

### 3. Merchant coke prices

#### 3.1 Recent trends

International merchant coke prices can vary significantly according to origin and quality characteristics. Generally speaking, Japanese and Polish coke is the most expensive while Chinese coke is the cheapest. However, prices also depend on quality measures like ash content and CSR (coke strength after reaction) value. Despite considerable improvements in quality over recent years, Chinese coke is still viewed as being of lower quality relative to Polish and Japanese coke. Furthermore, the value of each consignment can vary depending on whether the coke is sold on a spot or contract basis. Spot prices are often cheaper reflecting the security involved in long-term contracts, which guarantee a regular source of supply. However, when markets are tight, spot prices can exceed contract prices, sometimes by a very wide margin.

This has been especially evident in recent years. A severe squeeze on Chinese coke supply has prompted an unprecedented rise in spot prices. Chinese coke export prices have soared from \$65/tonne fob in January 2002 to a staggering \$420/tonne fob by April 2004. The relentless surge has seen Chinese coke prices increase almost every month since the start of 2002, with the sharpest gains seen in early 2004.

The upward pressure on prices has come from a combination of huge growth in demand for coke in the Chinese steel industry and a shortage of coke export licenses which have led to a slump in Chinese exports (see *Appendix A*). Moreover, offshore demand for Chinese coke is now booming, which has exacerbated the tightness in the market and sent prices to new highs in 2004. Recent spot sales of Chinese coke to India have hit \$500/tonne c&f.

Meanwhile, rising demand has led to prices for traded coke export licenses in China surging to \$200/tonne this year. In the past, export permits for Chinese coke have traded at \$2-3/tonne. Soaring freight costs, which are currently assessed at \$53/tonne for coke shipments from China to Rotterdam, have also helped to raise the delivered cost of Chinese coke to consumers.

Given China's dominance in the international merchant coke market, the slump in Chinese exports has led to a global shortage of merchant coke. Moreover, merchant coke supplies elsewhere are also limited. In Japan, strong domestic demand for coke combined with low availability of Chinese material for import, has effectively put a halt to spot sales of Japanese coke since mid-2002. Typically, most of the Japanese coke exported is sold on a contract basis to the USA. In Q3 2003, some Japanese coke exporters were rumoured to have settled contracts at \$150/tonne fob. Unfortunately from the Japanese perspective, Chinese merchant coke prices have continued to surge. Meanwhile, recent sales of Polish coke into Germany and Austria have been settled at €320/tonne ex-coke plant, which is thought to around €40/tonne higher than prices paid by Polish mills. Rising demand has led to spot prices for Russian and Ukrainian coke increasing to \$380-400/tonne fob in April 2004.

**Table 3.6: Coke Prices, 1990-2014**  
(\$/tonne, metric)

Unit	1990	1995	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2014
Chinese Export <sup>a</sup> (/tonne fob)	NA	77	56	68	72	84	157	384	195	135	125	120	120
Japanese Export (/tonne fob)	98	99	79	76	77	82	116	260	201	141	131	126	126
USA Domestic (/tonne ex works)	125	122	105	111	98	117	125	155	175	154	144	139	139

Data: CRU, Note: 2004 prices are estimates, prices for 2005-2014 are in nominal 2004 dollars. Note<sup>a</sup>10.5% ash material

ANNEXURE - 7

## Indian Coal and Coke Scenario

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## 印度煤炭与焦炭简介

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## Summary

- Indian Steel Making capacity is going to Increase to 100 Million Tons
- India does not have good quality coking coal, or coke making capacity
- If China provides a stable price regime of coke, new steel mills will depend on China

This cannot happen until China starts exporting Coking Coal in high volumes

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## CONCLUSIONS

From the above presentation, it can be concluded that coal and coke business has faced numerous turbulence over the period 2002 to 2005 and for better health of this industry, we should make a collective effort to avoid volatile nature of the business particularly in the era of continuous growth of steel industry more so for countries like India and China.

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## THANK YOU

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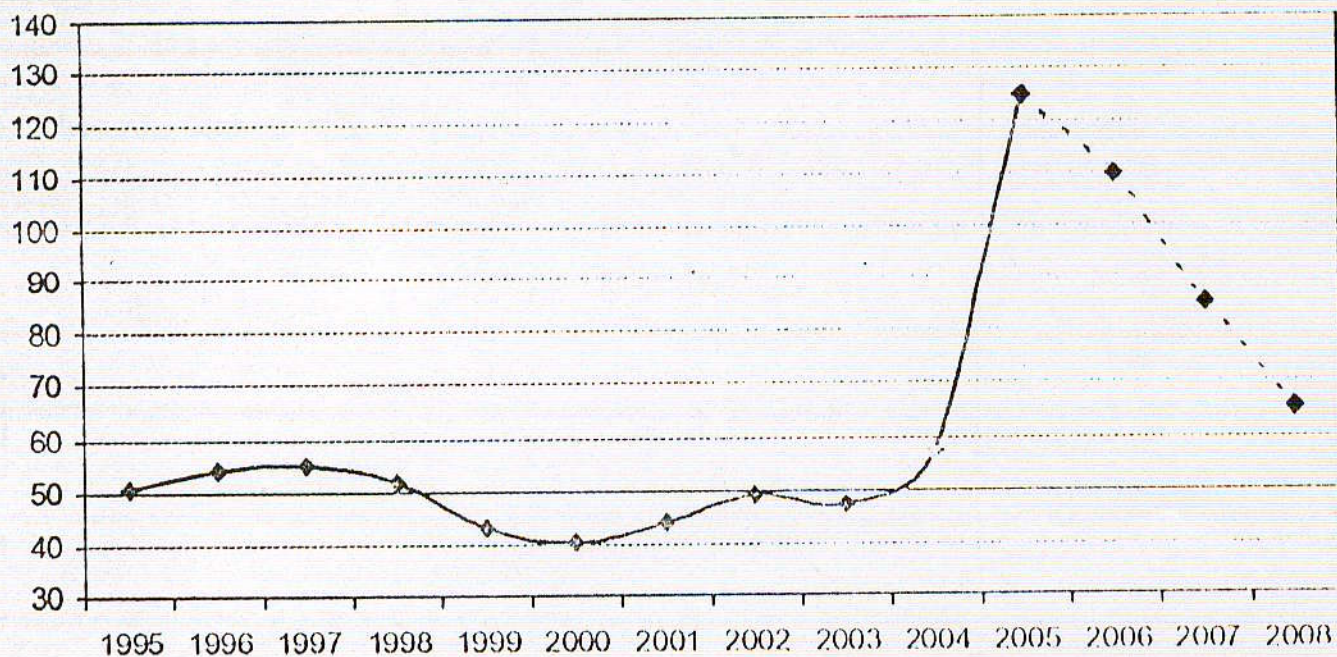
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## A downward trend in coking coal prices...

Australia, hard coking coal to Japan, 1995-2008

\$/tonne fob



Data: CRU Analysis