

2007-08 UNITED Acreage Reduction Program Basic Definitions and Ground Rules

The Principal

United members want to REDUCE plantings in 2007-08 from the 2004 national base by 15%. Why? We cannot escape nor overlook the fact that national fresh potato consumption continues to decline. In the latest 3 and 6 months, the rate of decline has accelerated. In addition to the accelerating decline in actual consumption, technological advances in growing have increased national trend line production yields by an average of +1% each year for the last 25 years. These two trends collide each year to produce TOO MANY POTATOES.

ANYTHING that results in expansion of plantings off of our State's 2004 base or the National 2004 base threatens everyone's market and will undermine all we have achieved thus far as a Co-op.

UNITED's 2007-08 Goal

- 1) Reduce fresh plantings off the 2004 base by 15% nationwide.**
- 2) Discourage and eliminate "mindless expansion" beyond the 2004 base acres.** That specifically applies to expansion on acres WITH OUT potato base, meaning they haven't had potatoes planted on them as part of their normal rotation.

UNITED's Basic Program

For the 2007-08 growing season, United Grower Members and ALL Growers everywhere if they choose to participate, will be given the following options to choose from:

Basic Acreage Assessment: The same as last year, \$50.00 per base acre.

Basic Program:

Option I: Reduce plantings a full 15% off of their 2004 BASE. Full execution of this option constitutes a Payment in Kind meaning the grower will owe no cash assessment.

Option II: Growers choosing to reduce acreage LESS than 15% will be assessed a pro-rated percentage of the \$50.00 fee ON ALL THEIR BASE ACRES. Monies will be used to "buy-out" acres elsewhere within the State.

Growers expanding acres WITHOUT BASE will be assessed \$100 per acre on ALL acres (expansion plus base acres).

SIPCO Members: SIPCO passed a resolution requiring all SIPCO growers (pure process contract growers) to:

- 1) NOT plant any fresh acres.
- 2) Plant ONLY contacted process acres...ie. no open potatoes.

UNITED/SIPCO growers, (ie. those who currently grow some fresh acres along with their process acres), are required to:

- 1) adhere to United 2007-08 fresh planting guidelines of reducing their FRESH acres by at least 15% off their 2004 fresh base.
- 2) Plant ONLY contracted process acres...ie no open potatoes

United and UNITED/SIPCO Growers seeking Fry Contracts: United and UNITED/SIPCO Growers can take additional fry contracts under the following provisions:

- 1) The grower MUST reduce his 2007-08 fresh plantings by at least 15% from his 2004 fresh base.
- 2) Grower can plant his 15% "cut acres" and additional expansion acres IF they are fully contracted at or above the Contract Settlement price negotiated by SIPCO. Contract verification is required. All process acres need to be identified on the attached Planting Intentions forms and identified as FRY under variety. Example: Burbank FRY
- 3) No open potatoes.

United Growers seeking Dehydrator Contracts: United Growers can take dehy contracts under the following provisions:

- 1) The grower **MUST** reduce his 2007-08 fresh plantings by a minimum of 15% from his 2004 fresh base.
- 2) **ALL** dehydration contracted acres **MUST** be an acre for acre reduction from fresh acres planted or they will be considered expansion acres and will be subject to expansion assessments. Contract verification is required. All dehy process acres need to be identified on the attached Planting Intentions forms under “process acres” and identified as DEHY under variety. Example: Burbank DEHY
- 3) No open potatoes.

Remember. our goal is to reduce acres, not collect assessments. All members are asked to complete the attached forms to formally establish their 2007-08 planting intentions so each State Co-op can assess where their acres are today.

Note: ALL assessments referred to in these forms are specifically for the 2007-08 Acreage Management Program and are separate from any dues, check-offs or acreage fees required for Co-op overhead and management.

Key Definitions

Acres WITH Base- Acres that had potatoes planted on them sometime since the 2003-04 crop, REGARDLESS of whether or not they were registered in UNITED.

Acres WITH OUT Base- Acres that have NOT had potatoes on them for years; at least since 2003-04 crop. These represent “mindless expansion” acres coming into production merely to take advantage of the improved market facilitated by UNITED programs.

How does one expand acres?

- 1) **No one is prohibiting expansion.** You can legitimately expand by choosing to pay \$50.00 per acre assessment and then planting your full 2004 base. United of Idaho will use the monies collected to buy-down fresh acres elsewhere. If you want to expand beyond your 2004 base, refer to items 2 and 3 below.
- 2) You can “legitimately” expand if you buy or rent Acres with Base. If you do, you will need to register the land with UNITED and pay the preferred stock assessments. You will be asked to participate in the UNITED Basic Program of reducing total plantings by 15% and/or pay the pro-rated \$50 per acre assessment.
- 3) **If you buy or rent Acres without Base or accelerate your normal rotation on your own land, resulting in planting Acres without Base, you will do so “illegitimately” or outside the approved UNITED guidelines.** These are acres that did not have potatoes planted on them OR they are acres where you choose to accelerate the rotation schedule to significantly increase your acres planted in 2007-08. **These opportunistic acres are coming into potato production in 2007-08 principally to take advantage of the strong market created and supported by UNITED members nationwide.** UNITED leadership has agreed that such acres represent the biggest threat to overproduction in Idaho and nationwide. Therefore, as a disincentive to this type of “mindless expansion”, these opportunistic acres will be taxed at \$100 per acre on ALL acres; that is your 2004 base PLUS the expansion acres.

