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What's Inside:

The Insider is published quarterly for the clients of The Greystone Group. Quarterly publications include forecasts for cement consumption, sand, gravel and crushed stone production and ready mix concrete consumption. Please contact us at (619) 587-3900 if you are interested in being added to our mailing list.

The Greystone Group, located in La Jolla, California, is an investment banking firm specializing in the cement and construction materials industry. Primary services include mergers and acquisitions, strategic planning, asset divestitures and debt placement activities. To learn more about Greystone please contact us at the address set forth below.

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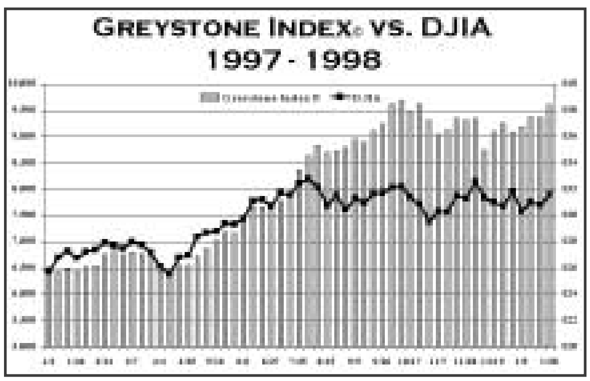
U.S. Cement Outlook through the Eyes of European Industry Leaders

During 1997, nearly every U.S. cement company reported record earnings. Many industry analysts argue that the earnings reflect a strong national economy which has resulted in sold-out positions in nearly every regional market, with substantial price improvements along the way. Others suggest that the industry gained operating efficiencies from the billions of dollars they invested in technology during the 1980s. Regardless of the right answer (which we believe is a combination of both), the U.S. cement industry is certainly harvesting its fruit. We estimate that U.S. cement plants generated approximately $2.1 billion in pre-tax earnings during 1997, representing an estimated 28 percent gain over 1996. As a result, institutional investors have fallen in love with this once, "non-sexy" industry, driving cement company share prices up much more rapidly than the Dow Jones Industrial Average, as illustrated by the *Greystone Index* © below.



To better determine what the future holds for the U.S. cement industry, *The Insider* looked beyond domestic analyses and prognostications. Because more than one third of all U.S. cement plants are owned directly or indirectly by European cement conglomerates, we talked to two European executives responsible for significant U.S. assets. Their responses to questions on topics ranging from the long-term economic outlook to global shortfalls and oversupplies to import restrictions and vertical integration, give us insights into the future of the cement industry, both in the United States and globally. We thank Gianfranco Barzaghini, General Manager of Unicem SpA, and Cato A. Holmsen, Deputy CEO of Scancem AB, for their participation and valuable insight.

Insider: Your company has significant investments in the United States. What is your perception of the U.S. cement industry today versus when you acquired your assets?

Barzaghini (Unicem): Today we have heavy production capacity rationalization resulting in good balance between demand and production capacity, high competition equilibrium, and better cement consumption perspective.

Holmsen (Scancem): It is difficult for me to compare since I was not working in the industry during the 1980s when Scancem made most of its U.S. investments along the eastern seaboard. However, I see the U.S. cement industry today as more consolidated and modernized; in general, a well man-

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aged and profitable industry.

Insider: What is your short-term view towards U.S. cement consumptive demand, specifically as it relates to your company's relevant U.S. markets?

Barzaghini (Unicem): We see a continuing positive cycle.

Holmsen (Scancem): I have an optimistic view of the market for the next few years.

Insider: Does there appear to be more demand than supply (cement) in your company's relevant U.S. markets?

Barzaghini (Unicem): Yes.

Holmsen (Scancem): Scancem believes that there will be a continuing need for imports on the same level as we have experienced over the last few years.

Insider: Where do you see most of these imports coming from?

Barzaghini (Unicem): Imports are mainly managed by local producers, and I see the shortfall being supplied by traditional sources, including Venezuela, Columbia and numerous European countries.

Holmsen (Scancem): I believe that the sourcing for the U.S. east coast will not change much. We still will see countries like Venezuela, Columbia, Mexico, Spain and Greece, as well as our Scandinavian countries, as suppliers. Canada will, of course, still be the major supplier. On the west coast I would expect to see more Asian countries trying to export larger volumes of their increasing oversupply.

Insider: What is your view towards dumping duties on imported cement?

Barzaghini (Unicem): It will be maintained in the future.

Holmsen (Scancem): I have no special comments to make.

