

Green River producers struggle to compete

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Steam rises from the boilers at General Chemical's trona mine and soda ash plant located west of Green River in Sweetwater County. The company is one of four multinational corporations operating soda ash facilities in the Green River Basin.

The use of soda ash dates back to about 3,500 B.C., when ancient Egyptians used natural materials found along evaporated lakes to make glass ornaments and to preserve the Pharaohs.

Today, soda ash is the trade name for sodium bicarbonate, a chemical refined from the mineral trona or from sodium-carbonate bearing brines, both of which are referred to as natural soda ash.

Soda ash can also be manufactured from one of several chemical processes, producing what is referred to as synthetic soda ash.

Soda ash is an essential raw material in the manufacturing of glass, chemicals, baking soda, detergents and other important industrial products. Soda ash is primarily used in flat glass for automobile manufacturing and building construction, important sectors of the domestic U.S economy.

Trona was first found in Sweetwater County in southwest Wyoming during oil and gas explorations in the region some 70 years ago. In 1946, the first trona shaft was excavated and i

GREEN RIVER - There's a little known war under way in the international soda ash industry pitting the world's two production giants, China and the United States, against each other.

This war doesn't involve guns, bombs or soldiers.

Instead, these combatants use price reductions and increases, export tariffs, market maneuvers and most every method they can think of to get a leg up on the competition.

So far, China seems to be winning.

China overtook the U.S as the world's leading producer six years ago and represents the biggest challenge to U.S producers operating out of southwest Wyoming's Green River Basin.

The strategic reaction of Wyoming soda ash officials over the next few years to the changing realities of the global soda ash marketplace suddenly dominated by China will determine the future success of the industry in southwest Wyoming, industry analysts believe.

Wyoming's industry has been struggling to compete globally with China. The economic downturn has reduced the demand for many soda ash products in recent months.

American producers are facing a weak demand for glass in the construction and automobile industries, and a decrease in exports resulting in a drop in domestic soda ash production.

It's clear tough times have come back to the state's trona patch.

And while the industry waits for domestic consumption to pick up and global demand to increase, it's hoping U.S trade officials can barter with Chinese officials to better level the playing field.

"The war is continuing ... the Chinese are making it very difficult (for Wyoming producers) to compete," said Dennis Kostick, a soda ash analyst with the U.S. Geological Survey in Washington who tracks the industry.

The four soda ash producers in Sweetwater County - FMC Corp., Solvay Chemicals, General Chemical and OCI Chemical Corp. - account for about 92 percent of the U.S soda ash industry's total production. A fifth, small soda ash plant operates in California.

The U.S. produced a record 11.3 million metric tons of soda ash in 2008. About 48 percent of the soda ash produced was exported to markets primarily in Asia, South America and India.

The trona mines and production plants at the four soda ash facilities located about 20 miles west of the city of Green River employ approximately 2,500 union and nonunion workers.

For the first time in more than 100 years, China surpassed the U.S in 2003 as the world's leading producer of soda ash. The Asian behemoth is also the world's largest consumer of soda ash.

The Chinese produce about 18 million metric tons of synthetically manufactured soda ash per year, according to USGS figures.

China's state-run soda ash industry has a big advantage over Wyoming producers because of their cheap labor laws, lax environmental and pollution laws, and lower transportation costs.

Green River producers are at a big disadvantage in the world's markets because of the high costs of shipping their product by rail to the coast for shipment to countries overseas. It costs more for Green River producers to ship their product to market than it does to produce the soda ash.

Asia, on the other hand, has continued to build many new synthetic plants this decade near seaports and on the coast, for easier and less-costly transportation.

But China has also been undercutting American producers by setting artificially low prices for soda ash on the world market, primarily through the arbitrary application of a value-added rebate tax.

In April, the Chinese government instituted a 9 percent rebate on its current 17 percent value-added tax on soda ash exports. The Chinese agreed to eliminate a similar, 13 percent value-added tax rebate after U.S.-China trade talks in 2007.

Chinese soda ash exports have grown about 40 percent during the first half of 2009 compared to the same period last year, USGS figures show.

"Essentially, what the Chinese are doing now is producing soda ash and then taking the surplus that they couldn't sell domestically and putting it on the marketplace and then dropping the price, which makes their product more attractive than the American product," Kostick said.

"Our goal has been to try and raise prices and China's goal was to sell any soda ash surplus and to get what they could for it, knowing that they were going to get this rebate to assist them," he said.

Kostick said the average value of soda ash has improved over the past few years. Soda ash sold for about \$122 a short ton on average in 2008.

"But the big question is ... will the average value keep going up and the answer I think is, unfortunately, probably not," he said.

"For (Green River) producers to sell more product, they have to be content with not raising the price ... and so they may have to take it on the chin a little bit on this one," Kostick said.

"I do think this is the beginning of an international (price) war to see who is going to flinch first, because there's a certain level that all synthetic producers have where their operating costs are at a point where they are not selling the soda ash for a lot more than that," he said.

"What I think the Green River producers are going to try and do now is to drop their prices and then see what the world's customers do."

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