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LEAD INDUSTRIES ASSOCIATION

420 LEXINGTON AVENUE
NEW YORK 17, N. Y.

June 13, 1949

To Members of the Lead Industries Association:

SUBJECT: ADDRESS BEFORE THE IDAHO MINING ASSOCIATION ON

"THE SHIFTING SCENE IN LEAD"

Attached please find copy of an address to be delivered by your secretary at the Convention of the Idaho Mining Association in Sun Valley, Idaho, on June 14, 1949, on "The Shifting Scene in Lead"

Very truly yours,

Robert L. Ziegfeld

Secretary.

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For Release
June 15, 1949 - A.M.

Lead Industries Association
420 Lexington Avenue
New York 17, N. Y.

The Shifting Scene in Lead*

By: Robert Lindley Ziegfeld, Secretary
Lead Industries Association
New York, N. Y.

After two years of record-breaking lead prices, we have just passed through three months of the most precipitous price drop in history. Looking back, the forces which caused these movements are always easy to understand. The end of the war left the country with a terrific demand for lead products since the public had been unable to buy many of the things they needed and wanted.

Huge consumption of lead in the years following the war finally caught up with this backlog all along the line and when dealers' and manufacturers' shelves were filled with lead products ultimate consumption dropped back to normal and buying of the raw material, pig lead, virtually stopped. As these inventories of lead products are worked off, lead manufacturers are bound to

* Address before Idaho Mining Association, Sun Valley, Idaho, June 14, 1949.

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reenter the market, but probably with more normal buying than we have had in the last three years. For the first time in several months manufacturers' stocks of pig lead showed a rather substantial drop on May 1, according to Lead Industries Association statistics. That is encouraging.

Post-War Trend

First, the abnormal demand coupled with the low production rate immediately following the war which resulted from postponed development work and a shortage of labor, caused the price to swing upward at an unprecedentedly rapid rate. When lead reached its high of 21½¢ per lb., its price index, based on 1926 as 100, stood at 255.3. At the same time the Bureau of Labor Statistics price index of all commodities only reached a high of 165 and even farm products only reached 188. Obviously such a price for lead could not hold for long. It stimulated production and curtailed consumption.

Now that the sky-rocket has come down and lead is back to 12¢ per lb., it price index is 142.5, while the index for all commodities is still at 156.5 and for farm products at 174.5. Just as the price on the upswing went to an extreme, it also appears that on the downswing the same thing has happened. As a matter of fact the price today is not much different from what it was at the end of the war if premiums paid at that time are taken into consideration.

Storage Batteries

Now, what straws do we find in the wind today to help us guess at the future course of your lead outlets? There are some optimistic factors. In the first four months of this year only a little over 3,000,000 replacement storage batteries were manufactured. That was less than half of the production of the corresponding period last year. Yet battery makers who hold their annual convention just a few weeks ago still expect to produce some 17,000,000 or 18,000,000 batteries this year as against about 24,000,000 last year and their optimism may be warranted from the fact that there are over 40,000,000 cars on the road. The average life of a battery is less than two years.

Thus, if the battery industry is right it will have to produce in the last six months of this year some 12,000,000 batteries, which would closely approximate last year's rate. In passing it is interesting to note that the weight of lead per battery has been increasing in the last few years and has risen from 22 or 23 lb. to about 27 lb.

Tetraethyl Lead

Another optimistic note is supplied by the tetraethyl lead industry which has grown from nothing a little over 20 years ago to a lead consumption of about 80,000 tons last year. Two things are contributing to its further growth, more cars and higher compression engines. Several of the oil companies have stepped up their octane ratings in recent months and the automobile manufacturers are just waiting for better gasoline further to increase the power of their engines. That means more tetraethyl lead. Also, there are some 10,000,000 more cars on the road today than at the end of the war. That means more gasoline and more lead. So the indications are for continuing increases in the use of lead for tetraethyl lead. Toward that end the tetraethyl lead industry is increasing its productive capacity. Some of the new capacity will be in operation as early as August or September of this year and more next year. Estimates have been made by the best informed people that use of tetraethyl lead may more than double in the next five years.

