



## Western Canada Export Industry Brief MINERAL PRODUCTS

### OVERVIEW

Mineral products are Montana's number one export to western Canada including Alberta, British Columbia, and Saskatchewan. In 2015, over \$95 million worth of mineral products from Montana were imported into these provinces, making it the most imported industry, despite dramatic decreases in light oil imports compared to 2014. The supply chain moving northward from Montana includes commodities that add value to Canadian products, such as light oils and their role as a diluent in helping crude oil transport midstream. Other mineral commodities span different construction-related industries like portland cement and quicklime.

### OPPORTUNITIES

Leveraging a long history of mineral product commodity exports, Montana firms are also respected purveyors of technology and remediation products relating to mining. From extraction systems designed to recover primary metals, remove process nuisance or environmentally toxic ions, to assessments for mining operations with focus on stabilizing and reversing selenium trends in mining rock formations and sale of materials for mining reclamation, Montana firms are serving Canadian customers with specialized expertise. Global sustainability trends, coupled with a targeted approach by Montana firms, could yield more export business.

#### Top 5 Mineral Product Imports into Alberta, British Columbia, and Saskatchewan from Montana in 2015

Data provided by WISER, at <http://www.wisetrade.org>, from Statistics Canada, International Trade Division

			2013	2014	2015
RANK	HS CODE	PRODUCT	Imports (US\$)	Imports (US\$)	Imports (US\$)
1	252329	Portland Cement	\$36.98M	\$40.26M	\$35.14M
2	271012	Light Oils	\$73.24M	\$57.30M	\$19.98M
3	252210	Quicklime	\$690K	\$9.24M	\$15.74M
4	271113	Liquefied Butanes	\$12.41M	\$9.82M	\$7.25M
5	271320	Petroleum Bitumen	\$2.76M	\$1.68M	\$4.52M

### RECENT INDUSTRY TRENDS

- Total mineral product imports into western Canada decreased by more than 50% from 2011 to 2015. Light oils have followed this trajectory as production in the Bakken shale oil formation has slowed.
- Increasing from zero dollars of merchandise imported in 2011, quicklime imports surged in 2014 and 2015 with totals of \$9.24M and \$15.74M. This spike was due in part to demand from facilities in the Alberta oil sands, which use the quicklime for water remediation.

## RELEVANT ISSUES

### Global Oil Prices

Global factors affecting oil prices include the drop in demand from countries like China, overproduction from oil-producing countries like Iraq and Saudi Arabia, and the possibility of Iran inserting more oil into the market as a result of lessened sanctions.

### China

China is experiencing recalibrations in its construction and financial industries. As the pace of China's growth slows, Chinese investment in mining operations, including acquisitions, also slows, and Chinese demand for mined commodities decreases.

### SUMMARIZING THE IMPACT ON MONTANA

As supply exceeded demand in 2015, downward pressure drove down prices for minerals including copper, aluminum, zinc, and lead. By the beginning of 2016, global mining stocks had lost an estimated \$1.4 trillion since 2011, according to the Bloomberg World Mining Index.

In the short term, mining imports into western Canada from Montana will likely be minimal as commodities such as copper are already nearing capacity at Canadian smelters. Currently, Montana-based mineral production is being exported to Asia and Mexico.

Another repercussion of falling mineral prices is manufacturers that supply the mining industry with equipment, such as trucks and tires, have also ramped down their production. This leads to further production delays and even lower output.

For Montana, the drop in oil price has meant a decrease in the amount of crude oil imported from western Canada. Since at least 2010, 86.46% of the crude oil received in Montana for refining purposes has come from Canada, according to a 2014 oil refiners annual report. From 2014 to 2015, crude oil imports into Montana dropped by 58%, which impacted overall refining activity.

Near-term light oil exports from Montana to western Canada are expected to remain at the low level seen in 2015. One of the primary reasons leading to this decrease was the recently discovered domestic supply of light oil found in Alberta. Additionally, Canadian companies are transitioning to using rail for crude oil shipments, which requires less light oil diluents than when shipping through a pipeline.



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