
Chinese coal price continues to decline

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It is reported that since Q4, 2008, coal demand continues to go down amid the macro economic downtrend, though coal demand is supposed to rise in the winter season. The winter peak season doesn't demonstrate itself this year. On the opposite, the price of coal, thermal coal in particular, has seen dropping at even a higher rate.

Coking coal price has seen the sharpest decline On the side of thermal coal, on November 10th 2008 at Qinhuangdao port, Datongs 6,000 calorie high quality mixed coal stood at CNY 870 per tonnes, decreasing by CNY 30 per tonnes. Since November, it has declined by an aggregate of CNY 70 per tonnes, or 7.4%. Thermal coal price in local areas has also pointed to the downside. On November 10th 2008 in Shanxi's Datong area, thermal coal stayed at CNY 540 per tonnes, stumbling CNY 30 per tonnes, or 5.3% from that of late October, and plunging CNY 80 per tonnes, or 12.9% compared with the highest level of CNY 620 per tonnes in August

As per report on the side of coking coal, affected by the on-going downtrend of iron and steel manufacturers, coking coal price is still declining following the previous weeks, but with a smaller range. On November 10th 2008 in Shanxi's Gujiao area, 2# coking coal price stands at CNY 870 per tonnes, dipping CNY 30 per tonnes, or 3.3% from that of late October, and stumbling CNY 630 per tonnes, or 42% compared with the highest CNY 1,500 per tonnes in August. In regarding to injection coal, on October 31st 2008 in Yangquan area, the FOT price of injection coal prevailed at CNY 1,350 per tonnes, plunging CNY 300 per tonnes, or 18.2% compared with the highest level in August.

On the side of chemical oriented coal, on November 10th in Yuangquan area, medium anthracite lump stood at CNY 1,000 per tonnes, roughly the same as it was in October, and declining by CNY 200 per tonnes, or 16.7% compared with the historical peak in August.

Among the three varieties, coking coal has seen the sharpest price decline. The reasons are:

1. A large amount of coking coal is supplied by small and medium sized coal mines, so the price is based on much speculation.
2. Downstream iron and steel manufacturers have declined by a large extent. On November 7th 2008, steel composite price index by Mysteel remained at 131, dipping 17.9% compared with last year. Owing to the price limit in June and July, and the prop of coal consuming season in winter, thermal coal price went down later than coking coal.

Iron ore price negotiations – NMDC may review contract prices

BS reported that National Mineral Development Corporation may review the long term contract prices of iron ore if the spot rates decline by more than 25% from the rate at which the long term contract was signed.

Mr Rana Som chairman & MD of NMDC Ltd said that NMDC is also open to the idea of having mid term price review in the case of long term contracts.

Mr Som said that traditionally iron ore is being traded against long term arrangements as the quantity and quality of off take and supply of the commodity is assured and the price is also immune to the market conditions to a certain extent.

He said that “In general, we are open to the suggestion of having a mid term price review in case of long term contracts as it will benefit the industry on the whole. But as far as the current iron ore pricing is concerned, I can only say that we might do a review of the contract prices when the spot price comes down say by about 25% compared to the price at which the long term arrangements were originally signed.”

In early October, NMDC had increased contract prices of iron ore by as much as 40%, when the steel prices were moving southwards.

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