

SE MarketWatch
HD **Price slump just the ticket for Glasenberg**
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WC 500 words
PD 17 December 2014
SN The Australian
SC AUSTLN
ED Australian
PG 31
LA English
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IRON ore prices have been unable to break free of 5½ year lows this month and are back trading below \$US70 a tonne.

But do not for a minute think this lessens the desire of Swiss trader-miner Glencore to buy the **iron ore**-dominated Rio Tinto, even believing Glencore chief Ivan Glasenberg's comments this month that he is glad the **company** is not producing the steelmaking ingredient right now.

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The slumping **iron ore** price is more likely just what Glasenberg, one of Australia's richest citizens through his \$7 **billion stake** in Glencore, was hoping for. **Iron ore** prices are down nearly 30 per cent from their average price in July, which was when Glasenberg called Rio chairman Jan du Plessis to make an unsuccessful offer to **merge** the two companies.

Glasenberg told investors last week he was pleased Glencore did not produce **iron ore**. But the expert trader and his management team, who own a combined 35 per cent of Glencore following its merger last year with miner Xstrata, are understood to still be eager to make an **iron ore purchase** at the right price.

Buying at the bottom of the cycle is where Glencore makes its best returns. So expect more talking down of the **iron ore** business Rio earns most of its cash from as the April end approaches to a six-month moratorium on Glencore commenting on the Rio bid.

And that is not all Glencore can do amid the moratorium that was triggered in October under London's "put up or shut up" rule, when Rio revealed it had knocked back Glasenberg's approach.

Another area that Glencore can home in on without directly addressing Rio is what it feels has been a smooth-as-can-be merger with Xstrata.

Rio chief Sam Walsh has referenced different cultures between Rio and Glencore, telling Fairfax Media in London that Glencore was more of a trading **company** than a miner.

Rio, he said, was different, with a long-term focus on resource development and customer relationships.

The Glencore counter is that the Xstrata miners and the Glencore traders have so far worked extremely well together under a very simple model — the miners mine and then hand it over to the trading arm without having to worry about inventory, logistics and price.

The traders saw a lot of fat at Xstrata and have cut out management layers. This means there is not much between head office in Zug and its mines, which now have much more authority and responsibility. But convincing Rio shareholders the Glencore model would improve Rio's mines and margins may not be the toughest thing Glasenberg needs to do for success in his plan to create the world's biggest miner. Equally as intriguing is how he plans to win over authorities, particularly in **China** and Australia, with his calls for **iron ore** producers to withhold production to hold up prices.

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AN Document AUSTLN0020141216each0000d