Chile: Mining Industry

Mining Equipment and Services

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03/31/2006
ID:136536

Summary

The U.S. has a strong presence in the Chilean market and has maintained the largest single country market share these last several years. In 2005, the local market exceeded $1 billion and is expected to grow at an annual minimum average of 10% for the next 5 to 8 years. However, only a modest 5% growth is expected in 2006 since there are no new start-up projects for this year. Currently, there are over $18 billion in identifiable projects scheduled to break ground by 2013.

Market Demand

Local demand for equipment is satisfied mostly by imports; local producers and foreign suppliers share equally the demand for consumables. Historically, around 50-55% of all mining equipment imports have come from the U.S. However, as a result of the explosive growth of this market and the entrance of new suppliers, the U.S. market share has decreased from 52% in 2003 to 40% in 2005. Nevertheless, in dollar terms, U.S shipments to Chile have grown 70% over the same period, reaching a record quarter of a billion dollars in 2005. Completion of new projects and the signing of a US-Chile Free Trade Agreement that entered in to effect on January 2004 are the driving forces for the demand, that in 2005, reached a peak of US$1.6 billion/year. Local production of equipment is still limited –estimated at around 20% of the market-- compared to the large volume of imports that exceed US$1 billion/year. Since most of new projects have not started yet, local demand for mining equipment should only grow by about five percent in 2006. However, we project that the industry will face a sustained annual growth of 10% through 2013. We estimate that the size of the market for mining services is 15-20% of the total market, thus representing several million dollars per year. Mining services is likely to grow at a faster rate than the equipment and supplies markets.

Official statistics of mining equipment imports for the years 2003 to 2005, based on Harmonized Codes 8207, 8425, 8426, 8428, 8429, 8430, 8431, 8464 and 8474, demonstrate how the mining industry has boomed in Chile.

Chile: Mining Equipment Imports

	2003	2004	2005
USA	**148,970,271**	**186,561,742**	**252,539,962**
Brazil	29,290,536	53,854,238	84,222,030
Canada	8,771,320	23,871,441	23,251,336
Germany	24,892,456	18,919,963	62,861,677
Japan	18,470,254	28,260,399	55,676,036
Sweden	14,312,220	24,353,587	46,449,465
Other countries	48,239,356	95,632,859	109,852,579
Total Imports	**292,948,416**	**431,456,233**	**634,855,092**

Source: Chilean Customs Data

Open pit mines of copper, gold, silver and other non-metallic ores drive mining equipment and services imports in Chile. Underground operations are limited but developing. Open-pit copper mining operations (Chuquicamata) are scheduled to evolve into mixed operations (open-pit/underground) within the next 7 to 10 years, to become fully underground over the next 15 years. Likewise, the world's largest underground copper mine (El Teniente) will turn into a full open-pit mine before 2020.

Market demand in Chile is mostly project-driven and highly influenced by the international price of mineral commodities. As one of the largest markets for mining equipment and services in the world and the most open market in the region, Chile attracts suppliers from all over the world that sell prime quality products that compete openly not only on price, but mostly on value added-services for their clients and end-users.

Identifiable mining projects call for investments exceeding US$ 18 billion. These include those currently under study and those scheduled to start development and construction within the next 5 to 7 years and be operational by 2012-2013. The state-owned copper company CODELCO would remain the largest investor in this industry with US$12 billion.

The price increase of copper (US$0.65/lb in 1998 to a peak of US$2.347/lb (March 20, 2006)) has also driven demand up. Between 2003 and early 2006, the number of active mines has jumped from 70 to 220.

Market Data

Recent statistical data released by the Large Suppliers Association (APRIMIN) indicate that its 2005 sales reached US$1.45 billion dollars, therefore total sales could be estimated in the range of US$1.6 billion. However, this figure includes the market for equipment and supplies, and all services sold, including engineering services, civil work and construction. Import statistics are incomplete since many items are shared by the mining industry and the construction industry concurrently thus making it difficult to distinguish one from the other. Therefore, double counting may account for high numbers.

Mining Equipment & Supplies and Services
(Millions of U.S. Dollars)

	2004	2005	2006
Total Market Size	1,390	1,600	1,680
Total Local Production	348	400	440
Total Exports	28	28	30
Total Imports	1,068	1,240	1,290
Imports from the U.S.	587	682	710

Source: These figures are unofficial estimates and were elaborated based on Chilean Customs Statistics and mining industry experts' estimates.

