

Monsanto

PX 1357

Santophen Edit

FROM
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DATE : May 25, 1983

cc J. E. Ritortat - B2SG

SUBJECT : An Interested Bystander's View of the Decline
and Fall of a Business -- Santophen-1

REFERENCE :

TO : M. C. Throdahl - DID

Since I was only peripherally involved in the critical decisions, much of what follows consists of speculative reconstruction after the fact.

The seeds for decline were sown about 1973 with a decision to double capacity of the Santophen-1 unit. Our principal customer, Lehn and Fink, persuaded us that their new dry formula, hard surface disinfectant cleaner would be a big seller. It wasn't. We never used the extra capacity and saddled the business with an excessive capital base. (For physical reasons, this excess could not be closed down and written off.)

The second major cause arose from our dependence on the major producers of disinfectant cleaners. We neglected the tech service needed to compete with very aggressive "quat" (quaternary ammonium salt) disinfectant manufacturers who built their new businesses by serving the many small institutional formulators scattered around the country.

I suspect that the low return from the business following Lehn & Fink's failure prejudiced management against resourcing the business well enough to compete.

Three other factors enter:

- The "quat" producers overbuilt and then tolerated very low returns for many years. Their prices stayed very low.
- Unpromulgated EPA test requirements for re-registration of Santophen, with their attendant costs, have hung over the business for more than five years.
- Detergent phosphate bans excluded Lehn and Fink's Santophen-based household cleaner formulation from New York and other states because it was phosphate-built. L&F developed a quat-based nonphosphate formula for New York and sold it for several years. When they announced their intention to go to a single formulation, we developed for them a nonphosphate, Santophen-based formula with superior cleaning ability and acceptable economics, but by then they had come to value cleaning performance less.

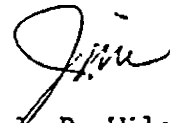
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Then came the adverse publicity against chlorophenols and then the Sturgeon incident. I believe we satisfied our customers that Santophen is "dioxin-free", but it may be that the larger customers became leery anyway. Added to this is the financial exposure that could arise from another transportation incident involving a chlorophenol.

For whatever reasons, we never produced enough of the several chlorophenols WGK could produce to justify the capacity. Thus when Lehn and Fink decided to switch to a quat-based formula for "Lysol" instead of our Santophen-based prototype, the financial prospects from serving the institutional disinfectant market were not attractive enough to balance the other exposures.

Attached is a copy of the MIC presentation requesting authority to close the business.



J. D. Wilson

/hmv
enclosure

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