U.S. Bureau of Mines

MINERAL INDUSTRY SURVEYS

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Iron Ore, Monthly

IRON ORE IN JANUARY 1989

U.S. mine production of iron ore remained essentially unchanged from that of December, according to the Bureau of Mines, U.S. Department of the Interior. Mine shipments declined 62% because of the restraining effects of winter on Great Lakes shipping. Shipments from U.S. loading docks on the upper Lakes dropped 74% to 1.5 million metric tons. The U.S. Army Corps of Engineers kept the locks at Sault Ste. Marie, MI, open until January 15, the last day allowed by regulation. The last vessel to transit was the Edgar B. Speer of Transtar Inc. Mine stocks climbed from 3.3 million to 6.0 million tons, an increase of 83%.

Update: On March 6, 1989, Dofasco Inc., North America's fourth largest steelmaker, announced the planned closure of two iron mines in Ontario. The mines to be shut down on March 31, 1990, are the Adams Mine in Kirkland Lake and the Sherman Mine in Temagami. Factors that reportedly led to Dofasco's decision were: difficult mining conditions; low ore grades; high transportation costs to Dofasco's steelmaking furnaces at Hamilton, Ontario; and the small size of the two operations relative to other North American iron mines. Both mines are managed by Cliffs of Canada Ltd., a subsidiary of Cleveland-Cliffs Inc., and have been in a highly unfavorable cost position since 1985. The Adams Mine began production in 1963, and was owned by the Jones & Laughlin Steel Corp. (now LTV Steel Corp.) until 1971. The Sherman Mine began production in 1968, and is 90% owned by Dofasco, with the remaining 10% controlled by Tetapaga Mining Co. Ltd., a second Canadian subsidiary of Cliffs. Each mining complex has an annual capacity of 1.1 million tons per year and employs about 340 people. Dofasco and Cliffs have developed a compensation and benefit program to alleviate the effect of the shutdown on the two mining communities. The program will consist of a $4 million fund for regional development and a 3-year continuation of mine realty taxes totalling $3.8 million.

In a related action, Dofasco has agreed to acquire a 25% equity in the Quebec Cartier Mining Co. (QCM) and its associated companies. Dofasco's Hamilton works will begin receiving pellets from QCM's Port Cartier plant in April 1990. Feed comes from QCM's Mount Wright Mine at Fermont. The Mount Wright operation has a capacity of 18 million tons per year of concentrate, part of which can be used to produce 8 million tons of pellets. The purchase of shares in QCM will enable Dofasco to continue to satisfy its 2-million-ton-per-year pellet requirement, which is currently being met by the Adams and Sherman mines.

USX has signed a letter of intent to sell the remaining 75% of its equity in QCM to Elder Resources North America, a subsidiary of an Australian investment group. According to Bureau of Mines data, Mount Wright has 2.5 billion tons of insitu reserves averaging 31.4% total Fe, which represent 60% of USX's total reserves. This sale leaves USX with only one other major source of iron ore, its Minnesota ore operations which have insitu reserves of 1.7 billion tons averaging

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21% magnetic Fe. USX reportedly sold QCM as part of its asset redeployment program.

The State of Minnesota and the Denver-based Cyprus Minerals Co. announced on March 15, 1989, that Cyprus has agreed in principle to buy the idled Reserve Mining Co. The company's assets consist of the Peter Mitchell Mine near Babbitt and the E.W. Davis pelletizing plant in Silver Bay. Reserve shut down both operations in July 1986 after filing for reorganization under chapter 11 of the Federal Bankruptcy Code. (See Jan. 1987 MIS.) Before Cyprus finalizes an agreement with Reserve's bankruptcy trustee, it reportedly wants to resolve four issues. These issues are:

- A contract from Armco Inc. to buy Reserve's pellets,

- A reduction in mineral royalties from Reserve's mineral lease holder, the Mesabi Trust Co.,

- Determination of liabilities for the mine's Milepost 7 tailings pond, and

- The signing of a satisfactory labor contract with the United Steelworkers of America.

Even if Cyprus reaches a definitive agreement with the trustee, it will still need approval from the Federal bankruptcy judge in New York City. The entire approval process may take several months, during which time other companies can still bid for Reserve. The Minnesota-based Northfield Mining Co. and Cliffs are still interested in acquiring the mining operation. Cyprus hopes to resume production in early 1990. If reopened, Reserve could produce up to 3 million tons of pellets per year, providing 350 new jobs for the economically depressed communities of Babbitt and Silver Bay.

