

Stabilizing Cement Supply

By Sadeq Dehqan

After cement ceased to enjoy government subsidy, the commodity's price witnessed a declining trend. However, those involved in construction operations seek improvement in cement's distribution network.

Statistics

Official statistics released by Cement Factories Guild Association and Organization for Supporting Consumers and Producers indicate that currently cement price has dropped by 30 percent compared to last month.

The price of 1 ton of cement has decreased to 930,000 rials from 1,450,000 rials. In fact, the weekly decline has averaged at about 50,000 rials.

But the figure in real market faced fluctuations due to the meddling of profiteers and middlemen, and increased transport costs.

A senior industry official told Iran Daily that cement price witnessed a drop last month.

Ali Asghar Keyhani, who heads the Board of Directors of Standard Concrete Producers Guild Association, said that following the liberalization of cement prices, cement factories have increased supplies, which led to a price decline.

Keyhani, who also represents 300 concrete production plants, stressed that if the factories lower production, price would rise.

Insufficient

The Commerce Ministry is currently obliged to provide builders with two bags of cement (equivalent to 100 kilograms) for each square meter of construction in an effort to prevent market disorder.

The government's working group for Cement includes a representative from the Commerce Ministry for coordinating its price, a representative of Industries and Mines Ministry for coordinating production and Cement Factories Guild Association for overseeing distribution.

Keyhani complained that the 100-kilogram state quota is not sufficient for construction work and builders have to meet their requirements from

the open market.

Highlighting that the state quota should be revised, he said at least 150-200 kilograms of cement are required for building one square meter.

As per the recent finding of Iranian Standard and Industrial Research Institute (ISIRI), about 130 kilograms of cement are required solely for the building structure not to mention the finishing touches.

Price Decline

The current cement price decline is attributed to higher supply.

Pointing to electricity cuts in recent month, he said this will have an adverse impact on cement production.

However, power consumption in cement sector is economical and there is no wastage.

On doing away with energy subsidy, Keyhani said that currently due to low



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energy charges in Iran, only 3 percent of the final costs pertain to the energy sector.

"This is while energy accounts for one-third of production costs in neighboring countries," he said.

"With the removal of energy subsidy, domestic producers will not be able to compete with neighboring nations."

Keyhani noted that the only solution is to remove middlemen from this sector and revise the amount of state cement quota for construction.

Standardized construction is not possible without using quality construction materials. However, the impression that costs of construction are higher for good quality construction is erroneous, as the focus should be

on better planning and execution.

Keyhani said that high wastage of construction materials plays a key role in increasing housing prices, stressing that 38 concrete factories have received standard certificates in Tehran while they work at 30-percent of their capacity.

"There are over 50 small workshops (in Tehran) which illegally produce and sell substandard concrete," he said, adding that the improper construction material production and distribution systems are to blame for the use of substandard products.

"If cement is produced and distributed according to the needs of each sector of the construction industry, normalcy will return to the market soon," he said, adding that this will also restrict the activities of brokers.

He added that compulsory standards should be applied to cement production, sales and consumption, whereas they are widely neglected.

Keyhani also said machine-made concrete comprises 65-85 percent of total concrete production in advanced countries, whereas the figure stands at only 15 percent in Iran.

In effect, an integrated plan is needed to address the concerns of cement producers and customers alike to stabilize its supply to the construction sector.

International News

Saudis Urged to Rethink Dollar Peg

The International Monetary Fund (IMF) has urged the Saudi Arabian government to rethink the rial's peg to the dollar should inflation remain at current levels.

"Most Directors considered the benefits of maintaining the peg to outweigh the cost of higher short-term inflation, provided current inflationary pressures prove temporary," the IMF said in a statement.



"If, however, inflation should persist and the Persian Gulf Cooperation Council monetary union be delayed, they recommended to consider also alternative exchange rate regimes."

Inflation in the kingdom reached 10 percent in April as oil prices continued to soar, food and commodity prices continued their ascent and the dollar remained depressed. The IMF said inflation poses the main challenge for authorities in the period ahead.

Saudi officials have denied that the rial's peg to the dollar is the main cause behind inflation in the country, choosing instead to highlight other factors, such as rising commodity costs and a shortage of housing.

UK Inflation Climbs

Consumer price inflation rate leapt to 4.4 percent in July, the government said making it difficult for the Bank of England to consider lowering interest rates to ward off the risk of recession.

The report from the Office for National Statistics showed inflation is now at more than double the government's target of 2 percent, after rising from 3.8 percent in June, AP reported.

The 0.6 percentage point jump was the biggest monthly rise since January 1997 and outpaced the 4.2 percent predicted by most economists.

"This is a really disturbing set of data that will not go down at all well at the Bank of England," said Global Insight economist Howard Archer. "The rise in consumer price inflation to a series high...was well above expectations."

Surging inflation makes it risky for the Bank of England to lower official interest rates from the current 5 percent to boost spending and provide a spark to Britain's slowing economy-cutting rates would also likely spur inflation yet higher.

The statistics office said that the strongest upward pressure on prices came from nonalcoholic beverages and food, especially meat, bread, cereals and vegetables. Inflation was also pushed up by rising transport costs resulting from spiking fuel prices.

Gold Price Hits Low

The price of gold hit the lowest point for seven and a half months as the precious metal was rocked by the low point since December 21, 2007, TradeArabia said.

