MONARCH CEMENT CO
Form 10-K
March 14, 2005

FORM 10-K
UNITED STATES
Securities and Exchange Commission
Washington, D.C. 20549

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004, or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 0-2757

THE MONARCH CEMENT COMPANY
(Exact name of registrant, as specified in its charter)

Kansas	48-0340590
(State of incorporation)	(IRS employer identification)

P.O. Box 1000, Humboldt, Kansas 66748-0900
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 620-473-2222
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Title of Class: Capital Stock, par value $2.50 per share
Class B Capital Stock, par value $2.50 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No_____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No X

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and ask prices of such shares as of the last business day of the registrant's most recently completed second fiscal quarter was $69,177,375.

As of March 4, 2005, the registrant had outstanding 2,408,922 shares of Capital Stock, par value $2.50 per share, and 1,618,036 shares of Class B Capital Stock, par value $2.50 per share.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the following documents are incorporated by reference into the indicated parts of this report: (1) the registrant's annual report to stockholders for the year ended December 31, 2004 - Parts I, II and IV of Form

10-K and (2) the registrant's definitive proxy statement prepared in connection with the annual meeting of stockholders to be held on April 13, 2005 - Parts II and III of Form 10-K.

PART I

Item 1. Business

Reference is hereby made to pages 1, 2, 22 and 23 of The Monarch Cement Company's 2004 annual report to stockholders (filed herewith as Exhibit 13) for a description of the Company's business, including information regarding lines of business. Such information is hereby incorporated herein by reference. In addition, we submit the following information:

The Company did not introduce any new products nor begin to do business in a new industry segment during 2004.

The Company owns and operates quarries located near its Humboldt, Kansas plant. Such quarries contain all essential raw materials presently used by the Company. The Company's total reserves, including these quarries and other property located near the plant, are estimated to be sufficient to maintain operations at the Humboldt plant's present capacity for more than 50 years.

The Company's products are marketed under registered trademarks using the name "MONARCH". The Company's operations are not materially dependent on any trademarks, franchises, patents or on any licenses relating to the use thereof.

Portland cement is the basic material used in the production of ready-mixed concrete that is used in highway, bridge and building construction. These construction activities are seasonal in nature. During winter months when the ground is frozen, groundwork preparation cannot be completed. Cold temperatures affect concrete set-time, strength and durability, limiting its use in winter months. Dry ground conditions are also required for construction activities to proceed. During the summer, winds and warmer temperatures tend to dry the ground quicker creating fewer delays in construction projects.

Variations in weather conditions from year-to-year significantly affect the demand for our products during any particular quarter; however, our Company's highest revenue and earnings historically occur in its second and third fiscal quarters, April through September.

It is necessary for the Company to invest a significant portion of its working capital in inventories. At December 31, 2004 the Company had inventories as follows:

Cement	$ 2,679,506
Work in process	1,456,854
Building products	3,391,901
Fuel, gypsum and other materials	2,919,528
Operating and maintenance supplies	7,500,453
Total	$17,948,242

The Company is heavily dependent upon the construction industry and is directly affected by the level of activity in that industry. However, no customer accounted for 10% or more of the Company's consolidated net revenue during 2004, 2003 or 2002.

Backlog of customers' orders is not a material factor in the Company's business.

The Company has no contracts that are subject to renegotiation of profits or termination thereof at the election of the government.

The manufacture and sale of cement and ready-mixed concrete are extremely competitive enterprises. A number of producers, including several nationwide manufacturers, compete for business with the Company in its market area. The Company is not a significant factor in the nationwide portland cement or ready-mixed concrete business but does constitute a significant market factor for cement in its market area. Cement generally is produced to meet standard specifications and there is little differentiation between the products sold by the Company and its competitors. Accordingly, competition exists primarily in the areas of price and customer service.

The Company did not spend a material amount in the last three fiscal years on Company sponsored research and development. However, the Company is a member of the Portland Cement Association which conducts research for the cement industry.

The Company has, during the past several years, made substantial capital expenditures for pollution control equipment. The Company also incurs normal operating and maintenance expenditures in connection with its pollution control equipment.

At December 31, 2004, the Company and its subsidiaries employed approximately 610 employees including 240 hourly non-union employees, 235 hourly union employees, and 135 salaried employees, which included plant supervisory personnel, sales and executive staff. The Company has a good working relationship with its employees and has been successful in negotiating multiyear union contracts without work stoppages.

