Mr. Steudel said ***

presented quite a few problems. We do not have much in the way of reconversion troubles, but we are up against great substantial shortages. The shortage of raw materials as well as the loss of substantial war business, the institution sales to December 1st are about 5% ahead of last year.

Of course, we have our problems on raw materials. Oil is still very scarce - we have an increased quota but it is not what it sounds. We had a quota of 40% - this new quota is 75%. This new quota of 75% necessitates taking all that oil out of that quota, so actually we are npt as well off as it sounds, but we have been able to get a slight increase in the oil quota to offset it.

Our other raw materials are a little scarce, like titanium- *** scarcity of supply all along during the war, but notwithstanding that we have been abke to get over the hurdle and we hope that the next two months will see some improvement in the titanium situation. The same applies to a few other items that today are extremely scarce. We have, of course, the demands from industry for industrial finishes, who are anxious to get back. They must have finishes that must be right and of good quality. The raw materials are those necessary to produce the finest finishes. Our ability to sell is _____ thanour ability to make the goods. We are still in the seller's market - how long that will continue I do not know, but think for a good part of our fiscal year. I think we will be able tosell everything that we can make.

We are honestly ahead on Kem-Tone - also on Lin-X. And we hav introduced a couple of new specialties, We had the district managers here last week - they are all enthusiastic about the sales possibilities. I think losses we may sustain by reason of shortages in our regular lines, we wi ll be able to offset in sales of these new specialties which take no critical raw materials, so the outlook for this institution for the next few months looks quite good. I am happy to get over the first quarter in such splendid fashion by beating last year's sales to the extent of 5%.

Our plants are in good shape, all up to standards, and we are working them practically 24 hours a day where material is available.

We also have plans for expansion. We have a few units that we are very sincerely considering. They are in the blue-print stage now. Just as soon as we can get moving on them we will have adequate production in these new units.

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