

Construction

BY SHARON J. REHANA AND MEGAN L. KUHN

Just remember a year ago, when fear of the unknown seized the nation. Iraq was on many minds and a military buildup siphoned government funds from transportation and construction. A general reluctance to commit to large projects slowed many aspects of construction. Despite these factors, this year's TCP 100 report shows there's still strength in concrete amid uncertain times.

The success of the largest concrete production companies illustrates the power of this industry. In short, the concrete industry is not taking a back seat to its competitors, and neither are the companies that drive it. This industry is fast-growing and competitive and that's why companies are

Pours It On

▶ Despite an economic slowdown, the concrete industry continues its slow but steady growth.



\$1 Billion + Annual Sales

		North American HQ
1	Cemex USA Operation	Houston, Texas
2	Lafarge North America Inc.	Herdon, Va.
3	Oldcastle Inc.	Atlanta, Ga.
4	Vulcan Materials Co.	Birmingham, Ala.
5	Rinker Materials	West Palm Beach, Fla.
6	Aggregate Industries Inc.	Saugus, Mass.
7	A. Teichert and Son Inc.	Sacramento, Calif.
8	Granite Construction Inc.	Watsonville, Calif.
9	Lehigh Cement Co.	Allentown, Pa.
10	RMC Industries Corp.	Decatur, Ga.
11	Martin Marietta Materials	Raleigh, N.C.
12	TXI	Dallas, Texas
13	Holcim US Inc.	Dundee, Mich.

Between \$500 and \$999 million

14	Knife River Corp.	Bismarck, N.D.
15	Peter Kiewit Sons' Inc.	Omaha, Neb.
16	St. Lawrence Cement Group	Quebec, Canada
17	Florida Rock Industries Inc.	Jacksonville, Fla.
18	Essroc Italcementi Group	Nazareth, Pa.
19	Ameron International Corp.	Pasadena, Calif.
20	Metromont Materials LLC	Spartanburg, S.C.
21	U.S. Concrete Inc.	Houston, Texas

Between \$100 and \$499 million

22	Irving Materials Inc.	Marion, Ind.
23	Hanson Building Materials America	Neptune, N.J.
24	Centex Construction Products Inc.	Dallas, Texas
25	The Lane Construction Corp.	Meriden, Conn.
26	Titan America	Norfolk, Va.
27	Oglebay Norton Co.	Cleveland, Ohio
28	Lone Star Industries Inc.	Indianapolis, Ind.
29	O and G Industries Inc.	Torrington, Conn.
30	Dayton Superior Corp.	Dayton, Ohio
31	Thomas Concrete of Ga. Inc.	Atlanta, Ga.
32	Staker & Parson Companies	Ogden, Utah
33	Brannan Ready-Mix	Denver, Colo.
34	Fisher Sand & Gravel Co.	Dickinson, N.D.
35	Transit Mix Concrete & Mtls. Co./Trinity Mtls. Inc.	Dallas, Texas
36	Clyde Companies Inc.	Orem, Utah
37	Prairie Material Sales	Bridgeview, Ill.
38	Wells Concrete Products	Wells, Minn.
39	Pavestone Co. L.P.	Dallas, Texas
40	Campbell Concrete & Materials	Cleveland, Texas
41	Harper Industries Inc.	Paducah, Ky.
42	Impulsora Tlaxcalteca de Industrias S.A. de CV	Mexico City
43	Eureka S.A. de CV	Mexico City
44	Monarch Cement Co.	Humboldt, Kan.
45	Continental Materials Corp.	Chicago, Ill.
46	MMC Materials Inc.	Ridgeland, Miss.
47	Manatt's Inc.	Brooklyn, Iowa
48	Morse Bros.	Tangent, Ore.
49	Fabcon Inc.	Savage, Minn.
50	Alamo Concrete Products Ltd.	San Antonio, Texas

expanding their products and locations. Better positioned for growth, the concrete industry is faring better than its competitors such as the steel industry (Refer to sidebar on page 38).