Insider: How does the U.S. cement industry compare to the rest of the world, particularly Europe, in terms of technology?

Barzaghini (Unicem): At the same level on average.

Holmsen (Scancem): My insight to the U.S. cement plants is somewhat limited to be a good judge. We find modern and efficient plants both in the United States as well as in Europe. There is, of course, a fairly large number of old, inefficient plants in East Europe and Russia that will be modernized following the wave of takeovers by the global European based cement groups like Holderbank, Lafarge, etc.

Insider: Generally speaking, how have your company's U.S. investments compared to your investments in other regions of the world?

Barzaghini (Unicem): Better.

Holmsen (Scancem): We were happy with our return from our business both in the United States and Africa last year. Our U.S. business has made good progress and produced better results than in earlier years, following hard work from everybody in our organization.

Insider: Do you also consider the risk associated with a U.S. investment less?

Barzaghini (Unicem): Yes.

Holmsen (Scancem): It is generally easier to evaluate the risk of a U.S. or European investment than an investment in other certain regions, such as Africa. That said, Scancem has, however, more than 35 years operational experience in Africa so we strongly believe in further investment in that continent.

Insider: Many industry analysts feel that a lot of foreign companies overpaid for U.S. cement capacity during the 1980s. Do you agree, even in light of recent profitability?

Barzaghini (Unicem): No.

Holmsen (Scancem): Yes.

Insider: In the November issue of The Insider, we discussed the latest round of Merger Mania in the United States. The cement industry did not participate in Merger Mania '97. Why not?

Barzaghini (Unicem): Low scale benefits, European subsidiaries and family loss of control.

Holmsen (Scancem): It is probably easier to generate financial interests and attract more funds for "sexier" industries than ours.

Insider: Do you anticipate more transactions in 1998?

Barzaghini (Unicem): No.

Holmsen (Scancem): I believe we will see further consolidation in the U.S. cement industry. However, I am not so sure we will see more transactions in 1998 since we definitely are on top of the present industry cycle.

Insider: In the 1980s, the cement industry went through substantial changes, including ownership changes, vertical integration and the conversion from the wet process to the dry process.

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Leading Economists Predict U.S. Economy to Continue Expanding Through 1999

Eighteen leading Wall Street economists were polled in a recent article published in *Economics Illustrated*. Their consensus view was that the U.S. economy will enter the ninth year of an expansion in early 1999, with real gross domestic product (GDP) averaging 2.4 percent in 1998, and inflation will remain stable and low at 2.4 percent.

At the same time, the panel sees a drop-off in housing starts during 1999 to an annual rate of 1.39 million units from a projected rate of 1.47 million units in 1998. Nonresidential fixed investments are expected to increase by 6.1 percent in 1999, compared with a gain of 9.5 percent in 1998.

Economics Illustrated is published monthly by Bank of America.