Below you will find several forms and worksheets meant to help you define your planting intentions for 2007-08.

Form A – Base Acres Planting Worksheet. Use this form to document you are reducing acres planted by 15% off of 2004 Base.

This worksheet will help you define your 2004 Base Acres and your 2007-08 planting intentions FOR YOUR TOTAL BASE ACRES ONLY. It also contains a **Fresh Base Acres Fee Assessment Worksheet**. Use this form to formally define your 2007-08 planting intentions on your FRESH Acre Base. It is also a worksheet to help you calculate the assessment due. **REMEMBER, if you fully comply with the 15% reduction off your 2004 base, you will be credited with the “Payment in Kind” and your 2007-08 Acreage Management Assessment will be \$0, NOTHING! This DOES NOT include any Expansion acres you may want to plant.** Use Form B to define your expansion plans.

ONLY USE THE FORMS BELOW IF YOU ARE EXPANDING YOUR ACREAGE IN 2007-08

Form B – Expansion Acres Worksheet. Use this form only if you are expanding acres in 2007-08

The Expansion Acres worksheet that will help you define whether or not your expansion acres have 2004 Base. Complete the worksheet and then move to either Form C or Form D.

Form C – Expansion Acres with United Base.

Complete this worksheet if your expansion acres have Base. It is a worksheet that will help you calculate the acreage assessment for those acres. If your expansion HAS BASE, you will be asked to participate in the UNITED Basic Program which calls for an overall 10%-15% reduction in acreage planted and/or a \$50 per acre assessment.

Form D - Expansion Acres without United Base

Use this form if your expansion acres DO NOT have Base. It will help you define and calculate the assessment due on those acres. If your expansion DOES NOT have Base, you will be asked to pay \$100 per acre on all acres planted. Why? There is NO room in the market for these potatoes. They represent true excess production. The acreage assessment will be used to 1) buy out potato acres elsewhere to create a market for your excess spuds and 2) to register these new acres in UNITED so they have future base.

Step #1. Complete Form A for your Base Acres to document your intent to reduce plantings by at least 15% of your 2004 Base acres as your payment-in-kind.

Farm Name: _____
 Grower Name: _____

Form A- Base Acres Worksheet

2004 Base				2007-08 Commitment			
Fresh	Variety	Acres	1	Fresh	Acres	+ / - 2004	% chg.vs. 2004
	Variety	Acres	2		Acres	14	27
	Variety	Acres	3		Acres	15	28
	Totals		4		Totals	16	29
						17	30
<i>Note: your Fresh Acre reduction SHOULD total at least a 15 % reduction to qualify for NO assessment.</i>							
Seed	Variety	Acres	5	Seed	Acres	18	31
	Variety	Acres	6		Acres	19	32
	Variety	Acres	7		Acres	20	33
	Totals		8		Totals	21	34
Process	Variety	Acres	9	Process	Acres	22	35
	Variety	Acres	10		Acres	23	36
	Variety	Acres	11		Acres	24	37
	Totals		12		Totals	25	38
Grand Total	Totals		13	Totals		26	39

Step #2, Complete and sign this form to declare your Fresh Acre Planting Intentions and determine your 2007-08 Acreage Management Fee Assessment.

From Page 1, fill in the numbers for your FRESH ACRES only.

2004 Base		2007-08 Commitment			
	Column 1	Column 2	Column 3	Column 4	
Fresh	Acres	Fresh	Acres	+/- 2004	% chg. vs. 2004
Totals	4	Totals	17		30

1. If you are planning a 15% reduction or more in 2007-08 Base planted acres

If the number in Column #3 is a NEGATIVE number you are reducing acres. The % chg. number in Column #4 should also be a negative number. **If you are reducing your acres by 15% or more, you owe NO assessment and will be credited with a Payment in Kind. You must fill out, sign and return this section below to receive credit for the Payment In Kind.**

2004 Base	2007-08 Acreage Assessment Owed:
Totals <input type="text"/>	\times \$0 per base acre = <input type="text" value="\$0 (PAYMENT IN KIND)"/>

2. If you are planning less than 15% reduction in 2007-08 Base planted acres

If the number in Column #3 is NEGATIVE and the % chg is LESS THAN 15%, you owe some pro-rated portion of the \$50 per acre assessment times your total base acres registered with United of Idaho. Use Chart 1 to look up the assessment amounts. Calculate your assessment as follows:

2004 Base	2007-08 Acreage Assessment Owed:
Totals <input type="text"/>	\times \$_____ per base acre = <input type="text" value="\$"/>

3. If you are planning an increase in 2007-08 Base planted acres.

If the number in column #3 (box 17) is a POSITIVE you are INCREASING your base acres. Please contact your UNITED field representative to resolve the differences from your 2004 Base or your assessment will be based upon your higher 2007-08 Base times \$100 per acre.

