

| BusinessCem 2007

by **Tom Armstrong,**
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BusinessCem celebrated its 15th Anniversary by staging a major international conference in Moscow with the theme 'The Cement Industry and The Market'. Over 290 delegates attended the event, which was held over three days at the leading President Hotel, located in the heart of Russia's capital city, only a stone's throw away from the magnificent splendour of the Kremlin and Red Square.



Delegates hailing from all corners of Russia, the CIS countries and beyond joined the forum where the main discussions centred around the upgrading of cement production facilities in the context of Russia's booming domestic demand.

The conference was supported by the key domestic organisations including the Ministry of Regional Development of the Russian Federation, the Federal Agency for Construction and Housing, and the Union of Cement Russia.

Representatives from these institutions opened the proceedings with a comprehensive analysis of the Russian construction sector, highlighting its increasingly important position in the context of the booming national economy. Russian GDP growth was recorded at 7.7 per cent in the first four months of the year. Consumer demand is high and rising, industrial production is no longer in decline, investment growth continues to climb, and a trade balance of US\$38 billion due to the export of raw materials. All of which is helping to create the dynamic environment in

which construction sector in particular is thriving.

Due to its growing importance within the economy, the government has set up a dedicated Task Force charged with overseeing the building materials industry, and ensuring that policies are supportive of this vital sector that is central to Russia's development. The speakers also cited the need for greater support for issues ranging from railroad transport, to the reduction of custom duties on equipment, and tax breaks for future construction projects are examples of areas which need to be addressed in order to ensure that Russia's domestic industry can keep pace with the change.



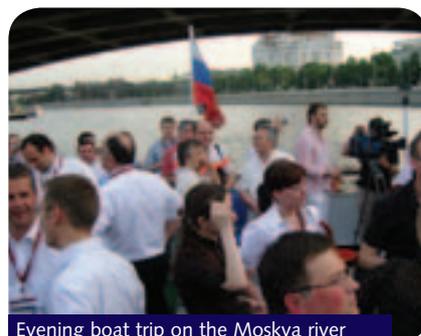
From a political perspective, therefore, all efforts are being directed to improve and support the construction and building materials industry, with obvious benefits for the cement industry itself.

Matching cement demand

Ultimately, the long-term demand outlook for cement consumption in Russia is encouraging. Initiatives such as the Presidential Programme for Affordable Housing will contribute to a consistently strong growth in demand. Overall, the government has targeted an annual construction volume of 100Mm² by 2010. Cement consumption will therefore climb to around 70-80Mt by 2010, up from 2006 levels of around 51Mt. The issue now is whether production will be able to match this demand?

Well, the domestic industry certainly continues to modernise and expand. Mikhail Tikhonov, Head of Production and Business Development at Eurocement, gave an overview of Russia's largest cement producer. Eurocement now operates a total capacity of 35Mta, including 16 plants in Russia, two in Ukraine and one in Uzbekistan. The company is investing heavily at four sites in an effort to expand production and increase efficiency.

While Russia requires a substantial



investment into the cement industry to expand and upgrade capacity, Mr Tikhonov also highlighted some of the practical challenges that need to be faced. Securing talent, and the lack of availability of quality equipment from Russian suppliers were just two points raised by his presentation. He also remarked that overall, multinational equipment suppliers have also been slow to enter the Russian market.

