2009, Annual Georgia Sod Producers Inventory Survey

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In January, the Georgia Sod Producers Association conducted their fifteenth consecutive survey of sod producers. The purpose of the survey was to determine the status of inventory levels and projected price changes for spring 2009. Fifty-two producers participated by telephone and written / fax survey, representing farm sizes which were less than 300 acres (23 participants), 300 to 600 acres (19 participants), 601 to 900 acres (5 participants), 901 to 1,200 acres (1 participants), and more than 1,200 acres (4 participants). This is the second year of a change of categories, an additional grower category was added in 2008 to account for growth in the industry and the impact larger growers tend to 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 2009 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 90% of the surveyed producers. Inventory levels had stabilized through the early part of the decade but increased in 2008 and are expected to increase further in 2009 (Figure 1). Ninety-five percent of the producers rated their inventory as adequate to excellent this year. For 2009, 9% of all bermudagrass producers projected having less than adequate supplies, compared with 15% last year and 34% in 2007. Three growers with greater than 1,200 acres expect adequate to excellent supplies, while only one anticipates a shortfall of bermudagrass for the first five months of the year. Likewise, 15 of the 17 producers surveyed with 300 to 600 acres project a sufficient supply.

According to this year's survey, the number of producers growing zoysiagrass (48%) was similar to 2007 (49%). Of the producers responding, 83% estimate an adequate to excellent inventory which continues an increase in supply from last year. For 2009, 17% of the zoysiagrass producers project a shortage of grass during early 2009, with 50% of the larger producers having insufficient supply. Half of the producers with greater than 1,200 acres in production anticipate an ample supply of zoysiagrass.

Of the 52 producers surveyed 39 (75%) were growers of centipedegrass, about the same as 2008 and 2007. Eighty percent of the growers had adequate to excellent inventory compared to 84% in 2008, and 74% in 2007. One producer with greater than 1,200 acres projects a shortfall. It appears the adjustments made by larger producers during 2006 continue to meet current market demand. Twenty-two percent of the smaller producers (less than 600 acres), however, do project insufficient supply. This projection is down from 27% a year ago.

St. Augustinegrass is being grown by 12 of the 52 producers surveyed. Unlike previous years where only the larger producers had inventories, this year the lower three categories had a grower of St. Augustinegrass. Of the producers, 91% reported adequate to sufficient supply. Overall, one grower with 300 to 600 acres forecast a St. Augustinegrass shortage, while the single grower with greater than 1,200 acres in turfgrass production has an excellent supply.

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 five-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 2009, the on-the-farm prices for bermudagrass, zoysiagrass, centipedegrass, and tall fescue fell -10.9%, -7.8%, and -2.5%, and -9.6 respectively, compared to 2008 (Table 1). This continues a two year downslide for bermudagrass and zoysiagrass. Likewise, the delivery prices fell for these same species, -8.0, -4.4, -5.3, -17.2 respectively. St. Augustinegrass was the exception. The on-the-farm price increased 13.3% and the delivery price rose 8.4% from a year ago. Figure 2 provides a five year historical perspective of sod prices.

For the first time in five years, the average price per square foot for a truckload of bermudagrass delivered to the Atlanta area was down from the previous year (Table 1). This year's average delivery price was similar to prices in 2006. The 2009 survey indicated prices varied from 11.0 cents to 25.0 cents, with an average price of 16.1 cents (Table 2). The average price in 2008 was 17.5 cents per square foot and ranged from 13.5 cents to 25.0 cents. The lower-end price fell below 2006 levels while the upper-end price was reminiscent of 2007 levels.

The 2009 average price for a truckload of zoysiagrass delivered to the Atlanta market fell (-4.4%) from 2008. The average price of delivered zoysiagrass in 2009 was 32.3 cents and ranged from 22.0 to 40.0 cents. In 2008 zoysiagrass prices ranged from 26.0 to 40.6 cents and averaged 33.8 cents. In previous years, zoysiagrass producers predicted a shortage which has likely lead to price increases. 2008 was the only year of a predicted sufficient supply, likely leading to lower prices.

For the second consecutive year, following three consecutive years of rising prices for delivered centipedegrass, prices fell (-2.5) again in 2009. Prices in 2009 ranged from 16.0 cents to 27.0 cents and averaged 19.7 cents, compared to 2008 when the average delivered price was 20.8 cents and ranged from 17.0 to 30.0 cents. Between the last two years, the overall average price declined each year with the upper-end price falling -10% (3 cents) from 2008 to 2009.

The 2009 Atlanta area delivered price of tall fescue decreased (-17.2%), which reversed last year's 7.8% rise in price from the previous year. This year, prices ranged from 15.0 cents to

28.0 cents, with an average of 21.7 cents. The low-end price declined 3 cents and the top-end price fell 2 cents.

