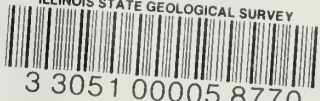



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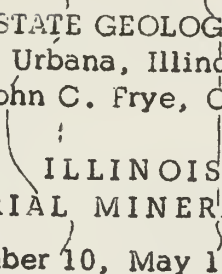
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John C. Frye, Chief

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RECENT PRICE AND COST TRENDS RELATING TO STONE,
SAND, AND GRAVEL PRODUCTION IN ILLINOIS

Hubert E. Risser

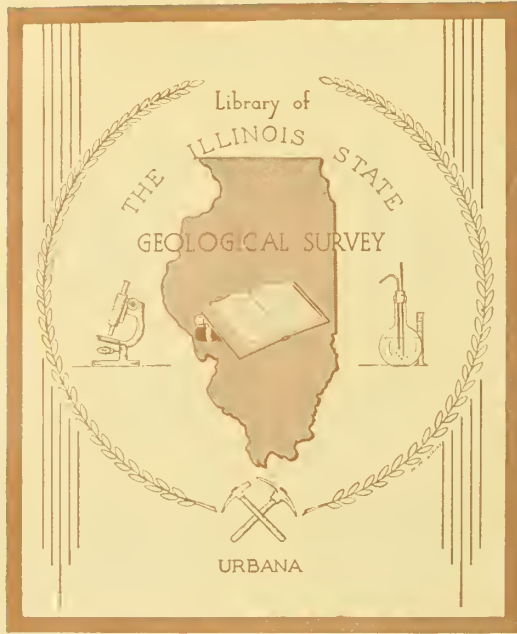
Like many other industries in recent years the mining industry is caught in an ever-increasing squeeze between its selling price and production costs. The economic factors, supply and demand, have placed an upper limit on the price which the producers of industrial minerals can ask for their products. Meanwhile, the costs of supplies and equipment which the producer buys and the labor he hires have risen steadily. In spite of greater efficiency and productivity, the financial return from mineral products has not kept pace with rising costs.

Some of the ways in which the cost-price squeeze has taken place since 1940 are shown in the attached charts. Index values on the chart represent percentages of the 1940 levels. Thus an index of 200 for a given year means that an item was priced at double the 1940 level. The indexes shown for prices of wholesale commodities, iron and steel, and construction machinery and equipment were derived from U. S. indexes compiled by the U. S. Department of Labor, Bureau of Labor Statistics. The index of wage rates comes from the average hourly wages for non-metallic mining and quarrying, as reported by the same Bureau. Mineral prices were the average prices reported by producers to the Illinois State Geological Survey.

Figure 1 shows the relative increases in the prices of limestone and dolomite and of agstone since 1940, together with certain common items of cost in their production. A gradual increase occurred in the stone prices until 1948, when the prices reached a point about 53 percent above their 1940

