specific industry. The report notes that analysts often request more information on segments of diversified companies when such information is not included in published reports.

Financial reports could segment total sales without much difficulty, the board feels. Many diversified companies with major chemical operations already do this. Examples include 3M and Union Carbide. Others—for example, Olin Mathieson and National Distillers—report both sales and profits by product type.

Dividing up profitability into segments can cause problems, however, the report warns. This would be true especially where joint costs are involved or arbitrary transfer prices are used between segments of a company. The board plans to make a definitive pronouncement on the subject after further study.

Toluene production will fall short of hopes for 1967

Production of toluene for 1967 will not come up to expectations. It probably will not top 650 million gallons. The major factor in a disappointing performance will be a decline in use in hydrodealkylation units to make benzene. A few other smaller uses—such as in aviation gasoline—are not taking the volumes of toluene expected either.

Lower prices for benzene, either direct postings at 25 cents per gallon, f.o.b. plant, or comparable discounts from 27 cents per gallon, have caused a decline in toluene dealkylation. These new benzene postings tend to confirm real prices for benzene of the past months.

Part of the cause for the lower benzene prices is new reformer capacity coming on stream. Another part is less-than-expected growth in demand for benzene for some uses and even a slight decline in demand during the past few months.

Toluene produced with the added benzene production will go mostly to the gasoline pool of petroleum refiners. Because of its good octane rating, toluene has a relatively high value in gasoline. This doesn't indicate much of a potential decline in its prices even though demand for gasoline will be falling off now. To a typical refiner, toluene in his gasoline pool is worth about 17 cents per gallon.

Most chemical grade toluene is recovered from high aromatics streams from catalytic reforming. It is separated from the aromatics stream following benzene. This separation, usually to a high purity, adds 2 to 6 cents a gallon to its value, depending on a refiner's situation.

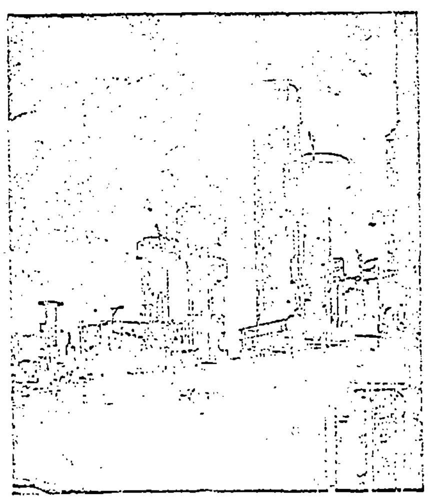
If demand for toluene for many uses is low and if enough benzene is available in the aromatics stream to fit a refiner's marketing needs, then the remainder of the aromatics stream is put into the gasoline pool. (Hydrodealkylation units then are shut down.) In any case, about 80% of the toluene produced in reforming goes to gasoline. The exact amount of toluene produced in a year by reforming has never been very accurately determined.

Where blending needs for premium gasoline can make use of toluene to help make a given octane rating economically, then toluene is recovered for blending. This year, auto gasoline will take about 80 million gallons of toluene.

The gasoline pool, though, could be the big user of toluene several years from now and be a measure of how loose the supply-demand situation is. If there is a move to fully exclude lead alkyls from gasoline, toluene (along with other aromatics) would be in great demand to give needed octane values to gasoline economically. If, however, lead alkyls would be merely limited, the demand could be only temporarily affected and prices would move up slightly.

Roughly, the first gram per gallon of lead alkyls added to a gasoline blend gives about 55% of the total octane gain from lead alkyls. The second gram gives about 30% of the gain; the third about 15%.

Thus, comparatively high lead limits will have little effect on need for other octane-giving components. It might increase toluene's value 1 cent per gallon to a refiner. But if no lead should be permitted in gasoline, toluene's value may go to 30 cents per gallon. Such a move would push prices on other aromatics up by similar amounts.



Hydrodealkylation unit
Declining role in benzene

Court action removes cloud over Webb-Pomerene Act

A federal court judge has cleared up a legal cloud that has been hanging for three years over the 49-year-old Webb-Pomerene Act and how U.S. companies may use it to aid their export efforts. Judge Sylvester J. Ryan of the U.S. District Court for the Southern District of New York has dismissed an antitrust suit charging that the Concentrated Phosphate Export Association, an export association formed under provisions of the act, had violated the Sherman Act in connection with fertilizer sales to Korea under the U.S. foreign aid program.

Last May, the Agency for International Development set up regulations barring Webb-Pomerene associations from AID business in which procurement of the goods must be within the U.S. AID can't tell yet how the decision will affect this ruling.

Under the act U.S. companies may fix prices, allocate sales, and cooperate generally in the export market through joint ownership of an export association—as long as such activities don't interfere with domestic competition. The Department of Commerce encourages industries to set up such associations. But such organizations have apparently long grated the Department of Justice. In 1950 the department tried to break up one set up by the abrasives industry.

The Concentrated Phosphate Export Association (CPEA) was formed in 1961. Members named in the suit were American Cyanamid Co., W. R. Grace & Co., International Minerals & Chemical Corp., Tennessee Corp., and Socony Mobil Oil Co., Inc. IMC and Socony Mobil have since left CPEA.

In bringing the suit, which was filed in 1964, the Government conceded that the fertilizer in question was exported from Florida to Korea. But it contended that these sales were not "export trade" within the meaning of the antitrust exemption. The Government argued that such sales were paid for and closely controlled under a U.S. foreign aid program. In a second argument the Government contended that the 1918 Congress, which passed the Webb-Pomerene exemption, never contemplated such sales.

In his decision, handed down last month, Judge Ryan rejected the Government's arguments, pointing out that, despite AID financing, it was the Korean government that bought the goods CPEA sold. He adds that the transactions were exports since the fertilizer was shipped to and used in Korea. He also rejected the second argument, finding no ambiguity in the statutory language.