

Construction Aggregate Concerns in Florida and the Southeastern U.S.

Mark R. Davies, P.G.¹

Construction aggregates, simple crushed stone, sand and gravel that are the backbone of modern infrastructure, have historically sold at very low prices and in general have not increased in price with the cost of inflation. However, in recent years and in certain markets this has changed. Supply and demand issues have created a nationwide average price increase in 2007 of 9% to an average sales price (ASP) in the U.S. of \$7.29/st (USGS). In certain markets, such as the southeastern U.S. coast, price increases have been on-going for the past ten or more years and prices are in the mid-\$20/st range. Increased prices open other market opportunities such as aggregate being railed in from adjacent states and shipped in from overseas.

The largest southeastern U.S. aggregate market is Florida, which continues to have an average of 1,000 people/day move into the state. Since aggregate demand is proportionally tied to population and resulting construction, Florida's aggregate demand has grown substantially and currently is about 145M st/year, the third largest in the country. This tonnage averages to about 8 st/person/year.

Florida is a young state geologically and is challenged with limited DOT-quality aggregate deposits. In fact, there are only three areas of the state where DOT-quality aggregate can be consistently produced. The largest volume and best quality aggregate in the state is mined below water from Pliocene-aged limestone in an area of western Miami-Dade County, known as the Lake Belt Area. This 57-square mile area was designated by the State Legislature in 1992 as an area that allowed mining as a preferred use because of its economic significance to the entire state. Annually about 43% or 50M st of the 115M st of aggregate mined in Florida comes from the Lake Belt. The rock is transported on large unit trains seven days a week to markets over 2/3 of Florida. The only parts of the state not served entirely by Lake Belt aggregate are NW and SW Florida. While the average U.S. quarry serves a truck market within a 50-mile radius this is not the case in Florida, as limited geology requires and an efficient rail system allows, a much larger market area to be served. Lake Belt limestone has fed the construction needs of Florida since the 1950s.

In 2002, shortly after the U.S. Army Corps of Engineers issued their first ten-year permits to ten different operations as part of a unified Lake Belt plan, four national environmental firms sued the Corps for not following proper permitting procedures. The groups claimed potential impacts from mining to the nearby Everglades National Park and to the county's largest wellfield serving approximately one million residents. The suit went to trial, and in July 2007 a District Judge ruled in the Plaintiff's favor, shutting down three of the quarries closest to the wellfield. Since then, a three judge appeals court overturned Judge Hoeveler's initial decision and the quarries are back operating. However, the ultimate decision is back in Judge Hoeveler's court and fear of the unknown has caused an unsettled condition in the aggregate market within all of Florida.

¹Erdene Materials Corp., 50 S. U.S. Hwy One, Suite 211, Jupiter, FL 33477