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PERU TRIP

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What can you say about a place that looks like the scablands of Eastern Washington, jacked 17,000 feet in the air? I mean, imagine Moses Lake or Ritzville with snow on the 4th of July, Labour Day, Memorial Day and Columbus Day. Whose deposed and utterly corrupt Japanese President is under house arrest on an Interpol warrant in Chile. Where earthquakes bust the entire place up every few years, those years where Misty and the other volcanoes are taking a powder.

Well, that pretty much covers Peru. So why would anybody want to go there?

Hmmm, let's start with Spanish silver- and gold-miners helping their home country balance its trade deficit with China. Because that's what the conquest of the New World by Europe was really all about. Europe's appetite for China's silk, tea and technology was insatiable. So much so that the misnomered Silk Road linking Europe and Arabia with the Middle Kingdom since Macedonian times had become the Silver Road.

European countries were so busy tearing each other to pieces with newly discovered mass warfare that they had no money left for honest trade with China. But they craved China's stuff, ergo they needed silver, ergo they took a new interest in the New World. And mountainous Peru had the goods.

Now that we have dissed Peru for four paragraphs, let us amend these cruelties with honest observations. Its chaotic politics notwithstanding, this is a country of warm-hearted people you just don't find anywhere else. From the smile of an Incan woman and child and llama-dog 3 miles above sea level, to the ministrations of a cabbie in Lima, to the warming smile of a young lady reading a book on the promenade and the helpfulness of even the cops, to the chaos of the plaza market in Lima or Arequipa, Peru gets under your skin. To touch Peru is to touch a Vicuna, the softest fur on the planet. And the Vicuna is so wild, not even the Incas can tame him. He thrives, this critter, at 15,000 feet, eating nothing but bear grass.

Yes, this too is Peru. The Spanish crashed Peru in the early 1500s. They built the New World's first silver mint shortly thereafter, and Peru's first Catholic nunnery, Santa Catalina, in Arequipa. Santa Catalina remains there for your perusal.

What follow are a couple of Peru stories. If you're not interested, skip them and go directly to where I talk about a world-class silver deposit in the Caylloma District being operated by Fortuna Silver and a fourth-generation New World mining family.

It is said that an aging Incan elder fell sick high up in the Andes. He came down from the mountains, looking for surcease to the ocean coast. But then he came upon a verdant valley, overlooked by the volcano Misty. He was still several hundred klicks from the Pacific, but the beauty overwhelmed him. He said, "Arequipa." Translated: "I rest here."

Here is another Peru note: If you chain-smoke, you are probably at no risk for high-altitude sickness. But if you

jog and you avoid everything but smoke-free, libertarian-free, politically-correct decaffeinated places, the high altitudes will invade your body mercilessly. Prepare to take lots of pills and gulp large quantities of oxygen, or expect to die. There is a natural antidote to high-altitude sickness: just drink the local tea, which is made from the leaves of the Coca plant, which distilled produces the drug cocaine. Cocaine is illegal in Peru; the Coca leaf tea from which it is derived is the national drink. Follow the law. Drink your tea.

The Spanish sent the gold they took from Peru back to Spain. The silver they minted into coins and shipped it to China to balance their trade. Arabia took an interest in Spain's adventures to the New World. At Madrid's invitation, Arabia's ambassador took a trip to Peru not long after Magellan's voyage. They took him to Caylloma, four miles in the air, where already a smelter was cooking rocks and purifying silver and loading up boats bound for China, and Spain. His notes survive in Aramco's archives.

And Caylloma was where our friends at Continental and LAN Airlines, courtesy of Fortuna Silver, took us last week. One last Peru tourist note: the airlines, Continental, America and Delta, overbook their stateside flights to Lima. If you're flexible, hold out for \$500 cash for your inconvenience, a hotel room in Houston, and a next-day rebook.

You have to really want silver to get to Caylloma. She's a big mine, this one, and she is 500 years old. The grades don't jump off the page at you but the volume does. To fully understand Caylloma requires a few generations of history. These are more Peru stories, of families, but if you love silver they are worth telling and they are worth hearing. So here we go.

It all starts with Moritz Hochschild, a Jew born in born 1881 in Biblis, a small town in Germany, near Frankfurt. He began his career working for the Metallgesellschaft, a metal trading company, in 1905 in Germany.

Moritz then went to Spain and later Australia before moving to South America to start his own business. Local accounts have him losing his ass in Australia. But in the New World he unraveled a gumption trap. Tin mining in Chile and Peru was such a hot business in the early 1900s that the smelters were tossing their silver, copper, lead and zinc recoveries into their slag piles as dross, and with zinc not yet needed by the Industrial Revolution, who wanted the stuff? Moritz contracted to buy this junk. He built his own smelters to recover these metals. World hunger for silver and zinc and lead burgeoned again. Moritz Hochschild began advancing money to mine entrepreneurs, in anticipation of commitments for future shipments of concentrates. One of two things emerged from these contracts, both beneficial to Moritz. Either the mine made delivery, which fed his smelters, or it didn't ship on time, in which case he got title to the mine and kicked it in to life.

A marriage of French and Italian families brought forth the Peruvian mining family of Jorge A. Ganoza. Jorge's dad is a kingpin of Peruvian mining, but Jorge Jr. will soon assume that title on his own competence. Jorge Jr. is digger of the first order. If you doubt me, follow him a couple of klicks down a mine drift. He knows his rocks. Or follow him through Lima. The mayors tip their hats. And the Ganozas and the Hochschilds go way back. See, when you do business in a foreign country, whether it is China or Canada or Peru, you need to know the locals.

Jorge and I are walking down a drift along the Animas Vein at Caylloma. For about the 10-thousandth time, he is poking my attention at the hanging wall, or the footwall. Or the back or the rib. The drill samples say we are swimming in silver-laden zinc. Pretty half-meter silver vein runs down the drift we are following, but his friends the Hochschilds didn't get the bigger picture. Tweezer-mine the Animas, and you get some pretty silver, blow it out 15 meters on either side, and you've got zinc crawling out your pores. What Jorge is proposing is a no-brainer. Take the friggin' rock. Moritz's descendants didn't want the trouble of a polymetallic mine. Bad on them.

Before our non-smokers have passed out, we have torn over the roof of the Andes in our turbocharged Nissan. The Animas is only one of five veins comprising the Caylloma. But it's the one with all the zinc. The other four veins just contain silver. Damn. These bad-assed dudes poke through the Pacific and the Amazon sides of this breathtaking divide. You can see the old Spanish stopes. Grab a drill-sample. They don't care. Think about how crude metallurgy was in the 16th Century. Think about how this crude recovery kept Spain alive with the Chinese for two centuries. Think about what they left behind.

And quit wondering why Spain, or Arabia, would want to conquer this place, and found the resources to do so. Silver, like Fortuna, is a no-brainer.

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