

10:48 18 Aug FEATURE-Chile small miners dwindle as copper market changes

By Tiffany Woods

TALTAL, Chile (Reuters) - Saul Araya shakes his head and says flatly: "I don't want any more mining."

The father of three preteens had labored in mines for 14 years until late 1997 when copper prices began a downward spiral that put him and co-workers in the unemployment line.

"I could not cover my costs," said the skinny Araya, who now tries to bring home a few pesos with the fish he catches on the coast near the town of Taltal in northern Chile.

He and others like him watched their towns nearly dry up as the mines folded and some abandoned their homes in search of work elsewhere -- only to return when they found nothing.

Small mining firms, while they are not a significant part of Chile's economy, are the main source of labor in some towns. They also support a Chilean tradition that goes back centuries and is struggling to stay alive in a consolidating industry.

The small miners are a diminishing lot but they say they will not disappear as long as the state continues to give them a hand in times of trouble and to buy their copper.

#### PART OF CHILE'S HISTORY

The small miners have long been a part of Chile, which this year is expected to produce 33 percent of the world's copper, garnering the trophy as the No. 1 producer of the metal. Mining has coursed through their families' blood for generations, like the copper veins that flow below Chile's crust.

Many live in shacks at mining camps in the world's most arid desert, the Atacama, and visit their families in town only once or twice a month. If they do not have extra cash to pay a cook, the men take turns in the kitchen.

And they dream of the lode that will take them out of the dusty desert and make them rich men.

Luis Segovia, 51, is one of them. With the help of a winch and a large bucket, he has been digging deeper in his underground mine for 11 years and today he makes a net profit of about \$300 per month. His budget is so tight that at day's end he and his buddies shift their truck into neutral and coast the 30 minutes into Taltal to save fuel.

But in the first quarter of this year the hardships reached astounding levels as copper fetched barely more than 60 cents a pound (.45 kg), a dramatic fall from the \$1.03 that it averaged in 1997. It was near levels not seen in more than 60 years.

The number of small mining firms plunged from 512 in September 1997 to today's 380, which employ directly about 2,000 workers, Patricio Artiagoitia, executive vice president of state-owned copper processor Enami, said.

Enami defines a small mining company as one that produces less than 60 tonnes of copper a month. In reality, most produce about nine tonnes per month, he said. A large-scale miner can easily produce that much in an hour.

Some small miners could not survive because their costs exceeded the price of copper. As they threw in the towel the domino effect began in towns as other industries dependent on mining like construction and retail began laying off workers.

In Taltal unemployment hovers around 30 percent, said Jorge Pavletic, vice president of the Mining Association of Taltal. The jobless sit in tattered clothes on benches at the town's plaza in the morning and watch the dogs scratch their fleas.

Across the street at the bank, their savings dwindle and their loans pile up. Restaurants are empty because few can afford the luxury of dining out.

"You are looking at a dead town," said 92-year-old Esther Marin, a native of Taltal who has been working at a soda fountain beside the plaza for 52 years.

#### STATE HELPS MINERS

The state tries to help the small miners. Enami processes their mineral and pays them 85 cents per pound of copper, higher than the market rate, on the assumption that in years of bounty the miners will repay Enami. The state-owned processor takes them under its wing because big smelters and refineries do not want to bother processing such small amounts.

The state's role seems out of place in an open market that rewards the most competitive and punishes the weak. If small miners are inefficient, should the government continue sinking money into them?

"We perform a social role in the towns. If it were not for the small miners there would be no jobs," replied Zulema Soto, 43, president of the mining association in the town of Diego de Almagro and a separated mother who supports her five children in part from the earnings from her two copper mines.

State help or not the law of the jungle will put some small miners out of business because they do not have the weight to take on debt and update their operations, said Patricio Cespedes, second vice president at the National Mining Society (Sonami), which lobbies for small- and medium-sized miners.

A look at the past gives a clue to small miners' future. Their copper output fell to 24,850 tonnes in 1998 from 59,505 in 1991, Sonami said. In 1998 they made up 0.7 percent of Chile's copper output compared to 3 percent in 1991, it said.

But Artiagoitia insists there is room for them. They can always dig up the tiny but higher-grade deposits that are not economically feasible for major miners to exploit, and even if Enami were to stop processing it some could sell it to other processors, he said.

"If Enami disappears there will be less (small) miners but it is almost impossible that they disappear," he said.

Just don't tell that to mining-weary Saul Araya.

Wednesday, 18 August 1999 10:48:49

ENDS [nN18275568]