2014

State of the Industry

Our State of the Industry analysis looks to the past to see how the industry is moving forward.

Presented in partnership with

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Schwenke

We realize your role as mentor, protector and innovator depends on strong market knowledge to stay ahead of the curve. Sponsoring the research in this year's Golf Course Industry State of the Industry supplement is one small way we can provide information that helps you make decisions at your course to preserve beautiful green spaces, protect the environment and grow the game of golf.

You are asked to control the uncontrollable. From droughts and floods to disease, insects and the economy, we are honored to stand by your side in support and offer innovative products where they fit your course best. In our own way, we work hard to protect every angle and consider every element of your turf as we work together.

One quick look at the past year's golf rounds played, average temperatures and precipitation rates shows the adversity you face[1]. Depending on where your course is located, rounds played may be up with precipitation down significantly, making it difficult to maintain course aesthetics. Conversely, where rounds are down, helping grow the game to increase revenues is a challenge.

At Syngenta, we've worked diligently to help alleviate stress where we can, but we continue to identify ways in which we can support you and the game:

- Syngenta Business Institute™ – provides superintendents with continuing business education
- Weevil Trak – helps anticipate annual bluegrass weevil movement, tracking and treatment
- Green Cast® Online – website that shares research, development and innovations
- GreenTrust™ 365 – product assurance program with year-long rebates and rewards
- GCSAA Educational Webinars – provide information and insight on current issues
- EcoMeasures™ – helps reduce the carbon footprint of your course
- Operation Pollinator® – creates ideal habitats for pollinators
- Agronomic Plans – best products, at the right time—tailored to fit your needs
- Strategic Partnerships to Grow the Game – active involvement in GCSAA, NCGOA, WGF, RISE, Turfgrass Producers International, Aquatics Ecosystem Restoration Foundation, Aquatic Plant Management Society, The First Tee, Get Golf Ready, Tee it Forward, PGA Junior Golf League and Sticks for Kids

According to the GCI State of the Industry research, our industry has certainly evolved over the past year. Regardless of where you fit within the results, we at Syngenta stand ready to help with any challenges you face.

Sincerely,

Stephanie Schwenke

Stephanie Schwenke
Golf Market Manager
Syngenta

syngenta

[1] National Golf Rounds Played Report, NGF, September 2013

WHAT'S DONE IS DONE. What's in the past should stay in the past, and what's most important now is to take the recent gains and focus on the future. That's the prevailing attitude circulating through much of the golf industry, one that's persevered through thick and thin these past few years. Five years post the Great Recession, it appears many turf maintenance programs have begun to shed their budgetary shackles and focus again on growing turf and the game of golf.

For the purpose of this year's State of the Industry report, GCI editors analyzed the data against data from the 2013 (examining 2012 trends) and 2012 (looking at 2011 trends) reports. To provide a more accurate assessment of industry trends, when appropriate, we also looked at trends as they relate to the number of holes (18 vs. 18-plus)

Sure, staffing levels may not yet be back to pre-Recession levels and budgets aren't back up to snuff, but there is cause for optimism. For example, nearly a quarter of respondents (roughly 20 percent) report they've either recovered 100 percent or are ahead of pre-recession business levels. Another third (28 percent) indicate their budgets are back to or exceeding 2007 levels.

During the last quarter of 2013, Golf Course Industry created and distributed its annual State of the Industry survey online via eblasts, social media and through its website golfcourseindustry.com. The research, administered via SurveyMonkey, was developed to gauge the overall fiscal condition of the turf maintenance side of the golf industry and to chart other industry-wide trends and tendencies as they relate no only to the business of golf course maintenance, but also the personal and professional issues facing golf course superintendents.

GCI had more than 400 superintendents from public and private courses around the United States complete the survey. As an

