



ASP A

BULLETIN

AMERICAN SOD PRODUCERS ASSOCIATION

May 14, 1971

- PLANS FOR 1971 SUMMER MEETING -

Announcement of plans for the ASPA annual summer meeting has been unavoidably delayed due to a change in original planning. Our meeting is set for June 29-30 in Michigan instead of California in late July as previously announced. This was a desirable change that will provide our organization the privilege and opportunity of holding our annual meeting in conjunction with the Michigan State Sod Research Field Day. Plans for the meeting are as follows:

Tuesday, June 29

- a.m. - Early arrivals visit on your own turf research plots at Michigan State University
- Lunch - On your own *List of Locations on Corvallis?*
- 1:00 p.m. - Organized tour of Michigan Sod Research
- 5:00 p.m. Plots - Muck Experimental Farm located on outskirts of East Lansing. Organized and conducted by Dr. James Beard and staff.
- 7:00 p.m. - Annual Banquet and Meeting.

Wednesday, June 30

- 9:00 a.m. - All-day tour of Michigan Sod Production.
- 4:00 p.m. Host - Michigan Sod Growers Association. Organized and conducted by Don Juchartz, Wayne County Extension Director and Bob Hozak, President, Michigan Sod Growers Assoc.

This program will provide an unusual opportunity to observe and discuss the most concentrated and intensive research program in the United States. Effort in the research program is being directed on many problems of vital importance to the sod production industry. On the practical side, the tour of the Michigan sod industry will be a real treat. Furthermore, the value of getting together and becoming better acquainted with fellow sod producers from throughout the United States and Canada cannot be measured.

(more)

Mark the dates JUNE 29 and 30 as important on your calendar of activities and plan to take advantage of all it has to offer. Complete details and reservation forms will be mailed to you in early June.

- PLANS FOR FUTURE ACTIVITIES -

Looking ahead, we have the following plans in mind:

February 22 thru 24, 1972 - Educational Conference and Sod
Equipment Field Day, Cal-Turf, Inc.,
California.

July, 1972 - Tour of Canadian sod industry - Hosted, organized and
conducted by Nursery Sod Growers Association, Ontario.

- SOD PRICING -

In response to the "slow-down" in the economy, many areas experienced a reduced demand for sod. As a result, pessimism and panic crept into the sod industry and the inevitable that has plagued agriculture in general over the years - "price cutting" and its associated problems, made its appearance. This trend should be of considerable concern to the sod industry, particularly in view of a situation when cost of production is steadily increasing. Many of us have experienced what has happened with other agricultural commodities when they were panicked into "price cutting." Is this the same path that the sod industry chooses to follow?

One of the basic problems in pricing appears to be that many sod producers do not have complete knowledge of their actual costs of production due to inadequate cost accounting procedures. In order to be able to manage a profitable sod enterprise, complete and accurate knowledge of all costs of production is vital to the establishment of price. Because of the important relationship of cost accounting to pricing, ASPA is in the process of planning for the development of cost accounting procedures for sod producers. This should prove to be a very significant activity of ASPA for its membership.

When considering "price cutting," it would be advisable to consider at least two important factors in formulating a decision. They 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?

The enclosed table is quite revealing. Take a little time to study it.

(more)

As a closing thought - the outlook for the future of the sod industry is rather bleak unless a concerted effort is made to "hold the line" on prices at least above the cost of production.

- INDUSTRY OUTLOOK -

Certain developments in the economy point to a bright future for the sod industry. Briefly, they include:

1. Healthy advances in retail trade.
2. Upsurge in stock market.
3. Availability of money at lower interest rates.
4. Building boom in housing. The predicted start for this year is slow in getting underway but nevertheless the demand for sod is rather strong.
5. Slow-down in inflation.
6. Easing of war tensions.

These are healthy signs in the economy and certainly, sooner or later, should be reflected in the sod industry. Furthermore, sod is a product that plays a significant role in the improvement of the environment. Not only does sod (installed) contribute to a better and more enjoyable environment but so does its production. What better and more effective means is there of preserving open space? You are part of an industry that certainly can make a great contribution toward relieving some of the growing national concern about environmental improvement.

- WANTED -

Increased representation of the sod producers in ASPA is needed in order to be able to serve the sod industry more effectively. You can help toward a bigger and better organization by encouraging fellow sod producers to become active members. Membership can be easily doubled if every present member gets one, yes - only one, new membership.

Your Executive Secretary,

Henry W. Indyk

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RAISE OR LOWER YOUR PRICES?

Donald D. Juchartz
County Extension Director
Cooperative Extension Service
Michigan State University

Farmers are in business to make money. And pricing often determines the volume of business and directly influences the net profit.

Pricing is used also for other reasons - to move inventory, to promote sales, and to attract the impulse buyer. If pricing is to be used for these reasons, the seller must keep in mind what happens to net profit. He should also be aware of the volume of sales necessary to realize a satisfactory level of profits.

For example, a 20% price cut (from 33¢ to 27¢ or from 5¢ to 4¢) means that a 400% increase in 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:

<u>Price Cut</u>	<u>Necessary Increase in Sales</u>
3%	13.6%
5%	25.0%
7 $\frac{1}{4}$ %	42.8%
10%	67.0%
15%	150.0%
20%	400.0%

The following table shows what happens when we reverse the process, or increase prices:

- 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 7 $\frac{1}{4}$ % 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.

above values are approximate

Presented at the annual meeting of the Cultivated Sod Association of New Jersey, January 19, 1971, Kings Inn, New Brunswick, N. J. Adapted from information supplied from the Massachusetts Cooperative Extension Service.