U.S. Cement Consumption
West Region

(000MT)	Actual				Greystone Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001
Mountain:									
Arizona	1,843	2,160	2,266	2,516	2,527	2,562	2,514	2,371	2,098
% Change	10.3%	17.2%	4.9%	11.0%	0.5%	1.4%	-1.9%	-5.7%	-11.5%
Colorado	2,086	1,754	1,634	1,891	2,062	2,169	2,276	2,321	2,196
% Change	18.2%	-15.9%	-6.8%	15.7%	9.1%	5.2%	4.9%	2.0%	-5.4%
Idaho	404	453	463	449	471	480	450	521	506
% Change	8.3%	12.0%	2.3%	-3.2%	4.9%	2.1%	-6.3%	15.8%	-3.0%
Montana	415	289	274	273	295	290	291	319	313
% Change	80.4%	-30.5%	-4.9%	-0.6%	8.2%	-1.8%	0.6%	9.5%	-1.9%
Nevada	1,129	1,341	1,483	1,803	1,891	1,972	2,021	1,969	1,591
% Change	14.7%	18.7%	10.6%	21.6%	4.9%	4.3%	2.5%	-2.6%	-19.2%
New Mexico	688	666	708	747	763	749	727	701	688
% Change	21.5%	-3.3%	6.3%	5.5%	2.2%	-1.8%	-3.0%	-3.5%	-1.9%
Utah	910	1,029	1,286	1,267	1,347	1,400	1,555	1,626	1,649
% Change	11.1%	13.0%	25.0%	-1.5%	6.3%	3.9%	11.1%	4.6%	1.4%
Wyoming	230	275	215	196	233	197	165	190	184
% Change	8.4%	19.4%	-22.0%	-8.8%	19.2%	-15.5%	-16.0%	14.8%	-3.2%
Subtotal - Mountain	**7,707**	**7,966**	**8,330**	**9,140**	**9,589**	**9,820**	**10,000**	**10,020**	**9,224**
% Change	**16.4%**	**3.4%**	**4.6%**	**9.7%**	**4.9%**	**2.4%**	**1.8%**	**0.2%**	**-7.9%**
Pacific:									
Alaska	106	102	108	98	105	114	119	115	121
% Change	4.3%	-3.5%	5.5%	-8.5%	7.2%	8.4%	4.3%	-3.5%	5.5%
California	7,664	8,197	8,101	8,465	9,438	10,961	12,236	12,647	13,548
% Change	-3.9%	7.0%	-1.2%	4.5%	11.5%	16.1%	11.6%	3.4%	7.1%
Hawaii	442	396	358	313	242	253	289	328	358
% Change	-14.0%	-10.4%	-9.4%	-12.8%	-22.5%	4.5%	14.4%	13.2%	9.3%
Oregon	817	948	1,027	1,165	1,178	1,219	1,149	1,138	1,122
% Change	5.8%	15.9%	8.4%	13.4%	1.1%	3.5%	-5.8%	-0.9%	-1.4%
Washington	1,623	1,735	1,669	1,726	1,805	1,861	1,707	1,672	1,641
% Change	0.1%	6.9%	-3.8%	3.4%	4.6%	3.1%	-8.3%	-2.0%	-1.9%
Subtotal - Pacific	**10,651**	**11,377**	**11,264**	**11,767**	**12,769**	**14,409**	**15,500**	**15,901**	**16,791**
% Change	**-3.0%**	**6.8%**	**-1.0%**	**4.5%**	**8.5%**	**12.8%**	**7.6%**	**2.6%**	**5.6%**
Total West Region	**18,358**	**19,343**	**19,594**	**20,907**	**22,358**	**24,228**	**25,500**	**25,921**	**26,015**
% Change	**4.3%**	**5.4%**	**1.3%**	**6.7%**	**6.9%**	**8.4%**	**5.2%**	**1.6%**	**0.4%**
TOTAL U.S.	**76,703**	**82,325**	**82,925**	**87,656**	**92,452**	**95,566**	**96,302**	**95,557**	**95,183**
