2018 Sod Producers' Report

Annual survey examines inventory and price

by Clint Waltz, University of Georgia

In November 2017, the Georgia Urban Ag Council conducted their twenty-fourth consecutive survey of sod producers. The purpose of the survey was to determine the status of inventory levels and projected price changes for spring 2018.

Survey details

Thirteen producers participated in the survey, representing farm sizes which were:

- less than 300 acres (5 participants)
- 300 to 600 acres (4 participants)
- 601 to 900 acres (1 participants)
- more than 900 acres (3 participants)

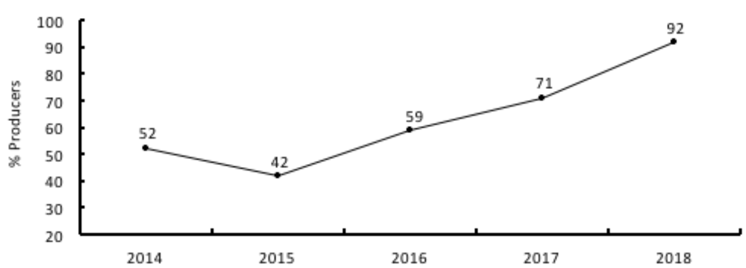
The survey obtained estimates of the inventory for bermudagrass, zoysiagrass, centipedegrass, St. Augustinegrass, and tall fescue based on estimated sales for the first five months of 2018 as excellent (more than 10% of demand), adequate (equal to demand), and poor (more than 10% shortage). Pricing information included farm price and price for truckload orders to the Atlanta area or within 100 miles of the farm, all costs were reported as price per square foot of sod.

Inventory levels

Bermudagrass is being grown by a majority of the surveyed producers. Ninety-two percent of the producers rated their inventory as adequate to excellent this year, continuing a three-year increase in inventory (Figure 1). Seventy-five percent the growers with greater than 600 acres expect an adequate to excellent bermudagrass supply, while 100% of producers with 600 acres or less project having sufficient inventories.

For early 2018, bermudagrass supply should meet market demand.

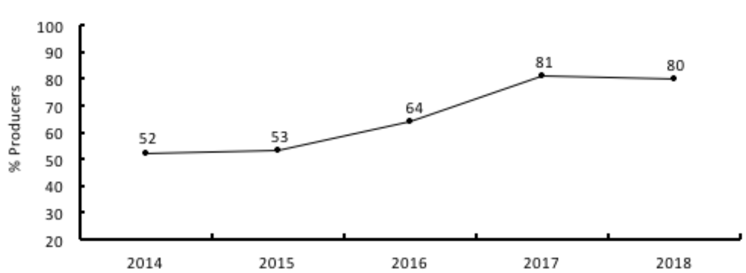
Figure 1.
Percentage of bermudagrass producers projecting adequate to excellent supply for the past five years.



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

According to this year's survey, the number of producers growing **zoysiagrass** (77%) was the same as last year. Zoysiagrass is a popular species with many commercially available cultivars. There are at least sixteen zoysiagrass cultivars being grown in Georgia. Of the producers responding, 80% estimate an adequate to excellent inventory, which is equal to last year's estimate (Figure 2).

Figure 2.
Percentage of zoysiagrass producers projecting adequate to excellent supply for the past five years.



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

Of the 13 producers surveyed 8 (62%) were growers of **centipedegrass**. Seventy-five percent of the growers had adequate to excellent inventory compared to 60% in 2017, and 50% in 2016. Of the larger growers, 3 of 4 growers with greater than 600 acres expect an adequate centipedegrass supply.

St. Augustinegrass is being grown by 2 of the 13 producers surveyed. Both reported a sufficient supply.

Similar to previous years, **tall fescue** was grown by 46% of producers. Eighty-three percent of tall fescue producers reported excellent to adequate inventory, which continues a fourteen-year trend of sufficient tall fescue supply. The amount of tall fescue sod grown in Georgia meets demand.

Sod prices

For 2018, the on-the-farm and delivered prices are expected to remain relatively unchanged or decrease compared to 2017 and 2016.

Price drops could range from 4% to 11% over last year's prices (Table 1).

