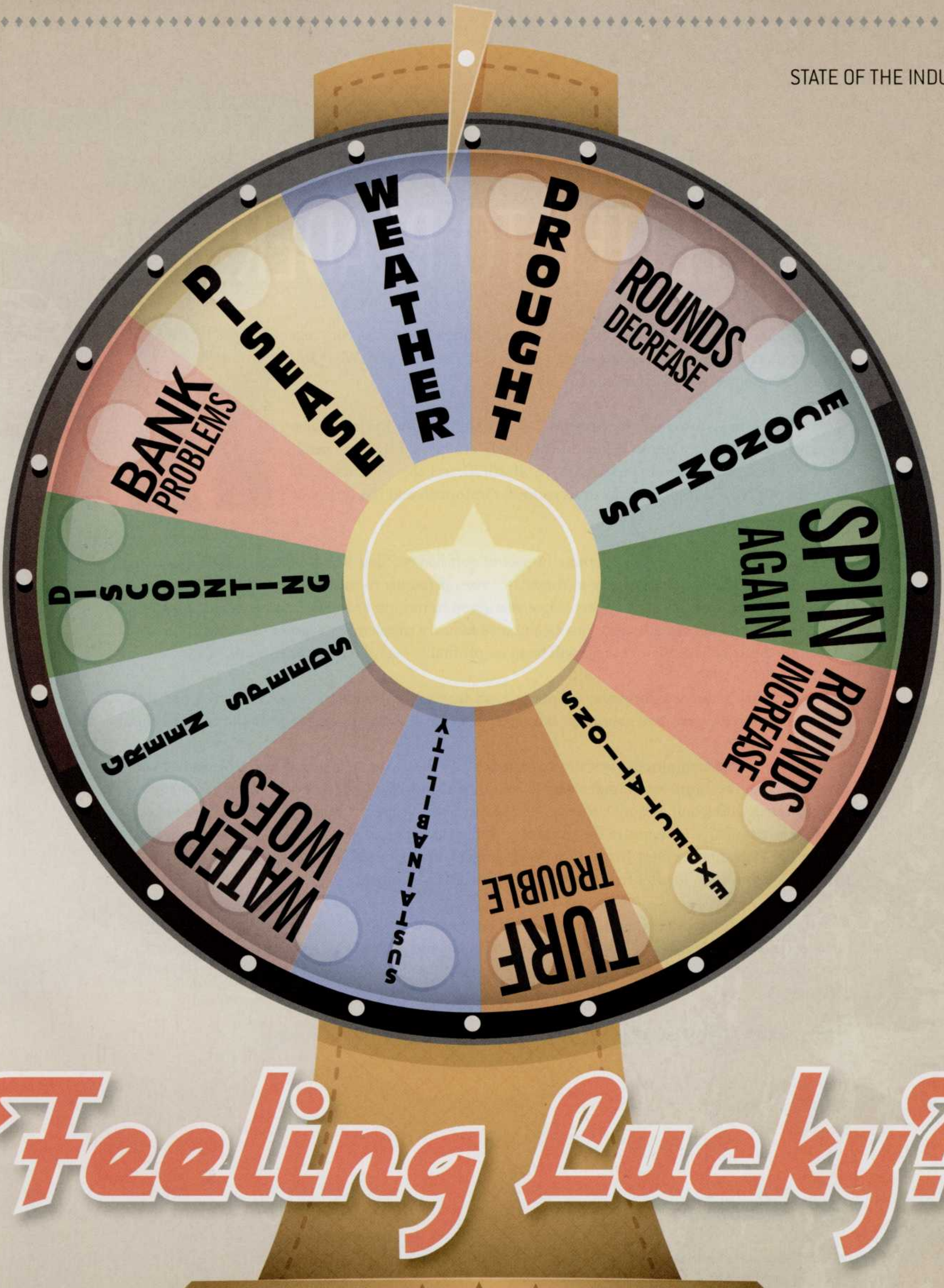


Feeling Lucky?

Cautious optimism prevails throughout the industry, but is it justified?

