AIR MAIL July 31st, 1944

Mr. R. E. Dwyer, Executive Vice President
Anaconda Copper Mining Company
25 Broadway
New York 4, New York

Dear Mr. Dwyer:

The following is a statement relative to the June, 1944 operations at the East Chicago plant:

LEAD REFINING DEPARTMENT

The income for the month:

Lead Refinery	$ 13,302.83
Bismuth Refining	$ 665.77

During June, the Lead Refinery treated 3,283 tons of material, all of which was bullion. No custom materials, such as Raritan Slag, Raritan Sludge, Battery Plates or Lead Drosses, were treated. This fact adversely affected the income, since the treatment of custom materials reduces our bullion treatment costs.

Another adverse factor was the spending of about $4,500.00 in repairs to the baghouse and putting the screw conveyor system from the baghouse to the baghouse furnace in operation.

Favorable factors encountered in June were:

1.	Sale of Anodes to the White Lead Plant in excess of High bismuth Tooele bullion refined	$ 3,000.00
2.	Picking up of deferred antimonial lead credit which has been held in process since April	$ 5,000.00

Our June 30th inventory indicated a gain of $80,000.00 in metal values. We made no adjustment at this time, and assumed the normal losses for June. If, in the ensuing six months this gain continues to appear, we shall adjust in December, as we did in 1943.

The amount of lead in inventory on June 30th was 9,786,530 pounds, an increase of 377,653 pounds during the month. The silver in inventory was 666,575 ounces, a reduction of 33,687 ounces.

Changes in Accounting Procedure

Our Accounting Department has been authorized to make a few changes in compiling its Cost Sheets for both Pigment Departments. One change was to no longer set up a reserve for increases in inventories when they are over and above January 1st inventories and another was to value inventories in excess of January 1st inventories on a "last in-first out" year to date basis rather than a "last in-first out" monthly basis.

In this letter we are showing two profits for both the Zinc Oxide and White Lead Departments. One taken from the Cost Sheets, based on an actual cost basis; and the other a current cost, based on the assumption that our sales are sold on June production costs.

ZINC OXIDE DEPARTMENT

The income for June was as follows:

Actual cost basis (Cost Sheets)	$ 10,283.21
Current Cost Basis	$ 13,018.03

Will you kindly advise as whether we should keep you informed as to our outcome on a current basis or limit our discussion to cost sheet figures.

The American Block operated on twelve doors for ten days during June. One Muffle Furnace operated all month and another for fifteen days on the production of oxide. We also had one muffle on the treatment of residue metal all month. The French unit was shut down all month.

The following favorable factors account for the profit shown in June:

Decrease in cost of producing American Process Oxide due to use of cheaper raw materials	$ 2,300.00
Decrease in production costs on Muffle Furnaces due to increased production	$ 6,500.00
Recovery of oxide from cleaning out system after shutting down American Furnaces	$ 1,800.00
Credit on depreciation adjustment in accordance with Mr. Daly's letter of June 28th	$ 2,800.00

We are negotiating a trade with the American Zinc Company whereby we may exchange 308 tons of zinc ore we have had on hand for two or three years for a like amount of Leaded Zinc Oxide. This proposition will result in a loss of about $6,000.00; but in view of present conditions, Mr. Laist believes this ore should be liquidated as soon as possible, if we can do so with only a moderate loss. We will save $10,000.00 by not producing this tonnage of Leaded Zinc Oxide at East Chicago.

PNYC00009464

Zinc Oxide Shipments to Chemical Warfare Service

We have completed shipments on the 300-ton July order for Muffle Oxide we had from C.W.S. In addition C.W.S. has agreed to pay us for 100 tons of the French Process Oxide we made up for them several months ago. We are to store this 100 tons for a maximum of 120 days. For August, C.W.S. has promised to take 400 tons of Muffle Oxide and the remaining 150 tons of French.

The prospects of obtaining C.W.S. business for September and succeeding months are not very bright, since they seem to be well supplied and our price is too high; although the high quality of our product is one factor in our favor.

WHITE LEAD DEPARTMENT

The income for June was as follows:

	Cost Sheet Actual Cost Basis	Current Cost Basis
Dry White Lead	$ 3,715.56	$ 1,138.81
White Lead-in-Oil	992.78	1,927.23
	$ 2,722.78	$ 788.92

This income in June was increased by $4,300.00 by changing our method of inventory valuations from a "last-in-first out" monthly basis to a "last in-first out" average year to date basis.

The White Lead Department was shut down on July 1st, and will remain down at least until September 1st. During this shut-down we are making necessary repairs, some of which are:

Repairing Cell Room Sash
Repairing Vacuum Pump
Replacing Plank Runway with Concrete in Warehouse
Replacing Boiler Stack

High Bismuth Lead Shortage

When Mr. Laist visited us recently, we discussed our high bismuth lead situation. Our supply of high bismuth lead is quite low, and Mr. Laist agreed that we purchase a limited amount of battery lead to supplement our high bismuth supply for lead for the White Lead Plant.

White Lead-in-Oil

Mr. Harless has quoted some significant and disturbing figures on White Lead-in-Oil that will need serious consideration in the post-war period. Annual Lead-in-Oil sales:

Year	Tons
1938	74,888
1939	71,942
1940	53,765
1941	61,114
1942	47,910
1943	58,848

LABOR

War Labor Board

On July 18th we met with the War Labor Board Tripartite Panel. While we have no evidence as to the results of the panel hearing, two members were in favor of the arbitration clause, making it appear that it may be forced upon us. Our overall impression was that the panel members were trying to be fair.

After the panel submits its report to both Union and Management, seven days are allowed in which to make comments.

War Manpower Commission

In connection with the War Manpower Commission's efforts at creating "a better balance between labor demand and supply", we have been given a male employment ceiling of 246 workers. If we find this ceiling inadequate, we may make an appeal through the local W.M.C. office. These groupings were established to determine preference ratings for labor supply.

Group A-1	Urgency list	Behind schedule
Group A-2	" "	On schedule
Group B-1	Essential industry list	Behind schedule
Group B-2	" " "	On schedule

We were classified as Group B-2 with our male quota based on the force we had in March of this year.

INVENTORIES

Zinc Oxide Department

Total value of inventory is down to $485,908.07 on June 30th as compared to $622,740.43 on March 1st.

Refining Department

Here too, inventories are following a downward trend, as indicated below:

	Pounds Lead	Ounces Silver
January 1st, 1944	10,549,048	958,035
June 30th, 1944	9,786,530	646,578

White Lead Department

The value of inventory in the White Lead Department is $377,329.43, up $136,000.00 over January 1st. Practically all of this value is in finished products, and of course is the reason for our shut-down of this department. Our starting up date depends on how rapidly sales will reduce our inventories.

After having read this letter, will you kindly advise us as to your reaction concerning the reporting of the two sets of income figures for the pigment plants.

We hope this information will be helpful.

Very truly yours,

GEJ/bm
cc: Mr.F.Laist