% Change	**4.4%**	**7.3%**	**0.7%**	**5.7%**	**5.5%**	**3.4%**	**0.8%**	**-0.8%**	**-0.4%**

U.S. Cement Consumption
Midwest Region

(000MT)	Actual				Greystone Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001
East N. Central:									
Illinois	3,300	3,577	3,303	3,482	3,517	3,576	3,483	3,417	3,557
% Change	-0.9%	8.4%	-7.7%	5.4%	1.0%	1.7%	-2.6%	-1.9%	4.1%
Indiana	1,756	1,878	1,859	1,947	2,134	2,202	2,021	2,215	2,402
% Change	-1.2%	6.9%	-1.0%	4.8%	9.6%	3.2%	-8.2%	9.6%	8.4%
Michigan	2,284	2,578	2,712	2,992	3,209	3,286	3,289	3,023	2,893
% Change	4.3%	12.9%	5.2%	10.3%	7.2%	2.4%	0.1%	-8.1%	-4.3%
Ohio	3,225	3,499	3,533	3,725	3,778	3,661	3,837	3,730	4,035
% Change	11.4%	8.5%	1.0%	5.4%	1.4%	-3.1%	4.8%	-2.8%	8.2%
Wisconsin	1,811	1,883	1,838	2,046	2,121	2,076	1,966	1,886	1,848
% Change	1.3%	4.0%	-2.4%	11.3%	3.7%	-2.1%	-5.3%	-4.1%	-2.0%
Subtotal - East N. Central	**12,376**	**13,415**	**13,245**	**14,192**	**14,758**	**14,802**	**14,597**	**14,270**	**14,734**
% Change	**3.3%**	**8.4%**	**-1.3%**	**7.1%**	**4.0%**	**0.3%**	**-1.4%**	**-2.2%**	**3.2%**
West N. Central:									
Iowa	1,308	1,512	1,429	1,601	1,698	1,681	1,555	1,549	1,388
% Change	-6.4%	15.6%	-5.5%	12.1%	6.1%	-1.0%	-7.5%	-0.4%	-10.4%
Kansas	1,124	1,280	1,339	1,527	1,517	1,539	1,506	1,410	1,464
% Change	2.3%	13.9%	4.6%	14.1%	-0.6%	1.4%	-2.1%	-6.4%	3.9%
Minnesota	1,387	1,501	1,579	1,605	1,652	1,637	1,655	1,731	1,942
% Change	-2.8%	8.2%	5.2%	1.7%	2.9%	-0.9%	1.1%	4.6%	12.2%
Missouri	1,882	2,388	2,234	2,269	2,302	2,331	2,164	2,079	2,188
% Change	-4.1%	26.9%	-6.4%	1.5%	1.4%	1.3%	-7.2%	-3.9%	5.2%
Nebraska	877	1,007	982	992	1,000	1,016	960	1,005	955
% Change	8.6%	14.8%	-2.5%	1.0%	0.7%	1.6%	-5.5%	4.7%	-5.0%
N. Dakota	239	241	310	300	200	200	209	233	242
% Change	-10.4%	0.7%	28.8%	-3.2%	-33.4%	-0.1%	4.9%	11.4%	3.6%
S. Dakota	331	339	302	333	404	387	338	277	314
% Change	6.0%	2.2%	-10.9%	10.2%	21.6%	-4.3%	-12.5%	-18.2%	13.4%
Subtotal - West N. Central	**7,148**	**8,267**	**8,174**	**8,627**	**8,773**	**8,791**	**8,388**	**8,285**	**8,493**
% Change	**-1.7%**	**15.7%**	**-1.1%**	**5.5%**	**1.7%**	**0.2%**	**-4.6%**	**-1.2%**	**2.5%**
Total Midwest Region	**19,524**	**21,683**	**21,420**	**22,819**	**23,532**	**23,593**	**22,985**	**22,555**	**23,227**
% Change	**1.4%**	**11.1%**	**-1.2%**	**6.5%**	**3.1%**	**0.3%**	**-2.6%**	**-1.9%**	**3.0%**

