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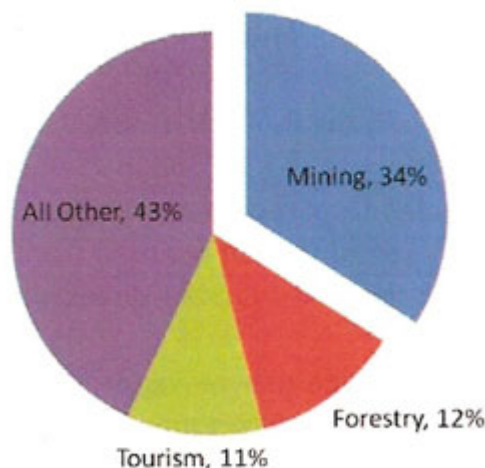
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Special Focus

Mining's economic impact could triple by 2013

Sector Percentages of Total GRP
Northeast Minnesota 2007



Source: IMPLAN, BBER

UMD study pegs mining share of the regional economy at 34 percent, concludes it is growing.

5/5/2009
by Beth Bily

Thursday
May 7, 2009



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A study by University of Minnesota Duluth economists underscores the importance of current and proposed mining to the region's economy.

Unveiled at the annual Society for Mining, Metallurgy and Exploration (SME) conference in Duluth on April 15, it concludes an astounding 34 percent of gross regional product is tied mining; a share that's likely to increase as ferrous and non-ferrous projects proposed for Minnesota's Iron Range become operational.

The Minnesota Department of Employment and Economic Development, Minnesota Power, UMD's Natural Resources Research Institute, Iron Range Resources, the Iron Mining Association of Minnesota and Mining Minnesota commissioned the report. It explored the direct, indirect and induced impacts of mining on the Arrowhead Region and Douglas County, Wisconsin, as well as statewide.

Economist James Skurla, director of UMD's Bureau of Business and Economic Research, led the research effort. He reviewed its conclusions during a keynote address at the mining conference.

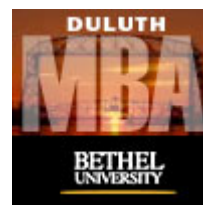
Using 2007 as a baseline, Skurla and other economists deduced that ferrous mining has an annual statewide impact of \$1.5 billion in wages, rents and profits and more than \$3 billion in output (local production required to sustain activities). In the Arrowhead and Douglas County, mining has a nearly \$1.4 billion annual impact on wages, rents and profits with output of \$2.9 billion. About 10,000 jobs are directly or indirectly tied to the mining industry. Just over one-third of those jobs are directly tied to mining. "It's crucial here," Skurla said.

Not only is the region highly dependent on mining, its share of the economy (percentage of gross regional product) is increasing. In 2001, mining accounted for \$2.3 billion, or 23 percent, of a \$10.1 billion regional economy. By 2007, mining's impact had jumped to \$4.7 billion, or 34 percent of the region's estimated \$13.7 billion economy.

"I was pleasantly pleased to see an increase in the importance of the industry," said Craig Pagel, president of the Iron Mining Association. "The industry's not getting old, it's an industry that's growing."

Add mining's current impact to the potential of both ferrous (iron) and nonferrous projects at various stages of development — such as Essar Steel Minnesota, Mesabi Nugget and PolyMet

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—, and the impact triples. “The mining industry by 2013 could have an economic impact of \$9 billion,” Skurla said.

“This study confirmed what we’ve known in this region for a long time about the importance of the existing industry and the importance non-ferrous could have,” said Frank Ongaro, executive director of Mining Minnesota, a collection of groups, businesses and organizations promoting copper, nickel and precious metals mining development.

Potential large scale economic impact is bound to have at least some impact on state policymakers’ decision making. Non-ferrous projects have the potential to create 5,600 jobs and add \$2.3 billion to the state’s economy, according to the study.

“This report is a strong recognition of how we can get out of the current economic condition the right way — by creating jobs,” Ongaro said.

The improving prospects for non-ferrous mining and the industry’s growing economic momentum have spurred state legislation to tighten permitting and force mining companies to set aside more capital for environmental reclamation. In late April, neither House File 0916 nor Senate File 0845 had cleared a single committee, however, minimizing the chance that the 2009 Minnesota Legislature will force tougher regulation.

Meanwhile, the short-term economic prospects for iron mining aren’t so favorable. The Iron Range iron ore industry faces a virtual shutdown this summer as global demand for steel has plummeted. Long term, however, ferrous and non-ferrous mining appear poised to grow. Analysts suggest the long-term outlook for demand in BRICs (Brazil, Russia, India, China) nations will make iron ore a commodity in high demand over time.

With 34 percent of the regional economy dependent upon mining, according to the study, is there cause for concern?

“You don’t want to be dependent on one industry, if that (34 percent) number is correct, it shows a dangerous degree of dependence,” said economist Tony Barrett at The College of St. Scholastica.

Barrett agrees mining is vital to the region, but was surprised by the study’s findings. He notes the region weathered the last two recessions, in 2001 and 1990-91, thanks to the stability of healthcare and other industries that have grown.

Pagel said diversification of the economy is important. But he argues a stronger natural resources-based economy can create a base from which other industries in turn can grow.

(Related editorial [here](#).)

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