Concrete Industry Cost Increases:

The concrete industry, like all others, has seen significant increases in concrete specific materials as well as increases in general production & business costs.

Cement/cementitious material – In a normal year we usually see one increase in cement and cementitious materials on or around the 1st of the year. Some cement companies that just took increases a few months ago have released notifications of a second round of increases coming as early as June 1st. This a very unusual situation coming from the cement industry. Carroll Concrete has not seen this happen before. The cement industry claims the driving forces behind additional increases are due to unprecedented inflation, labor shortages, supply chain issues and large cost increases in the energy markets.

Some cement suppliers went into allocation programs in 2021, limiting the amount of cement a concrete supplier could purchase to make & deliver concrete. The US is far and away the largest importer of cement in the world at over 17 million metric tons annually. Shortages on international cement imports hit the States in the southern U.S. first. This, in turn, put pressure on cement suppliers to pull domestic resources from other State markets, affecting cement demand as far away as the New England States.

Chemical admixture and concrete fiber - Shortages of raw materials due to weather events led to the initial rising costs of admixtures. Higher freight costs, both locally and internationally, have created additional strain on suppliers. Incoming sea containers that normally cost about $2,500.00 each in freight jumped to over $20,000.00 each. Expected annual price increases for admixture chemicals is something we can plan on. This year pricing was immediately compounded with “raw material” surcharges and “Ocean Freight” surcharges. In some cases, the cost of the surcharges has more than doubled the original price increase of each product. Long lead times and shipping delays further the rising costs of building projects as production/construction schedules are further delayed.

Local ready-mix production cost, aside from materials increases, include trying to maintain and add personnel to meet market demands. Hiring enough CDL drivers for aggregate, cement powder, and ready-mix concrete hauling is the most challenging it has ever been. Demand for CDL drivers across all industries has resulted in higher compensation packages to entice onboarding. While this is beneficial to the individual driver, companies are suffering inflated costs just to maintain current staff. Without an increase in the number of drivers available to the market, companies are absorbing and passing on the increasing costs of keeping drivers in their trucks.

New truck and equipment production has been affected due to supply chain issues as well. There isn’t any inventory available on the market. Ready-mix truck orders placed last year have taken a 5% increase if delivery is taken between January and June of 2022. After June, pricing will rise 8% on trucks through August. Finally, new trucks delivered between September and December will rise 10% over quoted pricing. Carroll ordered trucks one year ahead of time in an effort to stay ahead of the market availability. There was no price protection upon delivery of new trucks, even with commitments, as the increases were non-negotiable. With an average fleet age of 17+ years old, lack of availability of new trucks, affordable or not, is becoming a concern.

Turn now to maintaining a fleet of equipment. Increases from motor oil to tires to replacement parts and once again delays in shipping are keep equipment sidelined longer than normal. Fuel cost is another major consideration. At a company where there are almost as many trucks and/or equipment running per day as there are employees, higher fuel prices are detrimental to price stability.

In short, all industries have felt the pain from current global events, including material shortages, price hikes, and logistics issues. With the current events on the international stage, more of the same can be expected. We are finding that specific chemicals only currently produced regions like India and Turkey adding to the shortages. Iron and coal resources that normally come out of Russia have dried up, adding to an already strained raw material and logistics system. Higher energy prices directly affect cement pricing both domestically and internationally. Most of the cost increases we have realized in the last two years are not expected to change any time soon and may be here for the long run.

Regards,

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