St. Augustinegrass was the only gainer in 2009, its Atlanta delivered price rose (8.4%). The average price of delivered St. Augustinegrass in 2009 was 27.0 cents and ranged from 18.0 to 35.0 cents. In 2008 St. Augustinegrass prices ranged from 25.5 to 35.0 cents and averaged 24.9 cents. 2005 was the first year St. Augustinegrass was included in this survey, during that time prices have varied wildly compared to other species (e.g. bermudagrass). There have been years with a 10.7% increase from the previous year, to years like 2008 where prices fell -17.5%. This year's rise was not the largest observed, but it was an anomaly considering all other turfgrass species lost ground.

Regarding grower price expectations, 72% expect bermudagrass prices to remain unchanged while 28% expect a decrease. No bermudagrass producer foresees a bermudagrass price increase during the first five months of 2009. This is a shift from last year where 44% expected constant prices with 9% anticipated an increase. For zoysiagrass, no producers anticipate rising prices during the first five months of 2009, while 29% forecast a decrease. Most centipedegrass and St. Augustinegrass producers anticipate constant prices, 72% and 93% respectively. Similarly, tall fescue producers expect prices to remain steady (63%).

2009 had the greatest number of surveyed producers with some certified grass on their farm (36), representing 69% of the respondents (Table 3). Fifty-one percent of these growers charge a premium for certified grass. The remaining growers either do not place an added value on certified sod or do not participate in the certification program. In 2009, the typical extra cost ranged from 0.5 to 4.0 cents per square foot and averaged 1.4 cents, up from 1.1 cents in 2008 and 2007. 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. With varietal inconsistencies (e.g. ‘Tifway’ bermudagrass, ‘Emerald’ zoysiagrass, St. Augustinegrass) continuing to plague landscapers and homeowners, hopefully the market will continue to pay a premium price for a premium product.

Freight rates per mile shipped to Atlanta increased for 2009 (Table 4). Costs ranged from $1.85 to $7.00 but averaged $3.28; this is a 7.2% increase from the 2008 average ($3.06). Respondents which included freight costs (74%) as a part of price quotes for customers remained identical to 2008. An increasing number of producers are charging an unloading fee on first drops. Twenty-two respondents charge an unloading fee, the highest number recorded since 2006. The minimum unloading fee ($15) dropped in 2009 but most producers charge between $50 and $75, last year the range was $75 to $100. Nearly all producers (90%) will make additional drops on a load. The low-end charge fell to $15 in 2009, from $25 in 2008. Likewise, the high-end charge declined from $100 to $75 between 2008 and 2009. The average cost for additional drops in 2009 was $43.44, this is the highest average cost recorded but is up less than 1% from 2008.

Declining from last year where 46% of the producers reported a fuel surcharge, 28% reported adding this charge to a load in 2009. This year, surcharges ranged from $36 to $100 per load and averaged $59, a decrease of $28 from 2008.

The 52 producers that participated in this survey estimated that the highest amount of sod was sold to landscape contractors (46%) (Table 5). In 2008, brokers were the second largest industry segment for sale of turfgrass, but in 2009 this group accounted for 8% of sales, lowering their rank to 4th. The average percentage of sales to homeowners remained the same between 2008 and 2009, but their rank moved to 2nd this year. Golf course sales improved from 9.5% in

2008 to 11.4% in 2009.

Amid reports of farms being sold, acres being taken out of turfgrass production, and long-time producers going out of business, two ancillary questions were included in this year's survey. The first was "Did you reduce sod production (acres) in 2008 due to the economy?" Fifty-five percent of the respondents answered that they removed some acreage on their farms. The second question was "how much?" The average grower removed 30% of their acreage from sod production in 2008. The mode (i.e. most common response) was identical, accounting for 6 of the 28 respondents. The reductions ranged from 8% to 95%.

The 2009 sod producer's survey does not offer much optimism for an industry that, like many related industries, has felt the impact of the declining housing market, the credit "crunch", and drought. Inventories of grass are high, prices are low and many producers are looking for other opportunities. There are few consistent economic forecasts, hopefully the most optimistic projection will come to fruition.

Table 1. Change in prices from 2008 to 2009.

	On-the-farm			Delivered to Atlanta*		
Turfgrasses	**2008**	**2009**	**% Change**	**2008**	**2009**	**% Change**
	------ Cents / ft^2 ------			------- Cents / ft^2 -------		
Bermudagrass	12.9	11.5	-10.9	17.5	16.1	-8.0
Zoysiagrass	28.1	25.9	-7.8	33.8	32.3	-4.4
Centipedegrass	15.8	15.4	-2.5	20.8	19.7	-5.3
Tall Fescue	19.8	17.9	-9.6	26.2	21.7	-17.2
St. Augustinegrass	21.0	23.8	13.3	24.9	27.0	8.4

* Delivered price includes freight and pallets.

