

MOCAN

W. E. Schalk - St. Louis

February 1, 1971

MONSANTO CANADA LTD.
PLASTICIZER PROGRAM 1971

FILE

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Work review sessions were held in Montreal on January 27th and 28th of 1971. The specific topics that were reviewed and agreed upon are as follows:

- (1) Santicizer 711 import program
- (2) Canadian alcohol outlook
- (3) Canadian Santicizer 160 resale and pricing outlook
- (4) Polymeric sales in Canada
- (5) Aroclor 5460 pricing in Canada.

I Santicizer 711 Import Program: Our previous MOCAN program called for the separation of Monsanto alcohol at Texas City into a C₁₁ fraction and a C₇C₉ fraction and shipment to Monsanto Canada for esterification at Montreal into the following products: 7.9 Adipate, 7.9 Trimellitate, 7.9 Phthalate, a reblend of alcohols to a Santicizer 711, and a DUP.

Forecasted operations at Montreal combined with the alcohol outlook for Canada now dictate the modifications spelled out in the attached summary calling for 7.9 alcohol importation but no manufacture of 7.9 phthalate or 711 phthalate in Montreal. Instead a program of direct importation of Santicizer 711 (U.S. manufacture) from storage at New Haven initially and later tanker movements from Texas City to bulk storage at Toronto was agreed upon.

Some comments on Canadian Tariff law are in order: The following alcohols are presently dutiable at 15% M.V.F.: 2-ethylhexanol, 6.10 alcohol, 711 alcohol and 7.9 alcohol. Exempted from duty is iso-octanol, iso-decanol, iso-nonanol, tri-decanol and C₁₁ alcohol. Curiously, Canadian regulations impose a duty on alcohol mixtures of varying carbon chain lengths, e.g. 6-10 alcohol and 7.9 alcohol. It does not, as Conoco alleges, additionally discriminate against isomeric blends of alcohol. Hence, separate cuts of Monsanto alcohol C₇ or C₉ or C₁₁ would enter duty free despite our isomeric mixtures. With respect to 2-ethylhexanol, it is dutiable although currently not made in Canada under request granted NAEF who

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allege a 2-ethylhexanol facility under construction. Should BASF suspend or abandon alcohol production plans for Canada, it is felt that MOCAN could make a successful petition to Ottawa for a duty free entry of 711 alcohol as well as 2-EH./

It was agreed that Monsanto U.S. would furnish Santicizer 711 from the U.S. to Canada with standard MOCAN resale commissions. In addition, a $\frac{1}{2}$ ¢ inland freight allowance will be extended to MOCAN; covering bulk delivery to the major customers in the Toronto and Montreal areas.

Example:

U.S. price + Canadian duty + exchange - freight -
commission = MOCAN price delivered
 $12.75¢ + (15 + 2) - .5 - 8\% =$ MOCAN price delivered
 $12.75¢ + 2.17¢ - .5 - 8\% = 13.4¢$

As a credit against this series of transactions, Monsanto Company would receive 1.25¢ per pound of finished ester as duty drawback to be credited to Santicizer 711 basic upon previous phthalic importations.

This program at this point commits M.C. to a continuing program of competition with Conoco and BASF (Canada) through whom they will hope to move alcohol as phthalates, to the customers delineated in the attached program. Significantly, it not only permits but actively abets the profitable MOCAN production of Trimellitates, Adipates and DUP as well as the vigorous resale of 7 H₂ of Santicizer 160 into the Canadian market. The advantages of this program are obvious when we consider the cost to Monsanto in MOCAN profitability, particularly in Santicizer 160 pricing, if crude attempts of Santicizer 711 alcohol marketing programs are pursued.

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- II Canadian Alcohol Outlook: It will be recalled that Shawinigan, the original Canadian producer of 2-ethylhexanol announced an expansion in capacity. Later BASF announced a 100 Mw new 2-ethylhexanol facility. This announcement resulted in Shawinigan suspending Canadian production of 2-ethylhexanol and cancelling their proposed expansion.

The BASF facility was originally forecast to be operational in mid-1971. This date was later pushed back to the first of 1972. The prevalent rumor now is that these plans are indefinitely suspended. In response to our direct query, BASF officials said that they would be in a better position to comment after an alcohol meeting in Germany was concluded sometime in late February 1971.

Several considerations combined to make a BASF alcohol venture an extremely risky venture. First, a North American oxo alcohol glut that would see the Canadian venture forced to export into an already over-produced U.S. market. Secondly, the BASF requisition of Howards has propelled them into a rapidly declining phthalic/DOP market with consequent serious earning problems.