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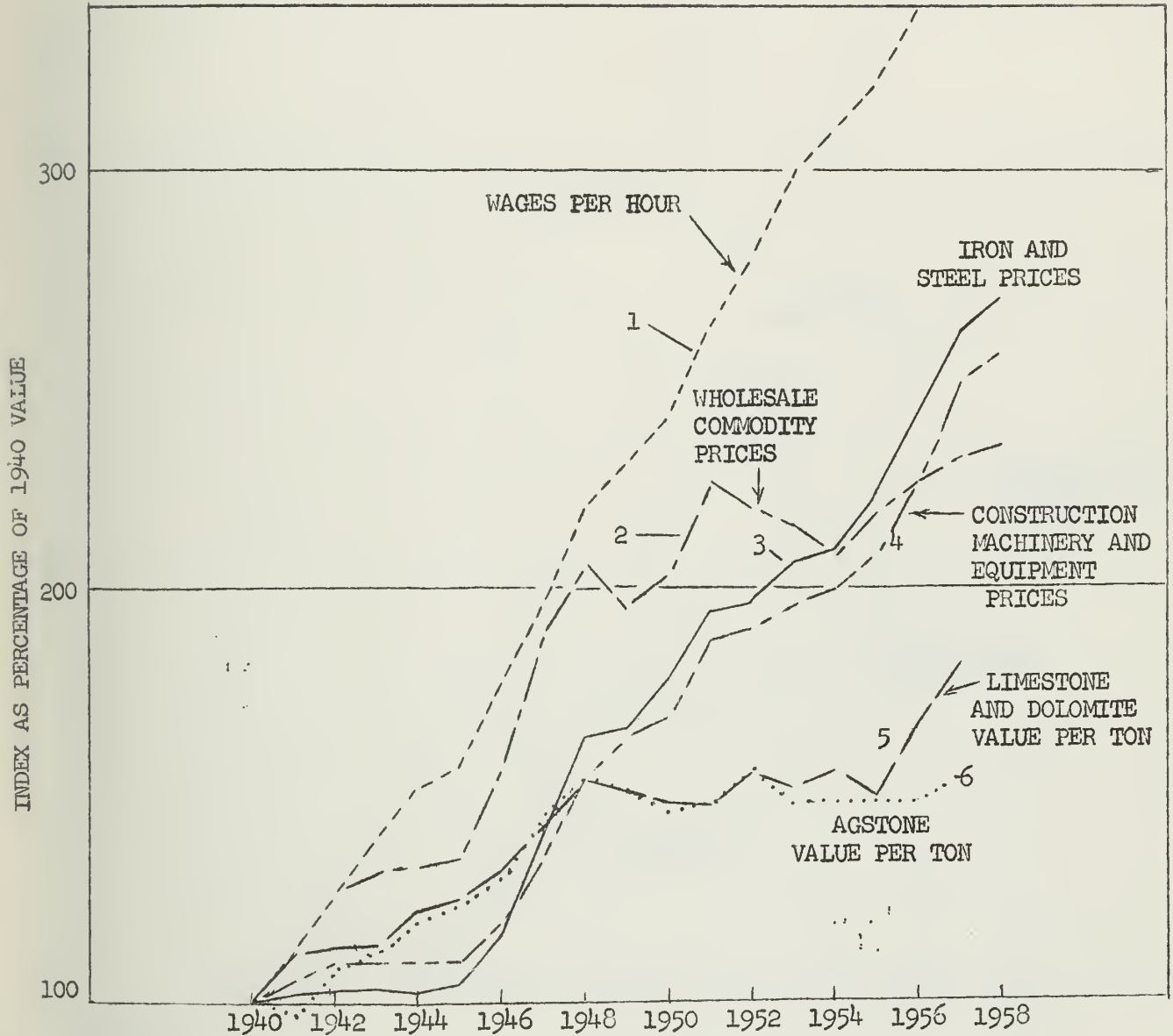


level. From then until 1955 prices remained relatively stable. In only the last few years has a further increase been indicated, and in 1957 stone sold for about 80 percent above its 1940 level. Over the same period wage rates showed more than a three-fold increase, and the prices of iron and steel, and of construction machinery and equipment, advanced to more than 2.5 times their former level. Meanwhile, the average price of all wholesale commodities rose to 2.3 times the 1940 level.

Figure 2 shows that sand and gravel fared only slightly better than stone, for it rose approximately 90 percent. The other items (wages, iron and steel, machinery and equipment, and wholesale commodities) on figure 2 are the same as those on figure 1.

Through improved equipment and increased efficiency, the mineral producers have been able to offset part of the effects of increasing costs. There is a limit, however, to how far such improvements can go in combating these increases. The continuing upward trends in costs eventually will force the mineral industry to make significant price increases, if it is to survive.

FIG. 1. - INDEXES OF VALUES AND CERTAIN COSTS IN THE PRODUCTION OF CRUSHED STONE
1940-1957



INDEXES:

