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Testimony before the Committee on Resources
Subcommittee on Subcommittee on Energy and Mineral Resources
United States House of Representatives

Hearing on the HR 6080, to establish the Mineral Commodity Information Administration in the Department of the Interior and for other purposes

Wednesday, September 20, 2006

Thank you, Mr. Chairman, distinguished members of Congress, and guests. I am David Kanagy, Executive Director of SME – the Society for Mining, Metallurgy, and Exploration – the largest professional membership organization in the world with interests in mineral reporting. I'm here today on behalf of SME and its 12,000 professional members.

The introduction of legislation to recognize the USGS Minerals Information Team (or MIT) by making it an independent agency within the Department of Interior strongly conveys the important message that minerals are vital to the United States economy and its well being. Mineral commodity prices are generally dictated by the world market, such that knowledge of domestic production must be put into the context of global supply and demand. MIT is the only agency that does this. Its data are used by a wide variety of federal government agencies, such as the Departments of Interior, Commerce, State, Defense, Central Intelligence Agency and by state agencies concerned about their state and local economies, and by the companies that supply production and reserve data to the MIT.

These data help determine the vulnerability of the United States with regard to limitations of supply from certain countries; its domestic and international dependency on a limited number of mines or regions for specific commodities, and its measure of independence with respect to mineral resources. They also indicate how the changes in demand from other countries will impact prices in the US; the adequacy of our National Defense Stockpile, and the availability of substitutes should shortages occur. In addition to providing data on production and resources, the MIT monitors the implementation of environmental, health and safety, and other laws related to mining and mineral processing. It also provides the basic information required to evaluate the sustainability of mineral-resource production at national, regional, and global levels.

Although many look upon mining, agriculture and other basic industries, such as steel and materials development, as not necessary, these industries and the products they develop are the backbone of the US economy. If you look at the electronic and information age we are living in, you'll note that all of the new technologies require copper, platinum, iron ore, and other commodities to ensure that our electronic communication can take place with reliability.

Prior to the elimination of the U.S. Bureau of the Mines, Bureau personnel reported on U.S. and global production and reserves, while mineral-resource experts in the USGS estimated undiscovered resources that could possibly become reserves in the future. Bureau of Mines personnel largely formed the MIT, and they are complemented by mineral resource experts at the USGS. This legislation ensures that vital mineral-commodity information continues to be available.

Currently, the MIT collects and disseminates data on virtually every commercially important non-fuel mineral commodity produced worldwide. Since 2002, the commodities markets have experienced steady price increases. Base and precious metals such as copper, zinc, molybdenum, nickel, and gold have all experienced London Metal Exchange price increases of more than 100% --- and in some cases more than 1000%. These are long-term price increases that appear to be more than cyclical highs, as a new bottom on prices seems to be holding on nearly all commodities. Much of this can be attributed to the rapid industrialization of China and India. The impacts of these surging Asian economies on the U.S. domestic minerals supply need to be recorded and documented to ensure that the U.S. interest are well protected. Without these data being put into proper global context by the MIT, the US will be vulnerable to potential disruptions in supply that could slow down our economy or make it difficult to produce hardware needed for defense. If an independent MIT is established to provide necessary data, the market will be able to take care of changes in pricing due to supply and demand with little intervention from the government.

It is estimated that the United States economy consumed over $487 billion in minerals in 2005, which was an 8% increase over 2004 and an increase of over 13% in 2003. In addition, the U.S. imported $103 billion in mineral commodities to support our domestic economy. With U.S. consumers demanding this volume of minerals, it is critical that MIT collect, analyze and disseminate information on the domestic and international supply of and demand for minerals and mineral materials.

With the formation of the Energy Information Administration (EIA), clearly the Federal Government understands the importance of worldwide data on energy production. The establishment of the Minerals Commodity Information Agency would also demonstrate that the Federal Government understands the importance of minerals to our society.

Accurate and timely data is critical to making good decisions. Without a credible public data source, the advantage immediately rests with the commodity developer, commodity supplier, middleman broker/promoter, or commodities dealer who has “data.” If the policymakers and businesses must make an informed business decision or develop a sound policy, they will be at the mercy of the person/group that possesses the necessary information.

There are 81 nonfuel mineral commodities presently tracked by the MIT. U.S. companies relied on imports for more than 50% of those commodities. And of those commodities, the U.S. is 100% dependent on 16 minerals being imported every year — a reality that probably won’t change, as there are no known reserves of those commodities within the United States.

Conclusion

We urge Congress to pass the Resource Origin and Commodity Knowledge Act of 2006 as soon as possible so that the MIT may independently produce accurate and timely reports for governmental agencies to use in planning for the future and for industry as it supplies our national needs for mineral resources. SME would be pleased to provide this committee with any further details or information to ensure a full understanding of the mineral needs and use within the U.S. and the world economies.