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PAT JONES PUBLISHER

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2015 State of the Industry Report

FEATURES - COVER FEATURE: STATE OF THE INDUSTRY

The industry is growing in ways that may shock and surprise you. Get the total picture.

GCI STAFF | January 14, 2015



Budget

Overall, the average superintendent non-capital operations budgets rose nearly \$46,000 over the last three years, from \$651,392 in 2012 to \$697,000. And when compared to 2014, nearly half (49 percent) of superintendents expect to be working with a larger budget in 2015. Only 17 percent anticipate a smaller budget.

Private courses, according to the data, experienced the greatest boost in their average operating budget over the last three years, reporting an increase just over \$91,000. Regionally, Midwest supers were below the overall average, with budgets of around \$553,000; and those in the Northeast fared the best with budgets around \$800,000, followed by those in the South (\$771,000) and the West (\$740,000), according to the data. And when compared to the previous year, 61 percent of private courses plan to work with a larger budget, as well as 60 percent of courses out West. On average, that increase is between 1 percent and 9 percent, according to the data.

Fungicide spending remains superintendent's most expensive budgetary line item. Respondents expect to surpass \$34,000 in average fungicide spending in 2015, a slight bump over the \$33,400 budgeted three years ago. Private courses expect to spend more than \$49,000 on fungicides this year, up nearly \$5,000 when compared to 2011. Northeast superintendents plan to spend the most on fungicides, budgeting more than \$58,000, followed by Midwest supers (\$36,600), southern supers (\$28,800) and those in the West (\$11,300).

However, despite the price tag, fungicide spending doesn't rank as a top budgetary concern. In fact, "chemical spending" ranks fourth among all respondents' top-five concerns, and breaks onto the list only in the Midwest and South.

INDUSTRY INSIDER

Larry Hantle
 Superintendent
 Country Club of Paducah,
 Paducah, Ky.
 "It's difficult to find the help. It's not difficult to stay under budget because you can't find the help. If you don't have them working, you're not spending the money. I think a lot of guys are in the same boat."

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“Labor” and “equipment replacement” held the No. 1 and No. 2 spots respectively except for in the Midwest where they were flipped. With regard to equipment replacement spending, the budget numbers indicate that superintendents are budgeting less on mowing and cultivation equipment in 2015 than they did in 2012 (\$31,300 vs. \$37,644, respectively), which may contribute to this anxiety.

The biggest difference, according to the data, is the nearly \$13,000 drop in spending among private courses.

TOP 5 BUDGET CHALLENGES



2015 TOP 5 BUDGET CHALLENGES BY REGION

NORTHEAST

1. Labor costs
2. Equipment replacement
3. Benefits costs
4. Budgeting enough salary to avoid layoffs
5. Ownership/Management/Membership attitude

MIDWEST

1. Equipment replacement
2. Labor costs
3. Benefits (healthcare, etc.) costs
4. Chemical spending
5. Budgeting enough salary to avoid layoffs

SOUTH

1. Labor costs
2. Equipment replacement
3. Benefits costs
4. Chemical spending
5. Ownership/Management/Membership attitude

