The mining industry has undergone numerous changes in recent years. With each change brings new opportunities and new obstacles. As companies look into 2017, here are what we consider the top business risks facing the mining industry.

1. Production Management
Maximizing the economic efficiency of production is a competitive advantage for miners who do it well. Production is impacted by financial, geological, and even social factors. Miners who effectively manage these factors and maximize production in areas that return the most value to their company will experience success. Additionally, miners who invest in maximizing the efficiency of their production abilities will be most prepared to take advantage of market improvements in their industry.

2. Capital Sources
Certain segments of the mining industry have lost favor with public investors and, consequently, many financial institutions. Traditional financing arrangements are difficult to obtain, and when obtained, may come with high fees and interest. Companies should consider alternative capital sources such as international institutions, brokers, and even customers. These alternative capital sources may offer a form of strategic alliance, such as in marketing existing products, or helping to develop additional assets.

3. Pricing
Contract prices continue to be extremely volatile. Miners may be forced to service unfavorable contracts in order to keep cash flowing and to maintain relationships with customers. Additionally, miners may want to “keep a toe” in the water to monitor contract prices as they are negotiated for short and long term orders. The best way to understand the existing market is to be in some form of sales negotiations with the customers. Commodity prices for metallurgical coal took a favorable turn in the fourth quarter of 2016. Miners who are well positioned to take advantage of this opportunity will see more favorable results during 2017.

4. Growth Mindset
Expected metallurgical coal prices will present significant opportunities for growth. Companies that can quickly escape the industrial malaise of the past several years and focus on maximizing current and future opportunities can strengthen their organizations. Switching from a “survival” mindset (as has been the case for the past several years) to a growth mindset will be challenging.

5. Customer Concentration
Many miners sell most of their products to a small number of customers, which creates a significant risk to miners’ revenue streams. The coal mining sector ships coal primarily to power plants or industrial sites. Environmental regulations have made the economics of running a coal burning power plant very difficult. Economic fluctuations, both domestic and abroad, make industrial applications unstable. Limestone producers are impacted by governmental contracts and proximity to construction projects. Miners should offset this risk by seeking to diversify their customer base through geographic expansion or alternative uses for their products.
6. Regulatory Changes and Political Uncertainty
Regulatory and political issues are a significant consideration in the mining industry. Environmental agencies can block or hamper access to strategic mining areas. Certain regulations threaten the way in which extracted minerals are used, thus decreasing demand. President Trump has stated his intentions to create a favorable environment for the mining industry. With this comes changes in the leadership of the EPA, a new perspective on capital projects such as the Keystone Pipeline, and expected changes to the United States tax code. Changes at the state government level may also create new opportunities for miners as some states may become more welcoming to the mining industry.

7. Global Competition
Mining has grown from a local market to a national and now global market. As domestic demand declines, U.S. miners are forced to look internationally for revenue opportunities. This requires an understanding of historical relationships, trade barriers, currency values, and international regulatory requirements. Miners must follow and understand international markets in order to compete at the global level.

8. Modernization
In various sectors of the mining industry, external factors impacting miners’ performance are changing much more rapidly than the rate at which the miners can adapt. Additionally, the average age of mine workers across most sectors has increased for several years in a row. This indicates that the industry is not hiring and retaining young workers. Technologies used today are often similar to those used a decade ago, and often by the same person. By the nature of their operations being capital intensive, miners are not very nimble organizations and may not be considered very modern. A miner that can modernize operations to the specifications of their market through new technologies and innovative tactics will be positioned to recognize cost savings and improve market position.

9. Cybersecurity
Operators need to be proactive in cybersecurity by implementing effective controls to prevent and detect cybercrime. Potential effects of an operator network infiltration can include shutdown of an energy grid, re-direction of energy to a particular location, or theft of customer payment information.

10. Social Awareness
Miners have a unique role in the local, state, and national community. The safety of its workers should always be the top priority for mining companies. Miners must consider the impact of their actions within each unique community. Illegal or unethical practices will damage a miner’s reputation and make national headlines, but legitimate closing of a project due to financial reasons may generate significant reputational damage as well. Miners should consider the impact that closing a project will have on that community and the local economy.