Concrete producers are part of a \$90 billion industry that is expected to grow further by 2004. Put-in-place construction spending, for both private and public construction, has increased, according to the U.S. Census Bureau. As of June 2003, construction spending totaled \$872.5 billion and will continue to grow, further solidifying concrete's reign as a domestic industry leader.

Key industry observers say producers have reason to be optimistic about the industry's future. Hendrick G. van Oss, a cement commodities specialist at the U.S. Geological Survey (USGS), Reston, Va., says the concrete industry is "fundamentally healthy."

Why the growth?

New construction and transportation infrastructure spending in the United States totaled \$1.4 trillion in 2002. With more than 2700 ready-mixed concrete producers operating in North America, each craves a piece of the pie. Researchers and industry analysts predict a steady increase for the industry. Even in the midst of last year's sagging economy, van Oss pointed to indicators of industry success in a USGS report. These factors include increased construction spending and a rise in cement and aggregate production and sales.

Instead of specializing in one industry segment, these producers are expanding to multiple segments such as ready-mix, aggregate, cement, and even asphalt. The ready-mixed concrete, block, and brick industries will grow by 9.5% in 2004, according to JT Research LLC, Portland, Ore. The estimated growth for cement is 11.9%.

Different producers use different methods to expand. THE CONCRETE PRODUCER found companies are not willing to discuss their success, and there is a good reason. One of the ways companies are expanding is through mergers and acquisitions (M&A).

Between \$50 to \$99 million

		North American HQ
51	Holliday Rock Co. Inc.	Upland, Calif.
52	Consumers Concrete Corp.	Kalamazoo, Mich.
53	High Concrete Structures Inc.	Denver, Pa
54	Nevada Ready Mix Corp.	Las Vegas, Nev.
55	Midwest Block & Brick	Jefferson City, Mo.
56	American Transit Mix Co.	Modesto, Calif.
57	Concrete Supply Co.	Charlotte, N.C.
58	Silvi Concrete Products	Fairless Hills, Pa.
59	Hormigonera Mayagüezana Inc.	Mayagüez, Puerto Rico
60	Tulsa Dynaspan Inc.	Broken Arrow, Okla.
61	Columbia Machine Inc.	Vancouver, Wash.
62	Dublin Construction Co.	Dublin, Ga.
63	Central Concrete Supermix Inc.	Miami, Fla.
64	Delta Industries Inc.	Jackson, Miss.
65	APAC- Antlantic Inc. Costal Carolina Div.	Kinston, N.C.
66	Doan Companies	Ypsilanti, Mich.
67	Devcon International Corp.	Deerfield Beach, Fla.
68	Nu Way Concrete Forms Inc.	St. Louis, Mo.
69	Premarc Corp.	Durand, Mich.

Between \$1 to \$49 million

70	Suhor Industries Inc.	Overland Park, Kan.
71	Sequatchie Concrete Service	South Pittsburg, Tenn.
72	Custom-Crete	Dallas, Texas
73	Hills Materials Co.	Rapid City, S.D.
74	Miles Sand & Gravel Co.	Auburn, Wash.
75	Shockey Precast Group	Winchester, Va.
76	Varmicon Industries Inc.	Harlington, Texas
77	Gary Merlino Construction Co.	Seattle, Wash.
78	Empire Sand and Gravel Co.	Billings, Mont.
79	Best Block Co.	Warren, Mich.
80	Chandler Concrete Co. Inc.	Burlington, N.C.
81	J. J. Ferguson Sand and Gravel Inc.	Greenwood, Miss.
82	Golf Coast Pre-Stress Inc.	Pass Christian, Miss.
83	Gary Bale Redi-Mix Concrete	Irvine, Calif.
84	Turnbull Concrete Inc.	Cincinnati, Ohio
85	Grand Rapids Gravel Co.	Wyoming, Mich.
86	Ozinga Illinois RMC Inc.	Mokena, Ill.
87	Ready Mix Concrete Co.	Rochester, Minn.
88	Willis Construction Co.	San Juan Bautista, Calif.
89	Brown-Wilbert Inc.	St. Paul, Minn.
90	Eagle Precast Co.	Salt Lake City, Utah
91	Kuert Concrete Inc.	South Bend, Ind.
92	Zignego Ready Mix Inc.	Waukesha, Wis.
93	All-Rite Ready Mix Inc.	Florence, Ky.
94	R.I. Lampus Co.	Springdale, Pa.
95	Beatrice Concrete Co.	Beatrice, Neb.
96	Smokey Point Concrete Inc.	Arlington, Wash.
97	Sanders Pre-Cast Concrete Systems Inc.	Whitestown, Ind.
98	Prestress Engineering Corp.	Prairie Grove, Ill.
99	Southeastern Concrete Co.	Hattiesburg, Miss.
100	Gallup Sand & Gravel Co.	Gallup, N.M.

