Monsanto

FROM (NAME & LOCATION) B2SH Cumming Paton

DATE November 11, 1971

SUBJECT Revised Therminol FR Conversion Offer

REFERENCE

TO : Domestic Salesmen and Sales Managers

cc B2SJ N. T. Johnson
B2SL T. L. Gossage
B2SH J. J. Roder
B2SH D. E. Roush
B2NK W. B. Papageorge
C1NA P. S. Park
B2NB J. R. Savage
T3A W. R. Richard
B2SG C. L. Bradford

Our present conversion offers on Therminol FR are:

a) Monsanto absorbs return freight on FR fluids.
b) Monsanto pays incineration costs of $0.03 per pound.
c) Monsanto (sometimes) has supplied free Therminol 55 for flushing the system.
d) Monsanto sells refill fluid at much lower prices, i.e. $0.22/lb. for T-66 and $0.095/lb. for T-55.

This is too costly to continue in its present form. For example, consider a 2000 gallon FR-1 system being converted to T-55 or T-66. (Assume freight rates of $0.03/lb.)

1.	Five drums free T-55 for flushing (FOB cost):	$253
2.	Freight on T-55 for flushing:	64
3.	Return fluid freight (~27,000 lb. gross):	840
4.	Incineration cost (~25,000 lb. net):	750
		$1907

2000 gallon refill T-55:	15,000 lb.
2000 gallon refill T-66:	17,000 lb.
Conversion cost/lb. T-55:	$0.127/lb.
Conversion cost/lb. T-66:	0.112/lb.

These costs are before the price discount is applied. Even without flushing fluid, the conversion cost is ~$0.10/lb. for T-55 and $0.093/lb. for T-66.

	T-55	T-66
Discount FOB price	$0.095/lb.	$0.220/lb.
Conversion cost	0.127	0.112
Net FOB	-0.032/lb.	0.108/lb.

These net-backs are totally unacceptable. Accordingly we are revising our conversion offers on Therminol FR effective immediately. The new offer is described in the attached memo.

Cumming Paton

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Attachment

Therminol FR Conversions

Effective November, 1971

1. The policy of no new FR systems remains in force.
2. Conversion of direct food related systems has been completed.
3. Remaining customers have been classified into approved and unapproved categories. These lists will issue before the end of November.
4. Over the next four months priority should be given to converting unapproved customers comprising: curtain coaters, film and foil producers, adhesive, printing ink and resin manufacturers. A list of such accounts will be issued before November 30.
5. Such conversions (in person where possible) are targeted for completion by March 1, 1972.
6. A Therminol FR to 55 or 66 conversion brochure is in the final stages of preparation.

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Conversion of Unapproved Therminol FR Systems

(Domestic U.S. customers only)
Effective: November, 1971

1. No more free fluid is planned for any account.
2. Flushing fluid where needed will be sold at $0.90 per gallon FOB plant. We will in fact ship Therminol 55 not 66.
3. The aim in each conversion is to refill with Therminol 66. In letters to customers only Therminol 66 should be offered. On personal visits Therminol 55 should be offered only as a last resort or if petroleum oils are a definite threat.
4. Stress that top-ups with Therminol 66 will cost ~$1.10/gallon less than Therminol FR-1. If the conversion coincides with a top-up or drain-out the cost of conversion is further reduced.
5.

FR Conversion to	T-55	T-66
1. Return freight on drained FR.*	Borne by the customer.	Absorbed by Monsanto.
2. $0.03/lb. incineration cost.*	Absorbed by Monsanto.	Absorbed by Monsanto.
3. Discount price on refill only (FOB) plant	No discount given.	
Bulk		$0.28/lb.
40 dr. and over		0.30
5-39 drums		0.33
1-4 drums		0.35
4. Duration of offer	45 days	45 days

*We will not pay return freight nor absorb incineration costs if a customer elects to switch to a competitive fluid. We will absorb freight and incineration costs only on a volume no greater than refill fluid plus flushing fluid (if provided).

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6. These offers correspond to a total discount of ~$0.35/gallon for Therminol 55 and ~$1.00/gallon for Therminol 66. (Because of lower specific gravities the refill weight of T-55 and T-66 will be much less than FR. Consequently incineration costs when set against T-55 and T-66 will be around $0.04 to $0.047/lb.

   We should still have a good competitive edge in getting Therminol 66 (hopefully) or 55 as FR replacements.

7. Past conversion offers which have lapsed time-wise and have not been accepted by customers are void. The new conditions will now apply.

8. Sealed containers of unused Therminol FR which customers may have in stock will be accepted for full credit if they are returned to Sauget freight prepaid.

9. Product group help is available where needed.

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Conversion of Approved Therminol FR Customers

Effective November, 1971

1. A letter will be sent out to all such accounts encouraging conversion to Therminol 66.
2. To avoid complicating our task in essential conversions, no offers on return freight, incineration or refill fluid discounts should be made to these customers at this time without clearance from Jim Roder or Cumming Paton.
3. We should be alert to the make-up supplied to these customers and if there appears to be evidence of "sloppiness" more direct action may have to be taken.
4. The ideal time to actively follow conversions at these accounts is when a drain-out or major refill comes due. At the bigger accounts please try to get a fix on dates during 1972. In this way we may get conversions at zero cost to Monsanto.
5. At nationally-known accounts, the PCB situation may be enough to cause higher management to decree a change to non-FR systems. Again we should be alert to this method of changeover at minimum cost.