INTERNATIONAL SMELTING AND REFINING COMPANY

East Chicago, Indiana

ANACONDA from mine to consumer

Pigment Division

October 27, 1944

Mr. R. E. Dwyer,
Executive Vice President,
Anaconda Copper Mining Company,
25 Broadway,
New York 4, N. Y.

Dear Mr. Dwyer:

This is a summary of the sales position of zinc oxide and white lead for the month of September, 1944.

Table No. 1 gives a comparison of zinc oxide sales for August and September of 1944 and the corresponding months of 1943.

TABLE NO. 1

	1944	1943
September	1,721,900 Lbs.	1,376,350 Lbs.
August	1,744,750 Lbs.	1,014,735 Lbs.

During September we sold 800,000 pounds to CWS. We did not sell CWS anything in October and we do not expect to sell them anything during the balance of the year.

CWS had been purchasing 2,500 to 3,000 tons per month. In October this dropped down to 700 tons of which 400 were a commitment made in September but which the producer could not ship in that month. CWS will not purchase any zinc oxide from any one during the months of November and December.

One of the reasons for this falling off in buying by CWS is due to the fact that they have over-bought and have considerable quantities of zinc oxide stacked at several arsenals. We also have information indicating that smoke may be made from white phosphorous instead of the present ingredients, including zinc oxide.

I wish to point out, however, that we have no information of a definite policy being adopted by CWS as regards whether or not they will purchase zinc oxide from us or anyone else in the future and it may be that after the first of the year we will be doing business with them again.

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It is expected that sales for October will be about 1,100,000 pounds. Sales through September, 1944 amounted to 13,389,133 pounds. For the same period in 1943 they were 7,997,735 pounds.

Table No. 2 gives a breakdown according to paint, rubber, and miscellaneous industries.

TABLE NO. 2

	SEPTEMBER			
	1944		1943	
	Pounds	Value	Pounds	Value
Paint	387,600	$ 29,261.60	512,750	$ 36,081.26
Rubber	355,000	33,815.00	406,000	39,995.00
Miscellaneous	179,300	18,129.62	457,600	55,523.23
CWS	800,000	76,000.00	-	-
	1,721,900	$ 157,206.22	1,376,350	$ 131,599.49

	AUGUST			
	1944		1943	
	Pounds	Value	Pounds	Value
Paint	395,050	$ 29,809.91	512,735	$ 37,941.20
Rubber	284,950	27,486.63	176,150	17,144.00
Miscellaneous	264,750	25,437.45	325,850	37,911.62
CWS	800,000	78,250.00	-	-
	1,744,750	$ 160,983.99	1,014,735	$ 92,996.82

We have confidential information indicating that the restrictions on the use of American process lead-free zinc oxide may be lifted December 1st, or not later than January 1st, if CWS remains out of the market. For the past several months the stocks of lead-free zinc oxide have increased slightly. With CWS out of the market, they will probably increase by about 2,500 tons per month if the present production level is maintained.

Such action by WPB would automatically increase the sale of our American process lead-free zinc oxide. While we need more tonnage, due to the price we pay for Great Falls dross, this item is a very unprofitable one for us. We have always tried to keep the sale of it as low as possible and we sell it only to maintain our position in the paint industry.

Table No. 3 gives a breakdown of zinc oxide sales for September according to the three classifications.

TABLE NO. 3

U.S.P. Quality	156,450 Lbs.
Seal	18,200 Lbs.
Other Lead Free and Leaded	1,547,250 Lbs.
	1,721,900 Lbs.

Sales in each of the three classifications were about normal.

Table No. 4 gives the average price per pound for the past three months.

TABLE NO. 4

	1944		
	September	August	July
Average Sales Price - Per Pound	9.130¢	9.227¢	9.452¢

Since the zinc oxide sold to CWS has been at a price of 9.50 and 10.25¢ per pound, it is expected that beginning with October the average price per pound will drop appreciably. A bigger percentage of our sales will be the lower priced American process lead-free and leaded.

Table No. 5 gives a comparison of white lead sales for August and September of 1944 and the corresponding months of 1943.

TABLE NO. 5

	1944	1943
September	1,504,151 Lbs.	1,083,839 Lbs.
August	1,236,363 Lbs.	1,014,232 Lbs.

Dry white lead sales for September were better than expected. In fact, we had the biggest month since March of 1942, with the exception of March, 1944 during which month we urged our customers to anticipate their requirements because of possible labor trouble during April.

Sales for October will be about 1,300,000 pounds. Through September, 1944 sales have amounted to 9,223,358 pounds. For the same period of 1943 they were 7,850,778 pounds.

The immediate outlook for dry white lead is very encouraging. This is due to the fact that the shortage of titanium and lithopone, together with the restrictions on the use of lead-free zinc oxide, have caused considerable reformulation. As a result, more white lead and American process leaded zinc oxides are being used.

However, the long-range view does not look very bright. This is due to the situation on linseed oil. There was a very good write-up on linseed oil in the October 23rd issue of the American Paint Journal which I am quoting.

"Generally speaking, we are against long-term contracts at this time, but there are exceptions, and linseed oil is one of them. Our own flaxseed crop of twenty-six million bushels should be enough under normal conditions; however, our government has made commitments under the Lend-Lease Act, and if these commitments are drawn upon to their full extent, there will not be enough linseed oil to go around. In our opinion, Russia is the greatest single factor in the picture. With the Ukraine and White Russia back in Russian hands in time to harvest the crops, she may not draw on us at all, as the Russians prefer homegrown sunflowerseed oil to linseed oil for edible purposes. Unfortunately, no one knows the facts. Russia never did publish statistical data, even in peace times, and if she should suddenly take large quantities of linseed oil from our stock, our own consumption would have to be curtailed, or else those without contracts will have to take what is left.

"The western European situation does not loom up as dangerous as that of Russia, because we can supply soybean oil and other edible fats there to better advantage.

"There is plenty of flax in Argentina, but that country has put up its price to the United States above present ceiling prices for oil, and now Canada has followed suit. In addition, American boats have been forbidden to carry Argentine cargoes.

"Our government will support flaxseed prices at the present level until the next crop is due, and therefore a sharp break in prices is improbable.

"In view of the above, it looks to us as if future contracts for linseed oil are now in order. The situation is by no means clear, and no one will deny that there is a risk involved. The greatest drawback, in our opinion, is that if a shortage develops, it will develop most likely towards summer, just before the next crop comes in, and that means contracting a long time ahead. It would also be well to consider the possibility of a reduction in the quota after the present quarter, and the uncertainty of general business conditions at the end of hostilities in Europe.

"Considering all the pros and cons, we now suggest covering about 75 percent of your linseed oil requirements up to April, and adding a proportionate amount every 30 days. In case foreign commitments should not be drawn upon, or our relations with Argentina should improve, a cessation of further purchases is indicated; on the other hand, if things go wrong, it may be advisable to jump into larger purchases."

Table No. 6 gives the average sales price per pound for dry white lead for the past three months.

TABLE NO. 6

	1944		
	September	August	July
Average Sales Price - Per Pound	8.353¢	8.379¢	8.346¢

To sum up the situation, our immediate prospects are not too good as regards zinc oxide but they are very encouraging with respect to white lead. This is pretty much the reverse of what the situation has been.

Very truly yours,

F.E.Hurless:ho

cc: Mr. Frederick Laist
Mr. G. E. Johnson