A LETTER TO READERS


Schwenke

AT SYNGENTA, we continually recognize, support and celebrate the vital role superintendents play in the ongoing improvement to the game of golf. We thank you for creating and maintaining these courses.

We are proud to sponsor the State of the Industry supplement in *Golf Course Industry*. The research you will find in this study completed by your peers parallels the upward trends reported by Golf 20/20 and the National Golf Foundation (NGF). It gives many of us cause for optimism and the future of this great industry.

According to Golf 20/20[1], the economic impact of golf has reached $68.8 billion in 2011 (up from $62 Billion in 2000) and according to the NGF[2], even if rounds remained flat in the 4th quarter of 2012, the golf industry saw the largest single year jump in rounds since 2000, with a gain of over 30 million rounds. This explains why this *Golf Course Industry* supplement reports that roughly half of superintendents believe their courses will be more profitable over the next three years.

As the industry remains optimistic, we understand that superintendents have been stretched thin over the last three years. You have been extremely creative and resourceful to grow the game of golf.

At Syngenta, we are committed to working together, side-by-side with superintendents, GMs and owners to create a positive future for the game of golf. We are not only steadfast in developing game-changing products such as Daconil Action™, Briskway™, Secure™ and Appear™ fungicides, but the core of our business is to be active investors in the education of superintendents. That is why we created programs such as the Syngenta Business Institute at Wake Forest University and provide funding to ensure that the GCSAA continues to offer free educational webinars to members.

As we all look toward the future, Syngenta will continue to provide this industry with innovative products and technology, while engaging in the daily needs and professional growth of superintendents.

Sincerely,

Stephanie Schwenke
Golf Market Manager
Syngenta

syngenta®

[1] The 2011 Golf Economy Report, Golf 20/20, October 2012.
[2] 2012 Rounds up Significantly. Who's benefiting, NGF, November 2012

Feeling Lucky?

Cautious optimism prevails throughout the industry, but is it justified?

The Editors

What a difference a year makes. A slowly recovering economy coupled with a nearly non-existent winter and early spring was just enough to increase rounds played and put a silver lining on industry outlooks. GCI's 2013 State of the Industry research seems to indicate that superintendents are "cautiously optimistic" about not only the industry, but their own futures, as well.

Sure, the phrase "cautiously optimistic" has become almost cliché since we've begun the slow crawl out of the recent Great Recession. For the golf industry, though, this "caution" is emphasized through lean practices, tighter operations and more astute resource management.

No one expects a return to the industry's golden era of free spending and growth, but the funding that was cut isn't rushing back into budgets, either. This year as compared to last, budgets are basically flat. However, compared to last year's State of the Industry findings, more than two thirds (68 percent) of golf course facilities were in the black. The biggest rebound was seen at non-private courses, with 42 percent making money and 23 percent breaking even.

What superintendents anticipate, though, is that more focus will be placed on playing conditions, tight resource management (financial, material, personnel) and sustainability.

While they aren't necessarily being asked to do more with less, they are certainly being asked to do the same with less – 72 percent have experienced a budget cut in the past three years, and those cuts have touched nearly every budget area. However, spending will not be stagnant. Overall, private facilities will be investing the most in capital projects this year (an average of \$60,000) with an anticipated boost in 2014 (\$72,000), which runs contrary to overall flat spending (\$50,000) for 2013 and 2014 for the industry as a whole.

Greater profitability is expected in the years to come, though. Around half of superintendents believe their courses will be more profitable in three years and 42 percent expect things to be the same, according to the data. Likewise, non-private courses were the most optimistic about profitability or at least breaking even. More than half projected prolonged economic viability, and only 4 percent anticipated continued financial losses, whereas 44 percent of private clubs anticipated the status quo and 9 percent projected continued loses.

There has to be some assumption in the anticipation of greater profitability that there will be an increase in play or membership and/or fees or dues. Unless these increases are dramatic, cost control is also going to play a critical role.

Costs are going to be difficult to maintain given the need for equipment upgrade/replacement, labor costs, fluctuating fuel prices, etc.

