COPPER $US1.40	↓	-$US0.08	WHEAT US513.0¢	↑	-US5.5¢
GOLD $US820.50	↓	-$US6.10	OIL $US46.3	↓	-$US1.70

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Tim Boreham's lunchtime Criterion column

John Durie's lunchtime Martin Collins column

CRITERION
with TIM BOREHAM

OM Holdings (OMH) 90c

THE popular commodities theory goes that while the bulk stuff, such as coal and iron ore, bears the brunt of the slowdown, niche metals such as manganese won't because supply is so tight.

In reality no one is immune, with OM yesterday revealing that Chinese customers requested suspended shipments in October and November "in response to weak market conditions".

OM has also curtailed expected calendar 2009 manganese production from its key asset, the Top End Bootu Creek mine, by 30 per cent to 500,000 tonnes. In short, OM would rather hold back and let the Chinese eat away their stockpiles of the steel-making ingredient before bumping up production.

At face value the news is not promising, coming shortly after manganese big daddy BHP Billiton slashed its joint-venture output by 21 per cent. But the vagaries of the manganese market mean OM is unlikely to face the harsh downturn experienced by iron ore juniors.

Pricing-wise, manganese is a hybrid between the spot market and annual iron ore and coal contracts, with BHP Billiton setting a quarterly benchmark price.

The current price stands at $US16.30 per tonne unit, but the downturn means buyers are not willing to pay the list price (car salesmen know the feeling). Sellers such as OM have also been unwilling to go lower, which means that, apart from a few distressed sales, few trades have occurred. The March 2009 quarter benchmark is yet to be set and will be lower, but by how much is anyone's guess.

In short, OM's tactic is to wait for the Chinese stockpiles to

clear, rather than sell the stuff at too much of a discount. "People who follow the manganese industry realise a 30 per cent cut is the right thing to do," OM chief Peter Toth says.

To date, Bootu Creek has been more akin to a gold mine for OM investors. Its cash-generative abilities have not gone unnoticed by manganese great Consolidated Minerals, which last month acquired an 11 per cent OM stake. ConsMin, owned by Ukrainian mob Palmary, assures OM its holding is "financial in nature".

Toth says OM will remain profitable, even factoring in a modest manganese price decline. OM shares are backed by 50c of cash and the company carries almost no debt.

We rate OM as a **buy**. While Bootu Creek has a current mine life of only eight years, early next year it is due report a resource upgrade that could double the life of the mine.

ConsMin's presence on the register will also provide support given that Palmary last year waged a dogged battle for control of ConsMin. However, a hostile bid is unlikely because more than half of OM's register is tied up by sympathetic parties.

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