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## **Shanxi expands coke output cutback to 70% until June 2009**

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It is reported that Shanxi Coking Industry Association has urged coke enterprises in the province to expand output cutback to 60% to 70% in November, on the basis of a 40% to 50% cut in Oct. Enterprises are encouraged to reduce outputs to the full extent and suspend production except those that have to ensure normal gas supply. The restrictions are primarily scheduled to be lifted in next June.

Enterprises in the province have been strengthening output cuts in recent two months owing to lower than cost prices.

Statistics show coke output in the whole country fell 21% from 12007 to 21.9407 million tonnes in October, dropping 14.6% from the 25.6648 million tonnes in September. Total output in China kept descending.

Shanxi, Guizhou, Hebei and Ningxia all witnessed output decrease of over 30%, as well as notable price downswings in October. According to officials from Shanxi Coking Industry Association, coke industry in the province incurred losses of CNY 3 billion in September and October.

On October 18th 2008, second grade metallurgical coke in Shanxi was quoted at CNY 1200 per tonnes to CNY 1300 per tonnes, first grade coke, at CNY 1500 per tonnes to CNY 1600 per tonnes, second grade coke in Hebei, at CNY 1300 per tonnes to CNY 1500 per tonnes.

Analysts point out that coke price stops falling in some regions as coking enterprises suffer great cost pressure. Most enterprises believe current price has reached the bottom and some will rather suspend sales if price drops further. Besides, steelmakers merely buy small amount of coke, thus can hardly beat down coke price.

In Shijiazhuang coke stocks have almost been exhausted and coking enterprises report seldom any inventories. However, second grade coke price still lingers at a low level of CNY 1200 per tonnes to CNY 1500 per tonnes. Coking enterprises reduced outputs significantly in previous period, but steelmakers now buy the material actively, hence coke stocks have been cleared out easily.

Analysts reveal given low prices, more productions can only bring more losses, but in the long run coke market is still optimistic. Coke price will inevitably rise once stocks are sold out. In the meanwhile a coke guiding price has been agreed yesterday by major domestic steelmakers and Shanxi Coking Industry Association. Guiding price for first grade coke is fixed at CNY 1600 per tonnes in December.

(Source from MySyeel.net)

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