Equipment, particularly, seems to have suffered as a result of the downturn as it is a primary focus for most this year. As the recession hit and budgets contracted, superintendents delayed big-ticket equipment purchases, instead choosing to get more mileage out of the equipment they already had on hand. Heading into the new year, though, replacement is essential to avoid setback in maintenance schedules and standards. At the top of their 2013 equipment wish lists, superintendents indicate they'll be purchasing utility vehicles (35 percent), greensmowers (31 percent) and rotary mowers (24 percent).

Amidst the turmoil, though, superintendents remain committed. For example, 79 percent would still become superintendents despite the fact that 35 percent have not received a raise in the last three years or longer.

Given the realities of everything outlined above, superintendents and their staffs are going to have to operate at unprecedented levels of efficiency and productivity. Likewise, the penetration of smart devices suggests they are pursuing avenues to be more effective resource managers.

Budgets: BY THE NUMBERS

Excluding water costs, what is your non-capital operations budget, including labor and overhead?

Overall	Private	Non-Private	Budget<$500K	Budget $500K+
$622,500	$797,000	$483,500	$300,000	$850,000

Capital operations budget breakdown

Line Item	Overall	Private	Non-Private	Budget<$500K	Budget $500K+
Water	$32,413	$29,373	$35,019	$11,143	$43,501
Fuel	$28,000	$35,000	$23,500	$17,000	$35,000
Mowing/cultivating equipment	$25,000	$29,000	$20,000	$12,000	$34,500
Handheld equipment	$2,000	$2,800	$1,200	$1,000	$2,500
Course accessories	$4,000	$5,000	$3,000	$2,500	$5,000
Electricity & natural gas	$16,000	$18,500	$15,000	$12,000	$21,000
Shop tools	$1,500	$2,000	$1,000	$1,000	$2,000
Irrigation parts, heads and maintenance	$7,500	$10,000	$5,500	$4,350	$10,000
Fungicides	$25,000	$35,000	$15,000	$14,000	$30,000
Herbicides pre-emergent	$5,000	$6,500	$3,000	$2,000	$7,100
Herbicides post-emergent	$2,500	$3,000	$2,200	$1,500	$3,648
Insecticides	$3,000	$4,500	$2,500	$2,000	$4,500
Granular fertilizers	$15,350	$20,000	$14,000	$10,000	$22,163
Liquid fertilizers/biostimulants/foliars	$6,250	$8,000	$5,000	$3,500	$10,000
Wetting agents	$4,000	$4,000	$3,000	$2,000	$5,000
Plant Growth Regulators (PGRs)	$3,500	$4,000	$2,500	$1,500	$4,500
Seed	$2,500	$2,700	$2,500	$1,500	$3,061
Aquatic weed control/water quality issues	$500	$1,000	$500	$1,001	$1,000

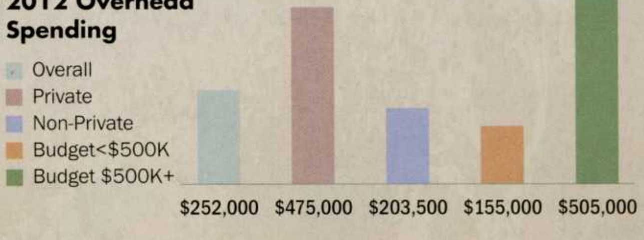
Compared to last year, how is your budget this year?

Line Item	Overall	Private	Non-Private	Budget<$500K	Budget $500K+
Down more than 20%	2%	1%	2%	3%	1%
Down 11% to 20%	7%	7%	6%	9%	5%
Down 1% to 10%	25%	21%	27%	26%	24%
Flat/Unchanged	37%	31%	41%	39%	35%
Up 1% to 10%	27%	36%	20%	20%	32%
Up 11% to 20%	2%	4%	1%	2%	3%
Up more than 20%	1%	0%	1%	1%	0%

