Demand for Frac Sand Falls in Wis., Minn.

WINONA, Minn. (AP) — Short-term demand for frac sand in western Wisconsin and eastern Minnesota has fallen because there's more available than the industry currently needs.

Demand had exploded several years ago, spurring companies to open mines and processing facilities and ship across the country for fracking operations, according to the Winona Daily News [1].

But that demand has cooled significantly this year, according to industry representatives and reports from government agencies. Some of the region's newly permitted sand mines are idle, as are loading and hauling facilities, and some operations are stockpiling sand.

"Supply and demand are closer to being in balance," said Michael Lawson, a spokesman for U.S. Silica, the country's second-largest silica sand producer.

The Freedonia Group, a market research organization, estimates that the annual demand for silica sand will increase by at least 4.8 percent every year at least until 2016.

"There may be a temporary stabilization, but it's only temporary," said Winona County, Minn., planning and environmental services director Jason Gilman.

The demand for sand, natural gas and oil products has stabilized only because the industry is catching up.

Paul van Eijl, who purchases land for Superior Sand Systems in the region, said until there is an increase in demand, the company's new facility in Wabasha, Minn. — permitted in December 2012 — will likely remain idle.

"We just don't have any contracts," he said.

Superior Sands' rail loading facility is an example of one of many area operations that have stalled because they weren't permitted before the demand leveled off.

"This time last year, the demand was definitely higher than the supply," Van Eijl said.

By comparison, U.S. Silica, a 113-year-old company, just opened a new mine and processing facility in Sparta, Wis., and expects to have no problem selling the close to 4.5 million tons of sand it plans to mine yearly from its 15 mines and processing plants scattered across the country.

"We are confident in our ability to sell the increased capacity," said Lawson, adding

that the company expects to see 10 to 15 percent growth this year.

When the demand rises again, a combination of looser regulations, geology and easier access to shipping channels all point to Wisconsin being in the better position to handle it.

According to a study produced by the U.S. Geological Survey, in 2011, 41 percent of frac sand produced in the U.S. was used as hydraulic fracturing sand and well-packing and cementing sand.

That means nearly three-fifths of the sand mined went to other uses, primarily for manufacturing products like glass, makeup, toothpaste, roofing shingles, paint, countertops and at least 35 different car parts.

Those uses don't always command the same prices for frac sand as fracking operations do, but they could be viable sales avenues for mining operators in the future if the demand slows for fracking.

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Information from: Winona Daily News, http://www.winonadailynews.com [2]

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