2008, Annual Georgia Sod Producers Inventory Survey

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In January, the Georgia Sod Producers Association conducted their fourteenth consecutive survey of sod producers. The purpose of the survey was to determine the status of inventory levels and projected price changes for spring 2008. Thirty-three producers participated by written / fax survey, representing farm sizes which were less than 300 acres (10 participants), 300 to 600 acres (13 participants), 601 to 900 acres (2 participants), 901 to 1,200 acres (3 participants), and more than 1,200 acres (5 participants). This is a change from previous years where all participants were interviewed by phone survey and the grower categories were smaller with one fewer category. Adjustments in grower categories have occurred before to account for growth in the industry and the impact larger growers have on the marketplace.

The survey obtained estimates of the inventory for bermudagrass, zoysiagrass, centipedegrass, St. Augustinegrass, and tall fescue based on estimated sales for the first five months of 2008 as excellent (more than 10% of demand), adequate (equal to demand), and poor (more than 10% shortage). Pricing information included farm price and price for truckload orders to the Atlanta area, all costs were reported as price per square foot of sod.

Bermudagrass is being grown by 100% of the surveyed producers. Inventory levels had stabilized over the last 4 years but are expected to increase in 2008 (Figure 1). Eighty-five percent of the producers rated their inventory as adequate to excellent this year. This year's supply shortage of bermudagrass is expected to be less than the last four years. For 2008, 15% of all bermudagrass producers projected having less than adequate supplies, compared with 34% last year and 35% in 2006. None of the larger producers (greater than 901 acres) estimate a shortage of bermudagrass for the first five months of the year. Five of 13 producers with 301 to 600 acres project an insufficient supply.

According to this year's survey, the number of producers growing zoysiagrass increased from 49% growers in 2007 to 76% in 2008. Fluctuations are likely a remnant of the survey sampling technique, the same producers are not necessarily surveyed every year, as evident by fewer producers being surveyed this year. Of the producers responding, 76% estimate an adequate to excellent inventory which is the greatest projection of supply in several years. For 2008, 24% of the zoysiagrass producers project a shortage of grass during early 2008, with 33% of the larger producers having insufficient supply. Similar to bermudagrass, a majority of the producers (88%) with greater than 901 acres in production anticipate an ample supply of zoysiagrass.

Of the 33 producers surveyed 25 (76%) were growers of centipedegrass, about the same as 2007 but an increase from 2006 where 63% reported growing centipedegrass. Eighty-four percent of the growers had adequate to excellent inventory compared to 74% in 2007, and 73% in 2006. Producers with greater than 901 acres do not project a shortfall. It appears the adjustments made by larger producers during 2006 have met current market demand. Twenty-seven percent of the smaller producers (less than 600 acres), however, do project insufficient supply.

St. Augustinegrass is being grown by 11 of the 33 producers surveyed. Unlike previous years where only the larger producers had inventories, this year all producer categories had a grower of St. Augustinegrass. Fifty-five percent reported adequate to sufficient supply. Some growers (45%) with 301 to 1,200 acres forecast a St. Augustinegrass shortage.

Similar to previous years, tall fescue was grown by a similar percentage of producers (25% to 33%). All, but one producer, reported excellent to adequate inventory, which continues a four-year trend of sufficient tall fescue supply. This further substantiates the assessment that the amount of tall fescue sod grown in Georgia meets market demand.

For 2008, the on-the-farm prices for bermudagrass, centipedegrass, and St. Augustinegrass fell -6.5%, -0.6%, and -8.9% respectively, compared to 2007 (Table 1). The delivery prices of bermudagrass, however, rose slightly (1.2%). With tall fescue and St. Augustinegrass being the exceptions, the delivery price for the other species are projected to remain fairly constant, within 2.5% of 2007 prices. The delivery price for St. Augustinegrass was extreme as it fell from 30.2 cents in 2007 to 24.9 cents in 2008. This equated to a loss of -17.5%. Figure 2 provides a six year historical perspective of sod prices.

For the fourth consecutive year, the average price per square foot for a truckload of bermudagrass delivered to the Atlanta area was up (Table 1). However, the increase this year is not as dramatic as the previous two years (6%). The 2008 survey indicated prices varied from 13.5 cents to 27.0 cents, with an average price of 17.5 cents (Table 2). The average price in 2007 was 17.3 cents per square foot and ranged from 14.0 cents to 24.0 cents. The lower-end price fell to 2006 levels while the upper-end price climbed to record levels.

The 2008 average price for a truckload of zoysiagrass delivered to the Atlanta market increased (1.8%) from 2007, less than last year's rise of 2.5%. The average price of delivered zoysiagrass in 2008 was 33.8 cents and ranged from 26.0 to 40.6 cents. In 2007 zoysiagrass prices ranged from 25.5 to 39.0 cents and averaged 33.2 cents. In previous years, zoysiagrass producers predicted a shortage which has likely lead to price increases. Price fluctuations after the first five months of 2008 are uncertain, this being the first year of a sufficient supply being anticipated.