Footnotes: 1. Ranking based on 2002 revenue.
 2. Brannan Ready-Mix is a division of Brannan Sand & Gravel Co.
 3. Harper Industries and Continental Materials are holding companies.

The construction materials industry accounted for 25 M&A in 2002. The 10 leading construction materials companies in North America control more than 35% of the markets, according to M&A specialist Brown, Gibbons, Lang & Co. (BGL), Cleveland. Though smaller independent companies aren't rushing to be acquired, economics often force the issue.

Unable to keep up, smaller companies have two choices: sell, or face bankruptcy. "Smaller companies find it challenging to be surrounded by larger companies that have larger checkbooks," says William Watkins, BGL vice president.

"As long as companies are successful and have the opportunity to grow, market consolidation will occur," adds Scott Ducoff, president and CEO of Campbell Concrete & Materials, Cleveland, Texas. The concrete industry is no different than any other industry. At the end of the day, when everything is said and done, it's a global industry."

Relatively healthy construction and infrastructure development, increasing efficiencies from new capital investment and technologies, and growth restrictions for existing operations all play a role in M&A. "Larger companies want to continue to grow their businesses," says Watkins. "It's easier for a larger company to buy out its competitor than to start from scratch."

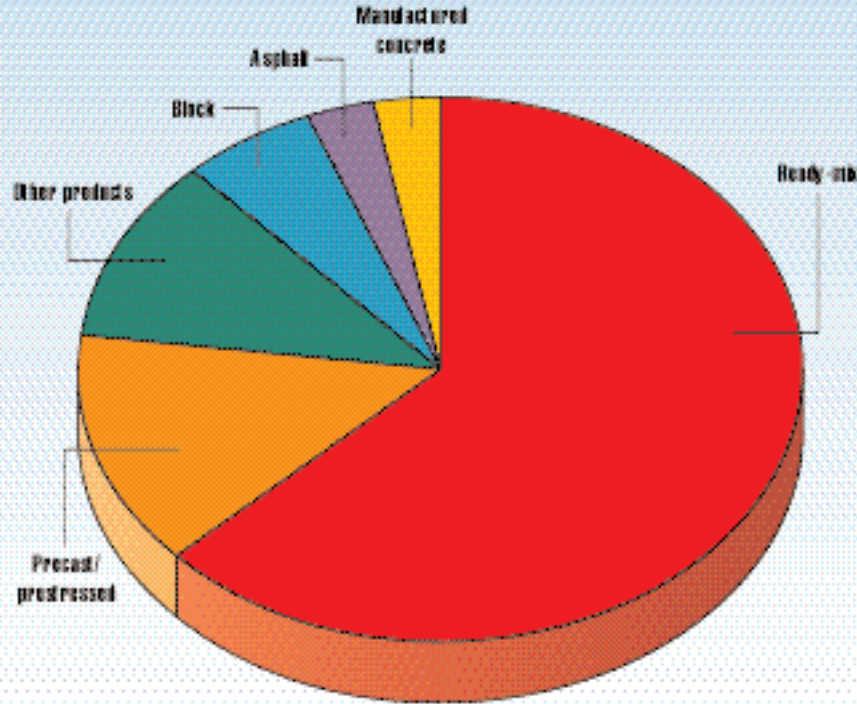
That may be the case for some companies, but there are still those who prefer to expand on their own terms. Pavestone Co., Dallas, for example, often is unable to find plants that meet its equipment needs. Traditionally, Pavestone has built its own plants, and in the process, the company has learned the importance of multiple locations.

