



U.S. COMMERCIAL SERVICE U.S. EMBASSY - MEXICO CITY

Report Title:

MEXICO'S CEMENT INDUSTRY
MARKET OVERVIEW

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Originating Country:

MEXICO

Originating Post:

MEXICO CITY

Originating Region:

WH

Subject Country (ies):

MEXICO

Subject Region(s):

WH

ITA Industry Code(s):

BLD, CON

Keywords:

Cement, building materials, building industry

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Reporting Date:

05/06/2005

Expiration Date:

05/31/2006

Approving Officer:

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Description:

Market Research

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SUMMARY

The cement industry in the country is prepared to satisfy the expected demand for the near future.

The best-selling types of cement are the gray type with a 94 percent share of the market; the mortar type with a 5 percent share and the white type with 1 percent share.

Cementos Mexicanos (CEMEX) is the largest of the six and owns fifteen plants; Cementos Holcim-Apasco with six plants; Cementos Cruz Azul three plants; Cementos Moctezuma with three (the third one will start operations the first semester of this year), Cementos Chihuahua has an annual production capacity of 3.3 million tons and has three plants in Chihuahua, and Cementos Portland Blanco de Mexico with one plant.

In 2001 this industry reached a production of gray cement of 29.97 million tons annually, ascribed to six companies with 30 plants throughout the country.

END SUMMARY.

1. MEXICAN CEMENT MANUFACTURERS

CEMEX started operations in 1906 and headquarters are in the state of Nuevo Leon. It has an installed capacity of 27.2 million tons/year and owns 211 plants to produce concrete and 67 land distribution centers and eight maritime centrals.

The second largest cement company is Apasco, recently bought by Holcim and currently known as Holcim-Apasco. It started operations in 1928 in the state of Mexico and has an installed capacity of 10.3 million tons/year. It owns 23 distribution centers and two maritime terminals with a network of about two thousand distributors. Referring to concrete, it has eighty plants and a Technology Center of Concrete.

Cementos Cruz Azul started operations as a cooperative society in 1934 and remains with the same structure today. It produces different types of cement as well as concrete.

Cementos Moctezuma started operations in the Mexican state of Morelos in 1943. It has an annual production capacity of 2.5 million tons of cement and over 500 thousand cubic meters of concrete. Its third plant will start operations during the first semester of this year.

Cementos Chihuahua started operations in 1941 in the state of Chihuahua and has an annual production capacity of 3.3 million tons, from which 1.4 million are distributed between the two plants located in the states of Nuevo Mexico, and the state of South Dakota in the United States. The rest of 1.9 million tons are located in the three plants in Chihuahua.

2. CHARACTERISTICS OF THE CEMENT INDUSTRY IN MEXICO

According to the Cement Chamber, the Mexican cement industry is characterized for being one of the most efficient industrial sectors in the country and for being as competitive as the best ones in the world.

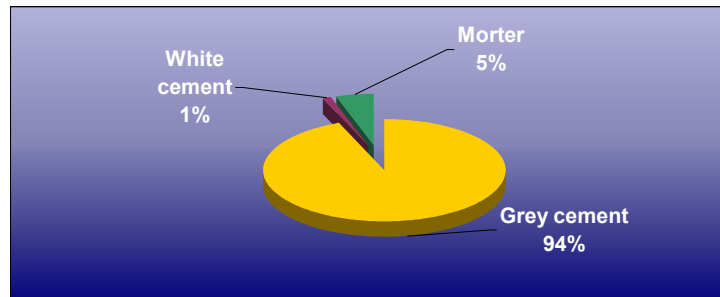
This industry has had a meaningful growth in the last decade and shows huge potential growth on the long terms.

In 2001, according to numbers of the Cement Chamber, the domestic consumption of cement in Mexico was 26.9 million tons, which represents consumption per capita of 271 kilograms. The installed capacity from 1990 to 2002 rose from 44 to 47 million tons and the production increased from 23.8 to 31.3 million tons. There are 12 million tons susceptible to be used as to installed capacity.

The difference between installed capacity, production and consumption is considerable and allows for growth in the construction sector including basic infrastructure, housing and tourism. The consumption of this product rose from 21.3 million tons in 1990 to 29 million tons in 2002.

Sales by product in Mexico (%)

As a tradition Mexico has been using the gray cement on the construction industry due to its particular properties and applications on the different sub-sectors of the industry. Following chart presents how is the Mexican market sales by product:



Source: CANACEM's Website

In Mexico most of the cement (80% of the sales) is commercialized in retail through distributors or contractors, the most common presentation is in 50 kilos bags, in comparison with other countries where most cement is sold in bulk. In Mexico, packed cement sales are equivalent to approximately 80% of the demand. Of this, 48% is used in the formal housing sector and the other 32% is used in the self-construction sector.

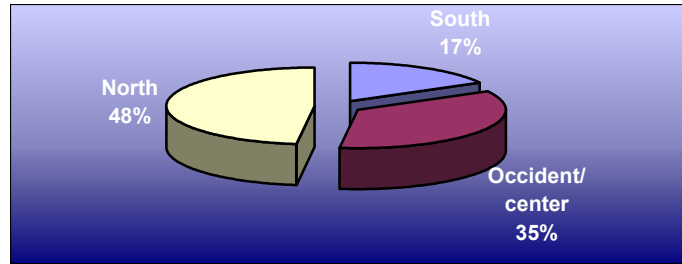
The northern part of the country is the region with the highest consumption rate with a 48 percent share of the total followed by the west-central part with a 35 percent and the southern region with 17 percent.

In fact, on the next years it is expected that the self-construction sector shall continue being the support of cement demand and the highest growth of the demand will be in the formal construction sector of dwelling and infrastructure.

Mexico's Cement Market

Mexico's cement market has been well defined on the last years the major consumption has being on the northern region of the country due to the infrastructure projects, the increase of more housing projects every year and new hospitals, warehouses, office complexes and other private investments (cinemas, theatres, malls, etc).

The central region of the country is always a bit behind and because projects were developed in the past based on the centralized financial, legislative and juridical systems, but a new booming sector is the housing retirement developments, new malls and some new infrastructure projects. Finally the southern region has been traditionally on the last step, mainly because the only development of the economy has relied on NAFTA trade and investments. Following table shows the figures per region:



Source: CANACEM's Website.

3. THE MEXICAN CEMENT INDUSTRY IN THE WORLD

Mexico has been increasing the demand of cement in the last years to become one of the 15 nations with the highest production of this product in the world, showing one of the highest increments matching the United States, Germany, Italy and Japan.

In 2002, Mexico ranked 13th worldwide for its cement production and 14th for its consumption per capita.

It is estimated that the demand will keep growing in the next years, as in the United States and Canada it is expected that the construction industry will be the sector with the highest growth rate in the country.

4. FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

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