All of the Company's operations and sales are in one geographic area consisting primarily of the State of Kansas, the State of Iowa, southeast Nebraska, western Missouri, northwest Arkansas and northern Oklahoma.

Item 2. Properties

The Company's corporate offices and cement plant, including equipment and raw materials are located at Humboldt, Kansas, approximately 110 miles southwest of Kansas City, Missouri. The Company owns approximately 5,000 acres of land on which the Humboldt plant, offices and all essential raw materials are located. This plant has a present annual capacity of 875,000 tons of cement. The Company believes that this plant and equipment are suitable and adequate for its current level of operations; however, due to recent and projected market demands, the Company began updating its equipment to improve efficiency and increase capacity. We have completed the installation of a precalciner and clinker cooler on one of our preheater kilns and have purchased a precalciner and clinker cooler to increase production through our second preheater kiln. We have scheduled the installation of the clinker cooler in early 2005 and made preliminary plans to install the precalciner in 2006. The installation of this equipment would allow the Company to produce in excess of one million tons of cement per year.

Producing at that level, raw material reserves are estimated to be sufficient to maintain operations at this plant for more than 50 years. Reference is hereby made to page 7 of the Company's 2004 annual report to stockholders (filed herewith as Exhibit 13) for a description of the Company's capital resources and expansion plans. Such information is hereby incorporated herein by reference.

The Company also owns approximately 250 acres of land in Des Moines, Iowa on which it operates a cement terminal. The Company transfers cement produced in Humboldt, Kansas to this terminal for distribution to Iowa customers. The Company also owns, but is not currently operating, a rock quarry located near Earlham, Iowa, approximately 30 miles west of Des Moines, Iowa. Approximately 300 acres of this 400 acre tract was previously quarried.

The Company owns various companies which sell ready-mixed concrete, concrete products and sundry building materials in metropolitan areas within the Humboldt cement plant's primary market. Various equipment and facility improvements in this line of business ensure these plants are suitable and adequate for their current level of operations and provide for increases in market demand. Individual locations do not have a material affect on the Company's overall operations.

Item 3. Legal Proceedings

The Company was not a party to any material legal proceedings during 2004.

Item 4. Submission of Matters to a Vote of Security Holders

The Company did not submit any matter to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of 2004.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item on page 9 of the Company's 2004 annual report to stockholders. In addition we submit the following information:

The Company does not have any compensation plans or individual compensation arrangements under which equity securities of the registrant are authorized for issuance to employees or non-employees.

The Company did not sell any of its equity securities during 2004 and the Company did not repurchase any of its equity securities during the fourth quarter of 2004.

Item 6. Selected Financial Data

Pursuant to General Instruction G(2) to Form 10-K, the information

required by this Item is incorporated herein by reference to the material responsive to this Item on page 1 of the Company's 2004 annual report to stockholders.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item on pages 2 through 9 of the Company's 2004 annual report to stockholders.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to various market risks, including equity investment prices. The Company has $13,620,501 of equity securities as of December 31, 2004. These investments are not hedged and are exposed to the risk of changing market prices. The Company classifies these securities as "available-for-sale" for accounting purposes and marks them to market on the balance sheet at the end of each period. Management estimates that its investments will generally be consistent with trends and movements of the overall stock market excluding any unusual situations. An immediate 10% change in the market price of our equity securities would have a $817,000 effect on comprehensive income.

The Company also has $25,981,667 of bank loans as of December 31, 2004. Interest rates on the Company's advancing term loan and line of credit are variable and are based on the JP Morgan Chase prime rate less .75% and 1.00%, respectively.

Item 8. Financial Statements and Supplementary Data

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item on pages 10 through 25 of the Company's 2004 annual report to stockholders.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-5(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company's management, including its President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company's management, including its President and Chairman of

the Board of Directors and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures within 90 days of the filing date of this Annual Report on Form 10-K. Based on this evaluation, the Company's President and Chairman of the Board of Directors and Chief Financial Officer have concluded that the design and operation of these disclosure controls and procedures are effective. There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

There was no information required to be disclosed, but not reported, in a report on Form 8-K during the fourth quarter of 2004.

PART III

Item 10. Directors and Executive Officers of the Registrant

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item on pages 4 through 6 of the Company's definitive proxy statement prepared in connection with its 2005 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission.