Of the five species, only **St. Augustinegrass** is forecast to have a noticeably higher price than in 2017. Figure 3 provides a five-year perspective of sod prices with little major fluctuation since 2016 for most species.

The average price per square foot for a truckload of **bermudagrass** delivered to the Atlanta area, or within 100 miles of the farm, is expected to remain constant (Table 1). The 2018 survey indicated prices varied from 20.0 cents to 37.0 cents, with an average price of 29.9 cents (Table 2). The average price in 2017 was 29.6 cents per square foot and ranged from 19.0 cents to 40.0 cents.

The 2018 average price for a delivered truckload of **zoysiagrass** rose slightly from 2017 levels. The average price of delivered zoysiagrass in 2018 was 49.0 cents and ranged from 36.0 to 60.0 cents. In 2017 zoysiagrass prices ranged from 36.0 to 59.0 cents and averaged 47.3 cents. **Centipedegrass** prices are also expected to remain steady. Prices in 2018 ranged from 25.0 cents to 36.0 cents and averaged 30.0 cents, compared to 2017 when the average delivered price was 30.1 cents and ranged from 24.0 to 36.0 cents.

Table 1.

Change in prices from Spring 2017 to 2018

Turfgrasses	On-the-farm 2017	On-the-farm 2018	On-the-farm % change	Delivered* 2017	Delivered* 2018	Delivered* % change
	— cents / ft² —			— cents / ft² —		
Bermudagrass	24.5	23.6	-3.7	29.6	29.9	1.0
Zoysiagrass	42.5	45.8	7.8	47.3	49.0	3.6
Centipedegrass	25.1	25.3	0.8	30.1	30.0	-0.3
Tall Fescue	29.2	27.5	-5.8	35.1	31.1	-11.4
St. Augustinegrass	32.5	40.0	23.1	36.5	45.0	23.3

* Delivered price includes freight and pallets. The delivered price included the Atlanta area or within 100 miles of the farm.

Table 2.

Comparison: Farm to delivered prices, 2018

Turfgrasses	On-the-farm Price (avg.)	On-the-farm Range	Delivered* Price (avg.)	Delivered* Range
	cents / ft²			
Bermudagrass	23.6	15.0 - 31.0	29.9	20.0 - 37.0
Zoysiagrass	45.8	30.0 - 55.0	49.0	36.0 - 60.0
Centipedegrass	25.3	17.0 - 31.0	30.0	25.0 - 36.0
Tall Fescue	27.5	22.0 - 39.0	31.1	24.0 - 44.0
St. Augustinegrass	40.0	40.0	45.0	45.0

* Delivered price includes freight and pallets. The delivered price included the Atlanta area or within 100 miles of the farm.

Figure 3.

Historical perspective of sod prices in Georgia, 2014 to 2018

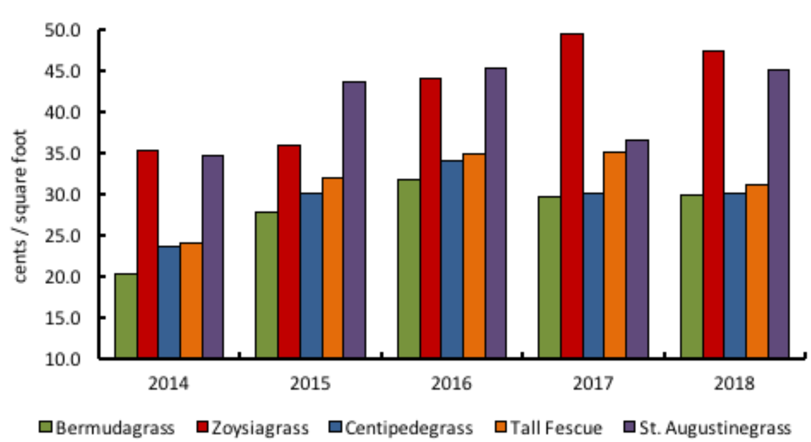


Table 3.
Percentage of survey respondents that grow certified grass and the additional charge for certified grass

Year	Growers with certified grass %	n*	Growers that charge a premium %	n*	Average (cents)	Range (cents)
2018	69	9	55	6	2.0	2.0 - 3.0
2017	71	15	85	11	4.0	2.0 - 10.0
2016	88	15	87	13	4.0	1.0 - 7.0
2015	76	19	55	11	3.0	1.0 - 6.0
2014	54	19	47	9	2.0	2.0 - 3.0

* Total number of respondents 13, 21, 17, 26, and 35 for 2018, 2017, 2016, 2015, and 2014 respectively.

