

2015

STATE OF THE SALT INDUSTRY

Rumors of a salt shortage this season were rampant in 2014. We find out if those rumors were true and how they affected prices.

A SUPPLEMENT TO
Lawn & Landscape

SPONSORED BY
ARCTIC
INCORPORATED
Snow & Ice Control
SINCE 1978

WATCH THE WEATHER

SALT HAS BEEN A HOT TOPIC for the snow and ice management industry for the past year. This season will dictate how this conversation continues forward.

To review, the winter of 2013/2014 was continuous. It snowed ... and then it snowed again and it kept on snowing. We didn't have many 6-12 inch events, but we did have plenty of 2-4 inch events. Everyone got their fair share.

At the beginning of last season, salt customers had some surplus left over from the previous year, plus their normal supply on the ground.

At the end of the season, after purchasing in some cases another full season worth of salt, everyone was out of salt. And I mean *everyone*. Every state, city, department of transportation and contractor. This left a unique scenario. Let me provide an example:

A department of transportation may normally begin a year with 450,000 tons of salt, enough to cover a bit more than an average winter. In a normal year, it may have 100,000 tons left. So it replenishes its salt back to 450,000 tons. This means that it needs to purchase 350,000 more tons for the next season to get back to 450,000.

This year that same department of transportation had to refill all 450,000 tons. However, it did not do that. It purchased 650,000 tons. So it purchased 300,000 tons more, or nearly 200 percent of what it would purchase in a normal year.

We began talking about this in June last year. A few contractors, who were really on the ball, secured salt really early and were able to hold fairly normal pricing. By July we started seeing pricing increases happen. In July and August salt prices were 33-50 percent higher than last year. It was about this time that many folks were told that their supplier last year would not be able to provide them salt this year. This ranged from companies that wanted 200 tons to 20,000 tons. This led many contractors in search of alternatives. I have heard of everything from trucking salt up from the southern states, to barges being brought from the Middle East and South America.

These logistics were more difficult, but contractors were able to pull these transactions off. As the season began, we were seeing salt prices double that of last season if not more. Many were paying \$150 per ton.



"AS WE MOVE THROUGH THE SEASON, NO ONE KNOWS WHAT IS GOING TO HAPPEN. IT WILL ALL DEPEND ON THE AMOUNT OF SNOW AND ICE."

As we move through the season, no one knows what is going to happen. It will all depend on the amount of snow and ice. Here are the scenarios:

- 1. We have an average or below average winter.** If that happens, salt companies will be able to catch up, salt consumers will have plenty of salt on hand (at least those who purchased ahead of time) and demand will better align with supply bringing pricing to more normal levels. I heard a meteorologist the other day predict this scenario and cautioned folks not to purchase too much salt. While I understand what he was saying, meteorologists don't have the best track record, and I wouldn't bet on them being right this time, especially if this means that you won't have salt.
- 2. We have a polar vortex and similar weather to last winter.** Salt prices are going to continue to skyrocket throughout the season. You will see prices 300 percent of last season. If this scenario happens, you will also see the salt shortage continue *at least* into next season.
- 3. We have some areas that have heavy, consistent winters, and others that are below average.** Supply and demand will begin to align, however, areas that are getting hit hard will be reaching to bring in salt from areas that are below average. And, of course, they will pay a premium. At the end of the season, you will see some relief in pricing, but you will likely see some continued pressure in the demand chain, creating elevated pricing throughout the summer.

This is a classic supply and demand issue. I know some say this is the salt companies gouging them and there is no shortage. I would argue that you should visualize the salt coming out the mine. You can run three shifts a day all year long. There is only so much you can harvest in that timeframe.

Watch what is going on not only in your area, but throughout the country. If we are getting hammered with snow and ice, look head to the salt you need to get you through the season. When spring hits, look at what happened throughout the country and plan based on that information. If that means making your salt commitment in June, then you need to do that.

KEVIN GILBRIDE
ASCA EXECUTIVE DIRECTOR

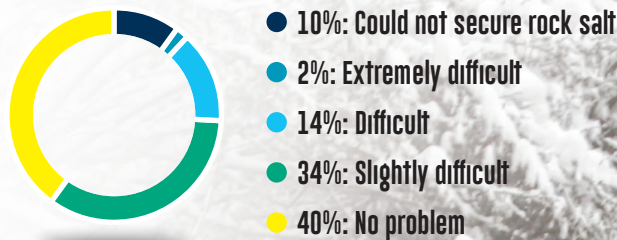
SALT SHORTAGE

DUE TO THE AGGRESSIVE NATURE OF WINTER 2013-14, beginning in spring 2014, suppliers were challenged to produce enough rock salt to replenish municipalities' and transportation departments' bins in preparation for winter 2014-15. By early summer, commercial snow and ice management companies were being told to expect shortages and higher prices, which created a flurry of anxiety throughout the industry.

