Mining giant Glencore cuts global output and jobs

Terry Cook
21 October 2015

Anglo-Swiss mining giant Glencore announced this month that it will halve the production of zinc across its Australian operations, a move that will eliminate over 530 jobs. This amounts to about one third of the company's Australian zinc division workforce.

The company will shutter its Lady Loretta zinc mine north of Mount Isa in Queensland, cut production at its Mt Isa underground George Fisher mine by 245,000 tonnes a year and by 135,000 tonnes at its McArthur River mine in the Northern Territory.

Glencore will slash zinc production across its global operations by more than a third, or 500,000 tonnes per year. Around 1,070 more positions will be axed at Glencore's zinc assets in South America and Kazakhstan.

Glencore is the world's largest zinc miner, producing 1.4 million tonnes, or around 12 percent of world output, in 2014. Zinc is used to rustproof steel, including in the car and construction industries. Glencore's large copper and coal projects internationally also will be subject to production cuts.

These moves come amid falling commodity prices and world demand, driven by the worsening global crisis and stalling growth in China and Asia. The price of zinc plummeted 28 percent in the past year, reaching a five year low of $US1,662 a tonne.

In September, Glencore said it would slice $10.2 billion from its overall debt of $30 billion in a bid to reassure markets and shore up falling share values. The world's largest commodities trading company, Glencore is the tenth biggest corporation on the Global Fortune 500 list, but its debt has placed it under pressure on financial markets.

Following this month's announcement of the cuts, Glencore shares rallied 7 percent but later plunged by nearly 30 percent in a single day, taking their value down more than 60 percent below the level at the start of the year. The fall was precipitated by a "downbeat" outlook issued by analyst Investec, stating that the company's entire equity could be wiped out if commodity prices failed to improve.

The share price volatility is testimony to the mounting levels of parasitic speculation, in which large investors demand higher rates of return on investments and greater proportions of company profits. A negative assessment by a market analyst is enough to provoke a stampede to offload shares.

Glencore is hoping that the reduction in zinc production will drive a rise in zinc prices, and it is carrying out similar measures with copper and coal. Earlier this month, a 30,000 tonnes-a-year production cut was announced for the giant Collahuasi copper mine in Chile, which is jointly owned by Glencore and Anglo-American.

Last month, Glencore announced it would suspend 400,000 tonnes of copper production at its mines in the Democratic Republic of Congo and Zambia. At that time, copper prices increased more than 5 percent, but the surge was temporary.

Glencore makes more than a third of its earnings from its copper division but copper prices have already plunged 20 percent this year. Analysts at Barclays are forecasting a further 5 percent decline because of slowing demand from China. At the beginning of September, copper prices fell to $4,955 a tonne, the lowest level in six and a half years.

Glencores' debt reduction plan includes selling off substantial assets, including the Lomas Bayas open-pit copper operation in Chile's Atacama desert and the Cobar copper mine in the central west of the Australian state of New South Wales (NSW) that currently employs around 500 workers. The two operations

© World Socialist Web Site

combined produce around 125,000 metric tons of copper a year, and their sale is expected to fetch as much as $1 billion.

There is speculation that Glencore will sell a number of its Australian coal mines in NSW and Queensland, where it has already slashed hundreds of jobs this year, hitting mining towns hard. In February, the company said it would reduce coal production in Australia by 15 million tonnes in 2015. The company is also looking at selling some of its global agricultural assets in Australia, including in the wool and grain sectors.

Glencore's debt reduction scheme is aimed at preventing a further plunge of its credit rating—currently ranked at two notches above junk status. A downgrade to junk rating would have serious consequences for the embattled company, including by preventing a range of pension funds from doing business with its financial arm. Credit rating agencies Moody's and Standard & Poor's have placed Glencore on negative watch.

Like July's announcement by British-based mining conglomerate Anglo American that it will chop 53,000 jobs globally over the next few years, Glencore's ruthless actions are symptomatic of what confronts the working class worldwide. In their pursuit of profit, the financial elites are destroying jobs, wages and working conditions, and are prepared to condemn entire communities to poverty and social misery.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site