

In 2005, Peru's GDP was almost US\$ 71.4 billion, with inflation at approximately 1.6%. The U.S. continues to be the leading source of Peru's imports (21% market share in 2004) and the main destination of its exports (28% market share in 2004). In 2004, U.S. companies invested over \$3.3 billion in Peruvian sectors, making the U.S. the second largest provider of foreign direct investment (FDI) in Peru. The U.S.-Peru Trade Promotion Agreement (USPTA), signed in 2006, is expected to improve Peru's investment climate by increasing foreign interest and investment.

The mining sector is a major contributor to Peru's sustained economic growth. In 2005, mining production represented 13.5% of the GDP and comprised nearly 54% of total exports, about US\$ 8.9 billion. Gold, silver, copper and zinc represented roughly 97% of mining production in 2005. Technological advancements have altered the conditions under which prospecting and mining occurs, and have drawn major players to Peru. There is great potential for new mining projects in Peru and opportunities for suppliers to fulfill needs for equipment and services.

## Market Overview

- Total mineral extraction in 2004 was 362.8 million tons.
- The top seven mining products are copper, gold, zinc, lead, tin, silver and iron (in rank order by 2004 export value).
- Current market prices have sparked an increase in exploration activity, with many mining companies exploring for new reserves.
- Most international metal prices have been rising over the last few years, and the poly-metallic nature of Peruvian mining has proven to be an advantage.
- The Ministry of Energy and Mines (MEM) lists 271 projects: 255 in the exploration stage, 7 developing feasibility studies, 3 under construction, and 6 expansions being carried out.

### Mining Production and % Change

Product	2004 Production (metric tons)	2004/2003 (% change)
Bismuth	988	18.76
Cadmium	532	0.42
Copper	1,035,574	22.91
Gold	173	0.35
Iron	4,247,174	21.87
Lead	306,211	(0.86)
Molybdenum	14,246	48.55
Silver	3,060	4.76
Tin	41,613	3.51
Zinc	1,209,006	(11.93)

Source: Peruvian Customs

### Largest Mining Companies of 2004

Company	Owner	Product	2004 Ore Extraction (millions of DMT)
Minera Yanacocha	Newmont/Buenaventura (U.S./Peru)	gold	120.7
Southern Peru Copper Corp.	Grupo Mexico (Mexico)	copper	108.4
Compania Minera Antamina	BHP Billiton/Noranda/Teck	copper/zinc	36.1
Minera Barrick Misquichilca	Cominco/Mitsubishi (Australia-UK / Canada / Japan)	gold	15.2
Sociedad Minera CerroVerde	Barrick (Canada)	copper	14.0
BHP Billiton Tintaya	Phelps Dodge/Sumitomo/Buenaventura (U.S./Japan/Peru)	gold	13.4
Minera Aurifera Santa Rosa	BHP Billiton (Australia-UK)	copper	12.4
Shougang Hierro Peru	Individuals (Peru)	gold	9.4
Aruntani	Shougang (China)	iron	9.4
Volcan Compania Minera	Individuals (Peru)	gold	4.8
Doe Run Peru	Individuals (Peru)	copper	4.2
	Doe Run (U.S.)	copper	1.4



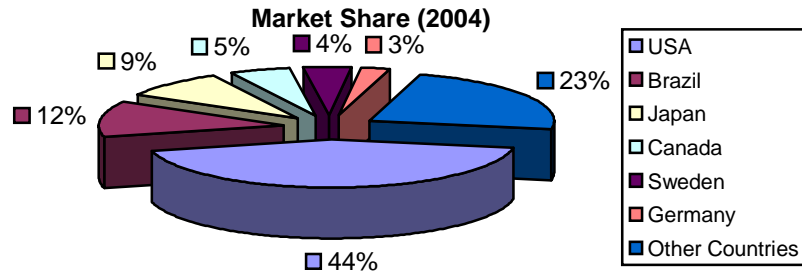
# Import Market

- The U.S is ranked first among mining equipment suppliers with a 43.3% market share in 2004.
- Main competitors are Brazil with a market share of 12.3%, Japan (9.1%), Canada (5.4%), Sweden (4.1%) and Germany (2.6%).
- Analysts estimate an average growth rate of 8 to 10% per year between 2005 and 2007.
- For the next 5 years, the MEM anticipates investments of US\$ 6 billion, US\$ 1 Billion of which should take place in 2005.

