ANACONDA COPPER MINING COMPANY

25 Broadway, New York 4, N.Y.

October 10, 1945

Mr. F. Laist, Vice President
in Charge of Metallurgical Operations
Anaconda Copper Mining Company
B u i l d i n g

Subject: Post-War Program for the Sale of White Lead-in-Oil

Dear Mr. Laist:

When I arrived in East Chicago Monday, Mr. Hurless not only had all the data covering the sales situation in the various lead-in-oil districts, but he also had Mr. Brownell and Mr. Street available for conference. Mr. Johnson and Mr. Knox also joined the discussion, and we spent several hours going into the subject of lead-in-oil production and sales. This sales program also has to do with the problem of taking care of the salesmen who have returned, or who expect to return, in the near future from service in the Armed Forces.

Prior to the War, our sales in white lead-in-oil averaged approximately 2500 tons per year. This additional tonnage was a great help to the White Lead Plant because the extra tonnage enabled the plant to operate at a reasonable operating cost per ton. In other words, when the production of total white lead in the White Lead Plant exceeds 5,000 - 6,000 tons, the operation usually returns a profit. Below that figure, it is seldom possible to make a profit unless variations in the pig lead market as compared with the price of white lead leave an unusually large margin between the two.

The discussion was not under way for any great length of time before it was evident that what the men have found in the field checks with what I have been able to learn from talking to the Lead Industries Association and the Association of Paint and Varnish and others. There is still some straight lead-in-oil business which means white lead in the paste paint form, not paint ready to use. The majority of the white lead sold for straight white lead paint, however, is being manufactured principally by the National White Lead Company. Eagle Picher has followed suit to a certain extent,

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and some paint companies are filling in their line with straight lead-in-oil paint in order to protect their mixed paint market. National's sales price to the dealer for this straight lead paint in most cases is approximately equal to the cost of producing a similar paint F.O.B. our plant at Chicago. In the opinion of all concerned, in which I concur, National's market for this type of paint is going to increase if they maintain their present sales policy. This situation vastly alters the outlook for our sale of straight lead-in-oil paste of the same composition as we produced prior to the War.

Having settled the above, we proceeded to analyze the different districts, principally located between the area north of the Ohio River and east of the Mississippi, because the sale of lead-in-oil in any other territory in the United States was, to a large extent, unprofitable even prior to the War. It was evident from the information the Sales Department obtained that there were still territories where demand for lead-in-oil paste will result in the sale of a considerable tonnage of that product. This being the case, we went over the duties of each of the salesmen in the different districts and have decided to recommend to you that we add the equivalent of approximately three men to the sales force. Several of the dry pigment salesmen would, under this scheme, spend some time selling lead-in-oil in such areas as Greater New York, Philadelphia, Boston, etc. In addition, we would add two men whose sole duty would be to sell lead-in-oil in the Wisconsin and Greater Chicago areas. This proposal will entail a cost of approximately $20 per ton for the sale of lead-in-oil and should, under present conditions, enable us to sell approximately 1000 tons of lead-in-oil per year. For the next year or two, starting in 1946, the analysis of the sales figures indicates that we should also sell between 5000 and 6000 tons of dry white lead.

If we were to return to the old program whereby we spent from $100,000 to $110,000 per year selling lead-in-oil, our cost per ton of products sold would likely jump to $60-$70 per ton. Such cost for selling lead-in-oil is not justified and would not result in corresponding reduction in working cost for dry lead. The plans which we are proposing would cost approximately $20,000 per year. They will enable us to take care of three of the returned Veterans, one who is already working at East Chicago. Also they will enable us to keep our product on the market until we can see just what will result under post-war building boom conditions from National's sales policy and efforts looking toward the sale of straight lead-in-oil paint.

Someone may ask why we do not plan to compete with National on the basis of producing an Anaconda paint composed of straight lead-in-oil and drier, etc. In the first place we only have one plant and could not produce paint, except for sale in the Greater Chicago area, with any hope of making a profit on any such venture. In addition, I do not believe we should get into the paint business, particularly if we are continuing to sell to many of our customers for dry lead. More important, I do not believe we could make any money trying to sell paint on a small volume basis.

There may, however, possibly be a way to compete in the Greater Chicago area with National in connection with their sale of straight white lead paint. I refer to the possibility of producing pulp lead-in-oil or some special product along that line, that could be shipped in large size returnable containers, to two or three medium size paint companies in the area mentioned. If such enterprising companies can be found who are anxious to compete with National, the combination with them as indicated, they to produce white lead paint under their own brand and take care of all the selling, advertising, etc., might enable us to pick up another thousand tons of white lead business at a very low sales cost. Such a job is one that must be handled very carefully and checked by the Legal Department and Management, prior to making any formal arrangements. Mr. Hurless and Mr. Brownell will give their attention to this matter in the near future.

If the above proposal involving an additional sales expenditure of approximately $20,000 per year is satisfactory, I would appreciate your so advising.

Yours very truly,

F. O. Case

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cc - Mr. J. R. Hobbins