

COPPER INVESTING

A Look at Historical Copper Prices

Copper prices have been on the downtrend over the past few years, but what does the bigger picture look like? To find out, we took a look at historical copper prices.

Teresa Match • April 13, 2016



The copper price has been on the downtrend in recent years, but it's interesting to note that the story changes when we look at historical copper prices.

While spot Comex Copper prices are down nearly 20 percent over the past year, they've actually gained 162.77 percent since 2000, even considering the long slide seen by copper prices between early 2011 and early 2015. Certainly, although that 160 percent increase doesn't account for inflation, it's still a sizable gain.

Copper prices were more or less on the rise during the latter half of the century as well, indicating that the state of the red metal might not be so bad after all. More recently, while some analysts are still hesitant about copper, prices have gained back a bit of ground so far in 2016, gaining 2.95 percent since the start of the year.



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So what's the best way to view historical copper prices? According to Stefan Ioannou of Haywood Securities, it's most pragmatic to look at historical copper prices since the 1970's or 80's. That's because of one key factor brought major changes to the industry: the rise

of modern heap leach technology. Leaching has long been used in mining operations, but according to this paper, the method in its modern form didn't start gaining popularity until around 1980.

“That fundamentally changed the way we mine copper,” Ioannou said. “Up until then, a lot of copper mining was for the most part focused on sulfide mineralization producing a copper concentrate that you'd send to a smelter. With heap leach technology, all of a sudden the giant porphyries [and] the oxidized caps associated with large porphyries down in South America became viable.”

That sounds like good news for increasing copper supply, but as Ioannou noted, large-scale deposits are often low grade, meaning that they're more costly to mine despite relatively cheap heap leaching methods. That's no doubt had an effect on copper prices.

“The change we've seen in the industry is that the price of copper has gone up ... because the cost to produce a pound of copper has gone up. They sort of go hand in hand,” he said.

While the analyst stated that supply and demand dynamics are the main driver behind prices, he also noted that grades and production costs are factors as well. Demand for copper keeps growing, and Ioannou suggested that since “the low-hanging fruit has been mined,” miners must increasingly go after more difficult, large, low-grade and costly deposits to meet that need.

“The price of copper dictates how low you can go on the grade,” he said, “Back pre-1970s, I'm guessing a lot of copper was coming from a lot higher-grade mines ... as we've been mining more and more of these large-scale deposits that are low grade, the cost on a per-pound basis has gone up.”

What else has driven changes in historical copper prices?

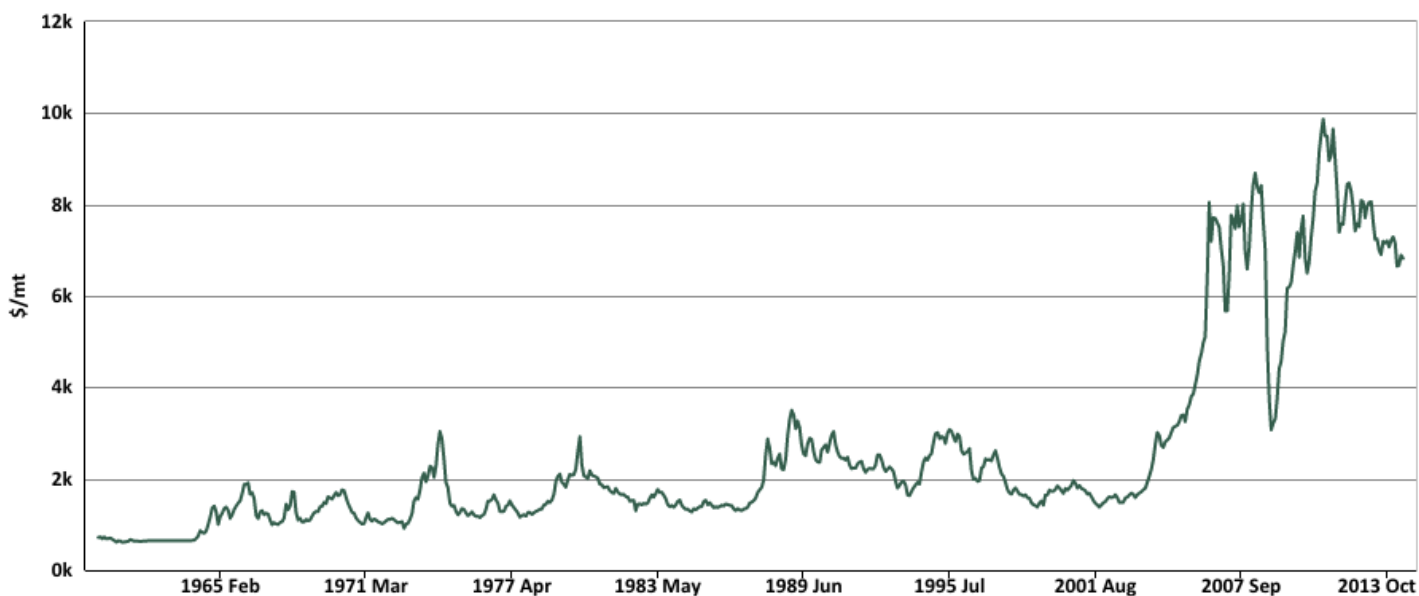
A number of supply and demand factors have contributed to the movement of historical copper prices over the years.

For example, a report from the US Geological Survey (USGS) notes that the Vietnam War meant strong demand in the mid-60s and early 70s, leading to price controls to limit rising domestic copper prices.

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Fast forward, and the source of demand has shifted to China. Those following the resource market will no doubt remember a giant spike in demand from China that sent prices for copper and other commodities soaring in recent years. As the top copper consumer worldwide, accounting for 40 percent of global demand, there's no doubt that China has a big impact on copper prices.

Of course, there have been a number of downturns as well. Aside from the most recent commodities price rout that has seen copper prices drop over the past five years, the USGS states that in 1998, “[t]he constant dollar copper price in 1998 fell to the lowest level since the Great Depression of the 1930’s,” while an earlier production boom in the 1980’s led prices to fall on the back of resulting oversupply.



Source: [World Bank Commodity Price Data \(Pink Sheet\)](#), July 2014

What's next for copper?

Interestingly, some take another view on the historical performance of the copper price. Richard Schodde, managing director at MinEx Consulting, gave a presentation on the subject back in 2010 that looks at a longer time frame. On that scale, historical copper prices have actually dropped significantly.

Schodde told Copper Investing News by email that real copper prices have dropped 50 percent over the past 100 years, and that production costs have also fallen due to economies of scale and advances in mining and processing technologies.

That might not sound like good news for copper, but Schodde views the drop as a good thing overall. He predicts that the industry will continue to innovate in order to exploit lower-grade deposits and meet growing global demand for copper.

In the shorter term, Thomson Reuters GFMS is calling for another copper surplus this year, albeit a smaller one, with predictions for a tighter market pushed out to 2018. “[T]here is no doubting that the current low price environment is sowing the seeds for the next boom as projects are shelved, delayed, sold or abandoned completely,” the firm stated in its recently released annual copper survey.



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Securities Disclosure: I, Teresa Matich, hold no direct investment interest in any company mentioned in this article.

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