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

2013	2012	2011
$763,250	$622,500	$75,978

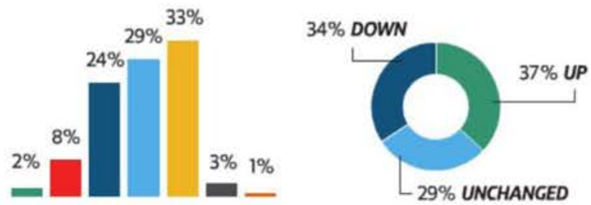
Annual Budget Breakdown

LINE ITEM	2013	2012	2011
Water	$40,949	$32,412	$26,379
Fuel	30,078	28,000	37,788
Mowing/ Cultivating equipment (non-capital)	26,738	25,000	60,054
Handheld equipment	2,839	2,000	3,705
Course accessories	4,644	4,000	5,556
Energy	2,5615	16,000	29,201
Shop tools	2,682	1,500	3,765
Irrigation parts, heads and maintenance	9,370	7,500	11,164
Fungicides	32,759	25,000	40,356
Herbicides – Preemergent	7,770	5,000	11,078
Herbicides – Postemergent	4,477	2,500	5,569
Insecticides	6,963	3,000	7,893
Granular fertilizers	20,043	15,350	27,655
Liquid fertilizers/biostimulants/foliars	12,730	6,250	12,983
Wetting agents	5,753	4,000	5,581
Plant Growth Regulators (PGRs)	5,247	3,500	6,645
Seed	5,196	2,500	7,629
Aquatic weed control/ Water quality issues	3,019	500	2,630

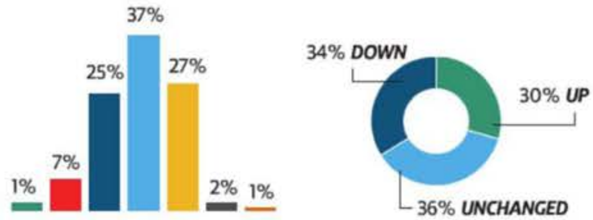
Year over year budget comparison

- Down more than 20%
- Down 1% to 10%
- Up 1% to 10%
- Up more than 20%
- Down 11% to 20%
- Flat/Unchanged
- Up 11% to 20%

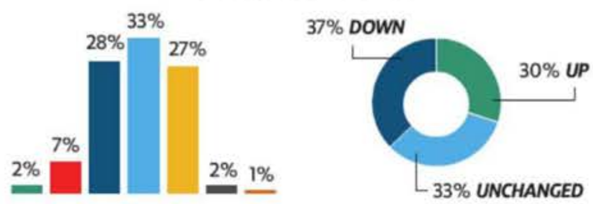
2013 VS 2012



2012 VS 2011



2011 VS 2010



added incentive to complete the survey, GCI committed to making a substantial donation to the Wee One Foundation, a charity group started in memory of Wayne Otto, CGCS, that helps superintendents and other turf professionals in need.

Without a doubt, the industry is on the road to recovery – albeit a long and winding road. What's important is to keep that view of an industry wasteland in the rearview mirror and focus on the stats ahead.

Here are some of the highlights from this year's State of the Industry research.

Budgets

More than a third of facilities (37 percent) report working with increased budgets in 2013, according to the data, while a third (34 percent) reported working with fewer financial resources than in 2012. Nearly another third (29 percent) reported their budgets remained stable.

For those courses with flush budgets, 33 percent reported the increase ranged from 1 percent to 10 percent, and only 1 percent experienced a jump of more than 20 percent. On the opposite end, the majority (24 percent) of those who had to make due with fewer resources saw those cuts range from between one percent and 10 percent. Only 2 percent reported a drastic slide of 20 percent or more.

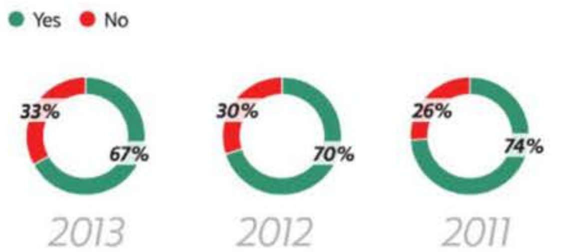
We asked the same question as part of our 2012 State of the Industry research. Interestingly enough, 30 percent of facilities reported more financial resources in their budget, while 34 percent reported their budgets had taken a financial hit.

Line by line, budgets numbers have steadily been increasing for water and energy, as well as chemical expenditures, including fungicides, herbicides and insecticides. In addition, spending spikes are seen in spending on aquatic weed control and seed, according to the data.