WEST

1. Labor costs
2. Equipment replacement
3. Benefits costs
4. Water
5. Ownership/Management/Membership attitude

	2012			2015		
	All	Non-private	Private	All	Non-private	Private
AVERAGE TOTAL	\$651,392	\$458,071	\$648,961	\$697,000	\$487,000	\$640,000
Water	16,489	12,484	20,390	22,800	17,400	28,600
Fuel	29,174	22,260	33,676	29,200	22,900	36,200
Mowing/Cultivating equipment	37,644	25,335	50,649	31,300	25,700	37,700
Handheld equipment	3,066	1,702	4,419	2,410	1,720	3,180
Course Accessories	4,561	3,804	5,294	4,410	3,030	5,970
Electricity & natural gas	19,046	17,990	20,086	21,300	18,200	24,800
Shop tools	2,568	1,878	3,284	2,860	2,160	3,620
Irrigation parts, heads & maintenance	7,918	5,948	9,876	84,100	6,880	10,170
Fungicides	33,461	22,163	44,476	34,100	20,800	49,000
Herbicides-preemergent	6,369	5,109	7,603	6,370	4,880	8,010
Herbicides-postemergent	3,899	3,613	4,144	4,260	3,600	5,120
Insecticides	5,141	3,884	6,570	6,190	3,580	9,180
Granular fertilizers	17,723	15,203	20,244	20,300	16,800	24,300
Liquid fertilizers/bio-stimulants/foliars	10,231	7,316	13,088	12,100	9,000	15,500
Wetting agents	4,399	3,129	5,669	6,150	3,500	9,120
Plant Growth Regulators (PGRs)	5,151	4,309	5,982	4,670	3,230	6,050
Seed	4,820	4,127	5,198	7,380	7,030	7,780
Aquatic Weed control	1,890	1,635	2,145	2,570	1,500	3,710

BUDGET CHANGES

2011 vs. 2012

ALL	PRIVATE	NON-PRIVATE	PERCENT CHANGE
1%	1%	1%	Increase 20% or more
7%	4%	8%	Increase 10%-19%
27%	38%	19%	Increase 1%-9%
33%	30%	36%	No change
28%	24%	32%	Decrease 1%-9%
7%	4%	8%	Decrease 10%-19%
2%	1%	3%	Decrease 20% or more



2014 vs 2015

ALL	PRIVATE	NON-PRIVATE	PERCENT CHANGE
1%	1%	1%	Increase 20% or more
3%	2%	3%	Increase 10%-19%
45%	37%	57%	Increase 1%-9%
34%	39%	27%	No change
14%	17%	10%	Decrease 1%-9%
3%	4%	2%	Decrease 10%-19%
0	0	0	Decrease 20% or more

Super Attitudes

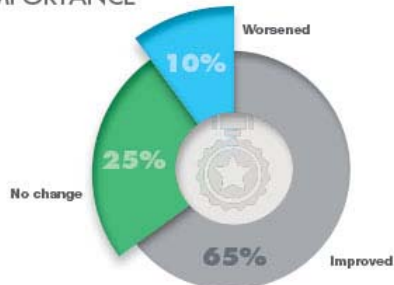
A lot has changed in the last decade, including how people view the vital role superintendents play not only on their course but in facilitating the golf experience. Nearly two-thirds (65 percent) of survey respondents cite a change in attitude and perception for the better. Only 10 percent of respondents believe that attitudes toward superintendents have worsened in the last 10 years.

Likewise, an overwhelming majority of respondents (95 percent) believe membership and ownership supports them in their endeavors.

INDUSTRY INSIDER
JON LOBENSTINE
 Director of agronomy
 Montgomery County (Md.) Golf
 "Now you have these year-to-year uncertainties with the growth of the game and why aren't people playing as much golf in general. We're losing golfers. We're trying to do the right thing, but ultimately it comes down to time, and what people are doing with their free time is playing less golf."

Lack of new players remain the game's primary challenge, according to superintendent respondents. However, secondary concerns varied geographically, with speed of play a concern among 45 percent of all respondents, but dealing with a "saturated market" was an issue in the South and "water pricing and availability" a significant issue with superintendent respondents in the West.

CHANGE IN RECOGNITION OF A SUPERINTENDENT'S IMPORTANCE



Methodology

During the last quarter of 2014, Golf Course Industry contracted with Readex to assist in the creation and to facilitate the distribution, completion and computation of State of the Industry survey that examined superintendent trends and attitudes on a variety of topics.

GCI had 569 superintendents or superintendent-equivalent personnel of 18-hole facilities from around the U.S. complete the survey. As an added incentive to complete the questionnaire, GCI committed to making a substantial donation to the Wee One Foundation, a charity group started in memory of Wayne Otto, CGCS, that assists superintendents and other turf professionalism in need.

