AIR MAIL February 5th, 1946

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 December, 1945 operations at the East Chicago plant:

## LEAD REFINING DEPARTMENT

The income for the month:

| | |
|---|---|
| Lead Refinery | $1,160.44 |
| Bismuth Refining | 986.85 |

The tonnage treated in December was 3,248 tons as compared with 3,516 tons in November and 3,508 tons in October.

The Lead Refinery income is accounted for as follows:

| | |
|---|---|
| Inter-company materials | $1,467.84 |
| Outside custom materials | 2,513.66 |
| Mixed Metal Operations | 1.10 |
| Discounts earned | 113.52 |
| | $1,160.44 |

**Mixed Metal Operations**

The mixed metal income was adversely affected due to charging a selling expense against this operation for the first time. A summary of sales, selling expense and income since going into this business has been as follows:

| 1945 | Tons Sales: Cabling Lead | Tons Sales: Spec. Sb Lead | Selling Expense | Income |
|---|---|---|---|---|
| September | 1 | - | - | 16.89 |
| October | 8 | 119 | - | 433.06 |
| November | 66 | 230 | - | 994.99 |
| December | 50 | 234 | $744.01 | 1.10 |

We had sold another 100 tons of antimonial lead in December to Delco-Remy, which we could not deliver because of the General Motors strike. Our mixed metal business is steadily increasing, and is more profitable than appears on the surface, since the base, upon which our margins are predicated, is a rather high one.

Silver Parting Charges and Treatment Costs on Raritan Materials

Effective January 1st, 1946, Raritan will charge us $9.00 for parting 1,000 ounces of our Dore' bullion, as compared with a previous charge of $6.00 per M. We are preparing a new schedule for the treatment of Raritan Slag and Sludge, which will be based on our 1944 costs per unit of impurities. We expect this schedule to apply until we can prepare another one based on our 1945 costs. As soon as all the 1945 figures are available we will begin working out a new set of cost per unit of impurity figures.

1945 Metal Recoveries

The following tabulation shows the metal recoveries assumed during 1945, and our actual recoveries for the three years 1943, 1944 and 194

| | Assumed Recoveries 1945 | Actual Recoveries 1943 | 1944 | 1945 |
|---|---|---|---|---|
| % Lead | 99.70 | 99.566 | 99.629 | 99.547 |
| % Antimony | 80.00 | 82.895 | 76.723 | 76.597 |
| % Silver | 100.00 | 100.742 | 101.491 | 99.585 |
| % Gold | 100.00 | 100.342 | 101.287 | 103.526 |

Of the net adjustments in our December accounts for the difference between the assumed 1945 recovery and the actual recovery as revealed by inventory was an adverse factor of $3,000. This result is not surprising because we have recognized during the past two years that our assumed recoveries have been somewhat on the optimistic side because of the favorable recoveries we have shown in recent years.

ZINC OXIDE DEPARTMENT

The income for December was:

| | |
|---|---|
| Actual Cost Sheet Basis | $1,222.34 |
| New Money Basis | [illegible] |

Summary of Operations

| Unit | Number Days Operated | Material Produced |
|---|---|---|
| No. 1 Muffle Furnace | 30 | Slab Zinc |
| No. 2 Muffle Furnace | 2 | Lead-free Zinc Oxide |
| No. 3 Muffle Furnace | 5 | Leaded Zinc Oxide |
| No. 4 Muffle Furnace | 28 | Lead-free Zinc Oxide |

Chemical Warfare Service Termination Status

In our November accounts the Custom Metal Purchased Account was credited with $20,000 based on our preliminary negotiations with the Chemical Warfare Service concerning our temination claim. In our December accounts, we have included an additional credit of $3,700 which probably is the final settlement credit for this termination claim. All of the termination claim papers are now in the hands of the Disbursement Officer of the R.F.C. and we expect to receive a check for the final settlement in the near future.

Sales

Sales of zinc oxide increased from 482 tons in November to 525 tons in December. Slab zinc sales increased from 75 tons in November to 125 tons.

