2005, Annual Georgia Sod Producers Inventory Survey

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In January, the Georgia Sod Producers Association conducted their eleventh consecutive survey of sod producers. The purpose of the survey was to determine the present status of inventory levels and projected price changes for spring 2005. Forty-three producers participated by phone survey, representing farm sizes which were less than 100 acres (4 participants), 100 to 299 acres (11 participants), 300 to 599 acres (17 participants), and more than 600 acres (11 participants).

The survey obtained estimates of the inventory for bermudagrass, zoysiagrass, centipedegrass, St. Augustinegrass (included for the first time), and tall fescue based on estimated sales for the first five months of 2005 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 93% of the producers, however, inventory levels continue to decline from previous years. Sixty-six percent of the producers rated their inventory as adequate to excellent, compared to 78% in 2001 (Figure 1). This year's supply shortage of bermudagrass is expected to be less than last year, but still above previous years. For 2005, 34% of all bermudagrass producers projected having less than adequate supplies, compared with 37% last year and 31% in 2003. Thirty percent of the larger producers (greater than 300 acres) estimate a shortage of bermudagrass for the first five months of the year.

According to this year's survey, the number of producers growing zoysiagrass remained fairly constant, with 25 producers. Of the producers responding, 58% estimate an adequate to excellent inventory which is similar to 2004 (59%). Like bermudagrass projections, 42% of the zoysiagrass producers project a shortage of grass during early 2005, with 39% of the larger producers having insufficient supply.

Of the 43 producers surveyed 27 (63%) were growers of centipedegrass. Sixty-three percent of the growers had adequate to excellent inventory compared to 64% in 2004, and 80% in 2003. Continuing the trend of bermudagrass and zoysiagrass, centipedegrass producers expect a shortage of centipedegrass, 37% have below adequate levels for 2005 compared to 20% for 2003. Interestingly, it is the producers with 100 to 299 acres which project the greatest shortfall. Sixty-three percent of this producer category reported poor inventories, while 22% of the growers with greater than 300 acres forecast insufficient supplies.

St. Augustinegrass is being grown by 9 of the 43 producers surveyed. Only producers which have greater than 100 acres in turfgrass production had some St. Augustinegrass on their farm. Since this was the first year St. Augustinegrass was included in the survey comparisons to previous years can not be made. However, 22% reported excellent inventories, 44% with adequate inventories, and 33% expect an inadequate supply.

Similar to 2004 results, tall fescue was grown by 11 (26%) producers of the 43 surveyed in 2005. In a substantial increase from the last four years, 91% reported excellent to adequate inventory, 66% was the previously reported sufficiency level. This likely indicates that the market for tall fescue sod has closely met demand.

Not surprisingly, the on-the-farm price for all five grasses was less than the delivered price (Table 1). Relative to last year, there were some differences between on-the-farm prices and delivered prices. The on-the-farm prices fell for 2005 while the delivered prices rose, with the delivered price of tall fescue increasing 5% from 2004 to 2005 (Table 2). Figure 2 provides a historical perspective of sod prices.

For the second consecutive year, the average price per square foot for a truckload of bermudagrass delivered to the Atlanta area was up. Although the increase from 2004 to 2005 (2%) was less than the 3.4% from 2003 to 2004. The 2005 survey indicated prices varied from 12.5 cents to 23.0 cents, with an average price of 15.4 cents. The average price in 2004 was 15.1 cents per square foot and ranged from 12.9 cents to 19.0 cents.

Similar to bermudagrass, the 2005 average price for a truckload of zoysiagrass delivered to the Atlanta market increased modestly (1.3%). The average price of delivered zoysiagrass in 2005 was 30.6 cents and ranged from 22.0 to 40 cents. In 2004 zoysiagrass prices ranged from 24.0 to 37.0 cents and averaged 30.2 cents. The consistency in the number of zoysiagrass growers, 25, 23, 24, and 21 in 2005, 2004, 2003, and 2002 respectively, would explain a relatively level trend in zoysiagrass prices.

