

LEAD INDUSTRIES ASSOCIATION

420 LEXINGTON AVENUE

NEW YORK 17, N. Y.

November 8, 1946

To Members of the Lead Industries Association:

SUBJECT: ADDRESS BEFORE THE NATIONAL PAINT, VARNISH &
LACQUER ASSOCIATION ON LEAD PRODUCTS

Attached please find a copy of an address delivered by your secretary at the convention of the National Paint, Varnish & Lacquer Association in Atlantic City today, on LEAD PRODUCTS used by the paint industry.

Very truly yours,

H. W. Brown
Secretary.



LEAD PRODUCTS

By: Felix Edgar Wormser, Secretary
Lead Industries Association

Although the topic assigned to me is LEAD PRODUCTS used by the paint industry, such as white lead, red lead, basic lead sulphate and other lead pigments, I intend to speak almost entirely on the pig lead situation because it is the root of your current inability to procure all the lead pigments you might like to utilize.

The pig lead shortage today is an excellent illustration of what Government controls on prices, profits, production, distribution and imports can do when they supplant the operations of a free market in a commodity of international importance. The elements in the lead situation are easy to grasp. In the first place, lead has wide application in industry and is so extraordinarily useful that in times of great business activity, as today, the demand for it is exceptionally strong. For example, the automotive industry needs large quantities of lead for the construction and continued operation of automobiles, in storage batteries, solder, bearing metals, brake linings, and in the very gasoline which propels them. The building industry, as you well know, requires large amounts of lead in the form of paint, both white lead and red lead, in plumbing, and in sheet lead wherever sulphuric acid is used. The public utility industry consumes large quantities in cable sheathings for telephone toll and power lines.

- 2 -

Even the food industry in the United States needs large tonnages of lead, both as the insecticide - lead arsenate - for spraying fruit trees, and as ammunition for the farmer to supplement his food supply and to cut down depredations by predatory animals. There are a number of other important uses, too detailed to mention here. In the aggregate I estimate that, if it were available, industry could consume today, in the United States alone, between 1,000,000 and 1,250,000 tons of lead per year. This continued the wartime trend which set a mark of well over 1,000,000 tons per year for a period of six years, from 1940 to 1945 inclusive.

To satisfy such a huge demand for the metal there are four sources of supply open:

1. Domestic mine production,
2. Domestic scrap or secondary lead recovery,
3. Imports, and
4. Government Stocks, or private stocks.

The fourth source we can dismiss at once, as the Government stockpile is only around 30,000 tons and I do not think the military authorities will look with much favor to an impairment of that modest supply.

Let us analyze the situation in each one of the other available sources of supply as shown on the table following:

U. S. LEAD SUPPLIES (1937 - 1946)
(In Short Tons)

	<u>U.S. Mine Production of Lead</u>	<u>Secondary Lead Production</u>	<u>Imports (Lead Content)</u>	<u>Total Supply</u>
1937	456,000	275,000	41,000	781,000
1938	370,000	225,000	64,000	659,000
1939	414,000	242,000	87,000	742,000
1940	457,000	260,000	282,000	1,000,000
1941	461,000	397,000	381,000	1,240,000
1942	496,000	323,000	492,000	1,312,000
1943	453,000	342,000	319,000	1,115,000
1944	417,000	331,000	321,000	1,070,000
1945	388,000	363,000	300,000	1,051,000
1946 (Estimated)	350,000	300,000	125,000	775,000

- 3 -

1. Domestic Mine Production - By dint of extraordinary effort and the sacrifice of their ore reserve position, many lead mines were able to keep production keyed up to a relatively high pitch during the war and succeeded in producing close to 500,000 tons in 1942. Thereafter, however, owing to progressively serious labor shortages, production declined until this year only about 350,000 tons of lead are expected to be produced. Only about two-thirds the labor necessary for capacity production is now working in the mines, and it is doubtful whether the lead mines may expect much relief so long as we have "full employment" in the United States.

In addition, lead mines have been operating under a subsidy system whereby most mines have been paid a bonus above the ceiling price of 8.25¢ per lb. The bonus may range from 1¢ up to 7.50¢ so that the top price received by some mines is 15.75¢, but the bonus is only paid on production above a quota determination of the Government for each individual mine. Some American lead mining companies, however, are not receiving one cent in subsidy but are compelled to sell their lead at 8.25¢ while the Government at the same time is purchasing lead from Mexico and other countries at 10.25¢, selling it at 8.25¢ in this country and absorbing the loss, a discrimination against some of the citizens of our country in favor of the nationals of another.

Moreover, the mine quota is subject to change at one month's notice, so that after it has been set, and if a mine should redouble its efforts to increase its profits, the quota would be readjusted speedily. This is not a system calculated to produce the utmost from American lead resources.