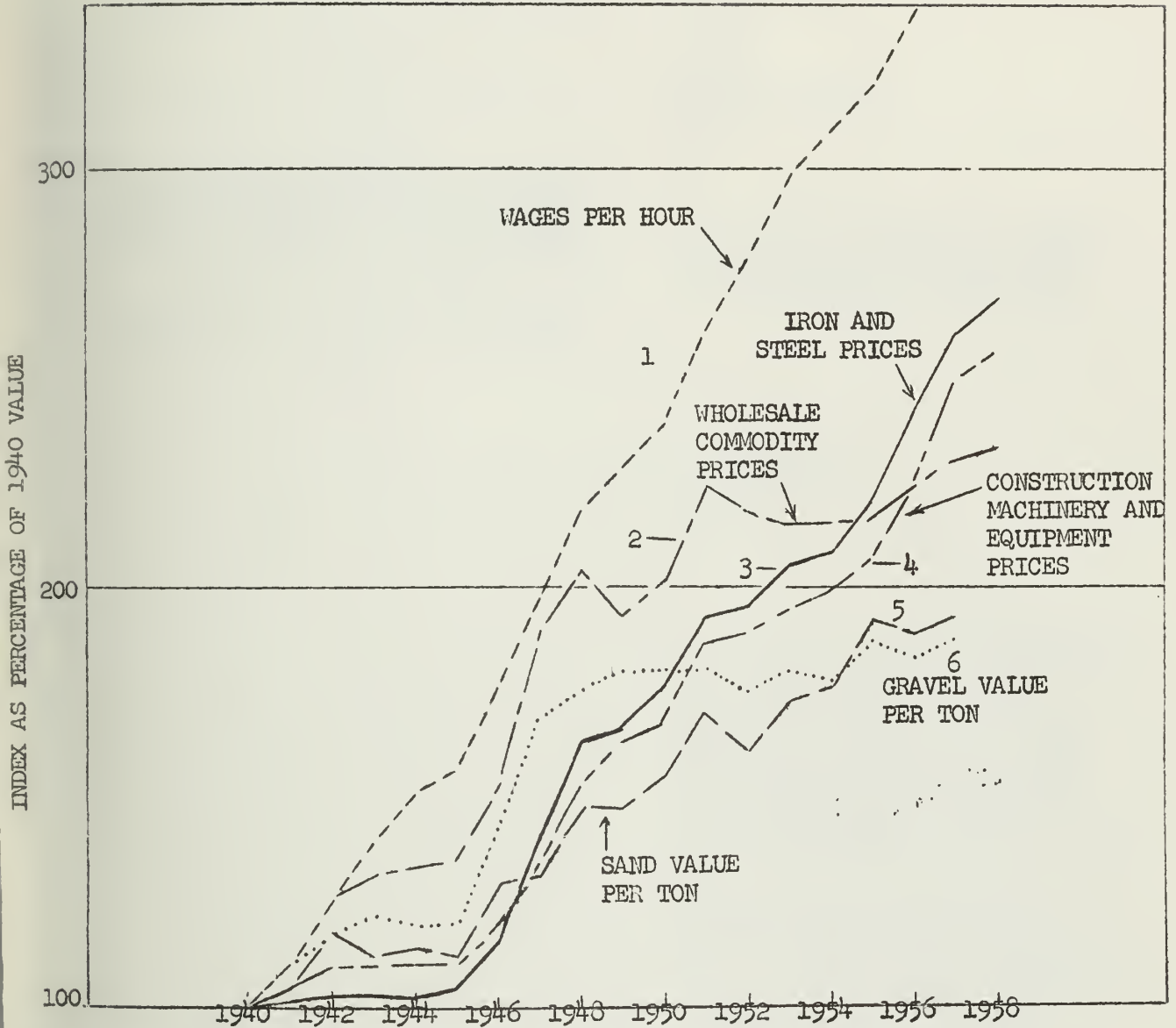
1. Wages per hour in nonmetallic mining and quarrying (U.S.) *
2. Wholesale commodity prices (U.S.) *
3. Iron and steel prices (U.S.) *
4. Construction machinery and equipment prices (U.S.) *
5. Limestone and dolomite, value per ton (Illinois) **
6. Agricultural limestone, value per ton (Illinois) **

* Based on U. S. Bureau of Labor Statistics reports.

** Based on Illinois Geological Survey data.

FIG. 2. - INDEXES OF VALUES AND CERTAIN COSTS IN THE PRODUCTION OF SAND AND GRAVEL

1940-1957



INDEXES:

1. Wages per hour in nonmetallic mining and quarrying (U.S.) *
2. Wholesale commodity prices (U.S.) *
3. Iron and steel prices (U.S.) *
4. Construction machinery and equipment prices (U.S.) *
5. Sand, value per ton (Illinois) **
6. Gravel, value per ton (Illinois) **

* Based on U. S. Bureau of Labor Statistics reports.

** Based on Illinois Geological Survey data.