Continuing a two year trend of rising prices, the average 2005 centipedegrass prices were up 4.2% from 2004, prices rose 4% last year. Prices in 2005 ranged from 17.0 cents to 25.0 cents and averaged 19.8 cents, compared to 2004 when the average delivered price was 19.0 cents and ranged from 15.0 to 25.0 cents.

The 2005 Atlanta area delivered price of tall fescue increased (5%), which continued a three-year trend of rising prices. This year, prices ranged from 20.0 cents to 28.0 cents, with an average of 23.1 cents compared to 22.0 in 2004, 20.2 in 2003, 19.8 cents in 2002 and 20.0 cents in 2001. Since this was the first year St. Augustinegrass was included in the survey, comparisons to previous years can not be made.

A new question on the 2005 survey polled producers to determine if a premium is charged for certified turfgrass. One-third of the surveyed producers charged extra for certified turfgrass, the remaining 67% 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.

Regarding grower price expectations, 71% expect bermudagrass prices to remain unchanged while 29% expect an increase. Eighty percent of the zoysiagrass and 74.1% of the centipedegrass producers expect prices will not change. With zoysiagrass prices remaining steady for several years, a greater percentage of producers (20%) anticipate prices to rise in 2005 compared to last year (13%). Likewise, a quarter of the centipedegrass producers foresee increased prices this spring. Sixty-four percent of tall fescue producers expect prices to remain steady, while 27% expect price increases and one producer anticipates a price decrease. All nine St. Augustinegrass producers expect prices to remain steady.

For the fourth year, shipping information was part of the survey. Freight rates per mile shipped to Atlanta increased for 2005. Costs ranged from $1.25 to $3.570 and averaged $1.95; this is a 17.5% increase from the 2004 average ($1.66) and higher than the 2003 average ($1.82). Respondents which included freight costs (93%) as a part of price quotes for customers remained high. A greater percentage of producers (65%) are charging an unloading fee for 2005 than in 2004 (53%). Unloading fees ranged from $25.00 to $100.00 with most being greater than $50.00. Continuing a three year trend, 93% of the participants make additional drops on a load with 2 producers not charging for additional drops and the remainder charging from $25.00 to $50.00, the average charge was $37.11 which was up from $32.38 in 2004 but still not as high as 2003 ($39.57). To account for increases in fuel costs some producers (26%) charge a fuel surcharge, while most do not (74%). Surcharges ranged from $25.00 to $50.00 per load, some producers charged a percentage of the original freight and others had a per mile charge.

While there were few indicators from this survey that the sod industry in Georgia is increasing, several producers have indicated that they are not adding acreage of additional grass (personal communication). Although inventories may be low for the first part of the year, they still have adequate quantity to meet year-long demand.

To sustain the turfgrass production industry there are some economic factors which suggest a continued need for turfgrass sod. Construction in 2004 varied but ended strong. Spending on construction of residential, nonresidential, and public building increased 1.1 percent in December 2004. This growth was nearly twice what was expected. The late 2004 housing slow down could be attributed to the active hurricane season in the Southeast. An economist with Wachovia Securities expects home building to remain strong through the first quarter of 2005. This trend in Georgia is contrary to the rest of the nation. Therefore, although there are some indications the economy is beginning to rebound, sod producers need to continue to implement sound business practices, grow top-quality turfgrass, and aggressively promote their products.

The reoccurring theme of this year's survey is that a large number of producers, especially growers with more than 300 acres, anticipate a shortage of marketable grass early in the 2005 season. Basic economics would predict with an inventory shortage and demand remaining constant or increasing, prices would rise. A number of growers expect grass prices to increase compared to recent years. This may likely be attributed to increased production costs, especially the costs associated with harvest and delivery. Higher fuel costs will force growers to increase delivery charges which will be expressed as higher freight rates, unloading fees, or fuel surcharges. As with many products, these increased expenses will be passed along to the consumer.

