vulnerable.

Should we abandon the European and other ex-U.S.A. markets for di-electric uses, we would incur two to two and one-half million dollars before tax of unbudgeted loss. My attitude is to find a method of preventing this loss.

On the other hand, our domestic program is exactly on schedule and I'll give you a more complete report next month along with specific comments on the developing ex-U.S.A. scene.

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