For the purpose of this report, data was broken down beyond "all" responses to include analysis by:

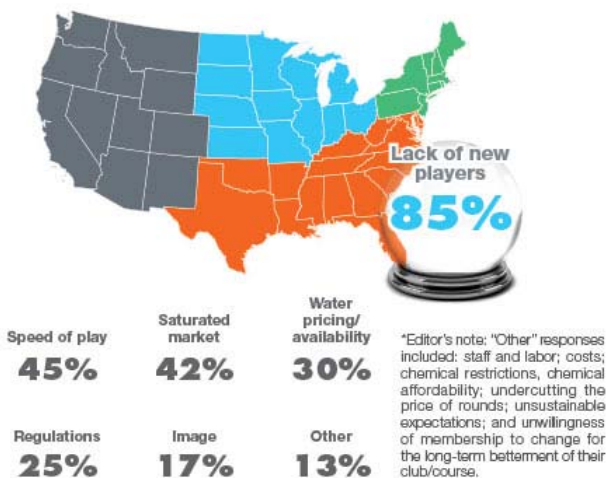
- **Private vs. Non-private** – Private course superintendents made up 43 percent of all respondents, while public course superintendents made up 57 percent. "Non-private" included public/daily fee (23 percent), semi-private (15 percent), resort (5 percent) and government/municipal courses (14 percent).
- **Geographic region** – Respondents were broken down by their location: Northeast (19 percent of total respondents); Midwest (33 percent of total respondents); South (31 percent of total respondents); and West (17 percent of total respondents). See the map for which state belongs to which region.
- **Non-capital ops budget** – Respondents were also categorized by how their 2015 non-capital operations budgets compared to the average (\$697,000). This included "below the average" (58 percent of total respondents); "at average plus" (42 percent of total respondents) and "\$1 million plus" (23 percent). It should be noted that "\$1 million plus was also represented in "at average plus."

Finally, when applicable, the 2015 data was compared again data from the 2012 State of the Industry report, which analyzed trend and attitude data compiled during the fourth quarter of 2011.

DOES YOUR MEMBERSHIP SUPPORT YOU?



BIGGEST CONCERNS ABOUT THE FUTURE OF GOLF



Renovation & Construction

Superintendents will focus their 2015 primary capital spending on equipment purchasing (51 percent), a trend seen previously when asked about their top budget concerns heading into the new year.

Projecting out over the next three years, bunker projects are the main renovation and construction projects, according to respondents. More than half (51 percent) indicated they'll engage in bunker improvement projects, while 14 percent will conduct total rebuilds. Bunker removal plans accounted for 10 percent of the responses, while only 7 percent say they were going to add bunkers.

Geographically, the greatest instances of bunker improvements will take place in the Northeast, with 57 percent of superintendents indicating this is planned for the next three years. Interestingly enough, from a budget standpoint, those operating

INDUSTRY INSIDER
JUSTIN APEL
 Executive director
 Golf Course Builders Association of America

"The economy is too easy of an answer. Clubs had the money, but they were being cautious with how they were spending it. They wanted to wait and see. Some of these repairs just couldn't go any longer. They just had to move forward with it. You obviously do see some of the courses that did have to wait for the economy and funds to free up. With the private sector, it was just waiting to see what the market would do and now that they have a little bit of comfort, they are able to move forward."

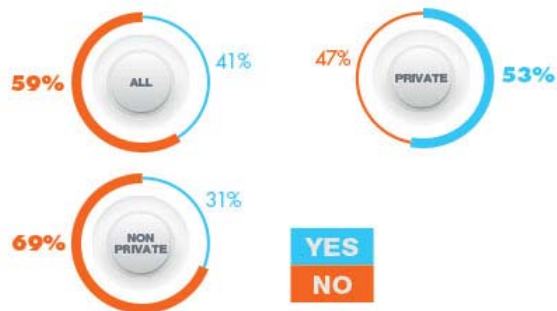
below the average 2015 budget (roughly \$697,000) will conduct more bunker improvement projects (53 percent of respondents) than those operating with more than a \$1 million budget (45 percent of respondents)

PRIMARY FOCUS OF 2015 CAPITAL SPENDING



*Editor's note: "Other" responses included: tree removal, cart path projects (renovation/resurfacing); landscaping; bridge construction; and waterway construction and restoration.

