Monsanto

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SUBJECT: Thoughts About The Unthinkable

REFERENCE:

TO: H.S. Bergen

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There are several future events which have significant probability and which, taken together, could profoundly impact on polyphenyl investment. They are:

1) Replacement of PCB's in dielectrics;
2) A Dow decision not to buy monochlorobiphenyl;
3) Approval of a Newport HB 40 expansion.

Here is the combined effect:

1977 Polyphenyl Requirements (M Lb.)		Current Forecast	Worst Case
Biphenyl -	Capacitors	11586	0
	Transformers	7713	0
	Santosol 200 (MIPB)	4675	4675
	Monochlorobiphenyl	7681	0
	Sales, Other	5495	5495
	Total Biphenyl	37150	10170
Santowax R -	HB 40/S-300/S-340 Dom.	4833	4833
	S-340 Export	16240	8523
	T-66, Other	7311	7311
	Total Santowax R	28384	20667
	Total Polyphenyl	65534	30837
Polyphenyl Unit Cost		16.6¢/lb	21.8¢/lb.
HB-40 Unit Cost		19.5	25.9

There are even worse possibilities, e.g. Santosol 200 is not secure. While we have looked at each of the possible events in isolation, we have not previously evaluated their combined effect along with our current gloomy biphenyl sales forecast.

DSW 217428

It wouldn't help to block the Newport HB 40 project; that would aggravate the hydrogen shortage and reduce netback more than it helped COGS.

The only real alternate to accepting these higher costs or phasing out would be to find ways to move biphenyl. I certainly would urge that MIPB be given favored treatment as a dielectric base stock if it's technically sound. To supply 20M pounds of new dielectric based on MIPB would move 13M pounds of biphenyl at an incremental cost to the business group of 9-10¢/lb.

It is conceivable that the Krummrich Aroclor 1016 unit could be converted to a MIPB plant and operating costs would be as low as we have projected for the liquid hydrocarbons plant; however, this could only be undertaken if it were a 100% conversion.

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