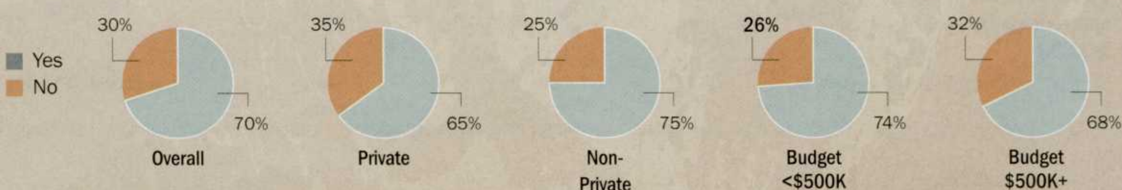
BUDGET REDUCTIONS

Nearly three quarters (70 percent) of all courses experienced budget setback at some point over the last three years. That hit was felt most often at non-private facilities with operating budgets of less than $500,000. As a result, superintendents were forced to make cuts. Overall, seasonal laborers were the first slashed from budgets, followed by reductions in equipment spending. However, for the majority of courses, conditioning standards were a hands-off item when it came to budget cuts.

2012 Overhead Spending



Have you reduced your budget at any time during the past three years?



FINANCIAL CHALLENGES

Equipment replacement leaped ahead to become one of the top financial challenges superintendents anticipate in 2013. It followed close behind labor costs (34 percent) and far superseded fuel costs (12 percent). According to the 2012 GCI State of the Industry research, energy was the top budget concern (30 percent), followed by rising fuel costs (28 percent) and labor costs (25 percent). Equipment replacement (5 percent) was among the three least-pressing financial challenges, followed by chemical spending (3 percent) and regulatory compliance (1 percent). Energy ranked near the bottom of current financial worries for superintendents. Financing equipment replacement was most worrisome among superintendents at courses with less than a $500,000 operational budget (40 percent).

What have been the cost-cutting measures?

Line Item	Overall	Private	Non-Private	Budget <$500K	Budget $500K+
Reduced equipment spending	68%	63%	71%	68%	68%
Seasonal labor reduction	78%	75%	80%	86%	73%
Reduced chemical spending	57%	58%	56%	59%	56%
Deferred capital spending	61%	55%	65%	63%	59%
Reduced fertilizer spending	64%	61%	66%	60%	67%
Full-time labor reduction	65%	64%	65%	57%	70%
Rolling back conditioning standards	32%	24%	37%	39%	27%
Other	6%	8%	5%	5%	7%

What is your greatest 2013 budget challenge?

Line Item	Overall	Private	Non-Private	Budget < $500K	Budget $500K+
Rising fuel costs	12%	12%	12%	11%	13%
Labor costs	34%	34%	34%	27%	38%
Chemical spending	7%	7%	7%	6%	7%
Equipment replacement	31%	32%	30%	40%	26%
Regulatory compliance	2%	2%	3%	2%	3%
Energy/electricity costs	4%	2%	5%	4%	3%
Other	10%	11%	9%	10%	10%

Capital spending

Equipment purchasing continues to be an emphasis of capital spending, according to State of the Industry data, and is in line with 2012 data. However, less focus seems to be on major irrigation upgrades (only between 1 percent and 2 percent of spending focus), whereas last year those figures were between 5 percent and 8 percent.

Overall, private facilities will be investing the most in capital projects this year (an average of $60,000) with an anticipated boost in 2014 ($72,000), which runs contrary to overall flat spending ($50,000) for 2013 and 2014 for the industry as a whole.

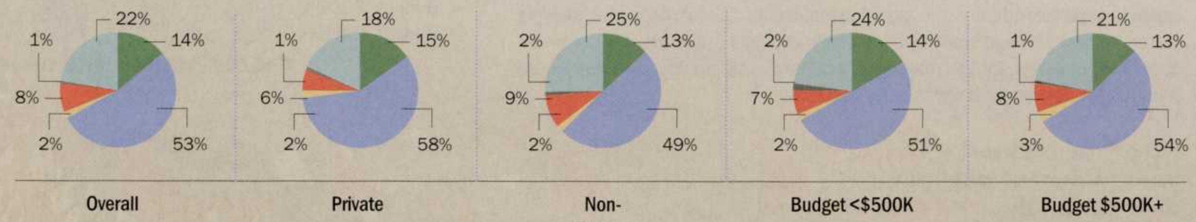
Planned 2013 capital projects/purchasing budget