MASTER PLAN IN PLACE OUTLINING THIS WORK



RENOVATION AND CONSTRUCTION PROJECTS FOR THE NEXT THREE YEARS



Turf Management

By far, sand topdressing, core cultivation on greens, verticutting greens and rolling greens are the most popular agronomic practices being followed by superintendents.

However, when looking closely at the data, some exceptions emerge. For example:

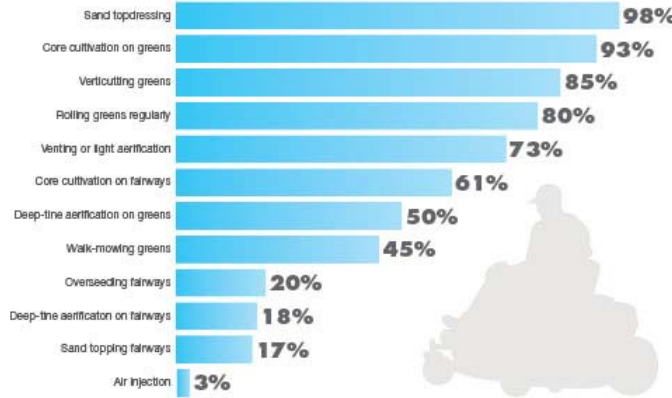
- 85 percent of Midwest superintendents practice core cultivation on their greens, compared to 93 percent of all respondents
- 91 percent of superintendents from the West verticut their greens, compared to 85 percent of all respondents
- 73 percent of Northeast superintendents practice core cultivation on their fairways, compared to 61 percent of all respondents
- 71 percent of superintendents at private courses walk-mow their greens, compared to 45 percent of all respondents

INDUSTRY INSIDER
DOUG MILLER
 Senior VP of golf course management
 ClubCorp
 "I think a lot of the grass types have changed things over the years on aerifications and frequencies. The chemical industry continues to change with new technology and new chemicals have helped us do some things differently. Obviously, some things have gotten worse when we lose stuff like Nema-cur. It has made it more difficult."

With regard to granular and liquid fertilizer trends, across most data breakdowns respondents maintained around a 60/40 split, respectively. The one exception was in the Midwest, where respondents indicated around 63 percent of their fertilizer was granular.

The same sort of trend could be seen in overseeding, as well, with only a third (34 percent) of overall respondents saying they overseed. This trend could be observed across data breakdowns (private vs. non-private, geographic and budget size) with the exception of Midwest respondents, of only 19 percent said they overseeded.

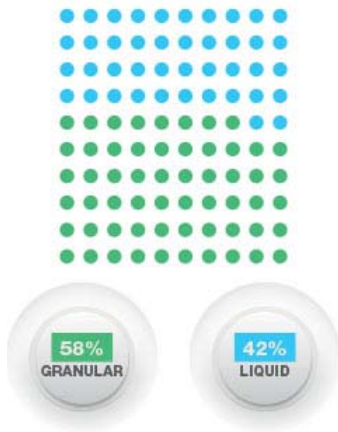
STANDARD MOWING AND CULTIVATION PROGRAMS



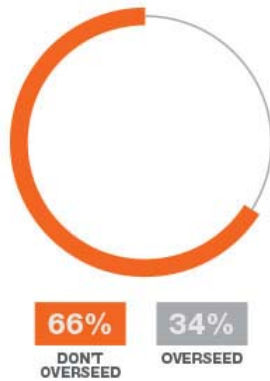
GREEN SPEED MANAGEMENT PHILOSOPHY

	Keep them moderate and healthy	Fast & firm all the time	Manage them up for events	Whatever the weather allows me	Mowing higher and running slower to minimize risk	Other
All	54%	30%	28%	21%	2%	2%
Private	32%	50%	31%	29%	0%	3%
Non-Private	70%	16%	26%	14%	4%	1%

FERTILIZER MAKEUP



OVERSEEDING



CONSIDERING A TURF CONVERSION IN THE NEXT THREE YEARS



Seed

We reported about a turf seed shortage in our April 2014 issue. Economic factors favoring other more profitable crops were resulting in a run on popular turf seed varieties. Many experts hypothesized at the time that this could influence superintendents' overseeding practices.

