Monsanto

FROM (NAME & LOCATION): B2SH P. G. Benignus

DATE: October 28, 1971

cc: 5270 T. Katayama
B2SL T. L. Gossage
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SUBJECT: Japan - Aroclor
St. Louis Meeting with Messrs. Katayama and Shibu

REFERENCE:

TO : B2SA
H. S. BERGEN

We are confronted with dismal statistics, broken down as follows:

Uses	Total Japanese Domestic Market	MMK Share
	Metric Tons Per Month	
Capacitor	140	20
Transformer	60	20
Heat Transfer	15	30
Others	60	30
	275	80
6 months 1971	1,650	480*

*80 MT is resale of MC Aroclor to Matsushita.

Due to PCB pollution, heat transfer and other market use will probably expire. Also the MMK resale of MC Aroclor to Matsushita has been terminated. Thus the above statistics would appear as:

Uses	Total Japanese Domestic Market	MMK Share
	Metric Tons Per Month	
Capacitor	140	7
Transformer	60	20
	200	27

Again due to PCB pollution and the fact that the Japanese have shown little enthusiasm for transformer askarel it is not likely that this use will expand and it will probably shrink to virtually only the Japanese railroad requirement. As we do not have this figure and although not large we continue the assessment in terms of capacitor Aroclor.

The above reflects domestic Japanese capacitor Aroclor use of 3.7 M lbs. per year. This is probably low and we would estimate 5.0 M lbs.

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However, this is beside the point because MMK after years of great effort still do not have domestic acceptance of MMK capacitor Aroclor.

	Annual MMK Sale of Capacitor Aroclor
Domestic	200,000 lbs.
Export to India	200,000 lbs.
Total	400,000 lbs.

If indeed MMK can count on supplying 20 MT per month of transformer askarel blend containing 60% of Aroclor, the near term MMK annual total Aroclor requirement is about 700,000 lbs. with optimism.

This equates against the MMK plant capacity of 10,000,000 lbs. Aroclor annually. Sales appear headed for about 7% of capacity.

It is believed that Kaneka's Aroclor plant capacity is now about 15,000,000 lbs./yr.

Accordingly it appears that about 18 to 19 M lb. annual unused Aroclor capacity exists in Japan.

This puts heavy pressure on the Japanese domestic Aroclor prices which are now 16 to 17 cents per pound in bulk, down from formerly 19 cents. The pressure seems even heavier in ROW markets. For example to compete against Kaneka in India, MMK meets prices as low as 15.87 to 16.55 cents CIF Bombay, while schedule ex-U.K. is 22.65 CIF.

MMK has done this not withstanding that it leaves no profit as their direct conversion plus indirect costs are probably at least 17 cents per pound. Likewise Kaneka cannot make a reasonable profit at these low prices. While Kaneka initiated the price cuts they recently visited MMK to make a more realistic export marketing arrangement.

It has been suggested by some of our people that MMK withdraw from the Aroclor business if Kaneka would agree to purchase their biphenyl requirements from MMK. However, alone this would throw open to Kaneka much of our ROW Aroclor market with no limitation against Kaneka's relentless thrusts.

In any event, regarding the PCB pollution situation it may be desirable for MMK to import Aroclor 1016 from MC until all of this is resolved. This would not be very profitable for MMK but would give time to assess a column or other changes while holding and hopefully increasing MMK domestic sales of capacitor Aroclor.

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