Overall	Private	Non-Private	Budget <$500K	Budget $500K+
$50,000	$60,000	$32,500	$15,000	$62,000

Projected 2014 capital projects/purchasing budget

Overall	Private	Non-Private	Budget <$500K	Budget $500K+
$50,000	$72,000	$30,000	$20,000	$75,000

What is the primary focus of your capital spending in 2013?



Course renovation · Equipment purchases · Major irrigation upgrade · Infrastructure/buildings · Major irrigation upgrade · Other

Source: GCI Research

Career

Despite all of the pressures and sacrifices that come with the job, superintendents say they wouldn't have it any other way. In fact, more than three quarters (78 percent) – knowing what they know now – would still choose to become a golf course superintendent. That's quite a testament to the turf-head profession, especially since around 35 percent of superintendents indicate it's been three years or longer since the last pay raise.

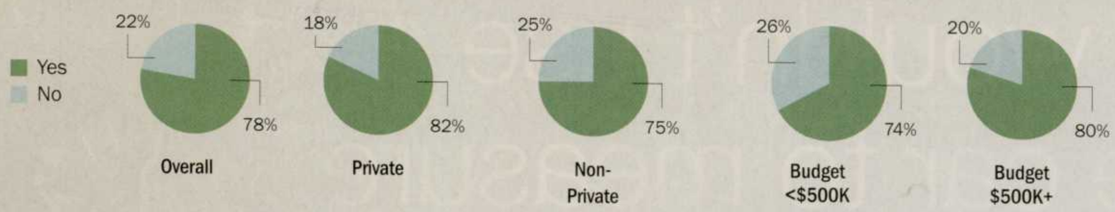
Total annual compensation, including salary, benefits and perks

Overall	Private	Non-Private	Budget <$500K	Budget $500K+
$85,000	$98,000	$75,000	$61,000	$100,000

When was the last time you received a raise?

Line Item	Overall	Private	Non-Private	Budget <$500K	Budget $500K+
Less than a year ago	28%	31%	25%	20%	32%
1 year ago	25%	25%	25%	20%	27%
2 years ago	12%	10%	14%	14%	11%
3 years ago	10%	8%	11%	12%	9%
4 years ago	8%	12%	5%	6%	9%
5 years ago	7%	7%	7%	11%	6%
More than 5 years ago	10%	7%	13%	17%	6%

Knowing what you know now, would you have still become a golf course superintendent?



Course Health

BREAKING BETTER

More than two-thirds (68 percent) of golf course facilities were in the black last year, with a third (38 percent)indicating they made money in 2012, according to GCI's State of the Industry research. More than half anticipate this trend will continue for the next few years. This is a modest, yet encouraging, shift out of the red from last year's State of the Industry data, when 38 percent of courses reported that they lost money, and only 32 percent were profitable.

The biggest rebound was with non-private courses, with 42 percent making money and 23 percent breaking even. Likewise, non-private courses were the most optimistic about profitability or at least breaking even. More than half projected prolonged economic viability, and only 4 percent anticipated continued financial losses, whereas 44 percent of private clubs anticipated the status quo and 9 percent projected continued loses.

Economic viability in 2012

	Overall	Private	Non-Private	Budget <$500K	Budget $500K+
Made money	38%	34%	42%	36%	40%
Broke even	30%	40%	23%	27%	32%
Lost money	32%	26%	35%	37%	28%