Lead Sheathed Cable

In another big use of lead there is a further ray of sunshine. The cable industry, while it is not using lead at quite the rate it did last year, is likely to continue on a fairly even keel. There is even some possibility of improvement. During the severe lead shortage and period of high prices a substantial amount of cable sheathed with substitutes for lead was manufactured. The lower lead price may influence some swing back to lead as these substitutes are still generally considered to have certain drawbacks in comparison with lead for cable sheathing.

Paint

In the paint and construction fields, two other important outlets for lead, the outlook is more clouded. In paint the consumption of lead has probably suffered more as a result of the high price and shortage than in any other lead consuming product or industry. The paint business is highly competitive and even at normal prices lead is the most expensive common pigment used by paint manufacturers. So quality has been sacrificed by reducing the lead content of house paints as much as possible. Lower lead prices may stop this trend or even reverse it in view of the recognized improvement in quality that lead provides, but it is too soon to tell just what the net result will be.

In the case of red lead paints for iron and steel the picture is more cheerful. Substitute pigments became quite well entrenched during the war in certain quarters. There are now definite indications of a lack of complete satisfaction with the substitutes. At the same time new red lead formulations have been developed to meet the special requirements exacted of today's industrial paints, and red lead is making a strong bid to regain substantial lost markets. I am proud that much of this is

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attributable to the research and educational work of the Red Lead Technical Committee of the Lead Industries Association.

Construction

In building construction where lead is used mainly for water distribution and plumbing, the recent high prices gave great impetus to efforts of producers of competitive materials to substitute their materials for lead. They have made some progress, but again through the efforts of the Lead Industries Association in large measure, we have managed to hold on to most of our business. How much longer we could have held out against these high prices is problematical but the lower lead prices should relieve the pressure to some extent. However, immediate trends in lead consumption in building construction will depend very largely on the trend of construction itself, which is expected to be somewhat lower than last year's record, but nevertheless at a relatively high rate.

In chemical construction, where lead is employed to fabricate corrosion resistant equipment,

there is no doubt that considerable construction is being held in abeyance until costs and business generally show signs of stabilizing. Lower prices for lead should help to some extent competitively.

The foregoing uses of lead on which I have commented in some detail account for about three-quarters of all lead consumption. On them, to a large extent, depends the lead market. There are, of course, many things about the markets for these products over which we have little control and general business conditions have a profound influence on them. Yet there is also much that can be done to stimulate the use of lead products. Some of this we are doing and have been doing for years. There is still much more that can and should be done.

To stimulate the market for lead products is only part of the battle for a prosperous industry, although it is a mighty important part. I have elaborated on the principal uses of lead because that phase is more remote from you as producers of the raw material.

Stockpiling

Government stockpiling in the past year has taken a place of prominence in the lead picture that makes it comparable with some of the major uses of lead. For instance in the current fiscal year which ends this month, the Government has stockpiled an amount of lead roughly equal to the consumption of lead in tetraethyl. It has, therefore, become something of major importance to you.

Last week lead producers met with the Munitions Board on the stockpile question. While to my knowledge no indication was given of the amount to be purchased in the new fiscal year starting July 1, I am confident that purchases will be sizeable and will be well in excess of this year's purchases.

Taxation

There are other angles which must be pursued but they are familiar to you and need no repetition on my part. There is just one I would like to emphasize because its accomplishment requires the education of the Government and the public to the peculiar problems of the mining industry. It is taxation.

We must all work together for a more realistic attitude toward taxation. The investment of risk capital in mining must be encouraged by making it possible to realize returns commensurate with the risk. It must also be recognized that the risk in mining today, as most surface deposits have been discovered and worked out, is greater andthat exploration and developmen costs are higher, which calls for a more sympathetic attitude toward taxation than has ever been accorded the mining industry.