10-6-2006

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LADB Article Id: 52274
ISSN: 1054-8890

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by LADB Staff
Category/Department: Mexico
Published: 2006-10-06

Mexico's giant multinational cement company Cementos de Mexico (CEMEX) took another step to expand its presence on the global market with an agreement to purchase the British concrete manufacturer RMC Group. In the transaction, completed in late September, CEMEX agreed to acquire RMC Group for about US$4.2 million.

The British company is the world's leading producer of ready-mix concrete. The transaction, the largest ever for CEMEX, gives the company access to the British cement industry as well as an entry to markets in Germany, Austria, Portugal, and several Eastern European countries.

The company already has subsidiaries in the Netherlands and Spain. "Western Europe brings stability to our cash flow," said CEMEX vice president Hector Medina. "Eastern Europe will provide growth opportunities." Analysts said the expansion into the European market puts CEMEX on a par with its two largest rivals, France's Lafarge and Switzerland's Holcim. The deal helps CEMEX even out the "balance of power in the industry," said analyst Stephen Rawlinson of Arbuthnot Securities in London.

CEMEX officials believe the transaction also helps with the company's goal of diversifying its operations. "RMC's strong positions in cement, aggregates, and ready-mix concrete will add to our existing operations in these areas and...enhance our leading position in the global building-materials market," said CEMEX chief executive Lorenzo Zambrano.

CEMEX's expansion in the European market is part of its aggressive move to enhance its position globally. The company has pushed hard to gain a dominant presence in eastern Asia with purchases of cement companies in Indonesia, Thailand, Japan, and the Philippines (see SourceMex, 2001-10-03). The company also has a presence in North Africa, Latin America, and the US (see SourceMex, 1999-06-30 and 2000-10-11).

CEMEX, US builders ask Commerce Department to drop tariffs

While a large share of CEMEX's expansion is related to new investments, the company is also seeking to boost its exports from Mexico, especially to the US. The company is unable to increase sales to the US significantly because of tariffs imposed by the US in the early 1990s, which are being renewed on an annual basis (see SourceMex, 1994-08-10, 2000-10-11, and 2002-06-26).

Acting on behalf of CEMEX, the Secretaria de Economia (SE) filed two separate requests with the World Trade Organization (WTO) in 2003 to create a special dispute-resolutions panel to examine the US tariffs (see 2003-02-12). In the motion, the SE also asked for the US to reimburse part of the

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tariffs collected during the past decade. The WTO decision is still pending, but the issue remains alive on other fronts.

CEMEX and the Washington-based US National Association of Home Builders (NAHB) have filed separate petitions asking the US Commerce Department to eliminate the tariffs to help alleviate a tight supply in the US market. The NAHB contends that the cement shortage in the US has greatly increased building costs and has delayed some construction projects. The short supplies in the US are attributed to a high demand for cement at home and overseas. Demand is particularly strong in China, which has increased imports from Asia and Europe, thus reducing the flow to the US market.

To alleviate the shortage, the NAHB has urged the Commerce Department to drop the tariff on imports of Mexican cement. "With global shipping capacity strained, the ability to import cement from Asia and Europe to meet this shortfall has been significantly reduced," NAHB director Jerry Howard told the Los Angeles Times. "Therefore, it makes sense to rescind the costly anti-dumping duties on Mexican cement that are preventing a stable and reliable supply of imports to US consumers."

CEMEX has also met with US Commerce Department officials to put forth the same argument as the NAHB. "The US is becoming a country that is growing increasingly dependent on imports, and in some cases from sources that are not so dependable," said John Bloom, an economist at CEMEX USA. "For example, one-third of the cement imports come from Asia." The US imported about 23 million metric tons of cement in 2003, which comprised one-fifth of the country's total demand during the year.

The pleas from the NAHB and CEMEX have not been enough to sway Commerce to drop the tariffs. A spokesperson for the department said such a move would not be considered unless the US cement industry requested that the tariffs be eliminated. Cement companies have already gone on record as opposing the elimination of the tariffs because of concerns that a surge in Mexican supplies would create a surplus in the US and drive down prices significantly.

Cement prices have been lower in Mexico than in the US during the summer because of the tight supplies. As of the end of July, the average price of cement in Mexico was about US$135 per MT, compared with US$156 per MT in the US, said Osmin Rendon, director of the Camara Nacional del Cemento (CANACEM). "Supply is tight, I won't deny that," said Donald Unmacht, president of National Cement Co. of California. "I don't see a critical shortage in California. We are meeting most of our needs."

Mexican cement industry moves to block imports

Mexican cement producers have taken a similar stance as their US counterparts in moving to keep foreign cement out of their market to keep prices from dropping. At the urging of CANACEM, the Mexican government prevented the carrier Mary Nour from unloading a shipment of more than 26,000 MT of Russian cement at the ports of Tampico and Altamira in Tamaulipas state. CANACEM, which represents cement companies CEMEX, Holcim Apasco, Moctezuma, and Cementos Chihuahua, cited safety, quality, and tax concerns to request that the cement not be allowed to be unloaded on Mexican soil. Another technical argument presented by the chamber was

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that the importer, Monterrey-based CDM, lacked the required land-based warehouse to store the cement.

CANACEM has raised concerns that a flood of imports would dilute the quality of cement on the Mexican market and upset the current price structure. The organization said the country's five manufacturers produce about 30 million MT of cement annually, which is almost sufficient to meet domestic demand. Only about 330,000 MT in imports are needed to make up the gap, the organization said. "CANACEM does not oppose competition nor an opening of our market," said Rendon. "We oppose imports whose origin is not clear and which might enter the country as disguised contraband."

CDM spokesperson Manuel Rivera said the company acquired the Russian cement at international prices of US$42 per MT and shipped it to Mexico at a cost of about US$30 per MT. CEMEX officials acknowledge that Mexican cement, although cheaper than in the US, is still more expensive than the average price on the world market. They blame the high domestic prices on expensive energy, labor, transport, distribution, and regulatory costs, and on the lack of government subsidies to match those given to foreign producers.

Still, the CEMEX officials dispute CDM's figures, saying the prices probably do not include import taxes and port charges. This would bring the cost of the cement to US$105 per MT, only slightly cheaper than Mexican cement, the officials said. "If it were as cheap as they say, why wouldn't CEMEX be importing? Why would it produce anything at all in Mexico?" said CEMEX spokesman Gerardo de la Torre. "The company's not stupid." Critics see the moves of the Mexican cement industry to block imports as blatantly protectionist. "They are protecting their market," said Nader Dajani, head of the Amman, Jordan-based CTI Group, which operates the Mary Nour. "But I believe that since they are allowed to trade freely around the world, so we should be allowed to trade freely in Mexico." (Sources: Associated Press, 08/18/03; Los Angeles Times, 08/12/04; Reuters, 05/20/04, 09/27/04; Associated Press, 09/23/04, 09/27/04; La Cronica de Hoy, La Jornada, El Universal, 09/15/04, 09/28/04; El Financiero, 09/28/04; The Herald-Mexico City, 09/28/04, 09/29/04)

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