

MIDLAND  
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EXHIBIT

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DCM 120692

J. H. Covell  
Bioproducts Dept.  
EPC

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PRICE OF ORANGE AND TORDON FOR FISCAL 1969

This letter is based on an objective viewpoint of the philosophy of pricing to the government as I see it. While by the very nature of its contents, it will be more subjective than objective, I feel it is correct in its philosophy.

In order to set the stage for the basic information, it is necessary to review the fact that when we first started talking and thinking about TORDON, we had only laboratory results and mid-plant production. While some industrial and commercial uses had been made of TORDON by powerline companies, there was no wide scale acceptance of its effectiveness. Lesoure and Bryant on their trip to Vietnam did an excellent job of selling the concept of the use of TORDON. At that time, as is true today, TORDON 101 Mixture sold for more than \$12.00 per gallon commercially. Since that time we have reduced its price to the government to its current level of \$6.44.

The fact is that selling to the civilian market would be considerably more profitable to The Dow Chemical Company. However, it has proven an effective weapon in Vietnam. It has reduced a critical situation in the use of herbicides in toto in Vietnam. And it has proven to be the only other effective weapon for its specific use except Orange, which is a specific formulation for military use.

We have been advised that Public Law 893 will be exercised against The Dow Chemical Company on all future contracts. I would say, therefore, that if \$6.44 is a fair price and

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can stand up under the scrutiny of Public Law 893, that our price should remain the same with the exception of those efficiencies realized by the operation of our new plant. If we have resolved the problem of "burn out" of excess alpha-picoline, then our efficiencies should be such that a reduction in price might be possible. If so, I think that this reduction should be passed on to the government as we have indicated to the Department of Defense through the Defense Supply Agency and the Defense General Supply Center that we would give them the advantage of any price reduction through efficiencies in our plant.

In the instance of Orange, ~~we have an entirely different situation.~~ We are formulating to a specification by the government on a formulation established by the military, and are producing a weapon. ~~It has no use in civilian business.~~ It does require specific production facilities. It does present a serious health hazard in our plant if not properly controlled.

While this product is supplied by other companies, and, therefore, will be subject to the competitive levels within the market place, I would say that our price should remain basically the same as in fiscal 1968 with the possible exception, again, of plant efficiencies that may be realized by familiarity with the production of Orange as it has been achieved in the quantity shipped this year.

The fact that the new plant in Weldon Spring will change the demand might also change the fact that we now have a directive against us for the production of Orange. If it does, then I would assume that we would have more profitable places to put our "D" and "T" production; and, again, we might want to excuse ourselves from bidding on Orange. I do not think, however, that this will be the case.

In summary then, I would say the price of TORDON should remain the same, less efficiencies achieved in our new acid plant in Texas.

I would say that our Orange price should remain the same except as guided by that portion of the competitive market on which we wish to bid. If we are operating again in fiscal 1969 under a directive, then I would assume that we would use the price that would be based on our costs.

In either case, I am sure the prices we quote will be subject to Public Law 893 and that they can be substantiated.

R. A. Hickman, Manager  
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