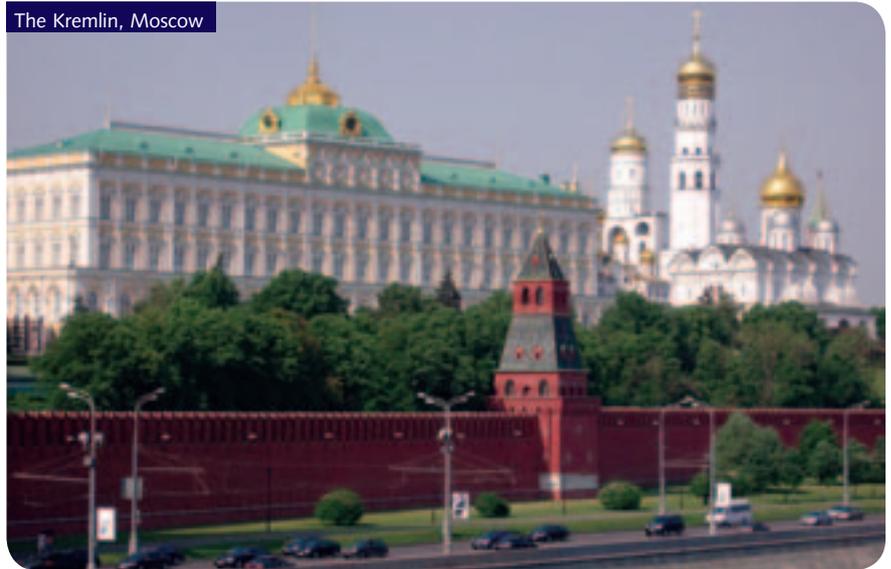
Venturing further afield, Mr Petr Lopatjev, chief executive of Ukrcement, led delegates through the latest developments of the dynamic Ukraine cement market. Ukrainian cement consumption has grown at a phenomenal CAGR of 18 per cent over the 2000-2006 period, reaching 12.3Mt in 2006 year end, with the result that per capita consumption has nearly trebled to 324kg



A sumptuous gala dinner was enjoyed by all on the final night at the conference at the Peter the Great Hall

over the same period. The production base continues to rely heavily on wet process technology, which accounted for 92 per cent of production in 2006. And while total capacity is a nominal 21.1Mta, capacity utilization is low at just 61 per cent. Plenty of room for technological progress, and with further strong growth in demand forecast, the Ukraine cement industry has its work cut out.

With Russia and Ukraine both booming, it's no surprise that Eastern Europe is one of the fastest growing regions in the world, as pointed out by Thomas Armstrong, market analyst from International Cement Review, who presented an overview of the Global Cement Markets in 2006. Based on data recently published in the new edition of the Global Cement Report, he observed that global cement demand is estimated to have risen to 2.6bnt in 2006, up 9.2



The Kremlin, Moscow

per cent on the year before. Looking forward, 2007 growth is also set to remain strong, with demand expected to reach 2.75bnt by year end, reflecting an annual growth rate of 7.7 per cent.

Technical presentations

As usual, BusinessCem offered a platform to a wide range of domestic and international suppliers to promote an array of technology, equipment and services that

will be so crucial to the industry during this vital period of expansion and modernisation.

Mr Lambert of PEG SA (Switzerland) was on hand to present a case study of a recently completed capacity expansion project for Cemex in the Philippines, a fine illustration of the quality of work carried out by this well-established engineering consultancy. FLSmidth representatives were out in force, led by Mr Rune Hurttia who made a timely presentation on the broad theme of upgrading and modernising cement

plants. Mr Paepcke of Claudius Peters gave delegates a close-up look at the ETA cooler, while Aumund, Beumer and Haver & Boecker representatives were able to provide information on the leading technology with regard to transportation and packaging in the cement production process.

Overall, a comprehensive programme ensured that no stone was left unturned, with all aspects of cement manufacture – from grinding technology, pyroprocessing and cooling to transportation systems, pollution control, and process control – were given appropriate space for discussion. Combined with the lively exhibition space, delegates had every conceivable area of expertise at their disposal.



Entertainment – Russian style

No visit to Moscow is complete without a tour of city, and delegates were treated to a fantastic river boat excursion up the Moskva, with unparalleled views of the stunning Kremlin cathedrals, accompanied by the finest traditional Russian fare and music. A gala dinner on the second evening was held at the Peter the Great Hall and completed a well-organised and

thoroughly enjoyable conference.

BusinessCem will host the 7th International Central Asia Conference on November, 13-15, 2007 in Tashkent, Uzbekistan.