2007, Annual Georgia Sod Producers Inventory Survey

Clint Waltz and B. J. Johnson
The University of Georgia

In January, the Georgia Sod Producers Association conducted their thirteenth consecutive survey of sod producers. The purpose of the survey was to determine the status of inventory levels and projected price changes for spring 2007. Fifty-one producers participated by phone survey, representing farm sizes which were less than 100 acres (3 participants), 100 to 299 acres (13 participants), 300 to 599 acres (19 participants), and more than 600 acres (16 participants).

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 2007 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 92% of the producers, and inventory levels have stabilized over the last 5 years (Figure 1). Sixty-six percent of the producers rated their inventory as adequate to excellent this year. This year's supply shortage of bermudagrass is expected to be similar to the last two years. For 2007, 34% of all bermudagrass producers projected having less than adequate supplies, compared with 35% last year and 34% in 2005. Thirty-four percent of the larger producers (greater than 300 acres) estimate a shortage of bermudagrass for the first five months of the year and no producer with more than 600 acres predicts an excellent supply.

According to this year's survey, the number of producers growing zoysiagrass decreased from 29 in 2006 to 25 in 2007. Twenty-five producers reported growing zoysiagrass in 2005. The slight fluctuation is likely a remnant of the survey sampling technique, the same producers and not necessarily surveyed every year. Of the producers responding, 48% estimate an adequate to excellent inventory which is less than 2006 (62%) and 2005 (58%). For 2007, 52% of the zoysiagrass producers project a shortage of grass during early 2007, with 58% of the larger producers having insufficient supply. Similar to bermudagrass results, no producer with greater than 600 acres of grass production predicts an excellent supply of zoysiagrass. This is the largest predicted shortage of zoysiagrass for the past three years.

Of the 51 producers surveyed 38 (75%) were growers of centipedegrass, an increase from 2006 where 63% reported growing centipedegrass. This sizable change is also likely to sampling technique. Seventy-four percent of the growers had adequate to excellent inventory compared to 73% in 2006, and 63% in 2005. Producers with greater than 600 acres project an 18% shortfall, down from 50% last year. It appears the larger producers made adjustments during 2006 to meet market demand.

St. Augustinegrass is being grown by 12 of the 51 producers surveyed. Like last year, only producers which have greater than 100 acres in turfgrass production had some St. Augustinegrass on their farm. Seventy-five percent reported adequate to sufficient supply, with 33% of the producers with greater than 300 acres predicting a shortfall.

Similar to the last two years, tall fescue was grown by a similar percentage of producers (25% to 29%). All producers reported excellent to adequate inventory, which continues a three-year trend of sufficient tall fescue supply. It could be concluded that the amount of tall fescue sod grown in Georgia meets market demand.

For 2007 there were some price movements for on-the-farm prices and delivered prices (Table 1), although not as extreme as between 2005 and 2006. In 2006 the only species with an average cost lower than 2005 was zoysiagrass. In 2007, bermudagrass, zoysiagrass, and centipedegrass increased 6.1%, 2.5%, and 4.9% respectively. The losers in 2007 were tall fescue and St. Augustinegrass which fell 2.8% and 2.6% respectively. 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). The increase from 2006 to 2007 was 6.1% which was up compared to 5.8% in 2006. The 2007 survey indicated prices varied from 14.0 cents to 24.0 cents, with an average price of 17.3 cents (Table 2). The average price in 2006 was 16.3 cents per square foot and ranged from 13.5 cents to 21.0 cents. Both the lower- and upper-end price rose in 2007 compared to 2006.

The 2007 average price for a truckload of zoysiagrass delivered to the Atlanta market increased (2.5%) from 2006, although not as drastically as from 2005 to 2006 (5.9%). The average price of delivered zoysiagrass in 2007 was 33.2 cents and ranged from 25.5 to 39.0 cents. In 2006 zoysiagrass prices ranged from 24.0 to 38.0 cents and averaged 32.4 cents. With this year's predicted shortage of zoysiagrass, the early 2007 prices maybe as low as they will be all year.