Item 11. Executive Compensation

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item on pages 8 through 11 (except for the information set forth under the heading "Board of Directors' Report on Executive Compensation" which is expressly excluded from such incorporation) of the Company's definitive proxy statement prepared in connection with its 2005 annual meeting of stockholders pursuant to regulation 14A and previously filed with the Commission.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item on pages 7 and 8 of the Company's definitive proxy statement prepared in connection with its 2005 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission.

Item 13. Certain Relationships and Related Transactions

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item on page 9 of the Company's definitive proxy statement prepared in connection with its 2005 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission.

Item 14. Principal Accountant Fees and Services

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item on page 13 of the Company's definitive proxy statement prepared in connection with its 2005 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements

The report of Independent Public Accountants--BKD, LLP; the Consolidated Balance Sheets--December 31, 2004 and 2003; the Consolidated Statements of Income for the Years Ended December 31, 2004, 2003 and 2002; the Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2004, 2003 and 2002; the Consolidated Statements of Stockholders' Investment for the Years Ended December 31, 2004, 2003 and 2002; the Consolidated Statements of Cash Flows for the Years Ended December 31, 2004, 2003 and 2002; and the Notes to Consolidated Financial Statements are incorporated by reference in Item 8 to this report from the Company's 2004 annual report to stockholders on pages 10 through 25.

Supporting Schedules

Schedule II -- Valuation and Qualifying Accounts

Exhibits

3(i)	Articles of Incorporation. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 0-2757) as Exhibit 3(i) and incorporated herein by reference.)
3(ii)	By-laws. (Filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (File No. 0-2757) as Exhibit 3(ii) and incorporated herein by reference.)
10.1	Loan agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company. (Filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No. 0-2757) as Exhibit 10.1 and incorporated herein by reference.)
10.1(a)	First amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 0-2757) as Exhibit 10.1(a) and incorporated herein by reference.)
10.1(b)	Second amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 0-2757) as Exhibit 10.1(b) and incorporated herein by reference.)
10.1(c)	Third amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002 and second amendment dated

	December 31, 2003.
13	2004 Annual Report to Stockholders.
21	Subsidiaries of the Registrant.
31.1	Certificate of the President and Chairman of the Board pursuant to Section 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
31.2	Certificate of the Chief Financial Officer pursuant to Section 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
32.1	18 U.S.C. Section 1350 Certificate of the President and Chairman of the Board dated March 14, 2005.
32.2	18 U.S.C. Section 1350 Certificate of the Chief Financial Officer dated March 14, 2005.

S I G N A T U R E S

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Monarch Cement Company
(Registrant)

By: /s/ Walter H. Wulf, Jr.
Walter H. Wulf, Jr.
President

Date: March 14, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Jack R. Callahan
Jack R. Callahan
Director

Date: March 14, 2005

By: /s/ Gayle C. McMillen
Gayle C. McMillen
Director

Date: March 14, 2005

By: /s/ Ronald E. Callaway
Ronald E. Callaway
Director

Date: March 14, 2005

By: /s/ Byron K. Radcliff
Byron K. Radcliff
Director

Date: March 14, 2005

By: /s/ David L. Deffner
David L. Deffner
Director

Date: March 14, 2005

By: /s/ Walter H. Wulf, Jr.
Walter H. Wulf, Jr.
President, Principal Executive Officer and Director

Date: March 14, 2005

By: /s/ Robert M. Kissick
Robert M. Kissick
Director

Date: March 14, 2005

By: /s/ Debra P. Roe
Debra P. Roe, CPA
Chief Financial Officer

Date: March 14, 2005

Report of Independent Registered Public Accounting Firm on
Financial Statement Schedules

Audit Committee, Board of Directors and Stockholders
The Monarch Cement Company
Humboldt, Kansas

In connection with our audit of the consolidated financial statements of The Monarch Cement Company for each of the three years in the period ended December 31, 2004, we have also audited the following financial statement schedules. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits of the basic financial statements. The schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and regulations and are not a required part of the consolidated financial statements.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

/s/ BKD, LLP

Kansas City, Missouri
February 11, 2005

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE YEARS ENDED DECEMBER 31, 2004

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deduction from Reserves (1)	Balance at End of Period
For the Year Ended December 31, 2004:				
Reserve for doubtful accounts	$591,000	$146,000	$ 10,000	$727,000
For the Year Ended December 31, 2003:				
Reserve for doubtful accounts	$644,000	$ 26,000	$ 79,000	$591,000
For the Year Ended December 31, 2002:				
Reserve for doubtful accounts	$493,000	$468,000	$317,000	$644,000