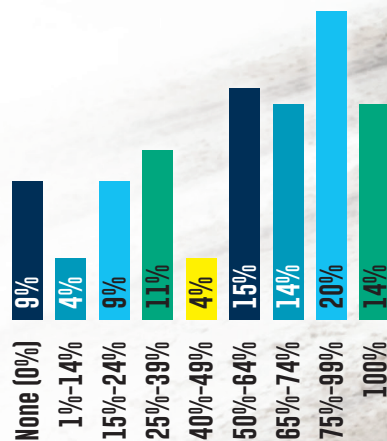
However, according to the contractors surveyed in early December, 40 percent indicated they had no problem securing salt. Albeit more expensive than prior to the start of the previous winter, contractors reported paying an average of \$117 per ton (including transportation costs). And while half of contractors surveyed indicated some degree of difficulty securing salt, only 16 percent of respondents defined it as "difficult" or "extremely difficult." Likewise, 63 percent of respondents indicated they'd secured more than half of their winter salt needs at this point in time.

To offset any salt shortfalls, the majority of contractors (62 percent) responded they purchased from multiple suppliers, or purchased salt from other contractors (19 percent). In addition, more than half (53 percent) of contractors said they purchased earlier than they normally do in preparation for the coming winter. Interestingly enough, 18 percent of respondents indicated they invested in snow removal equipment that produced cleaner pavement surfaces, which then requires the use of less salt. Less than 10 percent sought out foreign salt suppliers, either on their own (4 percent) or in collaboration with other snow fighters (4 percent).

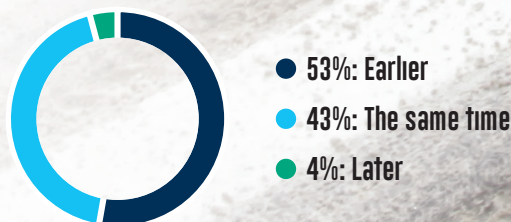
WHAT HAS BEEN YOUR EXPERIENCE OBTAINING THE ROCK SALT YOU NEED TO ADEQUATELY SERVICE YOUR CLIENTS THIS COMING WINTER?



AT THIS TIME, HOW MUCH OF THE ROCK SALT YOU'LL NEED FOR WINTER 2014-15 HAVE YOU SECURED?



IN SECURING YOUR ROCK SALT FOR THIS WINTER, DID YOU PURCHASE EARLIER, AT THE SAME TIME OR LATER THAN LAST SEASON?



© ROBERTIEZ | THINKSTOCK



AVERAGE PRICE PER TON, INCLUDING TRANSPORTATION COSTS

\$117

PRICE PER TON WINTER 2013-14 VS. WINTER 2014-15

71% PRICE IS HIGHER **23%** PRICE IS THE SAME **6%** PRICE IS LOWER

IN THE ABSENCE OF SUFFICIENT ROCK SALT TO MEET YOUR WINTER NEEDS, WHICH OF THE FOLLOWING HAVE YOU DONE TO OFFSET THIS DEFICIENCY?

62%

Purchased rock salt from multiple suppliers

21%

Purchased rock salt from out of state

19%

Purchased rock salt from other contractors

18%

Invested in liquid deicing technology

18%

Purchased snow removal equipment that produces a cleaner pavement surface

18%

Other

4%

Purchased a bulk shipment of salt from an overseas supplier

4%

Networked with other contractors to purchase a bulk shipment of foreign salt

Editor's note: "Other" included increased use of bagged product, increased frequency of a salt/sand mix and planned to use less salt.

DEICING: TRENDS & ANALYSIS

IT'S BEEN THREE YEARS SINCE OUR SISTER PUBLICATION, SNOW MAGAZINE, LAST CONDUCTED ITS SALT AND DEICING RESEARCH.

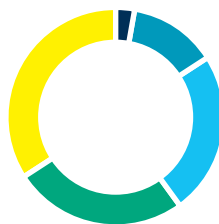
For perspective, in the fall of 2011, contractors were still enjoying a profitable previous winter. Aggressive winter weather kept professional snow and ice managers busy from November through early April. Unbeknownst to contractors at the time, they were about to face one of the leanest winters in recent history. For the majority of the industry, winter 2011-12 was the winter that never was, with scant snow and ice events.

