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## Copper's Every Dip Is Felt in Arizona

By JOHN COLLINS RUDOLF

MORENCI, Ariz. — For this isolated mining town, which lives and dies by the price of copper, the last few years have been a roller coaster ride of steep climbs and sudden dips. Over all, however, the direction seemed to be up.

Copper's dizzying climb began in 2003, when prices surged in response to booming demand from China and other fast-industrializing economies. The price spike spurred a major revival of [Arizona's](#) once-battered mining industry, and towns like Morenci, once devastated by layoffs, returned to flush times.

This past summer, even as the dire housing market contributed to widespread job losses and other economic woes in Arizona, copper prices reached a record, drawing thousands of new workers to the mines, where jobs were plentiful.

But the arrival of the [credit crisis](#) this fall has stalled the mining boom. Reeling financial markets stripped copper of 60 percent of its value in only a few months, and expansion projects in Arizona, the nation's leading copper-producing state, are being postponed.

A sense of anxiety permeates Morenci, where almost everyone follows copper's daily rise and fall on financial cable shows and the Internet. "Everybody is just wondering day-to-day what is going to happen," said Hector Ruedas, a Greenlee County supervisor and member of the Morenci school board who once worked in the mines.

The speed and the depth of the price plunge has taken even longtime industry observers by surprise. "The end has come just incredibly abruptly," said Nyal Niemuth, chief mining engineer for the Arizona Department of Mines and Mineral Resources. "There weren't many of us predicting this collapse."

In late October, [Freeport-McMoRan Copper & Gold](#), the copper industry's largest employer in Arizona, announced plans to lay off 600 mine workers in the state. Those layoffs came in addition to hundreds of independent contactors already let go by the company.

"Most of those employees were recently hired, many in anticipation of expansions, which have been deferred," Eric Kinneberg, a company spokesman, said in an e-mail message.

Demand for copper — a key material in construction and manufacturing — has long been a proxy for the overall health of the world economy. After a steep slide this autumn, prices stabilized in recent days. Another fall could signal that a more prolonged global recession is on the way.

At today's price of about \$1.67 a pound, copper remains marginally profitable to produce at many Arizona

mines, giving some mining communities hope they may avoid broader layoffs.

"Right now we're taking a deep breath and hoping that everything's going to be O.K.," said Mayor Fernando Shipley, of Globe, Ariz., home of several mines and one of the country's last operating smelters.

A collapse in copper production — and a return to the mass layoffs and mine closings of the past — would be a major reversal for Arizona's copper industry, which has only just recovered from one of its worst slumps in decades.

That era of relentless downsizing, driven by a sustained period of copper prices lower than at any point since the 1930s, reversed course sharply in late 2003, as prices surged in response to turbocharged demand from China.

The mining industry responded by increasing employment and initiating a wave of exploration and new development not seen in a generation. For long-depressed mining towns like Morenci, the thousands of added jobs meant new life.

The Morenci mine — owned by Freeport-McMoRan, which acquired the mine in its merger with the Phelps Dodge Corporation last year — doubled its work force over the last five years, to 4,000 employees. Production at the mine has risen 55 percent since 2003, to an average of one million tons of ore a day.

Earlier this fall, despite the gathering economic storm, an almost frenetic energy pulsed through Morenci, a remote hamlet tucked in a valley in southeast Arizona, evidence of the intense effort that has been required to bolster the mine's production.

Business was brisk at the town's two diners and one supermarket. Hundreds of new homes, many still under construction, lined steep hillsides dotted with sagebrush and creosote. And day and night, mud-streaked pickups and tanker trucks loaded with sulfuric acid and diesel rumbled continuously along the two-lane highway that cuts through the center of town.

Despite the new construction, the town's limited housing stock — all still company-owned — has been overwhelmed, leading Freeport to haul in several dozen corrugated steel trailers to fill the gap. The trailers, assembled in an expansive gravel lot, form a makeshift community the miners call Man Camp.

There, \$20 a day secures a tiny room, as well as breakfast, lunch and dinner in a company mess hall.

"Three hots and a cot," said Ed Morin, a miner who lived at the camp for almost a year before leaving earlier this month because of family obligations. "It's not a bad deal."

Earning about \$28 an hour, Mr. Morin saved more than \$60,000 in less than a year by working hundreds of hours of overtime; his work ethic was motivated in part by the experiences of his father and grandfather, both miners who lived through copper crashes.

"When copper's big, you hit it hard and save up for a rainy day, when they lay you off," Mr. Morin said. "It's the mining game. My daddy played it for years."

With the sharp fall in copper prices, the atmosphere in Morenci has shifted sharply since this summer, Mr. Ruedas said.

"The mood is not good," he said. "You go downtown and there aren't smiling faces anymore."

The surge in exploration and development extended across the West, from Alaska to New Mexico. But the epicenter of the boom was Arizona, the source of 62 percent of United States copper and about 5 percent of world supply.

Alongside Chile, the state continues to rank as one of the two richest copper provinces in the world. It is dotted with rich, near-surface copper deposits, a remnant of long-dead volcanoes.

Over the last five years, the world's largest mining interests — [BHP Billiton](#), Freeport-McMoRan, [Rio Tinto](#) and Sumitomo — poured more than a billion dollars into reopening shuttered operations and expanding production at existing mines in the state.

For the first time in more than 30 years, they also opened new mines, bringing a promise of prosperity to struggling rural areas, along with challenges.

Among the first to be touched by the expansion was Safford, Ariz., a small agricultural community about 150 miles southeast of Phoenix, where Freeport-McMoRan recently opened a \$550 million open-pit copper mine.

When work on the mine began in July 2006, 1,500 construction workers flooded into the Safford Valley with money to burn, fueling a gold-rush mentality.

"We had been a sleepy little rural community for a long, long time and all of a sudden, when the rest of the world's economy was going in the tank, ours was just exploding," said James A. Palmer, chairman of the Graham County board of supervisors. "There were lines to get into restaurants, there were help-wanted signs everywhere. If you had a pulse, you could get a job."

After decades of stagnant growth, the city's sales tax revenue doubled in three years. New roads are being paved, and the regional hospital is building a new cancer wing. Main Street, once full of empty storefronts with boarded-up windows, is nearing 95 percent occupancy.

Not all, however, were pleased by the arrival of the mine.

Bud Smith, 84, is a cotton farmer whose grandfather settled in the Safford Valley well over a hundred years ago, after traveling there from Utah in a covered wagon. He said he disliked the noise of the mine and the heavy traffic it has brought to the area.

"Now, you pull out on the road and it's just a solid string of cars, coming and going at shift change," said Mr. Smith, sipping a cup of coffee in El Coronado, a cafe on Main Street. "I don't care for it, but that's progress, I guess."

Mixed emotions can also be found in Miami, Ariz., where the boom brought back mining jobs many thought were lost for good. According to Mayor Chuy Canizales, the area's mines recently announced a hiring freeze

and suspended major new mining projects indefinitely. Layoffs may soon follow.

"We're just barely hanging on," said Mr. Canizales, a 35-year employee of Freeport-McMoRan. "But we've survived worse in the past, and I think we'll pull through."

For old-timers, the price swings of recent months evoke searing memories of strikes and layoffs, buyouts and bankruptcies — and the hard times that invariably follow a copper crash.

They are also a reminder that the towns and the mines share a common destiny.

"It goes up and down, the copper industry," said Richard Perez, 68, a retired miner who runs a diner in town. "Being with the copper mines is like being with a wife for 25 years. You argue and you fight sometimes, but when it's over and done with, you're happy to have them around."

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