Table 4.
Historical freight rate for sod deliveries

Year	Range ($ / mile)	Average ($ / mile)	% Change
2018	3.00 - 4.50	3.58	2.3
2017	1.25 – 5.00	3.50	-5.4
2016	3.00 - 4.50	3.70	-1.1
2015	1.00 – 5.86	3.74	16.9
2014	1.00 – 5.50	3.20	0.3

* Delivered price includes freight and pallets. The delivered price included the Atlanta area or within 100 miles of the farm.

The 2018 average delivered price for **tall fescue** (31.1 cents) was 11% lower than last year (35.1 cents). This year, prices ranged from 24.0 cents to 44.0 cents.

The price of delivered **St. Augustinegrass** increased in 2018. The average price of delivered St. Augustinegrass in 2018 was 45.0 cents. In 2017, St. Augustinegrass prices ranged from 35.0 to 38.0 cents and averaged 36.5 cents. It appears that a 2017 drop in St. Augustinegrass inventory will influence 2018 prices.

Projected increases

Regarding grower price expectations, growers are not forecasting a price increase in 2018.

- Fifty-eight percent of **bermudagrass** producers expect steady prices while 33% foresee a price decrease during the first five months of 2018. This is a deviation from the previous three years where growers anticipated prices higher than what they reported for this survey.
- For **zoysiagrass**, 82% of producers anticipate stable prices during the first five months of 2018; 18% of producers forecast higher prices, one with greater than 900 acres in total production.
- For **centipedegrass** and **tall fescue**, nearly 75% of all producers expect prices to remain constant in 2018.
- **St. Augustinegrass** producers expect unchanging prices.

Certification

2018 had 9 producers representing 69% of the respondents with some certified grass on their farm (Table 3). Fifty-five 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 2018, the typical extra cost ranged from 2.0 to 3.0 cents per square foot and averaged 2.0 cents. This translates to between $10.00 and $15.00 on a 500 square foot pallet.

The 2018 low remained the same and high end of the range decreased dramatically over last year (2.0 to 10.0 cents).

The price point where consumers (i.e. industry practitioners and homeowners) value varietal purity is unknown. Anecdotal estimates – informal survey of a several hundred participants – of homeowners and end-consumers suggests the value of a certified grass is likely greater than reported in this year's survey. When told of the benefits of certified sod, end-users indicated they are willing to pay more (e.g. $20 to $25 / 500 square foot pallet) to ensure varietal purity.

Freight and unloading fees

Freight rates per mile shipped to Atlanta, or within 100 miles of the farm, were steady in 2018 (Table 4). Costs ranged from $3.00 to $4.50 and averaged $3.58. A separate freight rate is charged by 62% of the respondents.

Four respondents (31%) reported charging an unloading fee in 2018, up from 2017. The minimum unloading fee ($75) was constant from 2017 with producers now charging between $75 and $125. Most producers (92%) will make additional drops on a load. The low-end charge was up to $35 in 2018, compared to $25 in 2017. The high-end charge decreased from $250 in 2017 to $75 in 2018. The average cost for additional drops in 2018 was $57.78; an decreased from last year's cost of $76.19.

Fuel surcharge

One respondent reported adding a fuel surcharge to a load in 2018. The rate was 15 cents per mile. Figure 4 compares the average sod price for all species grown with the average annual retail price for gasoline and diesel fuel. Over the last two years sod prices have stabilized while fuel prices took an uptick in 2017.

In January 2017, OPEC members agreed to reduce oil production by 1.2 million barrels a day. This decision appears to have influenced fuel prices throughout 2017. If this trend continues, fuel surcharges could return to the cost of delivering sod.