Table 1. Comparison of on-the-farm prices with delivered prices, 2005.

	On-the-farm		Delivered to Atlanta Area*	
Turfgrasses	Price (avg.)	Range	Price (avg.)	Range
	Cents / ft^2			
Bermudagrass	11.4	8.0 – 18.0	15.4	12.5 – 23.0
Zoysiagrass	24.4	16.0 – 31.0	30.6	22.0 – 40.0
Centipedegrass	15.1	12.0 – 20.0	19.8	17.0 – 25.0
Tall Fescue	18.0	14.0 – 25.0	23.1	20.0 – 28.0
St. Augustinegrass	21.9	17.5 – 26.0	28.0	24.0 – 33.0

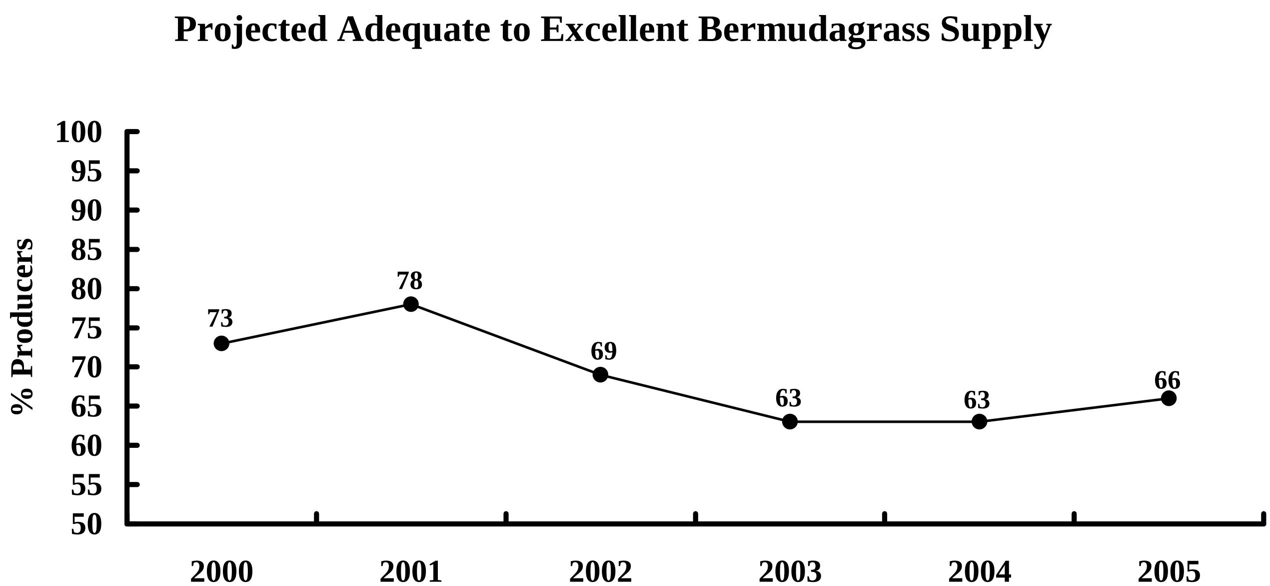
* Delivered price includes freight and pallets.

Table 2. Change in prices from 2004 to 2005.

	On-the-farm			Delivered to Atlanta*		
Turfgrasses	2004	2005	% Change	2004	2005	% Change
	Cents / ft^2			Cents / ft^2		
Bermudagrass	12.0	11.4	-5	15.1	15.4	2.0
Zoysiagrass	26.1	24.4	-6.5	30.2	30.6	1.3
Centipedegrass	16.3	15.1	-7.4	19.0	19.8	4.2
Tall Fescue	18.8	18.0	-4.3	22	23.1	5

* Delivered price includes freight and pallets.

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



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

Figure 2. Historical perspective of sod prices in Georgia, 2000 to 2005.