

## SODA ASH

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**A**fter a period of very limited growth in the previous two years, natural soda ash production increased in 2002. This was principally due to the performance of the US industry, which recorded an increase (along with higher output from the two African natural suppliers) rather than capacity expansions.

Production of natural soda ash in North America was 10.5 Mt, an increase of 2% from 2001. The background to the increased supply was the higher production rates at the Solvay plant at Green River in the fourth quarter of 2002 and improved operating rates at American Soda. There were no plant closures or changes of ownership in 2002, though the Williams Group indicated its intention to sell its equity in American Soda in late 2002.

It was another disappointing year for the soda ash market in the US, with apparent consumption dipping by 1.5% to 6.28 Mt. There were few changes in the pattern of consumption, though one interesting development was the small increase in sales to the glass and detergent sectors. However, there were reductions in sales to the chemical, pulp and water treatment sectors.

The uninspired performance of the domestic market was more than compensated for by a surge in exports, which had seen a drop in the previous year. Exports increased by 6% to a record level of 4.23 Mt in 2002, with the two major destinations, Mexico and Canada, taking nearly 1.1 Mt. The main change in the destination of exports was the increase to China, which rose nearly threefold to 306,100 t. Other markets to see significant increases were Venezuela and Argentina with +95,000 t and +50,000 t respectively. On the downside, there was a reduction in exports to other Asian destinations.

Production of natural soda ash from both African natural plants rose in 2002. In the case of Kenya, operating rates have been good and production was around 250,000 t. Production levels have also picked up at the Botash plant in Botswana, with output of 250,000 t in 2002. The higher production reflected increased exports to South Africa that had grown at the expense of US exports, which fell by nearly half to 32,000 t.

There have been further developments in the long-term hope to exploit the trona deposit in Turkey. Construction of a 1 Mt/y soda ash plant began in late 2002, with an inauguration ceremony in October for the start of civil engineering at Beypazari. A consortium called Eti Soda AS, comprising Park Group, Eti Holding and Vakifbanks, hopes to complete construction in two years and is planning commercial production by the end of 2004. However, later reports suggested that the timetable has slipped. Once commissioned, the plant would compete with the local synthetic supplier, owned by glass producer Sisecam, and imports from Solvay's synthetic plant in Bulgaria.

## **Synthetic**

The Western European soda industry recorded further advances in 2002, when production rose to an estimated 6.14 Mt. It was a relatively uneventful year in terms of production, with most suppliers able to improve on the previous year. Brunner Mond invested in its UK facilities, but was advised by Akzo that it would close the adjacent chlor-alkali plant which would eventually result in a minor reduction in capacity at the soda ash plant at Delfzijl. The net loss is expected to be around 30,000 t when the chlor-alkali plant is closed. On the ownership side, there was one major development: Rhodia sold its commodity chemical business, which included its soda ash business Novacarb, to Bain Capital. The formal transfer was completed at the end of the year.

It was also a year of progress in Eastern Europe, with regional production of 10.5 Mt, up by nearly 2% from the previous year. Soda ash production in Russia was up by 1.5% at 2.37 Mt. There were increases at all the four units. There was also an increase in production in the Ukraine, of 2%, to just over 3.0 Mt. All three producers recorded higher output. There was, however, a minor dip in Russian soda ash consumption, as exports were static at around 450,000 t, while imports fell. The result was an offtake of 1.95 Mt. There has been progress on the project side, with the long delayed Kungograd project in Uzbekistan advancing. A Chinese contractor, Citic International Corp., was awarded a contract for the 100,000 t/y soda ash project. Elsewhere in Eastern Europe, there has also been increased supply: and Poland and Bulgaria both recorded small increases in 2002. However, there was a slight reversal in output in Romania. This could change as the government pursued the privatisation of the Sodici Govora soda ash company.

The Chinese soda ash industry had another strong year, with record production of 10.19 Mt, up by 13% from 2001. There were no major increases in capacity in 2002, only 75,000 t from the Fuzhou Yaolong Group. One of the reasons for the increase was the increased supply from the recently renovated 600,000 t/y unit Tangshan Sanyou plant. There were some interesting shifts in trade. Imports reached record levels of 294,000 t, due to the increased supply from the US, and exports were also up marginally, to 1.15 Mt. The net result was a narrowing of the net trade surplus to 853,000 t. There was also a record performance on the demand side, with shipments of 9.3 Mt, up by 17%. The main driver for the demand was offtake from the flat-glass sector.

The Japanese soda ash industry has contracted to two producers, Central Glass and Takuyama Soda and production in 2002 was estimated to have been 450,000 t, which was marginally down from the previous year. Reduced production was matched by slow demand, due largely to the poor offtake by the glass sector, which was hit by the subdued construction market. Apparent consumption in 2002 fell by around 50,000 t to 900,000 t.

It was an encouraging year for the Indian soda ash market. Production passed the 2 Mt level, which was up by 9% from 2001. There was increased production for four of the five producers; the lower production was at DCW.

There were substantial increases at two producers, Tata (24%) and Nirma (27%). Tata's increase was compared with a lower-than-normal production in 2001 owing to a prolonged technical outage. Nirma, India's newest producer had by the end of 2002 completed the loading of its expanded capacity, which was 625,000 t/y. This ultimately resulted in a surplus in the Indian market, which generated more exports. It was a year in which the industry struggled in the courts to keep ANSAC out of the market, but ultimately failed.

In Pakistan, ICI announced its intention to increase capacity of its plant at Sind by 25,000 to 225,000 t/y.

The proposed NCP 80,000 t/y soda ash plant in Iran, announced in 2001, was abandoned in late 2002. However, the capacity at the existing 80,000 t/y plant will be increased by 50% as an alternative.

In Korea, OCI announced its intention to close its 400,000 t/y soda plant at Incheon in response to poor economics. The future of the plant had been under threat from the expiry at the end of 2002 of a price undertaking by the Chinese exporters to Korea. This closure will increase the flow of Chinese imports to Korea, though they will be handled by an OCI subsidiary.

There was a reversal in the fortunes of the Brazilian soda ash market in 2002. Production fell by 8% to 179,000 t. Imports also slipped and the result was a drop in consumption by 4% to 618,000 t. The underlying demand remained at a good rate, after allowance was made for switch alkali consumption in the chemicals sector.

### **Market place**

Once again, there was only a limited price movement in the soda ash market. For example, in the US, producers had announced increases of US\$7/short ton, but were only able to achieve between US\$3-6/short ton depending on customer and end-use sector. Representative prices were between US\$79-80/short ton. There were also relatively flat export prices. Larger and competitive accounts were down to US\$110/t fob.

With the European economies under pressure and intense competition from falling caustic soda prices, European soda ash sellers started with modest aspirations for increases in 2002, of €5-8/t. Even these levels were unattainable, and there were token increases achieved of €2-3/t. This took representative levels to around €150/t fd (free delivered) bulk for dense ash. Export business from Europe was negligible.

The competitive export market inhibited any upward movement in deep sea prices and these were flat, with average levels of between US\$135-150/t cif.

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**World Soda Ash Production ('000 t)**

	<b>2001<sup>r</sup></b>	<b>2002<sup>p</sup></b>
Western Europe	5,870	6,135
Eastern Europe	5,285	5,416
North America	10,300	10,500
South America	424	409
Africa/Mid East	1,305	1,395
Asia/Oceania	12,214	13,518
<b>World</b>	<b>35,398</b>	<b>37,373</b>

<sup>r</sup>: Revised. <sup>p</sup>: Provisional.