

Sod Pricing Policy Chief Industry Need

Sod growers have consistently been unable to establish firm prices for their product. In a relatively new industry, there is always the threat of price cutting in the face of any reduced demand, or in instances when there seems to be a greater supply than necessary for immediate market demands.

Henry W. Indyk, executive secretary for the American Sod Producers Association, in a recent statement to members, discussed the slow-down in the economy and a resultant reduced demand for sod in many areas. Price cutting has resulted. This trend, Indyk said, should be of considerable concern to the sod industry, particularly when cost of production is steadily increasing. Indyk points to the experience of other agricultural commodity producers when they were panicked into price cutting.

A basic problem in pricing, he further stated, is that many sod producers do not know their actual costs of production. This stems many times for having less than adequate cost accounting procedures. In order to manage a profitable sod enterprise, Indyk believes complete and accurate knowledge of all costs of production is vital in establishing a price. Because of this important relationship of cost accounting, he said, the ASPA is in the process of developing of cost accounting procedures for ASPA members.

Key questions for a producer to consider, Indyk stated, are: (1) Will the price be above or below actual cost of production; and (2) How much of an increase in volume of sales will be necessary at a reduced price to realize the same net return at the old price?

To partially answer this second question, Indyk recently sent grower members some data accumulated by Donald D. Juchartz, a Michigan State University county Extension Director. Juchartz has long worked with Michigan sod producers.

His data show that a 20% price cut (from 33¢ to 27¢ or from 5¢ to 4¢) means that a 400% increase in



Henry W. Indyk

volume is necessary to make the same profit obtained before the price was lowered. The following table will serve as a guide for price changes:

Price Cut	Necessary Increase in Sales
3%	13.6%
5%	25.0%
7½%	42.8%
10%	67.0%
15%	150.0%
20%	400.0%

The following table shows what (values are approximate) happens when the process is reversed or prices increased:

A 3% increase means the same profit on 90.0% of the same volume.

A 5% increase means the same profit on 83.5% of the same volume.

A 7½% increase means the same profit on 77.0% of the same volume.

A 10% increase means the same profit on 70.5% of the same volume.

A 15% increase means the same profit on 64.5% of the same volume.

A 20% increase means the same profit on 57.5% of the same volume.

However, Indyk in his report also pointed out to member growers that certain developments in the economy point to a bright future. He listed: (1) Healthy advances in retail trade; (2) Upsurge in the stock market; (3) Availability of money at lower interest rates; (4) Building boom in housing; (5) Slow-down in inflation; and (6) An easing of war tensions.

These are healthy signs, Indyk believes, and should be reflected in the sod industry. Furthermore, he said, sod is a product that plays a significant role in the improvement of the environment. He pointed out the effectiveness of sod in preserving open space and the contribution it can make toward relieving some of the growing national concern about environmental improvement.

Best Commercial Display Won By Nunes Turfgrass

Nunes Turfgrass Nurseries, Inc., of Patterson, Calif., won the top award for a commercial display at the Seventh Annual Turfgrass Exposition sponsored by the Northern California Turfgrass Council.

At the Santa Clara County Fairgrounds, site of the show, the exposition honored Nunes not only for design of its booth but also for its imaginative display of products. A total of 158 exhibitors competed.

Credit for the display, according to President John F. Nunes, goes to Joe Ventura, Nunes sales representative.

John Nunes has long been active in the sod industry and is well known among growers for his Nunes sod harvester. He has been a consistent exhibitor at every field day of the American Sod Producers Association.