March 29th, 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 February, 1946 operations at the East Chicago plant:

LEAD REFINING DEPARTMENT

The income for the month:

Lead Refinery	$5,366.18
Bismuth Refining	91.46

The tonnage treated in February was 3,711 tons as compared with 3,508 tons in January.

The Lead Refinery income is accounted for as follows:

Bert:- [illegible]

Inter-company Materials	$3,770.07
Outside Custom Metals	[illegible]
Mixed Metal Operations	837.62
Discounts Earned	176.35
	$5,366.18

The loss shown on Inter-company Materials was mainly due to the shipment of two cars of high tellurium copper dross to Tooele. The loss on Outside Custom Metals was due to the fact that no antimonial lead was produced during the month.

Our refining cost on bullion was $15 per ton as compared with $18 per ton for January.

ZINC OXIDE DEPARTMENT

The February income was:

Actual Cost Sheet Basis	$18,151.67
New Money Basis	2,151.87

Although the income shown above is much below that of recent months, we should like to point out that our record for the past five months is not far from the estimates we presented last September when we were authorized to sell zinc oxides at competitive prices.

In a letter to Mr. Laist dated September 19, 1945, we said, under assumption No. 3, which was the most favorable of the three assumptions made, that assuming "labor and supplies will be the same as at present, with scrap $10.00 per ton lower than at present and includes one extra salesman. On this basis the outcome would be:

"Net income new money - one month $12,987.33"

New money incomes beginning with October, 1945 were as follows:

1945	
October	$12,430.18
November	16,738.29
December	10,907.63
1946	
January	21,587.04
February	2,151.87
Total 5 months	$59,611.32
Average per month	$11,922.26

You will note that the combined results of January and February are near the average. However, in January all the factors happened to be favorable ones, whereas in February we ran into a good many unfavorable factors, such as:

1. Losses sustained in electrolytic zinc operations due to an abnormally high cost of zinc. We believe the cost shown for zinc in the February cost sheets to be incorrect due to inventory errors, which will probably correct themselves in ensuing months.

2. Average price obtained for zinc oxide produced in February from electrolytic zinc was only 8.38¢ as compared with 9.71¢ in January. Total effect of items 1 and 2 on the income was unfavorable to the extent of $13,000.

3. Cost of Kirksite charged in February increased $4.66 over that charged in January. Total effect on income was $2,000.

4. Increased operating costs at Muffle Furnaces from 2.15¢ per pound in January to 2.62¢ in February, adversely affecting the income by $5,000.

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Summary of Operations

Unit	Number Days Operated	Material Produced
No. 1 Muffle Furnace	6	Lead-free Zinc Oxide
No. 2 Muffle Furnace	16	Lead-free Zinc Oxide
No. 3 Muffle Furnace	24	Leaded Zinc Oxide
No. 4 Muffle Furnace	27	Lead-free Zinc Oxide

WHITE LEAD DEPARTMENT

The income for February was as follows:

Dry White Lead	$3,572.04
White Lead-in-Oil	1,420.63

The sales of dry white lead were 646 tons, and the production was 485 tons. This difference of 161 tons was taken from stock, ~~which was~~ in inventory at a production cost of only 5.915¢, as compared with the February production cost of 7.593¢. This had a favorable affect of $4,000 on the income.

INVENTORIES

Refining Department

The amount of lead in inventory on February 28th was 9,360,212 pounds, an increase of 670,711 pounds during the month. The silver in inventory was 553,384 ounces, an increase of 44,623 ounces since January 31st.

This increase is partly due to 240 tons of East Helena bullion in transit which was being diverted to us from the Omaha plant of the American Smelting and Refining Company, and partly to storing intermediate bismuth content Tooele bullion.

Zinc Oxide Department

The value of inventories on February 28th was $486,000, a decrease of $83,000 from the previous inventory. This decrease is accounted for as follows:

Raw Materials	$59,000
In Process	3,000
Finished Product	21,000
Total Decrease	$83,000

White Lead Department

The value of inventories for the White Lead Department were reduced during February from $178,000 to $146,000. This decrease of $32,000 being due to the sales exceeding production by 241 tons (161 tons dry white lead and 80 tons lead-in-oil)

LABOR

Contract Negotiations

We have held no meetings with the Union Committee concerning contract negotiations since our letter relative to the January operations. However, at a meeting on a grievance question, the Committee agreed to extend contract negotiations for another thirty days until April 14th. This means that our old contract has been extended for a total of 120 days.

Wages and Labor Supply

It is becoming almost impossible to employ any labor when our neighbor across the street, the Metal and Thermit Corporation and our competitor, the U.S.S. Lead Refinery, are paying common labor 96¢ per hour. In fact, practically all of the industries in our area are already at the 96¢ level. In all cases where plants have increased wages, they have reverted to the 40 hour work week, which has increased the labor shortage and aggravated our labor problems. While we have not been forced to curtail operations to date, the situation day by day is approaching a crisis.

The rank and file of our labor has developed a restlessness in recent weeks that may force a show-down on our position in the very near future.

OUTLOOK

LEAD REFINING DEPARTMENT

Common Lead Production

We have already began to feel the effect of not having East Helena bullion for diluting purposes. Where we normally produce about 800 tons of low bismuth and copper bearing lead per month, we are making only 400 tons of these grades in March and 200 tons is what we have set up for April.

Our total common lead production will be about 1,000 tons low each month until we again begin to receive East Helena bullion. We are only producing 1,400 tons in March because 700 tons of the Tooele bullion contained about 1% bismuth. This is being set aside for white lead anodes.

Battery Plates

Battery plates continue to be scarce due, we believe, to the dealers being inflation minded. At the present writing we have about 700 tons of plates on hand which we will use on a Residue Furnace run, which is scheduled to begin on April 1st.

Your advice as to how we can proceed to treat battery plates on a subsidized basis similar to the subsidies paid to high cost lead producers, will be appreciated.

ZINC OXIDE DEPARTMENT

Present scrap and Zirksite prices remind us that we purchased approximately a four months supply at prices ranging between 4¢ and 4-1/4¢ per pound. In reviewing this situation, it is evident that a considerable savings could have been made had we purchased a year's supply of scrap, which was readily available shortly after V-J Day.

The recent wave of strikes in non-ferrous metal plants and the settlement of the steel strike, with the probable resultant increase in use of zinc for galvanizing purposes, suggests a possible temporary extreme shortage of zinc, which may affect scrap prices in the second quarter of this year. When the strikes in the non-ferrous metal plants are settled, the situation will no doubt reverse itself.

We are studying our zinc oxide business and the scrap situation to see if it is advisable to consider producing limited amounts of metallic zinc in the second quarter because of the added income this business might temporarily give us.

We would appreciate any suggestions concerning the problems we are facing and hope the information contained herein will help you understand our position in these situations.

Very truly yours,

C. E. Johnson

CEJ/bm
cc: Mr. F. Laist