When compared against data from three years ago, what do these numbers tell us? For starters, the majority of the respondents are veteran contractors. At least 60 percent have offered salt and deicing services for more than a decade. So it's a good foundation to start from with regard to trends.

Some things haven't changed, or have shown only slight variances. In the last three years for the professional snow and ice management industry and its approach to salting and deicing. For example, the majority prefer to use a combination of bagged and bulk product, dispatch plow trucks equipped with slide-in spreaders, and most promote themselves as "zero tolerance" contractors.

However, perhaps the most significant finding is that more contractors are charging customers per ton spread (25 percent in 2014 vs. 19 percent in 2011) and per application (68 percent in 2014 vs. 56 percent in 2011). Likewise, it appears contractors are realizing better margins for salt and deicing services, with more than three quarters (77 percent) of contractors earning more than 25 percent profit in 2014, compared to 69 percent in 2011.

HOW MANY WINTERS HAVE YOU OFFERED YOUR CLIENTS SALTING AND DEICING SERVICE?



- 3%: Less than 1 winter
- 13%: 2-5 winters
- 24%: 6-10 winters
- 26%: 10-20 winters
- 34%: More than 20 winters

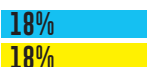
HOW DO YOU DISPATCH YOUR SALTING AND DEICING SERVICE?

● 2014 ● 2011

Plow truck is outfitted with a salt spreader



Use dedicated truck/trucks outfitted only with spreaders

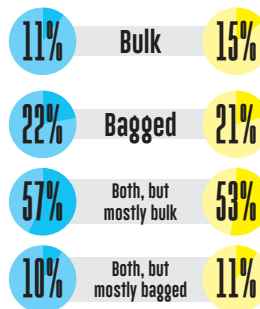


Both



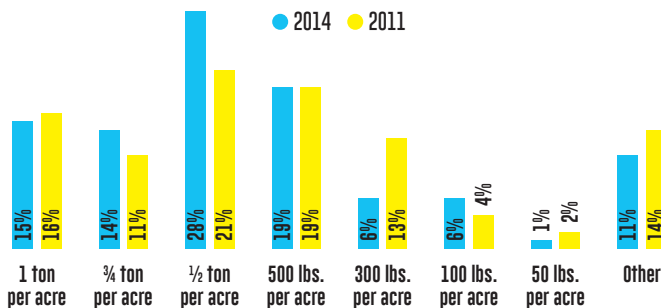
WHAT TYPE OF DEICING PRODUCTS ARE YOU USING?

● 2014 ● 2011



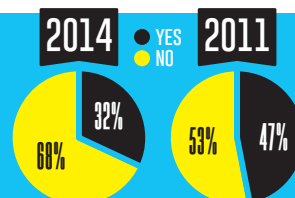
IN YOUR OPERATION, TO ACHIEVE ACCEPTABLE RESULTS WHAT IS THE ACCEPTED QUANTITY OF SALT PER ACRE APPLIED TO A CUSTOMER'S PROPERTY?

● 2014 ● 2011



Editor's notes: "Other" included responses such as "unknown" and "not sure," as well as responses that indicated it depended on the environmental conditions.

» HAVE YOUR CUSTOMERS VOICED CONCERNS ABOUT DEICING MATERIALS DAMAGING THEIR PAVEMENT SURFACES AND/OR SURROUNDING GREEN SPACES?



DO YOU PROMOTE
YOURSELF AS A "ZERO-
TOLERANCE" SNOW AND ICE
MANAGEMENT COMPANY?

2014

66%
yes

34%
no

2011

69%
yes

31%
no

HOW DO YOU CHARGE FOR DEICING SERVICES?

● 2014 ● 2011

Per ton spread

25% 19%

Per pound spread

14% 18%

Per ton plus hourly for spreading

10% 12%

Per pound plus hourly for spreading

6% 8%

Per application

68% 56%

Seasonal

22% 26%

Other

4% 5%

Editor's note: "Other" responses
included per bag, per gallon,
and by square footage.

WHICH OF THE FOLLOWING TYPES OF SALT SPREADERS DO YOU USE IN YOUR OPERATION?

● 2014 ● 2011

Slide-ins for pick-up trucks

62% 58%

Tailgate spreaders

48% 48%

Dedicated spreader on chassis

24% 36%

Walk behind spreader

56% 50%