After three consecutive years of rising prices for delivered centipedegrass, prices fell -2.3% in 2008. Prices in 2008 ranged from 17.0 cents to 30.0 cents and averaged 20.8 cents, compared to 2007 when the average delivered price was 21.3 cents and ranged from 14.0 to 36.0 cents. The overall average price decreased with the upper-end price falling substantially (6 cents).

The 2008 Atlanta area delivered price of tall fescue increased (7.8%), which reversed last year's -2.8% fall in price. This year, prices ranged from 18.0 cents to 30.0 cents, with an average of 26.2 cents. The low-end price declined 3 cents while the top-end price rose 2 cents.

For the second time in the short period that St. Augustinegrass has been measured on this survey, its price fell (-17.5%). The average price of delivered St. Augustinegrass in 2008 was 24.9 cents and ranged from 25.5 to 35.0 cents. In 2007 St. Augustinegrass prices ranged from 21.0 to 39.5 cents and averaged 30.2 cents. While being grown by an increasingly greater number of producers, St. Augustinegrass would not be considered a major turfgrass species and it appears producers are still trying to determine how to market this species.

After asking producers for four years if they charge a premium for certified grass, it appears that nearly 35% of certified growers charge additional for this superior product. The remaining growers either do not place an added value on certified sod or do not participate in the certification program. The typical extra cost ranged from one cent to two cents per square foot. Because of royalty fees for exclusivity rights and increased production costs for the producer, higher prices for the insurance of varietal purity should be expected by the consumer. As varietal inconsistencies (e.g. 'Tifway' bermudagrass, 'Emerald' zoysiagrass, St. Augustinegrass) continue to plague landscapers and homeowners start requesting certified grass this trend should change as producers realize the added value of certified turfgrass.

Regarding grower price expectations, 44% expect bermudagrass prices to remain unchanged while 9% expect an increase. This is a shift from last year where 68% expected constant prices with 32% anticipating an increase. For zoysiagrass, it is interesting that no producers anticipate rising prices during the first five months of 2008. Most centipedegrass and St. Augustinegrass producers anticipate constant prices, 56% and 88% respectively. Similarly, tall fescue producers expect prices to remain steady (69%).

Freight rates per mile shipped to Atlanta decreased for 2008 (Table 3). Costs ranged from $2.45 to $6.00 but averaged $3.06; this is a -16.2% decrease from the 2007 average ($3.65). Respondents which included freight costs (74%) as a part of price quotes for customers increased from 66% in 2007. An increasing number of producers are charging an unloading fees on first drops as was observed a year ago (39%), the trend increased to 48% in 2008. The minimum unloading fee ($35) remained constant in 2008 but most producers charge between $75 and $100. Nearly all producers (97%) will make additional drops on a load. The low-end charge remained at $25, while the high-end charge went from $75 to $100 between 2007 and 2008. The average cost for additional drops in 2008 was $43.05, this is the highest average cost recorded and continues to climb.

Rising from last year where 39% of the producers reported a fuel surcharge, 46% reported adding this charge to a load in 2008. This year, surcharges ranged from $50 to $130 per load and averaged $87, an increase of $5 from 2007. For three consecutive years it is apparent producers are having to adjust to increased fuel costs and are passing the cost along to the consumer.

The 33 producers that participated in this survey estimated that the highest amount of sod was sold to landscape contractors (42%). Due to an ongoing drought, two-thirds of the state being under level four water restrictions. As a result, landscape contractors are struggling to maintain their businesses, making it difficult to speculate as to the level of sales from this industry segment during 2008. Incidentally, growers were asked on this year’s survey to estimate the impact of the drought on sod sales from July 1 to December 31, 2007. Seventy-nine percent responded that sales were 30% to 70% lower than the same time period in 2006.

Other sources of sod sales include 15% to brokers, 12% to homeowners, 10% to golf courses, 9% to existing developers, 6% to garden centers and sport/athletic fields, and 1% to landscape designers. More grass moved through brokers in 2008 than 2007, likewise, more grass was sold directly to homeowners in 2008. If the drought continues, as is forecast, it is imperative that producers find alternative markets and provide value-added services to remain viable. They will have to resist the urge to reduce prices to compensate for slow sales. To maintain the same level of profit, a 10% price cut translates into a 67% increase in quantity of grass sold.

2008 will likely be a year of flux as environmental factors influence primary market segments, there is potential easement of water use restrictions, economic stability is undetermined, housing starts stabilize or decline, and population growth continues. Producers that have a sound business plan for the immediate and future, offer a quality product, and have strong marketing efforts should be able to moderate this period of instability. There is certainty, that although 2007 was nearly the driest year on record, it will one day rain again in Georgia, and likewise, it will be dry again. Similarly, the sod business may fall on tough times in 2008 but it will rebound.

