

LEAD INDUSTRIES ASSOCIATION

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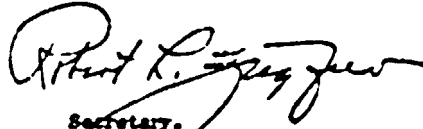
February 1, 1949

To Members of the Lead Industries Association:

SUBJECT: ADDRESS BEFORE THE COLORADO MINING
ASSOCIATION ON "CURRENT LEAD SITUATION"

Attached please find a copy of an address delivered by
your secretary at the Colorado Mining Association Meeting at Denver,
Colorado, on January 31, 1949 on the "Current Lead Situation."

Very truly yours,


Secretary.



THE CURRENT LEAD SITUATION

By: Robert Lindley Ziegfeld, Secretary
Lead Industries Association
New York, N. Y.

Since I had the pleasure of appearing here before you just about a year ago, a lot of things have happened in the lead industry. At that time we had just completed a year of record lead consumption, nearly 1,200,000 tons, of which about 375,000 tons were supplied by the mines of this country, 480,000 tons were produced from scrap, 215,000 tons were imported, and some 100,000 tons were drawn from stocks of smelters, manufacturers and the Government. We had come through a year that was essentially free of strikes. The price of lead was 15¢ a pound as compared with a ceiling prevailing throughout most of the war of 6.5¢ a pound.

That was just a year ago. Now we can look back on another year just completed. It was once more a year of unprecedented demand but smelters, manufacturers and the Government had no stocks of lead on which to draw. The whole burden of supplying industry fell on current production which was severely disrupted by extended strikes both in Missouri and in Mexico. Nevertheless,

* Address delivered before the Colorado Mining Association, Denver, Colorado, January 31, 1949.

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and despite the fact that the demand was nowhere nearly satisfied, I think lead producers can be proud of the record they made.

Mine production in this country reached 380,000 tons although some 30,000 tons were lost due to strikes. Production from scrap stayed near its all-time record and approximated 470,000 tons. Imports soared to 305,000 tons, despite strikes in Mexico and of longshoremen on both coasts of this country. So that even without the 100,000 tons drawn from stocks in 1947 the lead industry supplied almost as much lead in 1948 as it did a year earlier. I call that a truly remarkable record, accomplished against the handicaps of labor shortages at most properties and strikes.

There can be no doubt that price had its effect. From 15¢ a pound a year ago lead rose by steady increases to 21½¢ where it has been since Nov. 1. In practically every state except Missouri, where production was disrupted by strikes, production showed substantial increases. Right here in Colorado in the first ten months of 1948 lead production increased about 40 per cent over the same period a year earlier, the largest increase of any important lead-producing state. The figure for Colorado for the first ten months of 1948 is 20,479 tons, making Colorado the fifth biggest lead producer, only slightly out of fourth place. In fact, the increase in production for the twelve western lead-producing states in the first ten months of 1948 was 15 per cent over the same period of 1947. This was accomplished with an average labor shortage in the mines of about 10 per cent throughout the year, despite the handicap of heavy taxation, and without the aid of artificial incentives.

Certainly this record indicates that the lead mining industry of this country is far from dormant, that we are far from being a have-not nation with respect to lead. It shows that after 15 years of depression and war, conditions

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have at last reached a point where they encourage exploration and development work. A fair price is not only encouraging the search for new ore bodies but is the strongest possible incentive to maximum production in the most economical and efficient way. Those who have pinned their faith on a free market and free enterprise have been rewarded with a record breaking price for lead.

We would all like to know how long such conditions will continue to exist. In other words, what can we expect from here on in? Our best bet is to examine all the factors which have brought about today's conditions and which bear on the future and each one of us can draw his own conclusions.

Let's take a look at the five principal lead consuming industries - storage batteries, cable, construction, petroleum and paint in that order at the present time. These now account for nearly three-quarters of all lead consumption. And we have a sixth important buyer of lead we must also discuss - the Government.

First, storage batteries use roughly one-third of all available lead supplies. To fill the empty pipe-lines left by the war and keep up with the large new car production and rapidly increasing automobile registrations, the battery industry has been running at record rates until about a month ago. However, there are now definite signs that pipe-lines are filled and dealers well stocked with batteries, although new car production will probably remain at high levels. Replacement batteries will also have to be supplied for several million more automobiles than pre-war.