## Market Size for Mining Equipment (US\$ millions)

	2002	2003	2004E
Total Market Size	275.8	309.1	410.2
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	275.8	309.1	410.2
Imports from the U.S.	104.8	108.3	177.6

Source: Peruvian Customs



# Sales Prospects

## Equipment

- The best prospects over the coming years for the mining sector in Peru are generally considered to be in earth moving and the transport of concentrates.

### Top Imported HS Codes in 2004

HS Code	Description	%
870410	Dumpers designed for off-highway use	15.7
842951	Front-end shovel loaders	13.8
842952	Machinery with a 360° revolving superstructure	5.5
843041	Other boring or sinking machinery: self-propelled	4.0
843143	Parts for boring or sinking machinery of Sub-heading 8430.41 or 8430.49	3.6

## Services

- Underground winding gear
- Lifting, loading and unloading machinery
- Underground cars
- Bulldozers
- Loader shovels
- Tunnel boring machines
- Rock breaking machinery
- Pneumatic compactors
- Tractors and trucks
- Blasting equipment
- Underground mining equipment
- Safety equipment

- For the mine exploration stage: manual remote sensors.
- For the mine production stage: design and construction, drilling and blasting, loading, hauling, backfilling, ventilation, drainage and pumping, roof supporting, and communications.
- For the processing stage: crushing, milling, flotation, leaching, and tailings disposal.
- During operation, the mine requires supplies such as tires, explosives, mill balls, and reactive and spare parts.

# Environmental Issues

- There is a strong demand for equipment for monitoring environmental standards.
- Products related to the transport and storage of concentrates and services in bulk handling facilities are being modernized to comply with environmental standards.
- Established mining operations are required to present environmental studies and remediation projects in their concession areas.
- New mining projects must submit Environmental Impact Assessment studies to the Ministry of Energy and Mines for approval, in order to obtain the necessary permits. These assessments are also presented to the public in order to get acceptance and support from surrounding population.

## Competition

- Interested U.S. exporters should be prepared to address difficulties associated with mining operations in Peru, most notably the difficulties that arise when mining in remote areas with poor infrastructure, and regions of high altitude (13-16,000 feet).
- Most well known brands have representative offices in Lima to deal directly with end users. Ferreyros, (Caterpillar); Mitsui Maquinarias Peru, (Komatsu; Atlas Copco; Sandvik del Peru), Sandvik –AB (Sweden), are the main suppliers. Yanacocha, Antamina, Barrick, Southern Peru, among others, are their main clients.

## End Users

- Since there are no government-owned mining operations, mining activity is carried out by private firms of all sizes. The large and medium sized firms are the best targets for U.S. exporters.
- Mine purchasing departments require technical information, demonstrations, and consulting services in order to learn about new equipment that will improve productivity of their activities.
- CS Lima will provide a complete customized list of end users upon request.

## Market Access

- U.S. companies are advised to appoint local representatives (including legal counsel) to research market opportunities.
- The [Ministry of Energy and Mines](#) normally awards concessions to qualified bidders who suggest the project.
- The government agency [ProInversion](#) has a portfolio of mining projects to be auctioned in the near future.
- U.S. exporters may wish to contact the Commercial Service (U.S. Department of Commerce) at the Embassy to validate a bid's authenticity, or to obtain a market briefing, assistance in locating an agent, distributor, partner or arranging appointments during a business trip to Peru (Gold Key Service).
- The Economic Section (U.S. Department of State) also provides briefings on the economic, financial, and investment climate in Peru.

## Other Resources

- Ministry of Energy and Mines, [www.minem.gob.pe](http://www.minem.gob.pe)
- National Mining, Petroleum and Energy Society, [www.snmpe.org.pe](http://www.snmpe.org.pe)
- Institute of Mining Engineers of Peru, [www.iimp.org.pe](http://www.iimp.org.pe), [www.convencionminera.com/convencion/](http://www.convencionminera.com/convencion/)

## Contact Us

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