The price change between years rebounded for centipedegrass in 2007. Last year, centipedegrass delivered price only rose 2.5% while the increase in 2005 was 4.2%. This year the increase was 4.9%. Prices in 2007 ranged from 14.0 cents to 36.0 cents and averaged 21.3 cents, compared to 2006 when the average delivered price was 20.3 cents and ranged from 16.5 to 27.0 cents. The overall average price increased but the upper-end price substantially jumped (9 cents).

The 2007 Atlanta area delivered price of tall fescue fell (-2.8%), which reversed a four-year trend of rising prices. This year, prices ranged from 21.0 cents to 28.0 cents, with an average of 24.3 cents. The low-end price increased 3 cents while the top-end price fell by the same amount from a year ago.

For the first time in the short period that St. Augustinegrass has been measured on this survey, its price fell (-2.6%). This may just be a market adjustment from the 10.7% increase in 2006. The average price of delivered St. Augustinegrass in 2007 was 30.2 cents and ranged from 21.0 to 39.8 cents. In 2006 St. Augustinegrass prices ranged from 27.0 to 36.0 cents and averaged 31.0 cents.

For the third year, producers were asked if they charge a premium for certified turfgrass. The response to this question continues to fluctuate with 38%, 23%, and 33% responding favorable in 2007, 2006, and 2005 respectively. For 2007, the remaining 62% either do not place an added value on certified sod or do not participate in the certification program. The extra cost ranged from one-half 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 will likely change as producers realize the added value of certified turfgrass.

Regarding grower price expectations, 68% expect bermudagrass prices to remain unchanged while 32% expect an increase. This is a shift from last year where 48% expected constant prices with 52% anticipating an increase. For zoysiagrass, it is interesting that only 21% anticipate rising prices during 2007, considering a strong predicted shortfall of grass. Most centipedegrass and St. Augustinegrass producers anticipate constant prices, 86% and 83% respectively. Similarly, tall fescue producers expect prices to either remain steady (64%) or rise (18%) but two producers anticipate a price decrease.

Freight rates per mile shipped to Atlanta increased for 2007 (Table 3). Costs ranged from

$1.00 to $5.00 and averaged $3.65; this is a 58% increase from the 2006 average ($2.31). Respondents which included freight costs (66%) as a part of price quotes for customers continued to fall from 77% and 93% in 2006 and 2005 respectively. About an equal amount of producers are charging an unloading fees on first drops as was observed a year ago (39% and 40% for 2007 and 2006 respectively). Although the minimum unloading fee increased to $35.00 in 2007, compared to $32.50 in 2006, most producers will charge between $50 and $75. Down from 94% in 2006, 78% of the participants make additional drops on a load. The low-end charge increased from $25 to $30, while the high-end charged went from $50 to $75. This upward movement resulted in an in an average for additional drops in 2007 of $41.79. This is the highest average cost recorded.

Falling from last year where 50% of the producers reported a fuel surcharge, 39% reported adding this charge to a load in 2007. This year, surcharges ranged from $45 to $130 per load and averaged $82, an increase of $4 from 2006. For two consecutive years it is apparent producers are having to adjust to increased fuel costs and are passing the cost along to the consumer.

The 51 producers that participated in this survey estimated that the highest amount of sod was sold to landscape contractors (44.4%) during 2006. Other sources include 12.6% to existing developers, 11.8% to brokers, 10.7% to golf courses, 8.0% to homeowners, 5.3% to sport/athletic fields, 4.8% to garden centers and 2.4% to landscape designers. Therefore, since the highest sales were made to landscape contractors, the sales of new homes can be directly related to sod sales. Martin Crutsinger from the associated press reported in The Atlanta Journal-Constitution newspaper on January 27, 2007, that new home sales were down 17.3% for 2006. This was the highest reduction in 16 years. However, the sales were up for a second straight month in December and this raises hope that the worst of the housing downturn is coming to an end. The latest increase would certainty be good news for the sod industry.

For most incidences the trend for 2007 was an increase in prices. There were a few anomalies such as a decrease in on-farm and delivered prices of tall fescue and St. Augustinegrass. Tall fescue is likely suffering from a lack of new markets for sod while the loss in St. Augustinegrass prices is possibly a correction due to rapid growth in previous years. Supply for all grasses except zoysiagrass appears to be able to meet anticipated market demand in 2007. Zoysiagrass continues to be a popular grass with increased use in landscapes and a few Georgia golf courses deciding to re-grass their fairways with this premium species. Basic economics would predict an increase in price as demand remains constant, or increases, and supply is insufficient. With the exception of zoysiagrass, it remains imperative for producers to aggressively market their commodity and explore new markets.