Their interim posture at Ottawa is to have continued tariff protection for Canada. The argument is that no tariff protection prior to Canadian production would encourage a torrent of imports and stockpiling that would result in no sales of Canadian alcohol after the Canadian plant came on stream.

- III Canadian Plasticizer 160 Resale and Pricing:
The total Canadian market is estimated at 9 Mw.
(This estimate pretty well corresponds to the 10% factor, Canadian market size versus the U.S.).
The previous 12 Mw estimate was erroneous.

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Of this 9 M# market, 6 M# sales are forecast to the flooring industry at 16¢ per pound pricing. This pricing is valid at 13¢ Canadian DOP pricing. However, if Canadian DOP comes down, our Santicizer 160 flooring price would be strained. If Santicizer 160 were reduced to invade the DOP market, the retaliation by DOP would see an undesired price decline without a compensating volume increase.

International Chemical, who took 500 M# from H.G.D. in 1970, will buy this volume from MOCAN in 1971 at 15.25¢ (U.S.).

BASF, who purchased 1.5 M# from W. R. Grace in 1970, will secure this volume from MOCAN in 1971 via a phthalic anhydride exchange.

Finally, the subject of BASF receiving S-160 from U.S. production was revisited. It will be recalled that BASF of Canada had requested M.C. for U.S. shipments in the hope of recovering the phthalic duty on shipments made to us in late 1970 at Everett. Since they paid the duty, the procedure would be complex, awkward, but possible. I told Brydon that we didn't want to do this but would leave these negotiations to him with the understanding that we would ship from the U.S. if MOCAN felt it was necessary to preserve this volume for Monsanto.

IV Polymeric Sales in Canada: Monsanto produced polymeric, derived from adipic acid, is fully dutiable (15% MFN). This ruling in effect to protect the du Pont Canadian production of adipic acid. Meanwhile, many polymeric enjoy a duty free entry since azelaic acid is the starting raw material.

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- V. Aroclors: Aroclor pricing in Canada, parallels U.S. pricing. This is U.S. export and hence under the direct control of St. Louis. U.S. price increases will be automatically passed on to Canadian customers.

W. E. Schalk

WES/mjs

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OAKVILLE CONVERSION

<u>What</u>	<u>Who</u>	<u>When</u>
Switch Monsanto Oakville entirely to U.S. produced Santicizer 711	John Brydon to set up by visit	To be completed by 2/1/71
Monsanto U.S. to explore delivery capabilities to Toronto	Jack Kagan to explore traffic rates from New Haven to Toronto	To be completed by 2/4/71
MOCAN to coordinate technical session at Oakville, Ontario	Joe Darby to lead	To take place week of 2/8/71
Ship T/W Santicizer 711 to Oakville	John Brydon to arrange with Oakville	2/22/71
Change automotive formulations entirely to Santicizer 711	John Brydon and Joe Darby to establish	3/15/71
Drain Santicizer 160 from Toronto tanks, preparatory to Santicizer 711 storage	John Brydon	4/17/71
Schedule either steamer or 20,000 gallon shipment of Santicizer 711 to Toronto	John Brydon Jack Kagan	4/20/71
Schedule regular tech. service visits to Oakville	R. Brell	3/15/71

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STAUFFER

<u>What</u>	<u>Who</u>	<u>When</u>
Have technical discussion on Santicizer 711 with Bernie Craven	J. R. Darby Jim Overing	2/8/71
Institute sampling program on Santicizer 711	Jim Overing	2/8/71
Seek T/T trial on Santicizer 711	Jim Overing	3/31/71
Have tech. service follow up on Santicizer 711	Jim Overing J. R. Darby	5/15/71

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CANADIAN GENERAL TOWER

<u>What</u>	<u>Who</u>	<u>When</u>
Send trial drums of MOCAN produced Santicizer 711 to customer	Jim Overing	2/5/71
Schedule tech. service to customer	Jim Overing J. R. Darby	2/8/71
Push for bulk trial of Santicizer 711 to customer	Jim Overing	3/15/71
Complete conversion to Santicizer 711	Jim Overing	5/1/71
Make presentation on Santicizer 711 to re- place currently used blend of phthalates/ adipates	J. Darby D. Press	5/15/71

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UNIROYAL

<u>What</u>	<u>Who</u>	<u>When</u>
Initiate 711 discussions at purchasing level	J. Brydon	2/1/71
Arrange for drum trial at Kitchener	J. Overing J. Darby	Before 3/1/71
Have trial completed	J. Overing	Before 3/1/71
Have tank truck trial on 711	J. Overing	By 4/15/71

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