Economic viability in three years

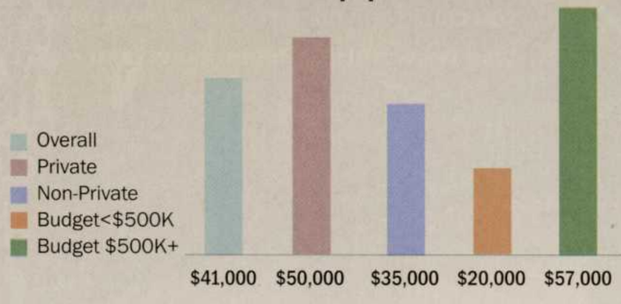
	Overall	Private	Non-Private	Budget <$500K	Budget $500K+
More economically viable	52%	47%	56%	53%	52%
The same	42%	44%	40%	39%	42%
Less economically viable	6%	9%	4%	8%	6%

Equipment

Utility vehicles appear to be at the top of superintendents' 2013 equipment purchasing lists, according to State of the Industry data. This trend is highest among superintendents at private clubs (42 percent), the group who also have the largest spending budget – on average around $50,000. However, a little more than a third (35 percent) of superintendents indicated they had no equipment purchasing plans for 2013, with nearly half (46 percent) of superintendents at facilities with budgets of less than $500,000 indicating they had no plans for equipment purchases.

Among mowers to be purchased or leased in 2013, greensmowers (31 percent) are at the top of the list, followed by rotary (24 percent) and fairway mowers (19 percent). Finally, only 12 percent of superintendents said their 2012 equipment purchases were made to avoid equipment price hikes due to Tier IV emission-compliant equipment regulations that go into effect this year.

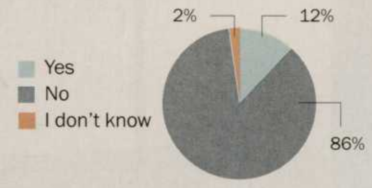
Average annual spend on mowing/ cultivation equipment



What new equipment do you plan to purchase/lease in 2013?

Line Item	Overall	Private	Non-Private	Budget <$500K	Budget $500K+
Greensmower(s)	31%	36%	27%	26%	34%
Rotary mower(s)	24%	29%	20%	20%	27%
Fairway mower(s)	19%	22%	16%	13%	23%
Utility vehicle(s)	35%	42%	29%	21%	43%
Top Dresser(s)	10%	14%	7%	7%	13%
Vacuum/Blower(s)	10%	10%	11%	5%	14%
Other	27%	37%	19%	17%	33%
None	34%	26%	40%	46%	27%

Did you purchase equipment in 2012 specifically because of Tier IV regulations that go into effect in 2013?

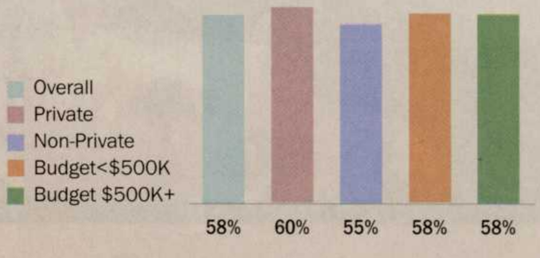


Labor

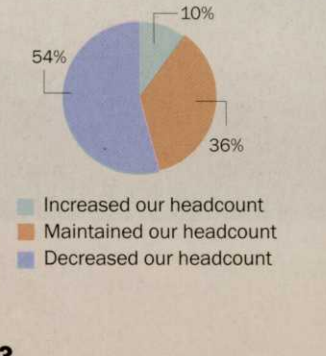
PEOPLE POWER

Labor costs eat away at nearly 60 percent of the average superintendent's budget. During the last five years, more than half of superintendents said they decreased their headcounts, with nearly 60 percent non-private club superintendents making personnel cuts. Only a slim margin – big budget (13 percent) and private facilities (15 percent) – reported taking on new crew members.

What percent of your operational budget is labor costs and non-turf overhead?



How has your headcount changed in the last five years?



What is the hourly rate for the following employees?

Line Item	Overall	Private	Non Private	Budget < $500K	Budget $500K+
Assistant superintendent	$18	$18	$17	$15	$19
Mechanic	$18	$20	$17	$15	$20
Crew member/Laborer	$11	$11	$10	$10	$11
Seasonal employee	$9	$9	$9	$9	$9

Source: GCI research