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IT'S TIME TO BUY

Because of the industry's difficult state, I gathered information about buying opportunities in the irrigation segment. The hurricanes of 2005 impaired our ability to receive raw materials needed to manufacture irrigation products, as well as the refineries needed to fuel the extruding, causing prices to skyrocket.

Allied products (pipe, wire, fittings, etc.) constitute between 30 and 40 percent of the total cost of an irrigation system budget. Therefore, the hurricane-related price increases and global demand for allied products have caused increases as much as 100 percent for goods in a short period. These increases, along with the workload contractors were carrying in 2005 and 2006, made projects extremely expensive and created challenges to purchasing quality goods and scheduling installations.

But that's not the case now. We've seen incredible buying opportunities related to irrigation system renovations or new installations that are the opposite of what was happening four years ago. Here's what various experts in the manufacturing and distribution segments are encountering.

With about 200 miles of wire on an average 18-hole golf project, the copper market's volatility has a significant impact on the irrigation industry. In the middle of 2008, according to the London Metals Exchange,

the world copper inventories were about 120,000 tons, and copper was at about \$4 per pound, says Vince Nollelli, vice president of irrigation and lighting operations at Paige Electric Co. By the end of 2008, the inventory levels had increased to 340,000 tons, and copper dropped to \$1.29 per pound. The copper market, like other commodities, responds to supply and demand.

"Right now, there's never been a better time to execute a construction project," Nollelli says.

Like copper, piping (which can equate to about 25 miles on an average 18-hole project), was hit hard by the hurricanes of 2005 and world demand; plus, it's affected by petroleum costs.

Raw material pricing has stabilized finally, says Jack McDonald, president and chief executive officer of Lasco Fittings. With continued declines in the housing market and recent reversals of energy pricing, material costs have returned to normal again.

"Since 2005, procurement of steel, concrete and plastic has been a nightmare for the golf industry," McDonald says. "Gone are energy surcharges, material shortages and capacity constraints that forced suppliers to quote product at the time of shipment. Right now is a great time to construct an irrigation system because courses can se-

cure materials at favorable rates without the fear of unbudgeted price increases and costly overruns."

Before, quotes for irrigation projects expired quickly, and delivery dates couldn't be secured. These two issues gave contractors and owners heartburn. Those days are over. Like copper, prices have stabilized and declined, and you can receive materials in a timely manner.

Regional product distributors have had an enormous challenge packaging all the components – allied and whole goods – necessary to install an irrigation system. Distributors know firsthand about the price increases from 2005 because of the challenges related to warehousing and transportation costs.

"Based on projects quoted last summer, we're realizing an across-the-board cost decrease of 26 percent, seemingly from stabilized overhead costs and drastically decreased PVC and wire costs," says Craig Jerome, golf irrigation sales manager for MTI Distributing, which covers seven states throughout the upper Midwest.

John Goetz, vice president and manager of Hector Turf, a southwest distributor, says the company compared costs, and if it uses a bill of material of \$1 million from a project 8 to 12 months previously, that same bill of material would be decreased by about 26 percent, or a difference of \$260,000.

"I've been in this business for 41 years, and this is the most drastic change in material cost over such a short time frame," Goetz says. "This is a great opportunity to save large costs."

The other factor is the labor cost and how contractors are willing to make reductions.

"We just went through a major renovation bid, and this is the first time the architect saw bids come in \$1 million below budget," Goetz says.

The cost of money is conservatively 2 to 3 points lower than 12 to 18 months ago. The cost of goods has declined as much as 25 percent, and contractors have great incentives to keep their people working. For any golf course considering a 25- to 30-year irrigation investment, it makes business sense to take advantage of the environment we face today and secure a healthy future. **GCI**

ONE-YEAR COPPER SPOT