2. Domestic Scrap or Secondary Lead Recovery - Now let us turn to secondary or scrap lead production. This is an extremely important source of lead and generally accounts for a fairly steady annual tonnage of between 300,000 and 350,000 tons of lead per year. Please note that this tonnage corresponds closely to the tonnage extracted from the lead mines themselves.

- 4 -

A most interesting situation developed during the OPA "holiday" which has partly dried up this source of lead. During the OPA "holiday" an open market prevailed and the price of lead rose to 9.50¢, but when the OPA was restored to life, it rolled back the price to 8.25¢, with the immediate result that scrap dealers had no desire to sell their accumulations to the smelters and refiners at the ceiling price, knowing full well that the OPA statutes would expire on June 30, 1947, and that the price of 8.25¢ was far below the world market. As a matter of fact, the world market is around 10.25¢ today. In other words, the scrap dealer was taking a very small gamble indeed in sitting on his lead rather than to dispose of it at a sacrifice price. In addition, some ores and concentrates and scrap, which were bought at 9.50¢ by the smelters during the OPA "holiday" are frozen today as the purchasers naturally do not wish to sell this material at a loss, at 8.25¢. So much for the scrap situation.

3. Imports - Now let us look at the third source, namely, imports.

A great change has taken place in the lead economy of the United States. Before the war lead production and consumption were in balance and imports were of minor significance. During the war, however, American industry demonstrated its capacity to consume such large amounts of lead that the United States mines, plus the scrap, were no longer able to supply the demand, so large tonnages of lead in both merchantable pig form and in ores and concentrates were imported. In 1942 close to 500,000 tons were imported in that fashion and for the six years 1940 to 1945, imports averaged 349,200 tons per year.

Here, again, however, an important Government control stepped in, a control that is largely responsible for the partial paralysis existing in lead consuming industries. The Government became the sole importer, during the war. Private imports were forbidden. Recently it was revealed that the Government has some sort of an informal understanding with England to limit its imports into the United States, on what basis has never been disclosed. Hence, the imports of

- 8 -

lead coming into the United States in 1946 will total only 125,000 tons and this despite the fact that lead is available in Mexico, Canada, Australia, Peru and elsewhere if American companies were permitted to buy it. Several companies, desperately needing lead for the conduct of their operations, have appeared in Washington and requested permission to purchase lead from Mexico, or other countries, at admittedly higher prices than the domestic ceiling price, but expressing a willingness to observe domestic ceilings on resale here. Their pleas have been uniformly denied. The power of the Government to continue import restrictions expires on March 31, 1947, under the Second War Powers Act, and I hope it will not be renewed.

In view of the facts in the lead situation as I have given them above, I suggest a simple remedy, i.e., that the Government decontrol lead and lead products. They are all negligible items in the cost of living of the American people but of tremendous significance in our industrial economy. A free market would then be restored and enable users of lead to bid for the metal internationally as well as nationally. It seems odd to me that meat, dairy products, and other commodities of vast importance in the daily cost of living should be decontrolled whereas lead must continue under strict controls.

If we are not to have decontrol, the Government might at least advance the ceiling price to the world market price so as to unlock the present frozen stocks of ores, concentrates and scrap and to encourage the steady and free movement of scrap to smelters.

If this isn't done, then more lead should be imported into the United States by the Government and the premium price system modified so as to introduce incentives rather than restrictions on production. Until Government controls on lead are terminated the lead shortage will be with us.

From a long range point of view, let me reassure my listeners that the lead shortage is something I consider purely transient. Higher postwar prices of

- 6 -

lead will, I am confident, so stimulate prospecting and exploration throughout the world that new sources of production will be discovered, as in the past, and existing sources intensively exploited.

In this connection, considering the Bureau of Labor Standards commodity price index, lead is not expensive currently. In fact, 11¢ is the price at which it should sell in relation to other commodities today, if the index is used as a standard. The ceiling is 8.25¢.

Higher postwar prices will no doubt cause lead to lose some existing markets to substitutes but it is a contingency that must be borne under our competitive free market system while the period of necessary readjustment occurs.

What all of this will mean to the future of lead in the paint industry is a matter largely of conjecture. I do feel, however, that as the paint industry is only one of numerous important lead consuming businesses, paint makers should press the Government for a supply of the raw material so long as Government controls remain, just as other lead consuming industries are doing. Some lead pigments were understandably sacrificed during the war so that more batteries, ammunition and other war products could be made, but that situation no longer exists. It is, therefore, I believe, a sound policy for the paint industry to protect its interests in demanding a fair peacetime share of the available domestic and foreign supply, or it may be lost in the scramble.