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LADB Staff

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Mexico's Copper Production Projected to Increase Despite Low Prices

by LADB Staff

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Mexican copper production is expected to increase by about 60,000 metric tons during 1998 despite a recent plunge in global copper prices. Copper futures prices, often considered a barometer of the global market, fell to US\$0.72 per pound in late February, the lowest level since mid-1993. Copper prices have declined because of the Asian economic crisis and increased output in major producing countries like Chile, which has led to a global oversupply (see NotiSur, 01/16/98). Despite the plunge in international prices, copper-market specialists forecast an increase in Mexican copper production to 440,000 MT this year, compared with 380,000 MT in 1997. "Mexico's copper output will not be affected by the low global prices because of low overhead costs," said analyst Sandra Morfin of Santander Investment. "It is in the interest of the companies to continue production."

Grupo Mexico, which produces 90% to 95% of Mexico's total copper output, has projected that production this year will be at least 420,000 MT, compared with about 380,000 MT in 1997 and 320,000 MT in 1997. Grupo Mexico is the world's 10th largest copper producer. "We have one of the lowest production costs in the world, which is very lucky for us," a Grupo Mexico executive said in an interview with Reuter news service. "We are talking about a total production cost of US\$0.46 or US \$0.47 a pound, and we don't need to spend much money on new investment."

Much of the increase in Grupo Mexico's production is expected to come from its mine in La Caridad, Sonora, which last year boosted capacity to 300,000 MT. The Grupo Mexico spokesperson said an expected increase in prices later in the year could help the company's bottom line by year-end. "We are confident that we will see higher copper prices for the next two or three quarters of 1998," said the spokesperson. "The demand for copper around the world is very stable." Other mining companies have recently uncovered new copper reserves. In late December 1997, Canadian-based Teck Corp. announced the discovery of a vast reserve of copper, silver, gold, and zinc in the central state of Zacatecas.

The reserve, located near the municipality of Villa Gonzalez Ortega, contains an estimated 50 million MT of metal ore, said a Teck Corp. spokesperson. The company plans to develop the reserve in partnership with another Canadian company, Western Copper Corp. The expected increase in copper output this year would follow a similar pattern as last year. In a report published in late February, the government statistics agency (Instituto Nacional de Estadística, Geografía e Informática, INEGI) said copper production last year was about 5% higher than in 1996. INEGI did not release any estimates for 1998. (Sources: Notimex, 01/16/98; El Economista, 01/22/98; Reuter, 02/24/98; Excelsior, 02/27/98)

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