LEAD INDUSTRIES ASSOCIATION

420 LEXINGTON AVENUE

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NOT FOR PUBLICATION

THE SECONDARY LEAD INDUSTRY*

Reuben Wiener, Partner
Hyman Wiener & Sons

In this age of new materials, new methods, and new standards of value, the Lead Industry, in all its phases, is confronted with shifting competitive forces. Only by close adherence to sound and progressive principles of operation, with proper emphasis on research, can we maintain and expand our markets; thereby permitting Lead to carry its weight in the family of metals.

One of the metals first known to man, Lead has come down to us through the ages with increasing utility for the requirements of civilization. Unique in many respects, the properties of Lead are numerous and present always a challenge for new fields of service.

A singular attribute of Lead is its imperishable nature which is significant in enabling the metal to be returned and re-processed for further use after having fulfilled its original purpose. Because of this essential characteristic, the secondary Lead Industry has emerged as an integral part of our total Lead structure. The industry provides our economy with mineral wealth in a true form of conservation through the utilization of a raw material which gives back to the original consumer a substantial monetary return.

In these days of constant change and development, we hear expressed repeatedly, the term "industrial revolution". It is appropriate to employ this description in a discussion of the Lead Industry in this country. A survey of statistics will indicate the enormous shift experienced in Lead consumption since the "Twenties". In earlier years, primary production accounted for approximately seventy-five per cent with twenty-five per cent secondary. Gradually, the primary percentage declined with a corresponding increase in secondary, until in 1946, the secondary production in this country exceeded primary. Since that time, the secondary production has, with the exception of two years, equalled or exceeded primary output consisting of domestic and foreign ore. It will be reasonable to anticipate a continuation of this relationship when consideration is given to the fact that approximately sixty per cent of the Lead consumed is reclaimed at a later date.

A related factor is our position in the world market. Formerly our imports and exports were in reasonable balance. Beginning with World War II, Lead imports were increased in large volume and our exports decreased to a minor amount. Unfortunately in 1951, during a period in which our consumers required Lead, other world markets were more favorable and we imported only 257,888 tons. However, in 1952, this figure rose to 627,780 tons. This intake gains added significance when applied to our mine production of 384,097 tons, our secondary production of 470,000 tons and consumption of 1,140,000 tons in 1952.

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In the development of the secondary Lead Industry, particular attention must be given to the marketing characteristics with relation to the raw material consumed and the sales of the finished products. The secondary smelter must depend upon its mine above ground and to the elaborate Scrap Industry which serves to accumulate, prepare, and segragate the Lead scrap and residues essential for the maintenance of production. Ninety-five per cent of Lead scrap consumed is utilized by the approximate 265 secondary smelters, with the major portion of this material obtained from established scrap sources.

It is as important for the secondary smelter to secure and protect his raw material as it is for the primary producer to establish his ore requirements. Procurement becomes increasingly complex, under examination, due to the number of enterprises engaged in the collection and sale of scrap, the highly-competitive price structure, weather cycles, irregular disposition of stocks and the uncertainty which has become more pronounced in recent years.

In purchasing, the secondary smelter uses the primary Lead price as a base to which a smelting charge is applied. Under normal conditions, the charge will vary with the strength of the market, as reflected in demand or sales and the position of the individual smelter in relation to the market. We have experienced, since World War II, vast fluctuations in smelting schedules, suggesting an unhealthy market relationship in the Industry. We can attribute this situation to the wide price variations of Lead. For example, with sixteen price changes in 1952, starting at 19¢ and closing at 14-3/4¢, the secondary smelter is confronted with the problem of purchasing raw material generally at fixed levels and possibly making sales in an entirely different Market. The fluctuations confuse the scrap dealer and prevent a steady flow of scrap essential to the smelter. On the down market, scrap does not enter the usual channels of trade in normal volume. Collections are discouraged because accumulations may result in losses rather than profits. At high market levels, large stocks are released usually in excess of smelter requirements. This condition applies as well to the original producers of scrap.

The uncertainty of the Lead price has affected the purchasing habits of the smelter's customers. Low stocks are maintained with buying strictly on a hand-to-mouth policy. The smelter must anticipate the requirements of his customer and be prepared to supply him on short notice, thereby assuming an additional burden. The raw material for these orders cannot be obtained on demand, but must be purchased when available and sufficiently in advance to permit a production schedule.

We have witnessed, since last October, the effect of the London market on our domestic price structure. The fluctuations have had an increasing effect on the thinking of scrap processors and consumers of finished products. Therefore, in addition to the problem of coping with the determination of customer requirements, we must maintain a weather eye on this world market, inasmuch as trading there, or lack of trading, may affect our entire program adversely. Although the commodity market has been advocated for hedging purposes, it is a highly questionable activity for the secondary smelter.

The problems incident to the erratic price structure are complex but deserve the attention of the primary and secondary Lead Industry. Through a cooperative approach and recognition of mutual necessity, progress toward normal market fluctuations might be achieved with resulting benefits to producer and consumer alike. The economic laws of supply and demand, if permitted to operate without interference, would in time establish true market value.

Assuming some happy day when the price of Lead will be settled at a reasonable level in line with its economic value and maintained within a consistent range, the secondary smelter's operating position would be improved immeasurably.

It is not in my province to gaze at the stars and predict things to come. However, current industrial activity indicates a continuation of Lead consumption at the present rate. At this time of world trial and uncertainty, it is most difficult to forecast more than a short period ahead. The production facilities, metallurgical skills, experience and energies of the secondary Lead Industry, stand ready for whatever part it may be required to play.

It has been a privilege to address the Lead Industries Association during its twenty-fifth anniversary meeting and it is hoped that the next twenty-five years will be as full of accomplishment.