Table 2. Comparison of on-the-farm prices with delivered prices, 2009.

	On-the-farm		Delivered to Atlanta Area*	
Turfgrasses	**Price (avg.)**	**Range**	**Price (avg.)**	**Range**
	------------------------------ Cents / ft^2 ------------------------------			
Bermudagrass	11.5	7.0 – 20.0	16.1	11.0 – 25.0
Zoysiagrass	25.9	15.0 – 34.0	32.3	22.0 – 40.0
Centipedegrass	15.4	12.0 – 25.0	19.7	16.0 – 27.0
Tall Fescue	17.9	15.0 – 25.0	21.7	15.0 – 28.0
St. Augustinegrass	23.8	18.0 – 30.0	27.0	18.0 – 35.0

* Delivered price includes freight and pallets.

Table 3. Percentage of survey respondents that grow certified grass and the additional charge for certified grass, a three year perspective.

	Growers with Certified Grass		Growers that charge a premium for Certified Grass			
Year	**%**	**n***	**%**	**n***	**Average**	**Range**
					--------- cents	-------------
2009	69	36	51	18	1.4	0.5 – 4.0
2008	81	26	65	17	1.1	1.0 – 2.0
2007	69	33	38	13	1.1	0.5 – 2.0

* Total number of respondents 52, 32, and 48 for 2009, 2008, and 2007 respectively.

Table 4. Historical freight rate for deliveries to Atlanta.

Year	**Range**	**Average**	**% Change**
	---------- $ / mile	---------	
2009	1.85 – 7.00	3.28	7.2
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

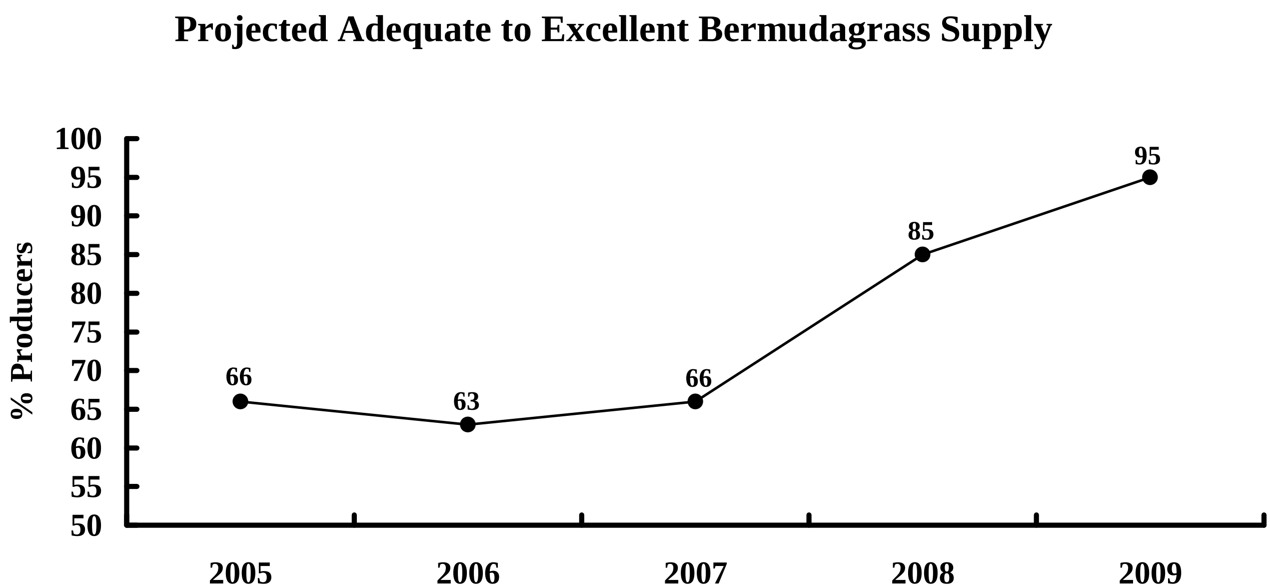
* Delivered price includes freight and pallets.

Table 5. Ranking of industry segments for sale of turfgrass.

	2009		2008	
Industry segments	**Rank**	**Average***	**Rank**	**Average***
Landscape Contractors	1	45.8	1	41.8
Homeowners	2	11.8	3	11.9
Golf Courses	3	11.4	4	9.5
Brokers	4	8.0	2	15.1
Existing Developers	5	7.4	5	8.7
Garden Centers	6	7.0	6	6.0
Sports / Athletic Fields	7	5.6	7	5.7
Landscape Designers	8	3.2	8	1.3

* Average percentage of total sales.

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, 2005 to 2009.