<u>Changes to the Monthly Industry Surveys for Iron Ore:</u> Congress enacted the Omnibus Trade and Competitiveness Act (Public Law 100-418) on August 23, 1988, to enhance the competitiveness of the Nation's industries and to improve the management of United States trade strategy. This comprehensive act, included among other items, provisions modifying U.S. customs laws and tariff schedules. Subtitle B of the new law requires that all tariff schedules after January 1, 1989, conform to the nomenclature of the internationally established Harmonized System. All of the iron ore trade statistics collected by the Bureau of the Census are now being compiled and published in <u>metric</u> units. To avoid confusion, the Bureau of Mines has decided to also present all of its iron ore production and consumption statistics in <u>metric</u> units. To convert from metric tons to long tons, multiply the published number by 0.984207.

The January tables dealing with domestic consumption and foreign trade will appear in a subsequent issue.

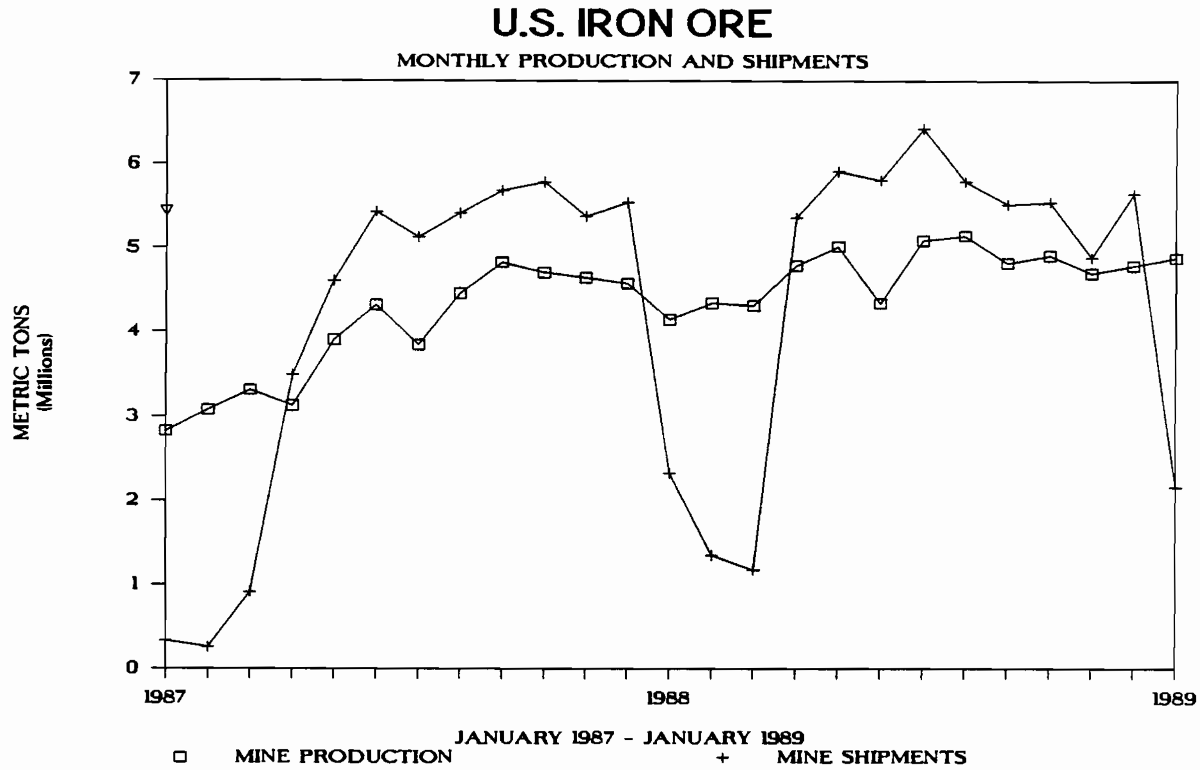

Table 1. - U.S. production and shipments of iron ore, by districts 1/
(Exclusive of ore containing 5% or more manganese)
(Thousand metric tons)

Period	Lake Superior	Other U.S.	Total 2/ 1989	Total 2/ 1988
Production:				
1988p/	55,651	793	--	56,444
1989:				
January	4,810	80	4,890	4,149
Shipments:				
1988p/	54,986	815	--	55,801
1989:				
January	2,094	61	2,155	2,326

p/ Preliminary.
1/ Excludes byproduct ore, except where noted.
2/ Data may not add to totals shown because of independent rounding.

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Table 2. - U.S. mine production, shipments, and stocks of iron ore 1/
(Exclusive of ore containing 5% or more manganese)
(Thousand metric tons)

District	Production January		Shipments January		Mine Stocks January 31	
	1989	1988	1989	1988	1989	1988
Lake Superior:						
Michigan----------	1,607	1,129	790	793	1,435	1,090
Minnesota---------	3,203	2,949	1,304	1,452	4,384	3,188
Other U.S.----------	80	71	61	80	210	203
Total 2/----------	4,890	4,149	2,155	2,326	6,029	4,481

1/ Excludes byproduct ore.
2/ Data may not add to totals shown because of independent rounding.