

# The Russian Market Of Cement



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In April 2007 DISCOVERY Research Group agency has finished marketing research of the cement market in Russia.

In 2006 the world cement industry has produced about 2,3 milliards tons of cement. By the year 2010 the world's cement production is expected to be 2,8 milliard tons.

The share of Russian producers in the world's production of cement is not considerable. In 2005 on evidence of Federal State Statistics Service the cement production volume has reached 48,5 million of tons, which is 7% higher than in 2004. According to the results of 2006 the cement production in the country by different estimations amounted from 9% to 12%.

Thus it is worth mentioning that the dynamics of the production growth in Russia exceeds both worlds indices of the branch development (the world cement industry annual growth rate is 4-6%) and GDP growth rates in Russia.

The most important stimulus for the branch development is a building boom in the country and the growth of cement consumption in CIS countries (first of all in Kazakhstan, Azerbaijan, Belarus and Ukraine).

However, the barriers for the branch development are the following: ageing of the equipment, obsolescence of the technologies of cement production , a low degree of automation of the production process. In recent years the shortage of the source of raw materials started influencing the market condition: producers have to struggle for every minefield. For example, in June 2006 one of the largest minefields of cement raw materials - Ust' – Gryaznuhiskoe situated in Volgograd region - was sold by auction. At a start price of 500 thousand rubles the winner has paid 99, 5 million rubles for the license giving the right to use the mineral resources.

A high demand for the cement in conjunction with the factors above, which restrain the branch development, lead to the appearance of sharp cement deficit and, as a consequence, to the price growth. By estimation of some analysts, during 2006 in some regions there was 350% price increase (in majority of the subjects only 50-60% increase).

The major tendency of 2006 was inflow of investments to the branch. Russian and foreign business-structure start to consider investments into the cement industry to be highly remunerative action - stock quotations of cement works raise; investment into projects on modernization of available capacities and on purchase of new ones begins. Also investments are put in absorption of capacities of smaller players in the cement market.

The basic manufacturers of cement, playing an appreciable role in the Russian cement market, can be divided into three groups: the Russian holdings uniting several factories; large Russian factories - the manufacturers of cement which are not a part of industrial groups yet; the foreign holdings which are present in the Russian market.

To the largest Russian holdings are 'Erortsement group ' and ' Siberian cement ', the largest foreign manufacturers of cement in the Russian market are presented by the companies Lafarge, Holcim, Heidelberg. The Russian factories which have not become the members of industrial groups are characterized by small volumes of manufacturing. Exceptions are Novorostsement and Mordovtsement. In February, 2007 it became known that the management of 'Novorostsementa ' would sell a control packet of shares to former partner of Alisher Usmanov - Lev Kvetnom. It was marked, that he would get 97 % of enterprise's shares approximately for 1 billion dollars . Mordovtsement, by estimations of branch experts, also is one of the most probable candidate for absorption.

When switching from the analysis of cement manufacturing, to the analysis of consumption structure, it is necessary to mark, that according to the results of 2006 the largest external (foreign) consumers of the Russian cement are Kazakhstan, Azerbaijan, Belarus. At the same time, Russia began to import cement not only from traditional partner countries in this branch (for example, Ukraine), but also from such countries as China and Mongolia..

In the Russian market there is a demand for cement while getting precast concrete (52 %), asbestos products (22 %), when carrying out construction and repair works (17 %).

According to the results of 2006 the most cement containing regional zone was Privolzhskii federal district. The highest parameters of cement deficiency are marked in Central FD and Northwest FD. Potentially cement deficit regions are Ural FD and Siberian FD.

The research aims

To describe the Russian cement market condition

The research objectives

1. To determine the volume, growth rates and the main tendencies of the world cement market.
2. To determine the Russian market capacity in natural indices
3. To determine growth rates of the Russian market
4. To characterize the factors which restrict the market growth
5. To determine the factors which stimulate the market development
6. To characterize entrance barriers of the market.
7. To define the factors influencing pricing policy in the Russian market of cement.
8. To characterize the basic tendencies defining development of the cement market in Russia.
9. To describe activity of the key cement manufacturers in Russia, the basic parameters of their activity.
10. To describe the basic projects on cement plants construction and modernization of existing ones.
11. To describe the development perspectives of the cement industry.

The data gathering method

Monitoring of the materials of printed and internet mass media, specialized publications, analytical overviews of the market, Internet, the materials of marketing and consulting companies, the results of researches by DISCOVERY Research Group.

The data gathering method

Traditional content – analyses of the documents.

Informational base of the research

1. Printed and electronic, business and specialized publications.
2. Internet resources
3. Companies' materials

4. Analytical overview articles in the press
5. The results of the researches made by marketing and consulting agencies
6. Expert valuation
7. Interview with the manufactures and other market participants
8. The materials of sectoral institutions and data bases.
9. Discovery Research Group data base

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