The Greystone Methodology

The success of any transaction depends on the participant's ability to accurately forecast future financial performance. As part of this process, The Greystone Group constantly scrutinizes the numerous economic indicators that ultimately influence the consumption of cement and construction materials. Additionally, we maintain a database of historical population, housing starts, construction employment, cement consumption, sand, gravel and crushed stone production and ready mix concrete consumption on a state-by-state basis. In many regions, we maintain this information by county or major metropolitan area.

After analyzing economic projections generated by a myriad of independent economists from each relevant market, we apply Greystone's proprietary correlation in order to produce our construction materials forecast.

U.S. Cement Consumption
South Region

(000MT)	Actual				Greystone Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001
South Atlantic:									
Delaware	233	230	223	240	252	252	248	241	224
% Change	0.0%	-1.3%	-3.0%	7.6%	4.8%	0.0%	-1.3%	-3.0%	-6.8%
District of Columbia	108	112	107	115	104	123	128	122	119
% Change	18.5%	4.3%	-4.6%	7.1%	-9.8%	18.5%	4.3%	-4.6%	-2.6%
Florida	5,262	5,632	5,769	6,082	6,439	6,671	6,598	6,393	5,882
% Change	6.9%	7.0%	2.4%	5.4%	5.9%	3.6%	-1.1%	-3.1%	-8.0%
Georgia	2,483	2,744	3,045	3,181	3,217	3,246	3,071	3,098	2,798
% Change	11.7%	10.5%	11.0%	4.5%	1.1%	0.9%	-5.4%	0.9%	-9.7%
Maryland	1,015	1,083	1,092	1,179	1,249	1,233	1,218	1,108	1,055
% Change	0.5%	6.7%	0.8%	8.0%	5.9%	-1.3%	-1.2%	-9.1%	-4.8%
North Carolina	1,946	2,156	2,218	2,259	2,628	2,599	2,448	2,247	2,406
% Change	7.5%	10.8%	2.9%	1.9%	16.3%	-1.1%	-5.8%	-8.2%	7.0%
South Carolina	969	977	1,035	1,160	1,214	1,207	1,139	1,029	1,041
% Change	5.5%	0.8%	5.9%	12.1%	4.6%	-0.6%	-5.6%	-9.7%	1.2%
Virginia	1,621	1,715	1,757	1,794	1,943	1,906	1,723	1,580	1,598
% Change	8.1%	5.8%	2.4%	2.1%	8.3%	-1.9%	-9.6%	-8.3%	1.2%
West Virginia	441	437	412	443	448	479	423	410	460
% Change	5.2%	-1.0%	-5.6%	7.5%	1.2%	6.9%	-11.6%	-3.1%	12.2%
Subtotal - South Atlantic	**14,078**	**15,086**	**15,658**	**16,454**	**17,494**	**17,716**	**16,997**	**16,229**	**15,583**
% Change	**7.2%**	**7.2%**	**3.8%**	**5.1%**	**6.3%**	**1.3%**	**-4.1%**	**-4.5%**	**-4.0%**
East S. Central:									
Alabama	1,295	1,432	1,389	1,474	1,418	1,426	1,383	1,209	1,136
% Change	-0.1%	10.5%	-3.0%	6.1%	-3.7%	0.5%	-3.0%	-12.6%	-6.1%
Kentucky	1,180	1,162	1,195	1,258	1,331	1,370	1,442	1,386	1,342
% Change	3.0%	-1.6%	2.9%	5.3%	5.8%	2.9%	5.3%	-3.9%	-3.2%
Mississippi	880	924	865	942	959	898	978	957	834
% Change	21.0%	5.0%	-6.4%	8.9%	1.8%	-6.4%	8.9%	-2.1%	-12.9%
Tennessee	1,536	1,720	1,805	1,965	2,021	1,922	1,757	1,552	1,354
% Change	9.5%	12.0%	4.9%	8.8%	2.9%	-4.9%	-8.6%	-11.7%	-12.7%
Subtotal - East S. Central	**4,891**	**5,238**	**5,255**	**5,639**	**5,730**	**5,616**	**5,560**	**5,104**	**4,666**
% Change	**7.0%**	**7.1%**	**0.3%**	**7.3%**	**1.6%**	**-2.0%**	**-1.0%**	**-8.2%**	**-8.6%**
West S. Central:									
Arkansas	817	885	937	905	976	998	1,037	1,002	983
% Change	3.3%	8.2%	5.9%	-3.4%	7.9%	2.2%	3.9%	-3.3%	-1.9%
Louisiana	1,689	1,710	1,747	1,764	1,815	1,844	1,873	1,849	1,689
% Change	8.5%	1.2%	2.2%	1.0%	2.9%	1.6%	1.6%	-1.3%	-8.6%
Oklahoma	1,050	1,114	1,105	1,145	1,190	1,224	1,206	1,202	1,104
% Change	5.4%	6.1%	-0.8%	3.6%	4.0%	2.8%	-1.5%	-0.3%	-8.2%
Texas	7,593	7,960	8,340	8,786	9,239	9,600	9,945	9,617	9,368
% Change	9.5%	4.8%	4.8%	5.3%	5.2%	3.9%	3.6%	-3.3%	-2.6%
Subtotal - West S. Central	**11,149**	**11,669**	**12,129**	**12,600**	**13,220**	**13,665**	**14,060**	**13,670**	**13,144**
% Change	**8.5%**	**4.7%**	**3.9%**	**3.9%**	**4.9%**	**3.4%**	**2.9%**	**-2.8%**	**-3.8%**
Total South Region	**30,118**	**31,992**	**33,042**	**34,692**	**36,444**	**36,996**	**36,617**	**35,003**	**33,393**
% Change	**7.7%**	**6.2%**	**3.3%**	**5.0%**	**5.1%**	**1.5%**	**-1.0%**	**-4.4%**	**-4.6%**

