Floor Pricing Won’t Rebuild America’s Rare Earth Industry — It Will Break It

written by Jack Lifton | June 10, 2026

The United States is once again searching for a shortcut to rebuild its rare earth supply chain. This time, the idea gaining traction in Washington is government-guaranteed floor pricing for rare earth oxides — a policy intended to stabilize domestic mining, counter Chinese price suppression, and encourage upstream investment.

It is an idea that sounds bold, decisive, and patriotic. It is also profoundly misguided.

Floor pricing does not solve the problem it claims to address. It misdiagnoses the strategic challenge, misallocates capital, entrenches subsidy dependence, and leaves the United States just as vulnerable to Chinese industrial strategy as before — perhaps more so.

If the U.S. wants a resilient rare earth supply chain, it must confront the real bottleneck: the absence of midstream and downstream processing capacity. Floor pricing does nothing to fix this. In fact, it actively diverts capital and political attention away from the parts of the supply chain that matter most.

This article explains why.

The Real Problem Isn’t Mining — It’s

Processing

The United States does not lack rare earth ore. It lacks the ability to turn that ore into metals, alloys, and magnets — the components that power electric vehicles, wind turbines, precision-guided munitions, and advanced electronics.

China's dominance is not geological. It is industrial.

China controls:

- 80–90% of global separation capacity
- Nearly all metallization and alloying capacity
- Over 90% of NdFeB magnet production
- Integrated industrial clusters that reduce cost and accelerate innovation

This is where strategic leverage comes from. This is where the value is created. And this is where the U.S. is weakest.

Floor pricing does not touch any of these segments.

Floor Pricing Misdiagnoses the Challenge

Floor pricing assumes the problem is low upstream prices. But upstream prices are low because China dominates the midstream and downstream. China can afford to depress oxide prices because it captures the value later in the chain.

Subsidizing U.S. mining does not change this dynamic.

It simply produces more concentrate that must still be shipped abroad for processing — often to China itself.

This is not a supply chain. It is a conveyor belt.

Floor Pricing Distorts Investment Incentives

Guaranteed prices attract capital — but not the kind of capital the U.S. needs.

Floor pricing incentivizes:

- Marginal deposits
- Fast-to-market juniors
- Speculative upstream plays
- Financial engineering over industrial capability

It does *not* incentivize:

- Separation plants
- Metallization
- Alloying
- Magnet factories
- OEM qualification pipelines

These are the segments that determine whether the U.S. has a real rare earth industry or just a mine.

Floor pricing pushes capital toward the wrong end of the chain.

Floor Pricing Creates Permanent Subsidy Dependence

Price supports rarely sunset. Once established, they become politically impossible to remove.

Agriculture, biofuels, solar panels, steel — the pattern is always the same:

1. Subsidy introduced
2. Industry reorganizes around subsidy
3. Lobbying intensifies
4. Subsidy becomes permanent

Rare earths would be no different.

Floor pricing would create an industry dependent on government guarantees rather than competitiveness. And because rare earth prices are volatile, the political pressure to raise the floor would grow every time China pushes prices down.

Which brings us to the next problem.

China Can Undercut Any U.S. Floor Price Instantly

China has repeatedly demonstrated its willingness to use rare earth pricing as a geopolitical tool. If the U.S. sets a floor price, China can simply:

- Flood the market
- Depress global prices
- Undercut the U.S. floor
- Force Washington to raise subsidies
- Repeat as needed

The U.S. cannot win a price war against a state-directed industrial system that controls nearly all global processing capacity.

Floor pricing invites a contest the U.S. is structurally incapable of winning.

We Already Tried Upstream-Only Support — It Failed

The MP Materials Corp. (NYSE: MP) experience is instructive.

The U.S. supported upstream production at Mountain Pass. The result:

- Ore mined in the U.S.
- Concentrate shipped to China
- Value captured abroad
- No domestic magnet industry created

Floor pricing would replicate this failure on a larger scale.

Where the Value Actually Is

Mining captures **3–5%** of the value. Magnets capture **40–50%**.

Floor pricing subsidizes the lowest-value segment of the chain while ignoring the highest-value segment.

This is not industrial strategy. It is industrial theater.

What the U.S. Should Do Instead

A serious rare earth strategy would focus on:

1. **Guaranteed Offtake for Magnets and Metals** — Not oxides. Finished components.
2. **Defense Production Act Contracts** — Tied to performance

milestones, not price floors.
3. **Accelerated Permitting for Midstream Facilities** – Separation and metallization must be fast-tracked.
4. **Tax Credits for Magnet Production** – Modeled on the 45X battery credit.
5. **Allied Integration** – Japan, Korea, Australia, and the EU must be part of the solution.
6. **Recycling and Scrap Recovery** – A domestic secondary supply is essential.

These tools build capability. Floor pricing does not.

Conclusion: Floor Pricing Is a Strategic Mistake

Floor pricing is politically attractive but strategically ineffective. It misdiagnoses the problem, misallocates capital, entrenches subsidy dependence, and fails to build the capabilities the U.S. actually lacks.

A resilient rare earth supply chain cannot be built on artificial prices. It must be built on processing, integration, and competitive industrial capacity.

Floor pricing is not a foundation. It is a crutch.

And the U.S. cannot afford to build its future in critical minerals on a crutch.