

Supply And Demand Outlook

There seems to be some optimism concerning the outlook for the sod business for this spring. Traditionally, spring has been good for sales in most years. Recently, however, there has been not enough demand for sod. Some growers, in an effort to generate cash flow, have sold sod at or below production costs. While this is understandable, the net effect has been very negative to the sod industry.

Are landscapers charging less for the sod because they are able to buy it cheaper? I doubt it. In fact, one recently stated that his price for the sod he sells is the same as it was three years ago when he was paying growers much more for sod. He stated that he was making more money now since he was paying growers less.

While the market is not as good as it was a few years ago, there are some signs that it may improve. Let's look at a few things that may influence the market this year.

- **The economy—The Positive.** While Texas has fared better than the rest of the nation, we have been affected as well. However, economists are saying that we have bottomed out and that there are signs of recovery. New residential construction building permits were up last year in Houston by 9.4%, according to the Greater Houston Partnership. We are not where we were, or want to be, but it is a positive note after several years of declining numbers. Sales tax revenue in Texas has been up for the past ten months, indicating that consumers are more optimistic and are willing to spend money.
- **The economy—The Negative.**



Fuel costs have risen dramatically since the first of the year. Government overthrows in the Mid-East have been blamed for higher fuel costs along with bans on offshore drilling and other factors. Most growers have had to adjust fuel charges for trucking but have not been able to recover costs for on-farm use due to low prices for sod. Nationally, there is talk that Freddie Mac and Fannie Mae may be done away with. The cheap housing policy of our government has been good for our business in the past in that new homeowners have been able to buy with little or nothing down. There is talk that if government sponsored home loans are done away with, we will see demand for new homes shrink.

- **Inventory.** While it is not known how many acres of turfgrass have been taken out of production in Texas over the last two years, it is likely in the thousands of acres. High prices for corn, cotton, and other crops have made row crops appear to be more profitable than sod. In addition, some growers have put some fields in stand-by mode hoping that the market will rebound. There have also been

reports of damage to fields of sod due to flooding, winter injury and other factors. In short, there will be less sod available this year.

- **Input costs.** Rising fuel costs have been mentioned. Fertilizer and other inputs are also on the rise. Sod prices have to rise to cover the increased input costs.

The overall picture seems to be that there will be more demand for sod this year and less sod available for the market. Whether supply will exceed demand has yet to be determined. Some growers are reporting short supply for some specialized grasses. There appears to be adequate supply for public variety St. Augustine and Bermudagrasses but that could change if the demand increases.

Prices for sod need to increase to cover the increased cost of production. With increased demand and potentially lower supply, the opportunity to recoup these costs may be available this year. Growers should work with their customers to explain the need for price increases. Some growers who normally produce a Spring Price List for their customers have gone to a "call for pricing" policy due to the increased cost of fuel and fertilizer and the prospects for increased demand.