

STILL GREEN

Commercial mower business shows surprising resilience in tough times;
“grass continues to grow even when the stock market is depressed”

By Mike Brezonick

Generally, no matter how hot and dry the weather gets in the summertime, grass still grows. And so, it seems, do the commercial mower markets.

While most of the categories of mobile machines have suffered right along with the stock markets over the last three to five years, commercial mowers — the machines seen most often zipping around suburban yards, parks and businesses — have been surprisingly stable.

“I haven’t really been tracking a lot of the other industries, but it has traditionally not been affected as much by a downturn in the economy,” said Wes Freeman, brand manager for commercial mowing equipment at John Deere’s Commercial and Consumer Products Division. Deere is one of the global players in the turf equipment markets, and offers a wide array of commercial walk-behind and riding models. “I’m not sure why that is, but it always seems to be case.”

It has certainly been the case for most of the last half-decade, according to information from Power Systems Research, the Minnesota-based market research company. Production of commercial mowing equipment, which includes commercial walk-behind mowers, zero-turn radius mowers, riding reel mowers and riding rotary mowers, has grown approximately 8 percent in the last five years and has shown year-over-year growth in all but one year (*see related chart*).

“The landscape contractor equipment



An example of the new generation of zero-turn radius mowers that has helped the commercial mower market avoid the precipitous fall of some other machinery markets is Deere’s Max-series 777. Powered by a Kawasaki gasoline engine rated 27 hp, it features Deere’s new 72 in. 7-Iron mower deck standard.

business has slowed down, but has continued to grow,” said Brad Hamilton, director, Landscape Contractor Business Marketing at Toro Co. One of the leading equipment manufacturers in the world, Minneapolis-based Toro builds cutting and grounds maintenance machines for virtually every turf and lawn and garden application. “Landscape contractors have continued to buy because their customers’ — homeowners, commercial properties, municipal grounds — grass has continued to grow, so machines are used, then wear out and need replacement. Grass continues to grow even when the stock market and economy are depressed.”

“The commercial mower business has remained stable for several reasons,” said Stan Guyer, president of Grass-

hopper Inc., the Moundridge, Kan., manufacturer of a wide range of mid- and front-mount commercial mowers. “An aging population, a greater amount of turf area under managed care, and successful marketing strategies have kept the industry in the U.S. doing well.”

As the commercial mower industry has gradually expanded, several trends have become apparent over the last few years. One is that just like in every other market, more horsepower is a constant demand and to meet it, engine manufacturers have responded with higher output in both air-cooled gasoline and liquid-cooled gasoline and diesel engines.

“Productivity is driving the demand for horsepower,” said John Wright,

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------------------|---------|---------|---------|---------|---------|
| Commercial Walk-Behind Mowers | 51,267 | 50,756 | 49,612 | 48,537 | 44,187 |
| Zero-Turn Mowers | 68,906 | 77,067 | 89,087 | 100,071 | 98,224 |
| Riding Reel Mowers | 16,982 | 20,792 | 19,941 | 19,104 | 18,912 |
| Riding Rotary Turf Mowers | 19,862 | 23,281 | 26,142 | 24,870 | 24,646 |
| TOTAL | 157,017 | 171,896 | 184,782 | 192,582 | 185,969 |

Source: Power Systems Research

director of Commercial Marketing at Toro. "The ability to handle hills and heavy, wet grass conditions is vital."

"People want larger width of cut — particularly with the ZTRs — and you're seeing manufacturers come out with 72 in. decks," Freeman said. "Obviously in order to drive this, you have to have bigger engines. That has been the trend — more horsepower, wider width of cut."

"Engine horsepower has escalated in commercial mowers in recent years," Hamilton added. "Part is due to job site requirements that require more power, like contractor bagging applications and heavy mowing conditions, to maintain or improve productivity. The other aspect is manufacturer-driven, to differentiate product from competitors."

According to Guyer, "The push for higher horsepower engines is related to several issues. There exists a satisfactory range of horsepower that is sufficient for the majority of mowing needs and there are some mowing conditions that benefit from the power provided by higher horsepower engines. Excess horsepower can be sold at a premium to those who desire it for personal or job-related reasons."

Another trend has been the growth of the ZTR, or zero-turn radius segment.

According to PSR statistics, production of ZTR mowers has risen from 68,906 in 1998 to a peak of 100,071 in 2001 before falling slightly to 98,224 last year — still accounting for just over half of commercial mower production in 2002. "That segment has not slowed

down at all," said Freeman. "They're targeted at professional landscape contractors and that business has continued to grow."