The demand of the cable industry does not seem yet to have been satisfied. Some substitutes for lead cable sheathing are being used, but I think largely to piece out cable makers lead supplies. This industry apparently still has not entirely caught up on power and telephone system extensions delayed by

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the war, although the pressure is not so great as it was a year ago.

Under construction I include industrial equipment as well as building construction. In the former category where lead is used so extensively in chemical plants, there appears definitely to have been some slackening in general and some resistance to the high price of lead. In home construction, too, the price is leading to substitution. For example, here in Denver lead has long been the principal material employed for water distribution and plumbing. Right now there is a concerted effort to substitute less durable materials, using price as the reason, without any consideration to the relative long-time cost of lead and its substitutes.

The outlook for lead as an anti-knock ingredient in gasoline seems to indicate further increased usage. Present gasolines do not have the anti-knock ratings of pre-war gasolines and modern high compression engines call for even higher anti-knock ratings. Also more automobiles need more gasoline. Consequently manufacturers of tetraethyl lead are planning expanded production facilities, but no effect of this expansion will probably be felt before late this year.

In paint, which was once a much more important consumer of lead than it is today, the outlook is not so bright. The price of lead has caused paint manufacturers to use as little lead as possible in their paints, since lead is even normally their most expensive ingredient. This is done at the risk of sacrificing quality, but it is nevertheless going on to the extent that some paint makers have eliminated lead entirely from their formulas. This may not seem important now but there will doubtless be a day when the loss of this market, if permanent, will be sorely regretted by the lead miner. In an attempt to cut costs and make lead supplies go farther, a paint pigment has been developed

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in which each particle has a silica core with a surface coating of lead silicate and sulphate to preserve the chemical reactivity of lead pigments with paint oils. It is too soon to estimate the importance of this development and its effect on the lead market.

Among the smaller uses of lead, prices and shortages have made some inroads. Lead insecticides and collapsible tubes, for example, took much less lead in 1946 than in other recent years. But at the same time, newer uses have helped to compensate for this. For instance, atomic fission requires lead shielding to protect humans against dangerous rays, although as yet this can not be reckoned as a major use of lead. Also glass television tubes contain as much as 30 per cent lead in the form of lead oxide. While this is by no means a use that indicates great consumption of lead and also is a use which competes with metal television tubes, it is an interesting new application for an old metal like lead.

The Government's plans for stockpiling and rearmament have an important bearing on lead. As you know, 70,000 tons of lead are going into the military stockpile during the current fiscal year ending June 30 next. So far as we know the Government would like to have a lot more in its stockpile than that. No doubt before long the Munitions Board will again want to meet with the sellers of lead to establish its purchasing program beyond June 30. My own personal opinion is that stockpile requirements for the next fiscal year will be at least as large as they were this year, probably larger if the lead supply and demand picture permits.

As to the rearmament program, it will doubtless have some effect on the demand for lead but we must remember that lead does not go directly into military applications to the same extent as some other metals.

Another factor is E.C.A. I understand that E.C.A. countries would like assistance in getting more lead than E.C.A. is granting from countries which supply

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us as well as Europe. Should there be more lead available than we need here, there is always the possibility of E.C.A. increasing its assistance in getting lead for European countries with the result that less imports would be available to us.

On the supply side of the picture, I look for continued gradually increasing mine production providing the labor supply continues to improve and there is relative freedom from strikes. Also the huge supply of scrap that has been built up by the tremendous lead consumption of recent years, particularly in storage batteries, indicates large secondary production, although perhaps not equalling the last two years.

There is every reason to expect imports to continue heavy. The suspension of the tariff on lead which passed Congress last year, expires June 30, but unless there is some drastic change in the lead situation it appears likely to be extended for another year. No permanent change in the lead tariff is contemplated as it is not listed for consideration in any of the reciprocal trade agreement negotiations that have been announced.

Producers of course only have small stocks of lead, so small that little or none can be drawn from them this year. Also manufacturers' inventories of lead are low.

Those are the facts of the lead situation as I see them today and I'm going to leave the subject there. I don't want to be like the little girl who came to Sunday school one day and told her teacher that now she knew where God lived. The teacher said that was fine, where did he live. She replied, "In our bathroom." "How do you know that?" asked the teacher. "Well," said the little girl, "Every morning my father goes to the bathroom door, rattles the knob, and says, 'My God, are you still in there!' You see, you have to use great care in drawing conclusions from any given set of facts."