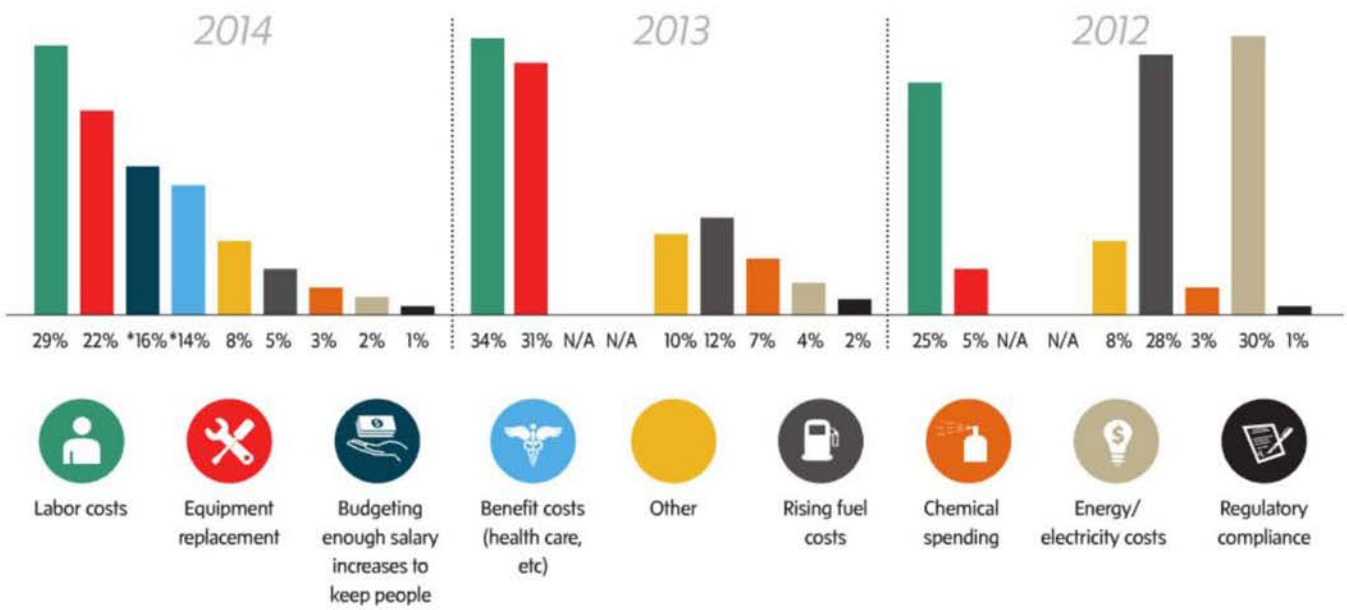
Capital improvements

In addition to being a budgetary challenge (31 percent of respondents earmarked it as such) equipment purchasing and replacement remains king when it comes to capital expenditures. For three years now earmarking dollars for equipment is a top budgetary priority.

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



Greatest budget challenges



Editor's note: The options of "Budgeting enough salary increases to keep people" and Benefit costs" were not included in the 2013 and 2012 State of the Industry research.

This year, more than half (56 percent) indicated equipment purchases were a primary focus of capital spending. Utility vehicles and greensmowers are at the top of purchasing lists, according to the data.

It should be noted that this year is the first year we offered various renovation projects as separate options in the survey. Taking that into account, renovation projects – overall course, bunker and greens renovations – comprised about 17 percent of respondents' feedback on capital expenditures. This was a slight boost over 2013 (14 percent) and 2012 (15 percent).

Contrary to recent industry discussion and the fact that water remains a major budgetary expenditure, replacement or upgrading of irrigation systems – either in full or in part – remains a low priority, according to the research data.

Given the emphasis placed on the efficient use of water resources, this begs the question as to why irrigation doesn't receive more focus. It's a conundrum given the fact that more than half of respondents believe they could adequately prove the return on investment of an irrigation project. Perhaps it's the price tag. According to respondents engaged in irrigation projects, the average cost runs just shy of $250,000

However, those engaged in irrigation projects seem to be focused on nozzle and head replacement. The least popular projects were whole system replacement and head reduction. ■

Economic health

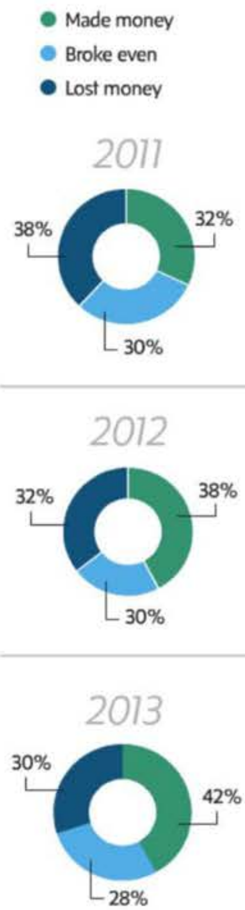
OVERALL, SUPERINTENDENTS have remained optimistic about their facilities' economic viability, specifically within a three-year time frame.

We first asked this question three years ago, and at the time 58 percent of respondents predicted a more lucrative economic future in three years. Today, 55 percent of superintendents see a more economically viable future in three years. However, 39 percent (compared to 34 percent in 2011) believed viability would remain consistent and unchanged. Those seeing a more dour future dropped a bit from 8 percent in 2011 to 6 percent the last two years.