To make up for the equipment costs, the company has increased output by expanding its product line. "To be efficient with the big paving stone machines, you need a lot of volume, so you have to add other products to diversify and try to keep your machinery running 24 hours a day," says Bob Schlegel, Pavestone's chairman and CEO.

Ready-Mix Is Hottest Market

What industry segments are you in?

Companies are diversifying, but of the nine industry segments, most companies are most heavily involved with ready-mixed concrete. Survey respondents are least involved with aggregate, building materials (brick, lumber, etc.), or packaged cement products.



Source: The Concrete Producer

Local and successful

“With wide distribution being vital to national customers, the geography of plant locations in our heavy concrete industry is a key component to remaining competitive,” says Schlegel. Pavestone discovered that daily concrete deliveries farther than 200 miles was not economically beneficial, so the company built 16 plants about every 300 to 400 miles, enabling it to service about 40 states.

Leading concrete producers are focusing their attention on specific geographic locations without spreading themselves too thin. THE CONCRETE PRODUCER found that the top 10 producers operate in an average of four geographic markets. Based on survey responses, the Midwest is the region with the most concrete operations. The West and Northeast are tied for the second most popular region. The South Central region has the fewest concrete producers.

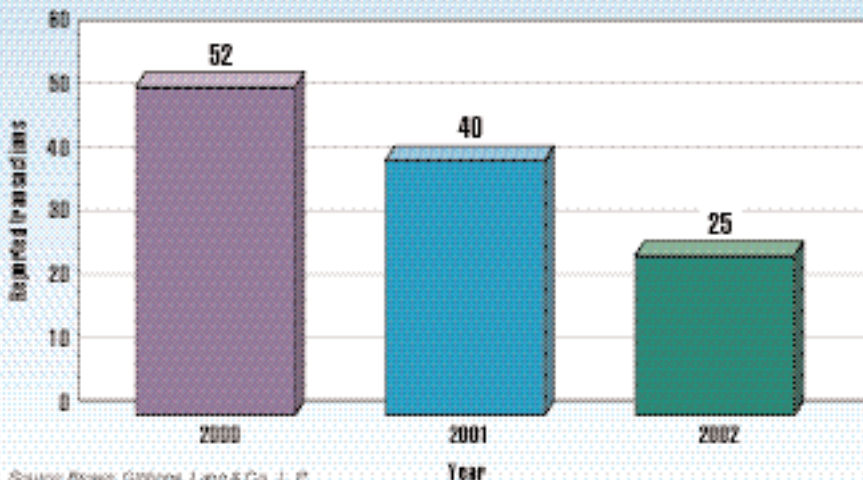
Survey respondents with sales of less than \$1 billion operate in fewer locations than their larger competitors. It makes financial sense for smaller companies to operate their businesses in one region, as transportation and shipping costs can be prohibitive if a company is not located near a fly ash supply, for example.

In terms of aggregate, the 10 leading states for construction sand and gravel by tonnage in 2002 were also mostly in the Midwest and West, according to the USGS. California, Texas, Michigan, Ohio, Arizona, Minnesota, Colorado, Washington, Wisconsin, and Nevada produced more than half of the U.S. total, which explains why many concrete producers operate in these states. The USGS estimates producers used or sold 1.12 billion metric tons of construction sand and gravel in 2002. Domestic consumption and production of these aggregate will rise slightly this year.

It's no surprise then that most of the top 20 housing markets, both single- and multifamily, are concentrated in the Midwest, West, and Northeast. The National

Construction Materials M&A Are Declining

Mergers and acquisitions activity in the construction materials industry declined in 2002.