Table 1. Change in prices from 2006 to 2007.

	On-the-farm			Delivered to Atlanta*		
Turfgrasses	2006	2007	% Change	2006	2007	% Change
	------ Cents / ft^2 ------			------- Cents / ft^2 -------		
Bermudagrass	12.4	13.8	11.3	16.3	17.3	6.1
Zoysiagrass	21.4	27.4	28.0	32.4	33.2	2.5
Centipedegrass	14.8	15.9	7.4	20.3	21.3	4.9
Tall Fescue	20.6	19.5	-5.3	25.0	24.3	-2.8
St. Augustinegrass	24.9	22.8	-8.4	31.0	30.2	-2.6

* Delivered price includes freight and pallets.

Table 2. Comparison of on-the-farm prices with delivered prices, 2007.

	On-the-farm		Delivered to Atlanta Area*	
Turfgrasses	Price (avg.)	Range	Price (avg.)	Range
	------------------------------ Cents / ft^2 ------------------------------			
Bermudagrass	13.8	8.0 – 20.0	17.3	14.0 – 24.0
Zoysiagrass	27.4	17.0 – 35.0	33.2	25.5 – 39.0
Centipedegrass	15.9	12.0 – 30.1	21.3	14.0 – 36.0
Tall Fescue	19.5	16.0 – 25.0	24.3	21.0 – 28.0
St. Augustinegrass	22.8	17.0 – 34.0	30.2	21.0 – 39.8

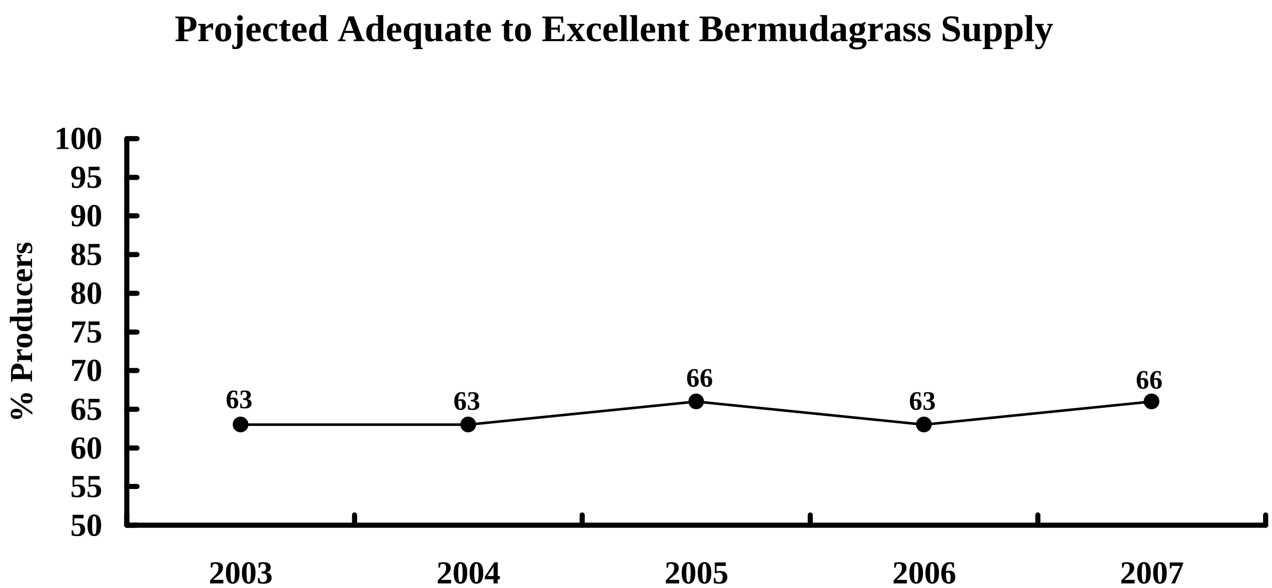
* Delivered price includes freight and pallets.

Table 3. Historical freight rate for deliveries to Atlanta.

Year	Range	Average	% Change
	----------	$ / mile	--------
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, 2002 to 2007.