Best Prospects

- Equipment that require regular replacement:
  - Crushers
  - Grinders
  - Off-road trucks (240-440 tons)
  - Cabbed truck chassis (+ 50 tons)
  - Part for rock cutters
  - 360 degree revolving excavators
  - Cranes and screening machines
- Environmental system solutions (water treatment, air pollution abatement, mine closures)
- Underground mining technology services
- Wear-resistant materials

Key Suppliers

During 2005, manufacturers of mining equipment from Brazil, Canada, Germany, Japan and Sweden were the most aggressive competitors for the U.S. suppliers in the Chilean market (Source: Chilean Customs Office.) However, in order to equal the U.S. market share one must total the combined exports for all 5 countries. Over the years, the U.S. plus the five traditional suppliers, provided 80% of Chilean imports. The mix of mining equipment suppliers has changed by the increased participation of smaller suppliers from the rest of the world, particularly from Asia. These changes depend on the type of mining projects and their stage of development. However, there are clear brand leaders in several main categories:

- **Equipment Suppliers**

Open Pit Mining Equipment	Leading Brand Name in its category
Off-road trucks	Caterpillar
Light trucks	Mack
Mining trucks	Caterpillar
Front loaders	Caterpillar
Support equipment	Caterpillar
Electric shovels	P & H
Blasthole drills	Ingersoll Rand

Underground Mining Equipment	Leading Brand Name in its category
Bolters	Atlas Copco
Low profile trucks	DUX & Kiruna
Explosive chargers	Normet & Atlas Copco
LHD	Wagner
Development jumbo drills	Atlas Copco
Production jumbo drills	Atlas Copco
Rock breakers	Teledyne
Ventilation equipment	Woods

Ore Processing Plant Equipment	Leading Brand Name in its category
Mixers	Lightnin
Pumps	Warman
Flotation cells	Wemco
Crushers	Nordberg
Thickeners	Dorr Oliver
Filters	Delkor
Hydrocyclones	Krebs
SAG mills	Marcy

- **Service suppliers**
  There are over ten large companies that provide specialized services to Chilean mines. Some of these are the customer service arms of the Chilean representatives of imported brand products.

Prospective Buyers/End Users

- There exist over 70 private mining companies that own 120 mining operations, with Chilean and multinational ownership. There is only one state-owned mining corporation and that is CODELCO, one of the largest copper producers and exporters in the world.
- There are over 270 supplying companies, most of which represent the U.S. as well as other brands of imported products. Of these, 38 companies are members of APRIMIN, an association that gathers the Large Mining Suppliers (to belong to this association each member must comply with the requirement of importing a minimum of US$12 million/year.)
- It is customary that the same suppliers used by their headquarters' offices supply new mines and their subsequent expansions. Canada, Australia and multinational companies (like Barrick, Anglo American and others) are major copper mine owners in Chile.

Market Entry

Customarily, a U.S. exporter distributes its products through a local representative (for very large capital goods) or through a distributor or dealer (for items than can be kept in inventory.) It is important to try to export with some sort of financing attached to the sale, since this combination will match financial conditions offered by other foreign suppliers, particularly the Europeans. Chilean importers have access to EXIM Bank trade financing through local offices of U.S Commercial banks.

Market Issues & Obstacles

The Chilean market is quite open, particularly for those countries with which Chile has trade agreements, like the U.S. In general terms, there are no barriers to entry since most of the standards used in Chilean mines are similar if not identical to those in the U.S.

Trade Events

In Chile there are two mining trade shows that alternate years, EXPOMIN and EXPONOR.

EXPOMIN: This is the world's largest mining trade show outside of the U.S. It has world attendance, gathering over 2,500 exhibitors. The official U.S. Pavilion usually takes half of the entire exhibit floor with some 200 exhibitors. **Expomin** is a CS Certified Trade Show. This show takes place on even years in Santiago, and **Expomin 2006** is scheduled for May 23-27, 2006, in the city of Santiago: www.expomin.cl

EXPONOR: Exponor became a CS Certified trade show in 2005 when they hosted the first official US Pavilion. International exhibitors included 15 foreign countries and there were over 20 firms in the U.S. Pavilion. This trade show takes place on odd years in the city of Antofagasta, and Exponor 2007 is scheduled for June 18-22, 2007: www.exponor.cl

Resources & Key Contacts

Chilean Mining Ministry: www.minmineria.cl
Chilean Geology & Mining Service: www.sernageomin.cl
Chilean Mining Metallurgic Center of Research: www.cimm.cl
National Mining Society: www.sonami.cl
Chilean Mining Council: www.consejominero.cl
Large Mining Suppliers Association: www.aprimin.cl
Minería Chilena (Mining Magazine): www.mch.cl
Supplying CODELCO: www.codelco.com/english/areas_negocio/fr_abastecimiento.html

For More Information

The U.S. Commercial Service in Santiago, Chile can be contacted via e-mail at: carlos.capurro@mail.doc.gov; Phone: (56-2) 330-3307; Fax: (56-2) 330-3172 or visit our website: www.buyusa.gov/chile/.

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