



Production and Performance of the Ready Mixed Concrete Industry in the United States of America

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Introduction

The National Ready Mixed Concrete Association (NRMCA) is an internationally recognized trade association representing ready mixed concrete producers in the United States. The association was chartered on December 26, 1930. A cornerstone purpose of the initial charter was *“to render services of an educational nature with respect to the use of ready-mixed concrete with a view to promoting and extending such use.”* The association’s 700-plus member companies produce more than 70% of ready mixed concrete used in the US. Working together, the association and its’ members actively promote quality and uniform concrete production in a safe, environmentally friendly manner.

Production and Performance

The National Ready Mixed Concrete Association (NRMCA) administers a financial benchmarking survey annually for its members producing ready mixed concrete in the United States. The survey requests that the member company provides specific financial and performance information to a separate certified public accounting firm confidentially. The raw data is compiled by into national, regional and state reports and by company size and demographic operating area, before being destroyed by the accounting firm. The report also provides the average for the national and a lower and upper quartile of the participating member companies. The antitrust firm of the association annually reviews the survey for compliance.

The information in the survey includes data by percentage and by dollars per cubic yard:

- Sales
- Material Costs
- Delivery Costs
- Fixed and Variable Costs
- Operating Profit (Loss)
- Selling Expenses
- Assets
- Liabilities & Net Worth
- Financial Ratios
- Company Demographics
- Regional Demographics
- Employee Productivity



- General and Administrative Expenses
- Profit (Loss) Before Taxes
- EBITA
- Profit Model Ratios
- Alternative Energy Sources Use
- Allocation of Application

as examples of the data contained within.

The data included in the recently released Industry Data Survey by the National Ready Mixed Concrete Association (NRMCA), shows that ready mixed concrete producers have been hit hard by the recession and slow economic recovery. The average pre-tax profit for ready mixed concrete producers fell to a record -\$9.51 per cubic meter in 2010. As the recession began in 2008, ready mixed concrete producers reported an average pre-tax profit of \$.26. This figure fell to -\$4.04 in 2009 as the effects of the recession took hold of the economy. While industry leaders reported a rise of just over 4% in pre-tax profit, pre-tax profit for the lowest quartile of respondents plummeted more than 15% in 2010.

Ready mixed concrete production in 2010 fell to just 197,000,000 cubic meters, or 1.1 cubic meters per capita from a high of 1.99 cubic meters per capita in 2006. At the height of the housing boom in 2005, ready mixed concrete production reached 350,000,000 cubic meters but has been declining ever since. Based on monthly production reports, NRMCA is forecasting that ready mixed concrete production will remain flat for 2011. Declining demand has forced ready mixed concrete producers to shutter 20% of their plants on average since 2006. From peak to trough, 2005 to 2010, the contraction of 154,000,000 cubic meters translates into an estimated 37,400 parked mixer trucks or 48% of the estimated U.S. mixer fleet from its peak in 2005. Over the last three years, the lowest quartile of producers – those representing the bottom 25% of the market, has accumulated \$36.32 per cubic meter in operating losses and \$12.02 per meter in EBITDA losses.

Declining production has also led ready mixed concrete producers to slash payroll numbers by an average of 30% over 2006 numbers, contributing to the 13.3% unemployment rate in the larger construction sector. Layoffs have hit both employees directly engaged in concrete production and non-production workers equally.

More than most, the ready mixed concrete industry has been hit hard by the combination of the housing market collapse, tightening credit and resulting constricted commercial construction, and a lack of meaningful infrastructure investment.

Plagued by the decline in housing starts and the glut of existing homes, the survey reveals that ready mixed concrete producers in the Pacific Southwest and Southeast regions of the U.S. took the hardest hit. Pre-tax profit in the Pacific Southwest fell almost 22% in 2010 while the Southeast region's ready mixed concrete producers reported average pre-tax profit loss of over



17%. The North Central and Pacific Northwest regions were the only regions that posted pre-tax profit growth at 1.6% and 0.8% respectively. Producers in rural areas fared better than their urban counterparts, posting a 4.6% average gain in pre-tax profit in contrast to the average 9.7% decline for producers in urban areas.

A long-term trend that is expected to help expand ready mixed concrete's market share over time is reflected in the producer prices of building materials. Since the beginning of 2005, according to reports by the U.S. Department of Labor, Bureau of Labor Statistics, the producer price of asphalt has increased more than 90% while the increase for concrete has been 22%. In the last twelve months, asphalt has increased 8.4% compared to just 0.3% for concrete. As petroleum refineries continue to reduce output of liquid asphalt in favor of higher value products, continued upward pressure on asphalt producer prices seems likely with the possibility of supply disruptions, especially when economic conditions improve. In contrast, a ready supply of cement and the raw materials needed for ready mixed concrete production seems assured for the foreseeable future.