Markets

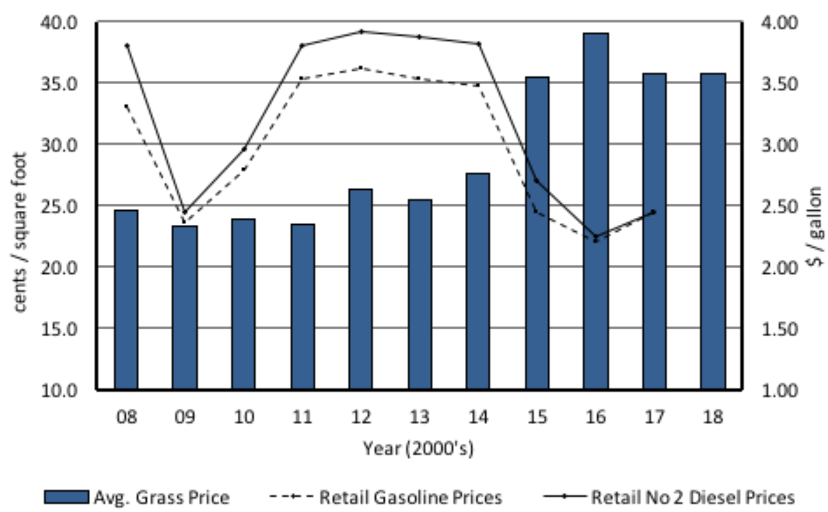
The 13 producers that participated in this survey estimated that the highest amount of sod was sold to landscape contractors (Table 5). This industry segment continues to be the perennial leader. In 2018, golf course moved into the second position. Others groups that gained in rank for 2018 were homeowners and brokers.

Acreage in production

Only one producer indicated they plan to add acres in 2018. This is a substantial decrease from the previous three years where 92% of surveyed producers reported to have added acres into production. These growers added over 1,000 acres of turfgrass since 2015. With 2018 appearing to be a slowdown in growing sod production operations, it will take another couple years of performing this survey to determine if growers are "right sizing" their farms.

Figure 4.

Ten-year comparison of average sod price with fuel cost



* Average grass price was calculated for the five turfgrass species commonly grown in Georgia.
** Average annual retail fuel cost for the Lower Atlantic region was found at www.eia.doe.gov. For 2017, the average retail fuel cost was calculated through December 4.

Table 5.

Ranking of industry segments for sale of turfgrass

Industry segments	2018 Rank	2018 Average*	2017 Rank	2017 Average*
Landscape contractors	1	39.2	1	49.0
Golf courses	2	25.0	4	15.3
Sports/Athletic fields	3	19.5	2	23.0
Homeowners	3	19.5	5	13.1
Brokers	5	18.8	7	10.9
Existing Developers	6	15.1	6	13.0
Garden centers	7	12.9	3	17.0
Landscape designers	8	0.0	8	5.0

* Average percentage of total sales.

Georgia population

For 2017, the estimated population of Georgia is nearly 10.5 million people (worldpopulationreview.com/states/georgia-population) and the Governor's Office of Planning and Budget estimates our population to reach 14.7 million people by 2030. That is a 40 percent increase in our population over the next twelve years. This presents opportunities and challenges for the green industry.

While some of these new residents will choose to live in multifamily buildings and not have an individual lawn. They will still have a desire for grassed areas in green spaces, golf courses, athletic fields, dog parks, etc. Many of these new residents will live in single-family homes with lawns. Spending on residential construction has been increasing since September 2016 (Tutterow, 2017). Similarly in Georgia, single family housing construction permits have steadily increased over that same time (Tutterow, 2017). Perhaps the sod industry is "right sizing" for now but indicators are that greater sod volume will likely be necessary over the next decade.

Summary

2018 will be a second consecutive year of steady sod prices. Similarly, inventory for all warm-season species is expected to meet market demand during the first part of 2018. It appears fuel prices are rising; which could put pressure on costs of production and delivery throughout the year. Considering the premium price for certified grass has increased since 2015, it is interesting this year the average increase in cost for certified grass fell to 2014 levels.

In years past inventory shortages were a concern and it was prudent for turf-related projects to plan well in advance to be assured grass and to get the best price possible; however, 2018 appears to be less tenuous. 2017 was a good growing year and added acres in production over the past few years seemed to have stabilized the market, for now.

About the author
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