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CARBON BLACK EXPORT, INC.

500 FIFTH AVENUE
NEW YORK 18, N. Y.

TELEPHONE
LACKAWANNA 4-9822

CABLE ADDRESS
CARBEXPORT, NEW YORK

May 1, 1946

IN REPLY PLEASE REFER TO HLT:EP

Mr. L. C. Herkness
Chas. Eneu Johnson & Co.
10th & Lombard Streets
Philadelphia, Pa.

Dear Mr. Herkness:

As you know, shipments of channel carbon black during the first quarter of 1946 exceeded production. During the war, world demand for channel black exceeded the available supply and the situation was held in check only by strict economy in the use of channel black and rigid allocation by the government. Even so, stocks fell to the dangerously low level of 22,000,000 pounds, or barely thirteen days production. Following V-J Day, controls were lifted and conversion to peacetime manufacturing began. During the third and last quarters of 1945, demand subsided somewhat because of reconversion both here and abroad and also in part because of strikes. Now, however, the tide has turned and stocks are again being depleted, and at the end of the quarter were only about 60,000,000 pounds.

During the last few weeks it has become increasingly apparent to everyone concerned with the problem that current production had become inadequate to take care of consumption and that the rate of production of rubber goods would increase both in the United States and abroad throughout the year 1946. Under these circumstances it is very difficult to talk about estimated demand. It is a good deal like inquiring what the estimated demand for butter in the United States would be if there were enough of it. There are many ways of calculating minimum requirements and full requirements. The Civilian Production Administration in Washington is giving the matter its most careful attention and while it has as yet made no figures public, I think it is reasonable to say that there isn't anyone in Washington who doesn't believe that world consumption of channel black would be at least 100,000,000 more than the current production if it were available and there are some who think it would be 200,000,000 pounds more.

As this situation came to be appreciated by export buyers, we found ourselves swamped with orders for channel carbon black. In such cases it is always difficult to distinguish between orders placed for normal consumption and panic buying.

The first important point in this problem is to come to some understanding as to how to distribute the inadequate supply as between export and domestic markets. We have taken the position with the Government that the export market represents an asset of long standing and great value to the carbon black industry and that the

From
CARBON BLACK EXPORT, Inc.
500 Fifth Avenue, New York

Sheet No. 2.

To— Mr. L. C. Herkness
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Date May 1, 1946

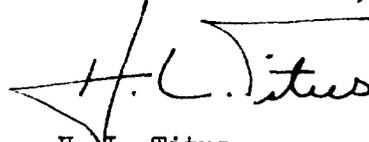
self interest of the carbon black producers and of the United States requires that the export market receive an equitable share. The C. P. A. could have taken steps to have war-time export controls resumed. Carbexport, however, felt that this would result in severe and unjustifiable restriction on export consumers and made a counter-proposal. We agreed that if the C. P. A. would, from month to month, determine what proportion of the channel black supply should find its way into export, we would agree not to export more than this quantity without first telling them of our intention to do so. The C. P. A. in turn agreed that it would not take steps to impose a more rigid control without first notifying us and permitting us to be heard.

The figure fixed for April was 9,000,000 pounds which was a continuation of the average of the previous six months and was a deliberate maintenance of the status quo until there was time for more careful study of the relative needs of the export and domestic markets. This study is proceeding and while no figure has yet been fixed for May, I think it will be at least 9,000,000 pounds and probably more. Perhaps the best yardstick for determining a distribution of channel black is the distribution which has already been agreed upon internationally of the world's synthetic and natural rubber supply.

The best informed estimates in Washington indicate no slackening in the rate of production of rubber goods in the predictable future, so I suspect that we will have to pursue our present course or some similar one at least until such time as increased production provides an adequate supply.

Very truly yours,

CARBON BLACK EXPORT, INC.



H. L. Titus
President