Table 1. Change in prices from 2007 to 2008.

Turfgrasses	On-the-farm 2007	On-the-farm 2008	On-the-farm % Change	Delivered to Atlanta* 2007	Delivered to Atlanta* 2008	Delivered to Atlanta* % Change
	------ Cents / ft^2 ------			------- Cents / ft^2 -------		
Bermudagrass	13.8	12.9	-6.5	17.3	17.5	1.2
Zoysiagrass	27.4	28.1	2.6	33.2	33.8	1.8
Centipedegrass	15.9	15.8	-0.6	21.3	20.8	-2.3
Tall Fescue	19.5	19.8	1.5	24.3	26.2	7.8
St. Augustinegrass	22.8	21.0	-8.9	30.2	24.9	-17.5

* Delivered price includes freight and pallets.

Table 2. Comparison of on-the-farm prices with delivered prices, 2008.

Turfgrasses	On-the-farm Price (avg.)	On-the-farm Range	Delivered to Atlanta Area* Price (avg.)	Delivered to Atlanta Area* Range
	------------------------------ Cents / ft^2		-------------------------------	
Bermudagrass	12.9	8.0 – 22.0	17.5	13.5 – 27.0
Zoysiagrass	28.1	20.0 – 35.6	33.8	26.0 – 40.6
Centipedegrass	15.8	12.0 – 25.0	20.8	17.0 – 30.0
Tall Fescue	19.8	14.0 – 26.5	26.2	18.0 – 30.0
St. Augustinegrass	21.0	20.0 – 31.0	24.9	25.5 – 35.0

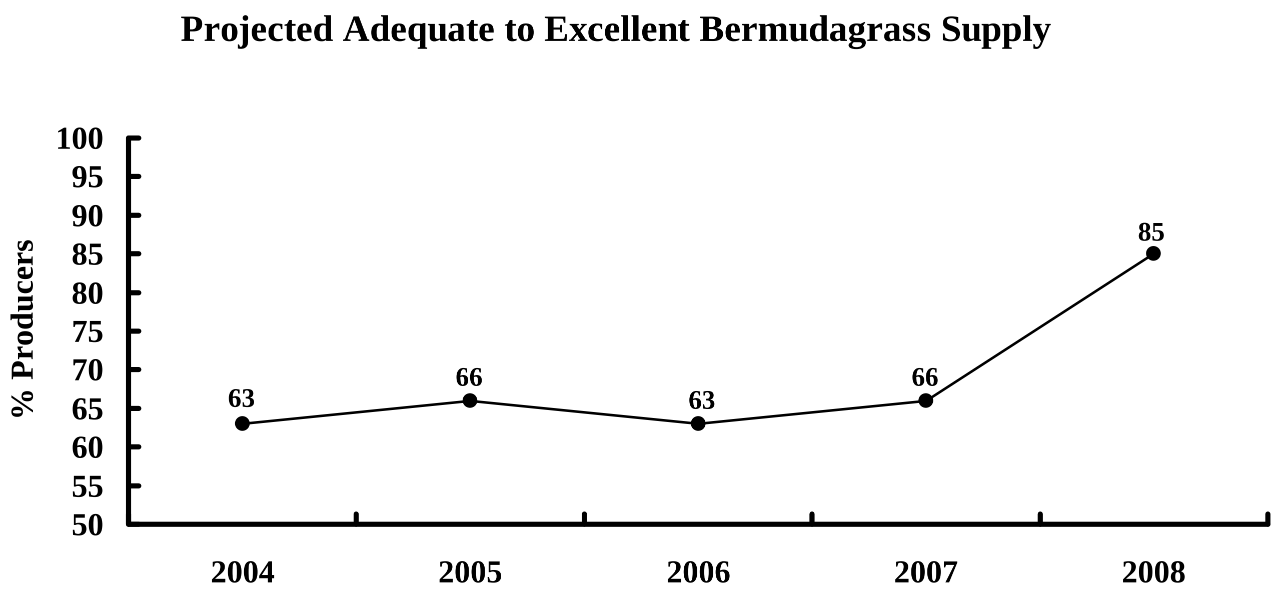
* Delivered price includes freight and pallets.

Table 3. Historical freight rate for deliveries to Atlanta.

Year	Range	Average	% Change
	---------- $ / mile	--------	
2008	2.45 – 6.00	3.06	-16.2
2007	1.00 – 5.00	3.65	58.0
2006	1.80 – 3.35	2.31	18.5
2005	1.25 – 3.57	1.95	17.5
2004	1.14 – 2.00	1.66	-8.8
2003	-	1.82	-

* Delivered price includes freight and pallets.

Figure 1. Percentage of bermudagrass producers projecting adequate to excellent supply for the past five years.



* Projected supply for the first 5 months of the calendar year.

Figure 2. Historical perspective of sod prices in Georgia, 2003 to 2008.