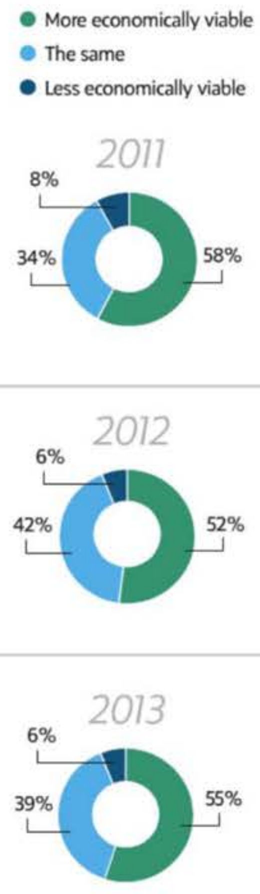
For the most part, superintendents were in line with their three-year outlooks. According to the data, the percent of golf course facilities that remained in the black rose consistently during the last three years, from 62 percent in 2011 to 68 percent in 2012 and 70 percent in 2013. Likewise, courses that turned a profit increased during that time period, from 32 percent in 2011 to 38 percent in 2012 and nearly half (42 percent) in 2013.

So what are the biggest roadblocks to economic bliss? According to superintendents, the top three factors impacting the future health of their facilities include lack of marketing, slow play, and round discounting by competitors.

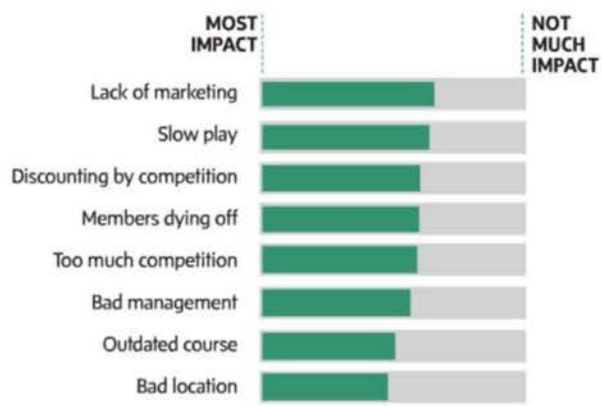
Did your facility make money or lose money?



Do you believe your facility will be more or less economically viable three years from now?



What impact will each of the following have on the future health of your facility?



Source: State of the Industry research

Capital improvement

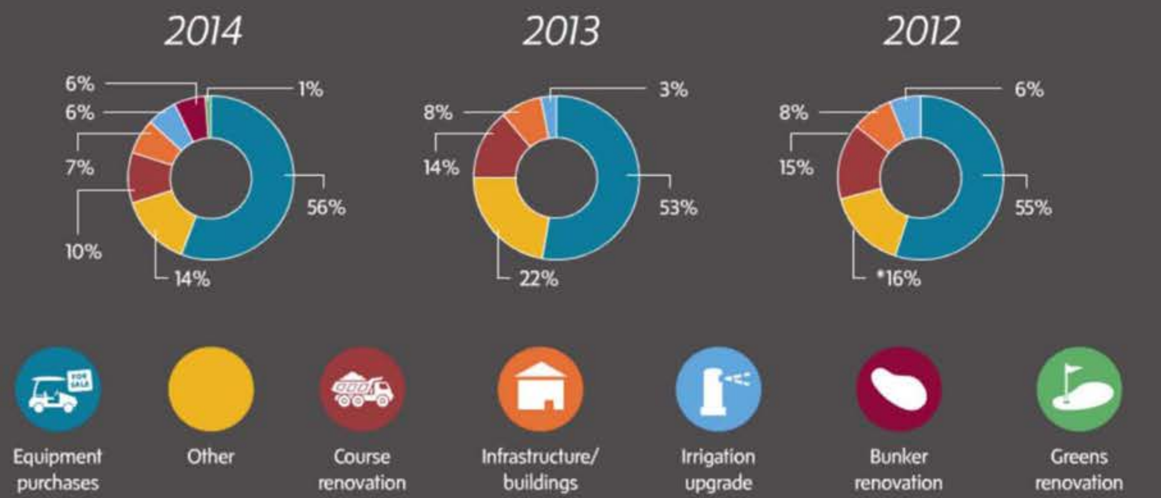
CONTRARY TO THE FEEDBACK in other areas of the research, a certain air of pessimism can be detected when respondents address capital improvement projects. Equipment purchasing remains the No. 1 focus of these funds, followed far behind by course renovation and improvement projects.

It should be noted, that this year is the first time we separated out some of the course renovation projects instead of just lumping them into one category. Taking that into consideration when comparing against the last two years' worth of data, "course renovation" projects would account for approximately 17 percent of capital spending in 2014.