U.S. Cement Consumption
Northeast Region

(000MT)	Actual				Greystone Forecast				
	1993	1994	1995	1996	1997	1998	1999	2000	2001
New England:									
Connecticut	587	624	607	654	684	741	795	869	862
% Change	-1.3%	6.3%	-2.8%	7.7%	4.6%	8.3%	7.3%	9.4%	-0.9%
Maine	224	227	210	212	182	173	185	201	216
% Change	-9.7%	1.4%	-7.7%	1.1%	-14.1%	-4.8%	6.8%	8.7%	7.4%
Massachusetts	1,001	1,119	1,036	1,074	1,236	1,243	1,125	1,040	847
% Change	13.7%	11.7%	-7.4%	3.7%	15.1%	0.5%	-9.5%	-7.5%	-18.6%
N. Hampshire	222	242	256	275	265	258	209	195	163
% Change	3.1%	8.9%	5.9%	7.6%	-3.8%	-2.5%	-19.1%	-6.9%	-16.0%
Rhode Island	134	152	117	111	129	147	171	152	184
% Change	6.5%	13.3%	-23.2%	-5.0%	16.5%	14.0%	15.9%	-10.8%	20.8%
Vermont	107	101	105	111	106	128	140	165	166
% Change	5.1%	-5.3%	4.0%	6.0%	-4.9%	20.9%	9.0%	17.9%	0.5%
Subtotal - New England	**2,276**	**2,466**	**2,330**	**2,438**	**2,603**	**2,691**	**2,624**	**2,622**	**2,437**
% Change	**5.0%**	**8.3%**	**-5.5%**	**4.6%**	**6.8%**	**3.4%**	**-2.5%**	**-0.1%**	**-7.1%**
Mid Atlantic:									
New Jersey	1,426	1,427	1,410	1,471	1,716	1,858	1,955	2,039	2,275
% Change	6.8%	0.1%	-1.2%	4.3%	16.7%	8.3%	5.2%	4.3%	11.6%
New York	2,166	2,345	2,323	2,446	2,676	2,912	3,269	3,697	3,771
% Change	-1.4%	8.2%	-0.9%	5.3%	9.4%	8.8%	12.3%	13.1%	2.0%
Pennsylvania	2,836	3,070	2,807	2,883	3,123	3,288	3,352	3,720	4,064
% Change	-3.0%	8.3%	-8.5%	2.7%	8.3%	5.3%	1.9%	11.0%	9.3%
Subtotal - Mid Atlantic	**6,428**	**6,841**	**6,540**	**6,800**	**7,515**	**8,058**	**8,576**	**9,456**	**10,110**
% Change	**-0.4%**	**6.4%**	**-4.4%**	**4.0%**	**10.5%**	**7.2%**	**6.4%**	**10.3%**	**6.9%**
Total Northeast Region	**8,703**	**9,307**	**8,870**	**9,238**	**10,118**	**10,749**	**11,200**	**12,078**	**12,547**
% Change	**1.0%**	**6.9%**	**-4.7%**	**4.1%**	**9.5%**	**6.2%**	**4.2%**	**7.8%**	**3.9%**

U.S. Cement Consumption
Regional Comparison

(000MT)	1987 to 1996			1997 to 2006			Ave. Annual Percent Change		
	HIGH	LOW	AVG	HIGH	LOW	AVG	HIGH	LOW	AVG
Northeast Region	11,566	8,258	9,570	12,678	10,118	11,438	1.0%	2.3%	2.0%
Midwest Region	22,819	17,451	19,705	27,637	22,555	24,911	2.1%	2.9%	2.6%
South Region	34,692	26,586	30,797	37,608	32,958	35,239	0.8%	2.4%	1.4%
West Region	20,907	16,892	19,064	26,812	22,358	24,788	2.8%	3.2%	3.0%
Total U.S.	**87,656**	**69,187**	**79,136**	**99,593**	**92,452**	**96,376**	**1.4%**	**3.4%**	**2.2%**

Industry News

Ameron International Corporation (NYSE: AMN) announced that it will consolidate two concrete and steel pipe plants into one facility. A small plant in Portland, Oregon will be closed in March, and its operations will be relocated to a larger existing plant in Tracy, California.

During January 1998, **CalMat Co.** (NYSE: CZM) announced that R. Bruce Rieser, had resigned as president and chief operating officer, effective immediately. The company said a search for a new chief operating officer is underway.

The Cleveland-Cuyahoga County Port Authority has signed an agreement with **ESSROC Corp.** to build a cement distribution center on seven acres at Dock 20 owned by the port at the mouth of Cuyahoga River. The $8 million project is scheduled for completion in September.

Lafarge Corporation (NYSE: LAF; TSE; ME), announced in December that it was in discussions with **Holnam Inc.** to acquire its cement plant in Seattle, Washington plus related assets. Holnam's Seattle plant has an annual production capacity of approximately 420,000 tons of clinker. Related assets include a limestone quarry on Texada Island, British Columbia, and two cement terminals. In related news, Lafarge Corp.'s subsidiary, **Lafarge Canada Inc.,** announced plans in November to modernize its cement plant near Toronto, bringing the production capacity from 290,000 tons to 400,000 tons in 1998 and 500,000 tons in 1999.

Lafarge SA bought 51% of Romanian cement company **RomCim** for $200 million during November 1997. RomCim holds 40 percent of Romania's domestic cement market and two-thirds of the country's cement exports.