Review of 1945

The income for the Zinc Oxide Department for the year 1945 was $72,707.19, which was rather encouraging. Annual incomes since 1940 are shown below:

| | |
|---|---|
| 1940 | $ 17,596.48 |
| 1941 | 214,877.19 |
| 1942 | 148,304.01 |
| 1943 | 88,654.36 |
| 1944 | 1,900.99 |
| 1945 | 72,707.19 |

In reviewing the year 1945, it should be pointed out that the operation of the American Block using Great Falls dross as a raw material has practically been eliminated for the major part of the year. All of our oxide for paint purposes, including the oxide used in leaded zinc oxide, is now being produced on the Muffle Furnaces using scrap as a raw material. It should also be mentioned that we reduced the price of our zinc oxide from 9-¼¢ to a competitive price basis of 7-¼¢ in September, 1945, and that our sales volume has gradually increased since that time.

WHITE LEAD DEPARTMENT

The income for December was as follows:

| | |
|---|---|
| Dry White Lead | $2,859.81 |
| White Lead-in-Oil | 2,491.68 |

December sales of 482 tons (451 tons of Dry Lead and 31 tons of Lead-in-Oil) could have been larger if we had been able to fill the orders for special grades which we had received. The increase in East Chicago stock of 116 tons which occurred in December was due to the accumulation of some special grades during the month.

December cost of white lead produced was 7.081¢ per pound as compared with an average cost for the year of 1945 of 7.480¢ per pound. This resulted in a favorable effect on the income for December of $3,800.00.

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Containers
The Lead-in-Oil container situation is a serious and an embarrassing one to our Sales Department. The strike of the employees of the Geuder-Paeschke and Frey Corporation is now in its sixth month. There is not much encouragement that the strike will end soon. The National Lead Company, who also depended on this firm for their Lead-in-Oil containers, is now making its own containers and has employed the former Sales Manager of Geuder-Paeschke and Frey. The National Lead Company is therefore now in a position to fill up their warehouses and dealers shelves with their Lead-in-Oil. We are using a light gauge steel container that is used in the trade as a grease container. It is not too satisfactory because the lighter weight steel does not take the handling as well as our standard container. The Purchasing Department is doing all within its power to get another source of Lead-in-Oil container. We, if possible, will try to line up at least two sources of supply for containers in the future. I think there has been every reason why our former source of Lead-in-Oil containers has been wise because the container has been an excellent one for our purpose. The patents on this particularly good container, however, will expire in 1946 and therefore we believe that other manufacturers will be able to make a satisfactory container.

## INVENTORIES

Refining Department
The amount of lead in inventory on December 31st was 7,982,714 pounds, a decrease of 216,040 pounds during the month. The silver in inventory was 392,833 ounces, a decrease of 15,557 ounces since November 30th.

We should like to point out here that we decreased the lead in process during the month of December by 1,050 tons. This large reduction does not show up in the 216,040 pound decrease indicated above because there was 800 tons more bullion on hand and in transit on December 31st than on November 30th.

Zinc Oxide Department
The value of the inventories on December 31st was $616,000, an increase of $28,000 over the previous inventory. However, this figure includes a slab zinc inventory of $49,500 for zinc which had not been delivered to the A.S.&R. Company. In January we shipped 300 tons of slab zinc to the Federated Metals and therefore the large inventory of slab zinc has been depleted as of January 31st.

White Lead Department
In the White Lead Department the inventory increased from $158,000 on November 30th to $190,000 on December 31st. This increase of $32,000 was accounted for by an increase of $11,000 in finished white lead, $19,000 in finished lead-in-oil and $2,300 in in-process materials. The increase in stock was accounted for by the production of special grades which could not be shipped out during the month because certain shipments were held up until other special grades were available for consolidated shipments.

## LABOR

We met with the Union Committee on January 3rd, 1946 and at that time reached a substantial agreement on the proposed contract on all elements except the question of a satisfactory Maintenance of Membership clause that would comply with the new Indiana laws. On January 10th we held another meeting with the Union at which Mr. Widman, General Organizer for the United Mine Workers of America, with offices in Washington, attended for the specific purpose of clearing up the Maintenance of Membership clause questions. The net result of this meeting was that Mr. Widman insisted that we grant the Union a Union Shop instead of our present Maintenance of Membership clause and dues deduction provisions. This we refused to do and Mr. Widman agreed to extend our present contract for another 30 days or until February 14th, 1946. We expect to hear from the Union and their position on the Maintenance of Membership clause some time before February 14th.