Source: Brown, Gibbons, Lang & Co., L.P.

Industry Connects Online

The concrete industry has gone wireless. Technical know-how is playing a greater role for industry leaders. About 85% of the companies ranked in the TCP 100 have Web sites and use e-mail. Clearly, technological finesse will continue to be an industry “must have” for success in the 21st century. The Internet allows customers easy access, provides vital company contact information, and reinforces a producer’s message.

Association of Home Builders, Washington, D.C., is confident that the U.S. housing market will spur the economy, with record sales for new single-family homes by the end of this year. This is good news for producers as residential construction approaches 2002 records thanks to low mortgage rates.

“Continued very low interest rates and

strong public sector construction spending in 2002 mitigated construction declines relative to the much weaker general economy,” van Oss writes in his USGS report. “Cement consumption in 2003 is expected to level off or rise slightly, a key determinant being tenuous state, or offsetting federal funding of public sector projects.”

The future of concrete

The concrete industry will continue to grow as companies expand their markets through product lines and regionalism. Though M&A activity in the construction materials industry has declined, BGL says the industry is still headed toward further consolidations. More international firms will acquire companies in the United States.

The largest industry transactions in the past two years have been completed by international companies, BGL says. “Owners are owners,” Campbell Concrete’s Ducoff says. “It makes no difference whether they are from the United States, or from overseas.”

The concrete industry is a driving force, and it won’t slow down soon. There will always be a need to build, rebuild, and expand infrastructures, housing, and road construction. Concrete is on the forefront.

Methodology

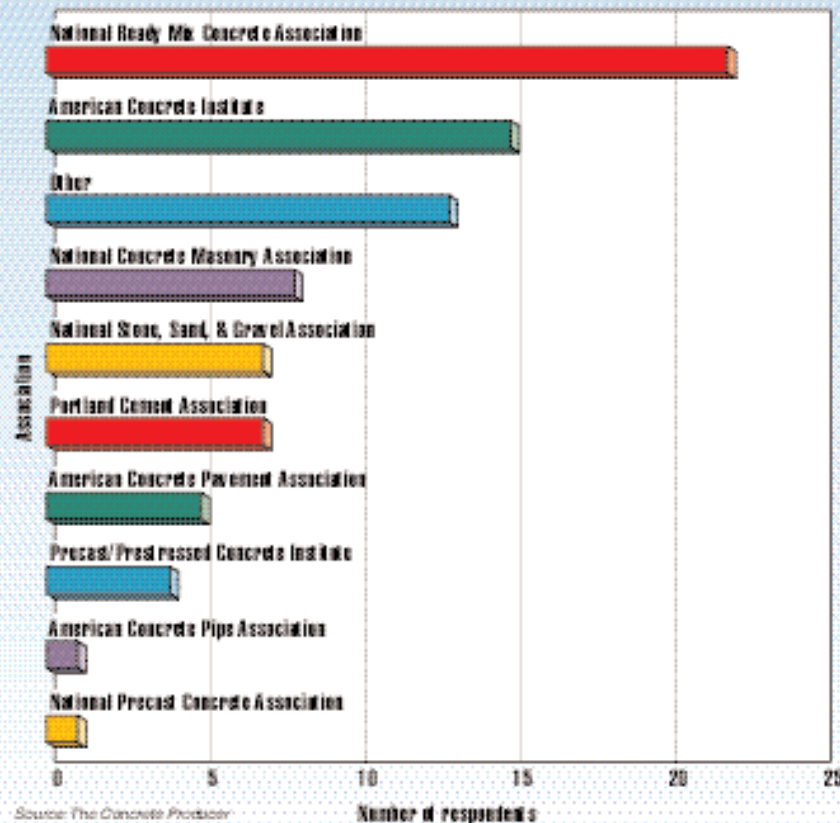
THE CONCRETE PRODUCER sent faxes and e-mails, and phoned concrete production companies compiled from its reader circulation list and the 2001 ranking. In addition, annual reports and 10K reports on the U.S. Securities and Exchange Commission Web site, www.sec.gov, and the Thomson Gale Web site, www.galegroup.com, were used to gather annual revenue for companies. We ranked companies based on annual revenue for 2002. THE CONCRETE PRODUCER used the resources listed below to compile the 2002 TCP 100.

