

COMPETITIVE PROFILE
PRIMARY COPPER SMELTING AND REFINING
SIC # 2959 PART ONLY

1. STRUCTURE AND PERFORMANCE

1.a. Structure

The primary copper smelting and refining sector consists of five companies operating nine facilities located in Quebec, Ontario and Manitoba. All of the companies operate smelters but only three have refineries. The smelter products which are further processed in refineries are blister and anode copper. The refinery products are electrolytic copper in the form of cathode, cake, ingot and wire bar.

In Canada all smelter production is further processed domestically except the production from Falconbridge's smelter which is processed by the company's facilities in Norway.

All of the producers are integrated backward owning mines but only Noranda is integrated forward owning brass mills and a continuous cast rod mill as well as wire drawing facilities. There are two general classes of smelters, those that are self-sufficient in mine production and those that must draw upon additional sources of concentrates. Noranda and, to some extent, Hudson Bay, are in the latter class and are therefore termed "custom smelters".

More than 90 percent of the industry is privately owned. Canadian control is approximately 95 percent. One company is owned by the federal government through the Canada Development Corporation.

Proximity to the resource base was the prime determinant of smelter location. Two companies, Noranda and Inco constitute some 80 percent of domestic capacity. All companies operate world class facilities and produce metals other than copper.

Copper production does not respond rapidly to changes in demand.

Price competition is not a factor in selling copper. Prices are established by market forces and bear no direct relationship to production costs. Copper prices in North America are based on the New York Commodity Exchange (COMEX) price and in the rest of the world on the London Metal Exchange (LME) price.

1.b. Performance

Over the last ten years the sector has processed the concentrates that have been produced east of the Manitoba/Saskatchewan border. There has not been an appreciable decrease in production of copper metal.

Early in the ten-year base period, Noranda's Horns mine became depleted and was closed, but Kidd Creek brought its Timmins mine into production at about the same time providing a compensating new source of supply for the Noranda smelter. However in 1981 Kidd Creek's smelter and refinery came on-stream increasing Canadian capacity by some 9 percent but not increasing actual metal production since this new smelter consumed concentrates that up to that time had been processed by Noranda.

Because of low copper prices exploration has declined and some mineral deposits have been dropped from the "ore" classification. As a result the Noranda/Noranda smelter is slowly depleting its source of supply and at present is examining the possibility of importing some foreign concentrates. Copper consumption in Canada and the world has been declining. Canadian companies continue to supply 90 percent of domestic consumption and have increased exports.

All of the companies have shown losses in 1982 and 1983. However, there is no way of determining the performance of the copper smelting sector because the companies report only on their total operations and do not provide separate information concerning smelting and refining of copper. Cost information is closely guarded by the companies.