"ZTRs have been a significant driver of Toro sales the past few years," said Hamilton. "They are an alternative to other types or styles of mowers (out-fronts, belly mount tractors, rear engine riders), so they do cannibalize those categories."

One category that has somewhat resisted that cannibalization has been commercial walk-behinds, which have averaged just under 50,000 units a year for the last five years. "Maybe it's felt it a little bit," said Freeman, "but there is always a need for the commercial walk."

"That business has been relatively flat for the last few years. There might have been a little bit of a spike here and there, but it's very little. That's about a 50,000-unit industry and it's pretty much right around that number every year and I don't see ZTR affecting that."



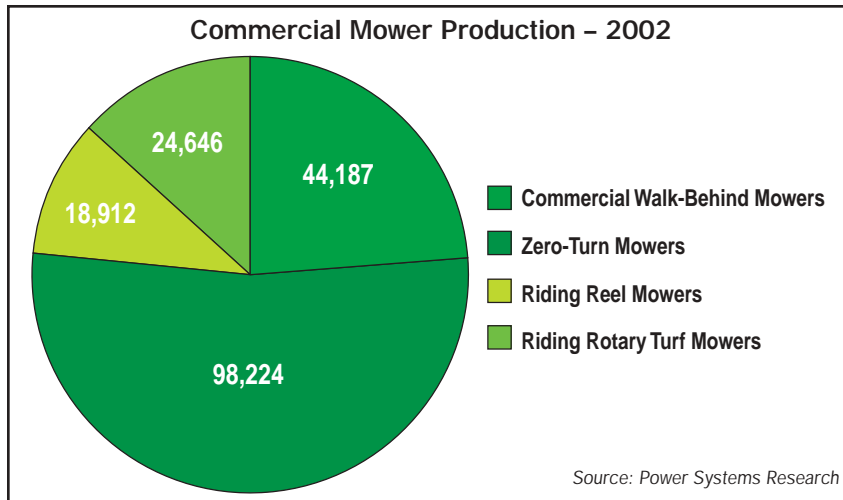
Grasshopper's FrontMount 928D mower features a 72 in. deck and a hydraulic deck lift system, which makes obstacles like curbs less imposing for the operator. The mower is powered by a three-cylinder Kubota liquid-cooled diesel engine rated 28 hp.

While in general the mower markets have been positive, there have been some soft spots. In the mid- and late-1990s, the golf course business was booming. With over 15,000 golf courses in the U.S. alone, new courses coming on stream at a pace of nearly one a day — and each one needing a range of equipment, everything from large reel and rotary mowers to specialized greensmowers to walk-behinds — it seemed a market segment destined to grow well into the next decade.

That rosy expectation hasn't exactly panned out, however. "Growth in golf has slowed considerably and new course openings abruptly dropped off," said Wright. "In addition, the economy and world events, including terror attacks and war, have strained segments of golf, especially resort and destination golf."

"The golf course industry has undergone contraction pains in recent times as management companies have reined in expenses related to behaviors associated with aggressive growth activity in the past," added Guyer. "The golf industry is repositioning itself for future growth and will remain a primary beneficiary of power equipment."

Even with the slowdown in golf course development, opportunities still exist in the golf markets, Wright said. While he noted that "budgets have tightened considerably," he said that golf course superintendents have looked toward more productive equipment when weighing their equipment needs. That was the driver behind the development of Toro's Sidewinder technology



which allows the cutting units to slide left and right as much as 12 in. to facilitate more precise cutting around bunkers. "This trim work previously was done with hand labor," Wright said. "In addition, a new family of ground-following rotary mowers have replaced reel mowing in some rough applications. The rotary mowers are more productive and require less maintenance than reels."

While the market for commercial mowing equipment took somewhat of a dip last year and sales haven't especially boomed thusfar in 2003, many are still predicting that the general overall trend toward growth will continue.

Guyer cited the recent federal tax cut package that includes more advantageous depreciation and capital expendi-

ture provisions as "one factor that will help boost sales this year."

"By and large," Guyer added, "commercial landscape cutters have cautiously positioned themselves for growth in the current year, keeping equipment sales brisk."

"We're growing our business," said Freeman. "Anecdotally, we understand the industry may be a little bit down this year. I don't know if that's the case, but I think we're optimistic about the future of the business for sure."

"We were hit pretty hard with the drought last year and this year we've been inundated," Freeman added. "It's either feast or famine. Last year we had nothing and now we've had too much rain and guys weren't able to cut grass. When they finally get a break, they're cutting a lot because the grass is growing so fast. It does oftentimes just come down to the weather." ★

Some information for this article is from Power Systems Research, which can be contacted at (651) 905-8400 or www.powersys.com.