- Brown, Gibbons, Lang & Co., 216-241-2800, www.bglco.com.
- FMI Corp., 919-787-8400, www.fminet.com.
- JT Research LLC, 503-827-7241, www.jtresearch.com.
- Lexis Nexis, www.lexisnexis.com.
- The Concrete Producer Survey.
- The Conveyor, 609-393-3352, www.njconcrete.com.
- The Monitor, PCA, 847-966-6200, www.cement.org.
- Thomson Gale, 248-699-4253, www.galegroup.com.
- U.S. Census Bureau, www.census.gov.
- U.S. Securities and Exchange Commission, www.sec.gov.
- U.S. Geological Survey, 703-648-7712, www.usgs.gov.

Continued on p. 38.

Who’s Hot, Who’s Not?

Most producers are involved with multiple associations. However, no survey respondents are involved with the American Society of Concrete Contractors.



Concrete's Competitor Struggles

Ready-mixed concrete producers can take comfort that the steel industry, one of their biggest competitors, is mired in financial gloom. Thirty-six steel companies in the United States have filed Chapter 11 bankruptcy in the past five years. Some were liquidated or were bought by larger companies. Three of the largest, Bethlehem, LTV, and National, all went bankrupt and no longer exist. A turnaround expert bought Bethlehem and LTV, and U.S. Steel bought National.

There are several reasons the industry fell on hard times. Some of the old-line steelmakers such as Bethlehem and LTV were burdened by out-of-control legacy costs. These compa-

nies had to pay the pensions and health care costs of several retirees for each worker on their payrolls. There is overcapacity throughout the world, and unlike aluminum and other industries, steel underwent very little consolidation. This gave steel companies little leverage in raising prices for their largest customers, such as General Motors, Ford, and DaimlerChrysler. Finally, the slowdown in manufacturing during the last three years lessened demand for their products.

Most controversial has been the increase of imported steel into the United States. A ton of steel is imported for every four or five tons produced here. Even with shipping costs, foreign steel producers find it profitable to ship to the United States because their own labor, raw materials, and

power costs all are lower than those of their counterparts here.

The steel industry said the foreign producers violated this country's trade laws and convinced President Bush to impose tariffs on some imported steel last year. Prices rose for a time, but have since fallen. Many of the steel industry's largest customers have criticized the measure as protectionist and are lobbying the President to remove the tariffs. This would result in another increase in imports and a drop in prices, hurting steel producers further.

As steel struggles to get its house in order, the concrete industry has an opportunity to expand its reach and convince contractors that it, not steel, is the right material for their projects. It's an enormous opportunity.

— TOM BAGSARIAN

And Now, the Rest of the Story

Get inside the minds of the concrete industry's leaders.

The TCP 100 is required reading for all contractors and producers. This must-have resource guide allows readers to benchmark themselves against the leading companies in the concrete production industry. Read about the leading producers and how their companies have met the changing needs of the industry. This handy tool provides pertinent contact information for the 100 North American companies featured in THE CONCRETE PRODUCER'S October 2003 cover story.

Presidents and CEOs of select companies share their views on the concrete industry and the success of their companies. Go back to the roots of the featured 100 companies, and see how they've evolved into contributors of the concrete production industry. See if your company measures up, and where it fits in the mix.

If you would like to participate in next year's TCP 100, please contact Tom Bagsarian, managing editor, THE CONCRETE PRODUCER, at 630-705-2623, or email tbagsarian@hanley-wood.com.

Published by Hanley-Wood, LLC, this book can be ordered by calling 800-323-3550 or online at

www.wocbookstore.com. For volume discounts, call Norma Ciaglia at 630-705-2573.

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