

PHILIP MORRIS U. S. A.
INTER-OFFICE CORRESPONDENCE
RICHMOND, VIRGINIA

To: . Mr. A. J. Kay, Jr.
From: . R. D. Latshaw
Subject: . SUSPENSION OF DOW PURCHASES

Date: May 7, 1984

Per our conversations, we ceased issuing glycerine, propylene glycol, and triethylene glycol orders to Dow. They requested a meeting to discuss the situation which was held on Wednesday, May 2. Dow attendees were Ron Ihrig, District Manager; Joe Bujold, Corporate Accounts Manager; and Tony Butler, Sales Representative. Representing Philip Morris were L. W. Morgan, W. B. Harris, and R. D. Latshaw.

Dow was told that we were discontinuing all humectant purchases because of Dow-Merrell's attack on cigarette smoking associated with the introduction of Nicorette, a nicotine-containing prescription chewing gum which reportedly aids "patients" in quitting smoking. Specific examples of Dow's objectionable campaign were cited:

1. Efforts to encourage all smokers at their Freeport Plant (source of most of our materials) to give up cigarettes.
2. The Dow sponsored Policy Analysis Incorporated study indicating an additional \$59,000 lifetime medical expense for smokers.
3. Dow literature appearing in doctors' offices encouraging smokers to quit by using Nicorette.
4. A new Richmond doctors' clinic discouraging smoking and offering Nicorette.

Through a series of meetings over the past few years, Dow had been repeatedly advised of our displeasure over the anti-smoking nature of Dow-Merrell's Nicorette program. We had been assured that Nicorette would have a low-key introduction and would be aimed only at those smokers who had to stop for medical reasons. Dow continually insisted that they were not taking an anti-cigarette industry position, and backed that assertion two years ago by withdrawing the Smoking Cessation Newsletter. (This document was circulated to physicians and contained much anti-smoking propaganda. Only one issue was printed.)

Dow was informed that the recent spate of activity can only be interpreted as a conscious corporate decision that Nicorette is more important than the Philip Morris (and other tobacco) business. That is, they cannot realistically expect a customer to spend millions of dollars for materials, when the profits from those sales, directly or indirectly, are used to attack that customer's product and perhaps reduce the customer's sales.

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The Dow representatives (who organizationally have no relationship to Dow-Merrell) repeated their previously made claim that Dow was not trying to assault the cigarette industry. However, they could not refute the evidence and were told that we could not deal with intent, but could only assess the documentation in hand which strongly indicates that Dow Chemical is engaged in a program to motivate Philip Morris customers to stop smoking.

We indicated that the suspension of business was regrettable since Dow had been a top-notch supplier over the past ten years. Dow responded by saying Philip Morris would remain a priority customer should we desire to purchase materials in the future.

Bujold and Ihrig are planning to visit Dow's headquarters in Midland, Michigan to review the situation with corporate management.

ADZ

RDL/lwk

cc: G. C. Adkins
W. B. Harris
L. W. Morgan

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