Martin Marietta Materials, Inc. (NYSE: MLM) announced in January that it entered into a joint venture with **OK Sand & Gravel, Inc.** located in Indianapolis, Indiana, which has approximately 1.5 million tons of annual capacity. Mineral reserves at the location exceed 30 million tons. In December, Martin Marietta completed the acquisition of a large crushed stone operation located in Doswell, Virginia, and a well-positioned sales yard in Newport News, Virginia, from **Cornerstone Construction & Materials, Inc.,** a subsidiary of **Hanson PLC** (NYSE: HAN). The transaction, which involved an exchange of Martin Marietta's Harding Street operations in Indianapolis for the Virginia operations, satisfies the conditions of the consent order with the Justice Department entered into at the time of the acquisition of **American Aggregates Corporation**, requiring Martin Marietta to divest Harding Street. The Doswell quarry has annual capacity in excess of 2.2 million tons and over 200 million tons of zoned and permitted granite reserves.

In January, **Medusa Corporation** (NYSE: MSA) announced that it acquired **Commonwealth Stone**, a privately-owned producer of crushed stone in Bowling Green, Kentucky. Commonwealth owns and operates a 200 acre quarry that produces approximately 400,000 tons per year of construction aggregates.

On January 29, **Monroc Inc.** (NASDAQ: MROC) reported that it signed a definitive merger agreement to be acquired by privately held **U.S. Aggregates Inc.** for $10.77 per MROC common share in cash, a transaction valued at approximately $57.6 million. The transaction is subject to, among other things, approval by MROC's stockholders and is expected to close during the second quarter. Earlier in January, MROC announced its acquisition of **Treasure Valley Concrete Inc.** for approximately $3.35 million in cash. Treasure Valley is a privately held producer of ready mix concrete serving the Boise, Idaho area.

North Texas Cement Company, L.P. announced that it has reached an agreement with **Fuller Company** of Bethlehem, Pennsylvania for the design and construction of a one-million-ton-per-year portland cement plant to be located 40 miles north of the Dallas/Fort Worth Metroplex near the town of Whitewright. Construction of the multi-million dollar facility will begin immediately following approval of an Air Quality Permit application currently pending with the Texas Natural Resource Conservation Commission (TNRCC). North Texas Cement Company is a joint venture between **Pioneer International, LTD** of Sydney Australia and **Ash Grove Cement Company** (OTC BB: ASHG) of Overland Park, Kansas.

Kiewit Diversified Group Inc. (KDG), a subsidiary of **Peter Kiewit Sons', Inc.,** announced that it completed the sale of its interests in CalEnergy Company, Inc. and related projects. The net proceeds to KDG from the sale approximated $1.6 billion.

On February 4, Norway's **Aker RGI ASA** said it wanted to take a controlling position in partly-owned **Scancem AB** and would resist any major new partner in the Nordic cement group. Aker's announcement followed a statement released by Swedish construction company **Skanska AB**, that it plans to sell non-core assets, including its stake in Scancem. Skanska currently holds 39 percent of Scancem's shares and 47 percent of the voting rights. Aker currently has 33 percent of the shares and 41 percent of the voting rights in Scancem, Europe's sixth largest cement group. According to the announcement, Aker has a right of first refusal on Skanska's shares in Scancem and wants to exercise that option. Scancem AB is the parent company of **Scancem Industries, Inc., Continental Cement Company of Florida, Inc.** and **Norval, Inc.**

During December, Dallas based **TXI Corp.** (NYSE: TXI) acquired **Western Aggregates, Inc.**, a producer of shale and clay products, and **Blue Stone Aggregates**, a sand and gravel producer, both serving the greater Denver Metropolitan area. Additionally, TXI completed its acquisition of **Riverside Cement of California** during January for a reported $120 million. The Riverside acquisition will increase TXI's total cement capacity by 60% to 3.6 million tons per year and move TXI into the top 10% of cement producers in the U.S. In December, TXI reported the completion of the merger with 85 percent-owned **Chaparral Steel Company** (NYSE: CSM) Under the terms of the merger, holders of the publicly traded shares of Chaparral will receive cash consideration of $15.50 per share.

Vulcan/ICA Distribution Company announced the commencement of a multi-mineral grinding facility at its aggregate distribution terminal in the Green Bayou Industrial Park on the Houston Ship Channel. Plant start-up is anticipated during the second quarter of 1998. The grinding plant will use Vulcan/ICA limestone (calcium carbonate) in the production of high purity ground calcium carbonates. The plant will serve markets for micro-sized carbonate filler in the plastics, paint, adhesive, wallboard joint compound and flooring industries.
Vulcan/ICA is jointly owned by **Vulcan Materials Company** (NYSE: VMC) and **Empressas ICA** of Mexico City.

