

Wyo industry struggles against recession, Chinese rebate

## Soda ash production down in 2009

By JEFF GEARINO - Southwest Wyoming bureau | Posted: Tuesday, February 2, 2010 12:00 am

GREEN RIVER -- Global recession and Chinese rivals made for a tough 2009 for Wyoming's soda ash industry.

Despite accounting for more than 95 percent of total U.S. soda ash production, Wyoming recorded a drop in production for the first time in five years, according to a year-end federal report.

Wyoming produced approximately 10.9 million tons of soda ash last year, down from a record 11.3 million tons in 2008.

The state contributed about 24 percent of the world's total soda ash production in 2009.

Now some possible good news: Industry analysts said despite the continuing economic and energy problems in some areas of the world, overall global demand for soda ash is expected to grow slightly in 2010.

The estimated total value of domestic soda ash produced in 2009 was about \$1.4 billion, according to the report prepared by Dennis Kostick, a soda ash analyst with the U.S. Geological Survey.

Kostick said Wyoming producers continued to face tough competition from overseas in 2009, mostly China.

Green River producers are at a big disadvantage in the world markets, in part because of the high costs of shipping their products by rail to the coast for transportation overseas. It costs more for Wyoming producers to ship the product to market than it does to actually produce the soda ash.

China's state-run synthetic industry has an advantage because of cheap labor laws, lax environmental and pollution regulations, and lower transportation costs since most processing plants are located near coastal seaports.

### Chinese advantage

The global economic problems in 2009 had a negative effect on most soda ash producers in the world, except for China, Kostick said in the report and a phone interview.

He noted the Chinese soda ash industry currently receives assistance from its government in the form of a 9 percent value-added tax, or rebate, on Chinese soda ash export sales. The rebate has run as high as 14 percent.

The rebate lowers the export prices and gives Chinese producers an unfair advantage on the global markets over Wyoming producers.

"By lowering the export prices, Chinese soda ash manufacturers were able to increase export sales and maintain high operating rates," said Kostick. "The lower-priced Chinese soda ash exports adversely affected U.S. soda ash sales, causing [Wyoming] producers to reduce output levels for most of 2009."

Kostick said the weakening global markets caused two Green River producers to reduce their work forces in 2009 by just more than 100 employees.

He also noted the basin's leading producer, FMC Corp., announced in April that it had suspended production for the remainder of the at its adjacent Granger facility because of poor domestic and export market sales.

### Major employer

The U.S soda ash industry is comprised of four international companies operating five trona mines and soda ash plants, and one company in California.

The five trona mines and soda ash plants located about 20 miles west of the city of Green River employ about 2,500 union and non-union workers from Sweetwater and neighboring Uinta counties.

FMC is Sweetwater County's largest employer with more than 800 workers.

Trona ore is mined at depths of nearly 2,000 feet and then processed into soda ash, a chemical commodity that is marketed and consumed around the world.

Soda ash is used in the production of glass, soaps and detergents, and a wide variety of chemicals used for industrial purposes, including water treatment products.

The USGS report estimated the 2009 distribution of soda ash was mostly used for glass (45 percent), followed by chemicals (29 percent), soap and detergents (10 percent), and the other 9 percent for various uses.

"The adverse economic conditions in the domestic automobile and housing markets affected soda ash consumption in the flat glass and fiberglass sectors, beginning in 2007 and continuing through 2009," Kostick said.

At total capacity, Wyoming could produce about 14.5 million tons.

"If the domestic economy and export sales improve, U.S consumption of soda ash may be slightly higher in 2010," the study said.

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