

Dangote shakes Kenya's cement market with imports from Ethiopia

Written by Administrator
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Nigeria's Dangote Cement has embarked on a shake-up of Kenya's cement market with imports of cement from its plant in Ethiopia in preparation for establishment of a local manufacturing plant.

Dangote's entry into the Kenya's cement market with low-cost cement from Ethiopia is expected to drive prices downward in a market where they have remained static for almost 10 years.

Importing cement into Kenya is Dangote's market entry plan as it prepares to establish a local plant in 2019.

Dangote said the cement that will be sold into Kenya's cement market is priced at about \$74 (Sh7,400) per tonne, making it up to 40 per cent cheaper than locally manufactured brands.

The price is expected to include transportation cost of the cement to Kenya as well as taxes where applicable, while still leaving the company with a profit.

Dangote, which intends to topple LafargeHolcim as Africa's largest cement producer, enjoys economies of scale to set lower prices that in turn grows its market share. Its factory in Ethiopia has an annual capacity of 2.5 million tonnes.

However, cement industry sources said the exports mainly covered supplies to road construction projects in northern Kenya.

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Dangote also commenced exporting cement in Tanzania early this year after completing its factory in Mtwara about 400 kilometres from Dar es Salaam.

The company reduced prices in Tanzania so as to gain market share and out run rivals, including Kenyan multinationals with a presence in that market.

ARM Cement said in a commentary accompanying its latest results that cement prices in Tanzania fell by a third in the half year ended June as a result of Dangote's entry.

Dangote added in the update that it took a big market share from its major competitors in Tanzania even after incurring huge transport costs since its factory is located farther from Dar es Salaam.

The firm's price in Tanzania were set at about \$80 (Sh8,000) per tonne in June, going below its competitors by over 20 per cent.

The cement firm is expected to carry in with its lower-pricing strategy in Kenya when it commences to produce cement locally in 2019.