As a result, many companies burdened their balance sheets with a tremendous amount of debt, which nearly crippled large domestic producers such as Lone Star and Southdown when the market slowed down. This time around, it's not technology changes but capacity increases that will add debt to balance sheets. Do you think history will repeat itself?

Barzaghini (Unicem): No.

Holmsen (Scancem): I hope not and, frankly, I do not think so. Individual bad investments can, of course, still be made. However, I believe that the industry in general will manage to avoid the earlier, larger mistakes.

Insider: What is your company's view towards vertical integration in the United States?

Barzaghini (Unicem): We believe that integration in ready mix has no strategic value.

Holmsen (Scancem): Like many other cement groups, Scancem believes that vertical integration into ready mix and aggregates fits strategically as long as you can avoid competing head on with your major customers.

Insider: Can you share your plans relative to further U.S. investments?

Barzaghini (Unicem): As noted earlier, we are not focused on vertical integration and will continue to reinvest in our Southeast markets, supported by our investment in a new dry precalciner kiln at our Signal Mountain cement plant in Chattanooga, Tennessee.

Holmsen (Scancem): We would like Scancem to grow organically in the United States from our present position on the east coast. However, you probably will not see us making any large investments in the United States in the near future, since North America is not our top priority.

Insider: Holderbank, Lafarge and Cemex all appear to be focused on Asian markets. What is your company's view towards Asia as a strategic market?

Barzaghini (Unicem): The investments are too big for a medium sized group like Unicem.

Holmsen (Scancem): I think that the dramatic volatility in the Asian financial markets over the last months will force everybody to rethink their strategy. The region will have much larger surplus of cement than previously forecast; we see figures up to 40-50 million metric tons being referred to. Accordingly, I think we will see rather large changes in cement trading world wide. Scancem's strategy to establish our Group as a major industrial trader in Asia is still valid.

Do we see ourselves as others see us?

Greystone shares many of Barzaghini's and Holmsen's views on the U.S. cement industry. There should be a continuing positive cycle for the next few years, with the demand for imports remaining fairly stable. While emerging markets will compete for foreign investments, the United States - especially the West Coast - should benefit from oversupplies in depressed Asian countries, assuming you are a consumer and not a supplier. Greystone further concurs that 1998 will bring more consolidation and asset realignment, but given current market values for most cement companies, large transactions are unlikely to occur. The challenge for the U.S. cement industry will be to keep one eye on internal operations and the other on changes in the global marketplace. ❑

Greystone Economic Outlook

	Actual							Greystone Forecast			
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Money & Interest Rates:											
3-Mo. T. Bill Rate	5.4%	3.4%	3.0%	4.3%	5.5%	5.0%	5.1%	5.2%	5.0%	5.0%	5.0%
30-Yr. Treasury Bond Rate	8.1%	7.7%	6.6%	7.4%	6.9%	6.7%	6.6%	6.1%	6.1%	6.0%	6.0%
Federal Funds Rate	5.7%	3.5%	3.0%	4.2%	5.8%	5.3%	5.5%	5.6%	5.3%	5.2%	5.2%
Prime Rate	8.5%	6.3%	6.0%	7.1%	8.8%	8.3%	8.4%	8.5%	8.3%	8.2%	8.2%
Price & Wages (Annual Rates of Change):											
GDP Price Index	4.0%	2.7%	2.6%	2.3%	2.5%	2.1%	3.7%	2.4%	2.3%	2.5%	2.7%
CPI - All Urban Consumers	4.2%	3.0%	3.0%	2.6%	2.8%	2.8%	2.3%	2.4%	2.5%	2.8%	3.3%
PPI - Finished Goods	2.2%	1.2%	1.2%	0.6%	1.9%	2.6%	-0.4%	1.4%	1.6%	1.8%	2.0%
Unemployment Rate	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	5.0%	4.8%	5.0%	5.3%	5.4%
Other Construction Indicators (Annual Rates of Change):											
Construction Employment	-7.1%	0.7%	6.0%	5.9%	3.2%	3.4%	0.4%	3.1%	0.6%	-0.9%	-0.7%
Housing Starts	-14.6%	15.4%	9.5%	14.4%	-2.8%	8.1%	0.2%	0.1%	-5.4%	-6.1%	-5.8%
Residential Fixed Investment	-12.3%	16.6%	7.6%	10.8%	-2.3%	5.3%	4.5%	3.5%	2.0%	-2.2%	-4.1%
Non-Res. Fixed Investment	-6.4%	1.9%	6.4%	9.8%	9.5%	7.4%	10.0%	9.5%	6.1%	-0.6%	-1.1%