We also held a meeting with the Union Committee on January 31st relative to a grievance concerning the Rotary Furnace Fireman's rate. The Union agreed to allow the Company to make some changes in the equipment on the next run with the understanding that the Company would give them a definite decision concerning the rate of pay for this job after the next run had been completed.

## OUTLOOK

### LEAD REFINING DEPARTMENT

#### Mixed Metals

The outlook for sale of mixed metals is encouraging. It is now apparent that our entry into the mixed metal field was well timed as far as demand for lead metals is concerned.

#### Battery Plate Situation

We seemed to have reached a crisis in the purchase of battery plates for scrap. Our break-even price is a treatment charge of $23.00 per ton, f.o.b. our plant East Chicago. The O.P.A. ceiling price is a $22.00 treatment charge, f.o.b. point of shipment. Between the O.P.A. ceiling price and our break-even price there is approximately $5.00 to $10.00 per ton difference depending on the point of origin of the scrap. The Federated Metals plant in Whiting is on a strike, and even under this condition they are quoting competitive prices and it is rumored that they are advancing money to the dealers for any plates that the dealers will store for their account during the strike period. Goldsmith Brothers are reported as offering a treatment charge of $22.00 f.o.b. their plant with $2.00 freight allowance, or $3.00 per ton more than we are quoting.

It is quite possible that we will be forced out of the battery plate market unless we can justify a speculative gamble on future lead prices.

ZINC OXIDE DEPARTMENT

The strike of the employees of the American Zinc Lead and Smelting Company has been terminated. We benefited by this strike situation to the extent of 90 tons of zinc oxide which were sold to their customers. The threatened strike of the employees of the New Jersey Zinc Company has apparently been eliminated by an agreement to pay them 15¢ per hour more wages effective when their new contract begins.

Scrap

Our receipts and consumption for December and January are shown below:

| | Receipts | Consumption |
|---|---|---|
| December | 390 tons | 643 tons |
| January | 659 " | 632 " |

We have approximately a 60-day supply on hand. It is now apparent that all of the low priced Kirksite that we were able to obtain last fall has been disposed of to the point where prices have appreciably strengthened. Last fall we were able to obtain a 90 to 120-day supply of Kirksite at about 4-1/8¢ per pound, f.o.b. East Chicago. The present prices fr Kirksite dies range from 4-½¢ to 5.2¢ per pound delivered to East Chicago. It is rumored that many of the war plants that handle large quantities of Kirksite dies have been able to reconvert these dies into peace-time uses without disposing of the scrap. This very likely is accounted for by the obvious practice of remelting a number of these Kirksite dies and recasting them into new shapes. In retrospect we probably could have saved considerable money on our scrap purchases had we been justified in the purchase of six months' supply of scrap. We understand that the International Minerals and Metals Corporation has purchased several thousand tons of Kirksite dies and are anxious to obtain about 10,000 tons in order to justify building a furnace for treating this type of scrap. The Federated Metals Division of the American Smelting and Refining Company is also actively bidding on Kirksite, particularly on the Pacific Coast and at their local Whiting, Indiana plant, even though the latter plant is on strike in connection with the current steel strike in this area.

REVIEW

In reviewing the results of the three plants in East Chicago for 1945, I thought it might be of interest to you to note the difference in income of what would have occurred in 1945 on the old basis in 1944 and the new basis in 1945. I believe the tabulations below will give you a comparison of the old and the new basis.

| | Old Basis | New Basis |
|---|---|---|
| Lead Refinery | $105,288.70 | $ 28,121.65 |
| Bismuth Refining | 1,982.47 | 17,560.71 |
| White Lead Department | 19,377.42 | 15,072.58 |
| Zinc Oxide Department | 70,344.66 | 70,344.66 |
| | $ 5[illegible],338.99 | $ 100,954.44 |

Please note that this change in income did not affect the Zinc Oxide Department results because there was no change in our bookkeeping for this department.

We hope this information will be helpful and received in time for your needs.

Very truly yours,

G. Johnson.

GEJ/bm
cc: Mr.F.Laist