ANACONDA ZINC OXIDE DEPARTMENT

INTERNATIONAL LEAD REFINING COMPANY

GENERAL SALES OFFICE
EAST CHICAGO, IND.

PLANTS: AKRON, OHIO
EAST CHICAGO, IND.

OFFICE OF GENERAL SALES MANAGER

January 3rd, 1929.

Mr. Robert E. Dwyer,
Vice President,
International Lead Refining Co.,
25 Broadway,
New York City, N.Y.

ACKNOWLEDGED RECEIPT
1-7-29

Dear Mr. Dwyer:

A report on white lead sales is now available showing the approximate results for 1928. The tonnage sold now stands at 9,201.9 tons. This, of course, is subject to slight inventory adjustments and to an addition for agency sales. These adjustments, of course, will be small and we can therefore assume an increase of sales over the 6972.3 tons for 1927, of approximately 2,230 tons.

From the standpoint of profit the 1928 results are encouraging. From a deficit of $70,643.34 after depreciation for the year of 1927, a profit of between $40,000.00 and $45,000.00 will be shown for 1928. The average margin between pig lead and white lead was not exceptionally good for 1928 so that the results are not what I would call normal.

Due partly to the tonnage sold, the Operating Department was able to run at capacity a large part of the year. There was one period of curtailed production in the early months of 1928, but since then operations have been on a maximum basis. Working cost due to capacity operation as well as economy worked out by the Operating Department has shown a continual reduction. The average operating cost for 1927 including depreciation was approximately $44.50. For 1928, the average January to June was 44.629. Since that average was established, a continual reduction has been shown until November had a working cost of 38.786 including depreciation. These results are extremely gratifying and the Operating Department especially deserves a great deal of credit for the results.

The outlook for 1929 is rather uncertain. There are some favorable factors and some not so favorable. Rather than make any statements that are unwarranted, I think the best plan is to enumerate a few of the important factors and leave the rest to the future. It is not unlikely that we may increase our sales for 1929 over 1928, but I feel at this writing that the

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chances are rather for a slight decrease. The result hinges primarily on questions yet undetermined.

First and foremost the pig lead market is the vital factor. The higher the white lead price the more substitutes are used, hence the great difficulty in maintaining a proper differential over pig lead when pig lead is too high. On the other hand a fairly high pig lead market brings the customers on a differential basis up to approximately the card price for white lead. An example of this is the Pittsburgh Plate Glass Company. They buy principally from the National Lead Company. Since we have taken over the sale of white lead, we have been able to introduce our product for a certain high grade premium paint that they desire to make. More of our lead will go into this paint when our price is close to National than when the differential is large. For this reason on a high pig lead market, we might sell a larger tonnage of lead to Pittsburgh Plate Glass Company and yet not show any profit.

Another unfavorable factor pertaining to the sales for the coming year is the activity of the Glidden Company in the dry color market. Glidden's production of dry colors at the A. Wilhelm plant at Reading, Pa., has given Mr. Joyce the idea of marketing his material to his paint competitors. Prices have been reduced as a result and profits on colors have vanished. At the present writing neither Glidden's factory nor anyone else can make anything on dry dolors. Apparently Glidden is going to back down to a certain extent but I have every reason to believe that they will demand a certain price for such action. This price will probably be the purchase of Euston lead by the color makers for the manufacture of certain dry colors. To date this has prevented us getting an additional four or five hundred tons a year from the United Pigment & Color Company, and it may mean the loss of the four or five hundred tons we now have. Our only recourse in such a situation is to stress quality, service and keep our eyes open for any opportunities.

Another adverse factor has been at least the temporary loss of the U.S. Gutta Percha account at Providence, R.I. A variation in viscosity of our lead when ground in oil used for outside white paint has prevented us from getting a renewal of this contract. This is being studied by the Operating Department and if they can furnish a lead of uniform quality and guarantee it, we may be able to get the business again. This difficulty may or may not date back to the change in drying with the Lowden Drier and other equipment. But whatever the cause, I feel certain that our Operating Department will eventually solve the problem although it may cost us the three hundred tons a year from this company for 1929.

There are several favorable factors affecting our white lead market situation. We have just completed a change over in our policy that eliminates all carload prices. From the stand point of justice, a carload price is certainly warranted. From

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the standpoint of the location of the National Lead Company's plants and resulting competition, it is not the practical thing to have. The net result of this to us will be negligible from the standpoint of profit. However, if the market conditions are improved, it should in the long run result in an increase in the differential between pig lead and white lead.

Another favorable factor is the purchase of a Louisville factory by Devoe & Reynolds. They are now getting under way on the Devoe formula and this should mean more lead for our good customer. There are also other numerous small prospects that we hope to get but the large carload buyers that are available are few and far between. Some of those that we do not have are owned partially by Eagle Picher or someone else or are located next to a National Lead Company's factory where they can get lead in oil in truck loads. One or two like the Pittsburgh Plate Glass Company are such large users that they can get a lower price than we can offer.

A large paint corporation has just been formed on the Pacific Coast. This consists of a merger of nine plants scattered from Spokane to San Diego. For some reason the National Lead Company through their subsidiary, the Bass Hueter Company of San Francisco, apparently did not get any of their money into this company. The same is also true of the W.P. Fuller Company of San Francisco. Due to the friction between these two principal producers of white lead and their competitors, we stand a good chance of getting most of this new corporation's business. The Eagle Picher Lead Company is the only serious contender and I do not have any worry about them because of the better quality of our product. If some of the producers of white lead do not get an opportunity to invest some of their money in stock of this corporation, and we are successful in getting the business, it may go a long way towards counteracting some of the adverse factors affecting our sales for the coming year.

To sum the situation up, I feel that the outlook for the white lead is the best it has been since we have had the sales. If there is any possible way of doing it and at the same time making money, white lead sales for 1929 will be equal to production capacity.

Very truly yours,

F. C. Gale

Manager.

FOC:ea.

CC: Mr. B.B. Thayer,

Mr. Frederick Laist.