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LEAD INDUSTRIES ASSOCIATION

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LEAD PRODUCTION - WESTERN STATES*

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The statement was made in response to three questions presented for discussion. The questions are quoted below:

> To what extent will the current combined metal price of 24½¢ per lb. affect lead and zinc production in your area?
>
> What, if any, reduction in U.S.A. mine production tonnage of lead in 1952 in your area was due soley to the drop in the price of pig lead?
>
> Do you believe that a continuation of the present level of lead, that is to say 13-14¢, over 1953 will result in a serious drop in lead production in your area? If so, when in your opinion will a substantial curtailment in lead become apparent?

Question 1 - The general but frank statement that continuation of 24½¢ combined lead-zinc price, for any extended period, would kill off the major portion of western lead-zinc production is, I believe, agreed to by western mine operators.

The Utah Mining Association estimated in December 1952, that lead and zinc production in 1953 in the eleven western States, would be down to 2/3rds of 1952 production if the then 13½¢ lead, 12½¢ zinc prices continued through 1953. Looking at the picture now - at present prices - the drop in production could be more than was then estimated.

To date mines having a high proportion of zinc with low silver values have been hardest hit. A good example is New Mexico which has only one producing zinc-lead operation running today - with a current production rate of less than 5% of 1952.

Reaction to date in terms of mines closing because of prices has been spotty and percentage wise in terms of lead production not too great. A large number of smaller properties, however, have closed down, being the most sensitive to reduced prices, through having had low financial reserves and being marginal costwise before the price drops.

Question 2 - Percentagewise, 1952 lead production decrease due to falling prices was very small and until some recent curtailments, the major operating mines have continued normal rate of production in the hope that some price adjustment would forestall closure.

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Question 3 - To mine ore reserves for profits less than needed to -

1. Pay operating costs.
2. Recover invested capital.
3. Develop replacement reserves.
4. Finance exploration for new mines.
5. Give some return to stockholders is similar to a merchant holding a bankruptcy sale in order to liquidate the stock and go out of business.

Few western lead-zinc mines are now operating at any profit and I think it safe to say that none are realizing the above outlined "needed" profits.

The operators are rapidly approaching the hour of decision as to how long they can continue to sustain losses and deplete ore reserves. That, however, is the individual operator's problem and one which I would not presume to try and answer for him. However, they have gone on now for five or six months weighing losses against the dreaded conditions of shutdown, i.e., high mine maintenance costs, loss of working crews and staff men, and probable loss of ore reserves through failing timber, caving ground, etc. Many have resorted to "high grading" to postpone the decision.

The price depression promises to be of long duration considering the abundance of "free world" lead and zinc reserves and the ability and willingness of foreign lead and zinc producers to undersell our market. It could be terminated through passage of the present proposed Sliding Scale Stabilization Import Tax Legislation or through the short sighted alternative of permitting the wrecking of a sufficient portion of our domestic production to allow foreign producers to raise prices as "dependency" upon them permits.

One point before I close. The average price for lead - 1946 to 1952 inclusive, was 15.48¢, a price sufficient to sustain domestic mining. The price range, however, over this period was 6.5¢ to 21.5¢. Price was well below the above average from March 1949 to September 1950, and dropped below the average again in September 1952.

Very few mines, particularly the small ones from which the large ones grow, can continue to operate through an extended no profit period. Each cycle of depressed prices takes its toll in reduction of actual and potential lead-zinc production; in discouraging development, exploration and plant investment. Each one draws the noose a little tighter around the neck of domestic mining.

The buyer of metals, has over the years, paid an average price adequate to keep the industry alive, but the feast or famine marketing process along the way has occasioned many casualties. All that western lead-zinc mining asks are means to stabilize prices at near the average levels which buyers in the past six years have indicated a willingness to pay. We in the western States can then continue to produce some 60% of the nation's lead and zinc "new mine" production.