However, according to the research data, seed price and availability have not influenced seed use among golf course superintendents.

INDUSTRY INSIDER

LARRY HANTLE

Superintendent
Country Club of Paducah, Paducah, Ky.

"I still think the greenspeed issue across the country is probably out of the control because in my mind really, really fast greens are a detriment to the game, especially to new players because new players can't cope with that and they are going to give up a lot faster. I'm not saying we need to go back to the days where we are six or seven on the stimpmeter. But there has to be a balance and it's also part of cost. A lot of times we have tipped the scale too far and we need to come back to a middle ground."

HAS PRICE AND/OR AVAILABILITY OF CERTAIN SEED TYPES REDUCED YOUR USE OF SEED?



Paint it Black

There's more black ink on golf course ledger books than three years ago. In 2014, nearly three-quarters of superintendents (71 percent) reported their facilities either turned a profit or broke even, compared to 62 percent three years ago. That trend is higher with private courses, with 74 percent reporting being in the black in 2014, compared to 67 percent in 2011. However, non-private courses did even better over the last three years, with 68 percent reporting profitable or break-even financials in 2014, a 9 percent jump since 2011.

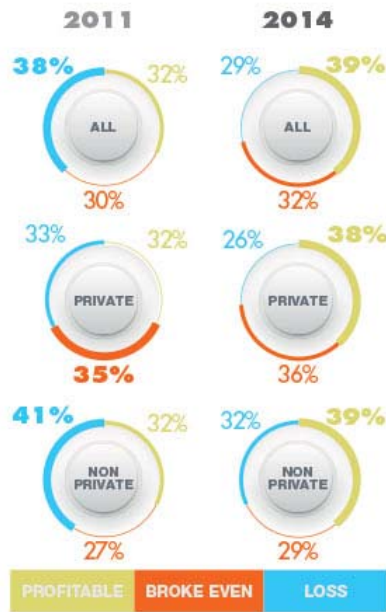
And there's room for optimism. In 2011, 92 percent anticipated a more profitable or stable financial scenario in three years. When asked to again project out three years, 92 percent anticipated continued black ink in the books, and this figure

remained consistent across the boards between private and non-private courses. It should be noted, that while fewer courses predict increased profitability, they did see stable financials in lieu of losses.

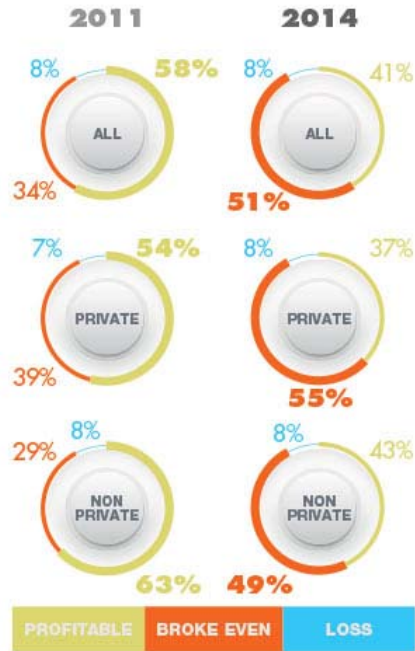
**INDUSTRY INSIDER
HENRY DELOZIER**

Principal
Global Golf Advisors
"Certainly people are smarter. This was a great recession. Nobody should waste the lessons learned from it. Operators were very clever and deliberate with their expense management. Where we have seen substantial change and substantial growth has been in the capability of operators to improve their revenue stream. For the longest time, the golf operators were myopic in their focus on expense management if their revenues progressively declined and declined and declined until finally the right people figured out how to drive revenue. That has now changed."

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