However, when asked about other areas, respondents left remarks like "Need capital in order to spend it!", "Just trying to survive," and "There's no capital to spend... just [money for] fuel and chemicals."

Since "equipment" is a major target for capital funds, the top-planned equipment purchases included utility vehicles (37 percent) and greensmowers (34 percent). And "Other's" No.1 ranking (42 percent) is a bit deceiving because respondents were asked to select all choices that applied to them. In this category, respondents indicated they'd be investing in sprayers, rough mowers, fans, trim mowers, rollers, reels, trailers and small equipment.

What is the primary focus of your capital spending in 2014?



*Other responses included: tee building and renovation projects; addressing erosion and drainage issues; and resuming maintenance standards.

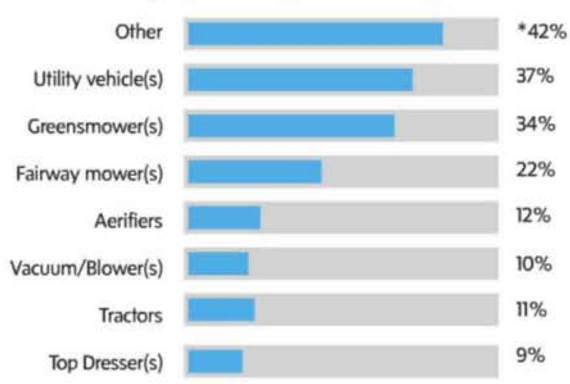
Planned 2014 capital improvement budget

$119,581

Projected 2015 capital improvement budget

$105,152

Planned equipment purchasing in 2014



"Other" responses included: sprayers; rough mowers; fans; trim mowers; rollers; reels; trailers; and small equipment.

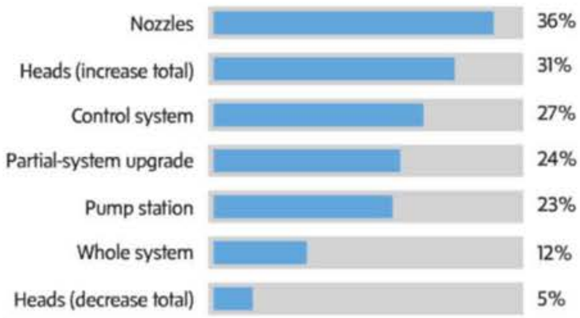
Irrigation upgrades

NEARLY TWO THIRDS (66 PERCENT) of respondents did not believe an irrigation upgrade would make their facilities more competitive in their markets. This data is in line with respondents' attitudes toward placing a low priority on irrigation upgrades.

However, explaining the return on investment for such a project is not a problem. More than half (55 percent) of those seeking upgrades believe they can adequately justify to their boards or ownership the need for everything from nozzle and head upgrades to whole system upgrades.

And those planning to upgrade seem to be targeting nozzle replacement (36 percent), according to the data. Interestingly enough, despite recent industry debate about increasing irrigation efficiency through sprinkler head reduction, respondents didn't seem to be leaning in that direction. In fact, 31 percent indicated their upgrade plans included increasing the total number of heads, whereas only 5 percent indicated plans to reduce head totals.

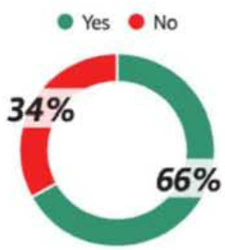
Plans to upgrade any of the following irrigation components in the next two years?



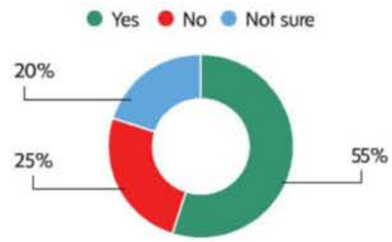
Average irrigation project cost

$223,025

Do you need to upgrade your irrigation system to be more competitive?



Regarding the approval process for a proposed irrigation upgrade, do you have the ability to demonstrate a return on investment (ROI) to your board or ownership?



FIVE YEARS AFTER

IT'S BEEN A LONG TOUGH road out of the mire that was The Great Recession. Five years later the majority of golf courses indicate they're still are up to normal staffing levels, and nearly half say their overall and capital budget, as well as revenues, have yet to return to pre-recession levels.

While the overall 2013 State of the Industry data would point that the industry is on the road to recovery, only a slim number of courses indicated they'd recovered fully (11 percent) and were actually ahead of pre-recession business levels (10 percent.)

Five years past the recession, how is your operation still different?