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ARIZONA MINING UPDATE FOR 1999

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adapted from Circular No. 87, July, 2000

For the first time in 10 years, Arizona did not rank first in the Nation in non-fuel mineral production in 1998, falling to third. Arizona's production was \$3.0 billion, down \$800 million from 1997. Contributing to this drop was an 11-year low in copper prices. Preliminary figures released from the USGS indicate that Arizona was also third in 1999 with total production valued at \$2.7 billion. During 1999, copper prices fell 3 cents more to 72 cents per pound, the lowest annual average price (in constant dollars) in the century.

Arizona did continue to lead the Nation in copper production, accounting for 65 percent of the total U.S. mine production. In addition, Arizona is among the leaders in the production of gemstones, molybdenum, silver, perlite, and sand and gravel. There are 72 mining companies operating 126 mines in the state, with an additional 70 sand and gravel producers. More than 15,000 people are directly employed by the mining industry.

Arizona Mineral Production - 1998 - 1999¹

(short tons unless otherwise noted)

Commodity	1998 Quantity	1998 Value	1999 ¹ Quantity	1999 Value
Copper	1,312,000	2,060,000,000	1,213,000	1,810,000,000
Gemstones	na	2,120,000	na	1,920,000
Gold (troy oz.)	59,160	17,400,000	24,500	6,870,000
Molybdenum (lbs.)	36,600,000	withheld	37,000,000	withheld
Sand & Gravel				
Construction	52,800,000	229,000,000	59,500,000	264,000,000
Industrial	338,000	3,290,000	289,000	4,120,000
Silver (troy oz)	6,780,000	34,700,000	6,080,000	32,500,000
Stone, crushed	8,910,000	44,800,000	9,040,000	46,700,000
Other ²	na	370,000,000	na	344,000,000
Coal ³	11,300,000	272,000,000	11,787,000	283,000,000
Total		\$3,030,000,000		\$2,790,000,000

Copper

Low copper prices and increased foreign production resulted in a difficult period for copper producers last year. Arizona's copper production declined 4.8 percent in 1998 and fell 7.5 percent in 1999 to 2.42 billion pounds. The value of copper produced had an even more dramatic decline, dropping 29.9 percent in 1998 and 12.1 percent in 1999. Producers changed the goal of their operations, returning to the mantra of the late 1980s, achieving low-cost production, rather than maximizing production as they had been doing for most of the 90s. In addition to cutting costs and reducing production, the major Arizona copper companies attempted to improve their competitive position in a changing world market through mergers and acquisitions.

In December 1999, following five months of offers, Phelps Dodge acquired Cyprus Amax and is now the world's second largest producer of copper. Phelps Dodge acquired the following operating mines in Arizona: Sierrita, an open-pit

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