

SE Business
HD **Playing long on coal: Wesfarmers**
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WC 471 words
PD 30 April 2014
SN The Age
SC AGEE
ED First
PG 38
LA English
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Resources

Wesfarmers chief executive Richard Goyder is predicting more falls in coal prices for the June quarter but says the group is in the commodity "for the long run", after posting a strong March-quarter production result for its two Australian coalmines.

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"We would expect a reduction in metallurgical coal pricing," Mr Goyder said, before the group finalising its contract pricing for the June quarter. "A majority of producers would find it very financially challenging at current pricing."

He said some coal producers, in Australia and globally, would not survive the present conditions but Wesfarmers, as a low-cost producer, could afford to "batten down the hatches" and wait it out.

He said he was positive that at present coal prices the group could continue to export above cost. But he said Wesfarmers ran its supply into the domestic coal market at a loss. The bulk of the group's production is metallurgical coal.

Mr Goyder's comments came as Whitehaven Coal tipped deeper declines in coal prices for the June quarter, on releasing its March-quarter production figures.

Whitehaven recorded an average metallurgical coal price of \$US100.79 a tonne in the March quarter but predicts it will fall to about \$US93 a tonne in June.

Prices for thermal coal, which accounts for the bulk of Whitehaven's output, took a hit in the March quarter at \$US75.19 a tonne, down from \$US82.28 a tonne in the previous quarter.

Factors weighing on the thermal coal price "included a well-supplied market with little disruption from weather-related events and a lack of buying by Chinese coal customers from the seaborne market". Total saleable coal production in the quarter across the five mines Whitehaven owns or operates was down 3 per cent on the previous year to 2.23 million tonnes.

The latest figures come after Whitehaven downgraded its production guidance for financial 2014 to between 9.8 million and 10 million tonnes, down from 10.7 million.

Wesfarmers recorded a rise in coal production for the March quarter at both its Australian operations.

Its Curragh coalmine in Queensland's Bowen Basin produced 3.2 million tonnes in the June quarter, up on the 2.2 million tonnes recorded the previous year.

The result - 2.37 million tonnes of metallurgical coal and 830,000 tonnes of thermal coal - was 9 per cent up on the March quarter.

Wesfarmers' share of thermal **coal** production at the Bengalla mine in the Hunter Valley improved to 948,000 tonnes, 34.3 per cent up on the 706,000 tonnes a year earlier.

It was 18.9 per cent higher than the 797,000 tonnes posted in the December quarter.

Wesfarmers has a 40 per cent **stake** in the Bengalla project.

CO wsfrm : Wesfarmers Ltd
IN i8396 : Diversified Holding Companies | ibcs : Business/Consumer Services
NS c21 : Output/Production | ccat : Corporate/Industrial News
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PUB Fairfax Media Management Pty Limited
AN Document AGEE000020140429ea4u0004k