Gold, which is used in jewelry, dentistry and electronics, has now shed almost one quarter of its value since striking a record high of \$1,032.70 on March 17.

"In the short term, gold prices are likely to continue to take their lead from dollar movements and oil prices," said Barclays Capital analysts in a note to clients.

In the foreign exchange market earlier on Tuesday, the dollar hit a near six-month peak against the euro. A stronger US currency tends to reduce demand for dollar-priced goods, like gold and oil, which become more expensive for buyers holding weaker currencies.

At the same time, gold is regarded by investors as a sound defense against inflation, which in many countries is driven by soaring crude prices.

Iran Handling Nigeria's Energy Projects

Nigerian National Petroleum Corporation (NNPC) held discussions with the Iranian Offshore Engineering and Construction Company (IOEC) for providing offshore and onshore services in the oil sector and in the exploration of Nigeria's gas.

Kaztec Engineering, a subsidiary of Chrome Group, a wholly indigenous oil company, in conjunction with IOEC, Iran's first offshore general contractors, was recently awarded Engineering, Procurement and Construction (EPC) contract for the Adanga-Calabar Gas Transmission Pipeline and Metering Station Lot Three, by the Niger Delta Power Holding Company (NDPHC), ThisDayonline.com wrote.

The \$156-million contract, which will entail the supply of gas to the National Integrated Power Project,

Calabar Power Station, is scheduled for completion by the first quarter of 2010.

Speaking during a visit to the Iranian Deputy Minister for International Affairs Noghrekar-Shirazi, NNPC's Group Executive Director (Upstream) Chris Ogiemwonyi, who represented the Acting Group Managing Director of the NNPC Abubakar Yar'Adua, said Nigeria plans to have 10 Liquefied Natural Gas (LNG) companies of five million metric tons each within 10 years.

"In terms of gas, Nigeria has about 180 tcf currently, which it hopes to increase to 300 tcf when it eventually commences full exploration," he said.

In line with that plan, the Federal Government recently released the Gas Master Plan to fully monetize



the country's abundant gas and make the product available for domestic consumption at affordable rate.

Dam Water Storage Down

The volume of water stored in dams nationwide has declined by 46 percent compared to the corresponding figure of last year, said deputy energy minister for water affairs.

Speaking to IRNA, Rasoul Zargar added that the volume of water in dams has decreased from 20 billion cubic meters in the previous year to 11.1 billion cubic meters this year.

According to the Agriculture Jihad Ministry officials, the drought has led to a decline in agricultural production by only 15 percent.

Commenting on dam construction projects in the country, Zargar said 90 dams are under construction.



"Once operational, they will store more than 10 billion cubic meters of water."

As to the mechanization of irrigation projects, Zargar said the average output of the country's irrigation sector is between 30 and 35 percent and this figure can increase to 60 percent, based on international standards.

Some 2,500 grams of agricultural products are produced in the world by using 1 cubic meter of water, but in Iran the figure stands at between 600 and 800 grams.

Describing the absence of optimal use of water as the most serious challenge, Zargar said unfortunately, only 40 percent of the people follow the water consumption pattern.

Maize Import From S. Africa

South Africa exported 52,707 tons of white maize in the week to August 8, up from 13,154 tons in the previous week, the South African Grain Information Service (SAGIS) said.

The white maize exports included a hefty 33,415-ton sale to Iran, while the rest of the maize was sold to regional neighbors Botswana, Zimbabwe, Mozambique and Lesotho.

Yellow maize exports also jumped to 36,378 tons from 2,019 tons previously, boosted by a 34,089-ton deal with Malaysia, SAGIS said on its website.

The rest of the yellow maize was destined for Namibia, Swaziland and Lesotho.

"It's a continuation the trend that we've had this year, where we've

seen exports going up more than in previous years," a Johannesburg trader said.

South Africa has seen a sharp rise in exports since the marketing season began in May, lifted by increased regional demand triggered by low global supplies and a few big international contracts.

Earlier, former acting minister of economic affairs, Hossein Samsami, said that thanks to suitable potentials for bilateral trade, the Islamic Republic and South Africa can increase their annual trade to \$10 billion.

Trade between Tehran and Pretoria stands at approximately \$4 billion a year, of which only \$250 million constitute non-oil transactions.

Credit Losses Worry Wall Street

US stocks fell, as bank shares tumbled on fresh worries about the economy and further losses stemming from the mortgage crisis.

News that JPMorgan Chase has racked up \$1.5 billion of losses so far this quarter on mortgage-linked assets sent the bank's stock down more than 9 percent. The bank had largely escaped the worst of the credit crunch and its losses highlighted concerns that turmoil in financial markets may deepen, Reuters wrote.

Goldman Sachs also weighed on the financial sector after a number of analysts, including Oppenheimer & Co's Meredith Whitney and Deutsche Bank's Michael Mayo, cut their earnings' estimates for the investment bank. The KBW index of bank shares fell 6.4 percent.

Dallas Federal Reserve Bank President Richard Fisher added to negative sentiment when he said the US economy was in a prolonged period of slow growth and could shrink later this year.

"Today is just a bad day in financials--JPMorgan being down that much is really creating the drag here," said Paul Nolte, director of investments at Hinsdale Associates, in Hinsdale, Illinois.