



Project Group Business & Information Systems Engineering

Discussion Paper

The By-Product Effect on Metal Markets -New Insights to the Price Behavior of Minor Metals

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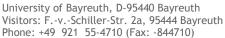
Patrick Afflerbach, Gilbert Fridgen, Robert Keller, Andreas Rathgeber¹, Florian Strobel

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¹ Institute of Materials Resource Management, University of Augsburg

University of Augsburg, D-86135 Augsburg Visitors: Universitätsstr. 12, 86159 Augsburg Phone: +49 821 598-4801 (Fax: -4899)













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The By-Product Effect on Metal Markets – New Insights to the Price Behavior of Minor Metals

Bv

Patrick Afflerbach*, Gilbert Fridgen**, Robert Keller*, Andreas Rathgeber***, Florian Strobel*

Abstract

We will examine price dependencies between primary products and co-products from metal markets. First, we develop an optimization model to determine the profit-maximizing extraction behavior of mining companies. With this model, we analyze how the companies optimally react to exogenous demand shocks on the metal markets, and how the prices of metallic primary products and their co-products are related to each other. This approach enables us to determine the basic conditions leading to price relationships. Second, we validate our theoretical findings on monthly metal prices from June 2009 to January 2013. We apply a linear regression model to analyze the price relationships of the primary products and their co-products and finally compare the results of our analysis to our model forecasts.

Key Words

metal prices, price dependencies, joint production, by-product, co-product, empirical test, minor metals, commodity price driver

*FIM Research Center, University of Augsburg, 86150 Augsburg, Germany. **FIM Research Center, University of Bayreuth, 95440 Bayreuth, Germany. ***Institute for Materials Resource Management, University of Augsburg, 86150 Augsburg, Germany.