New 2007-08 Base	2007-08 Acreage Assessment Owed:
Totals <input type="text"/>	\times \$100 per base acre = <input type="text" value="\$"/>

Note:

This sheet constitutes a legally binding commitment not to exceed the acres indicated for planting in 2007-08 and to pay the assessment calculated. **All assessments are due JUNE 1st, 2007. Late fees of 1% per MONTH will apply to all late payments.**

If you have questions about this form or how to calculate your 2007-08 Acreage Assessment, please contact your United Field Rep or Mike Leavitt at 208-535-8500.

United Grower _____ date

United Representative _____ date

Farm Name _____

Chart 1

2007-08 Acreage Assessment Chart

if your reduction in acres is:

**Assessment
Amount**

		\$0 per base acre
line 1	is greater than 15%	
line 2	is between 10% and 14.99%	\$20 per base acre
line 3	is between 5% and 9.99%	\$30 per base acre
line 4	is between 0% and 4.99%	\$50 per base acre

Use this chart to look up your acreage assessment. For example: if your acreage reduction was -6.5%, that falls within the range defined by line 10. Your assessment would be \$30 per acre on your 2004 base acres.

If you are NOT expanding your 2007-08 acres, you do not need to complete this form.

Form B

Expansion Acres Worksheet

If you are planning to expand from your 2004 base thru lease or purchase of additional ground or base, please complete the following AFTER you have completed Form A for your BASE acres.

Base Acres Totals ONLY (from Base Acres Form)

2004 Base				2007-08 Commitment			
						+ / - 2004	% chg.vs. 2004
Fresh Acre	Totals	<input style="width: 50px;" type="text"/>	4	Totals	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	17
Seed Acre	Totals	<input style="width: 50px;" type="text"/>	8	Totals	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	21
Process Acre	Totals	<input style="width: 50px;" type="text"/>	12	Totals	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	25
Base Acres Grand Total		Totals	13	Totals	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	26

Expansion Acres ONLY

2004 Base				2007-08 Commitment			
						+ / - 2004	% chg.vs. 2004
Fresh				Fresh			
Variety	<input style="width: 100px;" type="text"/>	Acres	<input style="width: 50px;" type="text"/> 1	Acres	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	14
Variety	<input style="width: 100px;" type="text"/>	Acres	<input style="width: 50px;" type="text"/> 2	Acres	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	15
Variety	<input style="width: 100px;" type="text"/>	Acres	<input style="width: 50px;" type="text"/> 3	Acres	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	16
		Totals	<input style="width: 50px;" type="text"/> 4	Totals	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	17
Seed				Seed			
Variety	<input style="width: 100px;" type="text"/>	Acres	<input style="width: 50px;" type="text"/> 5	Acres	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	18
Variety	<input style="width: 100px;" type="text"/>	Acres	<input style="width: 50px;" type="text"/> 6	Acres	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	19
Variety	<input style="width: 100px;" type="text"/>	Acres	<input style="width: 50px;" type="text"/> 7	Acres	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	20
		Totals	<input style="width: 50px;" type="text"/> 8	Totals	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	21
Process				Process			
Variety	<input style="width: 100px;" type="text"/>	Acres	<input style="width: 50px;" type="text"/> 9	Acres	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	22
Variety	<input style="width: 100px;" type="text"/>	Acres	<input style="width: 50px;" type="text"/> 10	Acres	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	23
Variety	<input style="width: 100px;" type="text"/>	Acres	<input style="width: 50px;" type="text"/> 11	Acres	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	24
		Totals	<input style="width: 50px;" type="text"/> 12	Totals	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	25
Expansion Acres Grand Total		Totals	<input style="width: 50px;" type="text"/> 13	Totals	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	26

Please answer the following questions regarding the Expansion Acres:

	Yes	No
1. Does the expansion land belong to a participating member of United?	<input style="width: 50px; height: 20px;" type="text"/>	<input style="width: 50px; height: 20px;" type="text"/>
2. Did the expansion land have potato rotation any time in the last 4 yrs.?	<input style="width: 50px; height: 20px;" type="text"/>	<input style="width: 50px; height: 20px;" type="text"/>

If you checked YES in boxes 1 or 2 the new land has "United Base". Complete Form C called Expansion Acres with United Base.

If you checked NO in Boxes 2 or 3, your new land does NOT have "United Base". Please complete Form D called Expansion Acres without Base.

If you are NOT expanding your 2007-08 acres, you do not need to complete this form.

Form C

Expansion acres with UNITED BASE

You can rent or buy land with base, OR rent or buy the "base" IF ALL of the following conditions are met:

- 1) The land is registered with United and the preferred stock is current and paid in full.
Note: if the land is NOT registered, you need to contact your State UNITED offices at 208-535-8500 and make arrangements to sign up the acres, paying the \$5 per acre preferred stock. If the land was registered by its previous owner, contact United offices to verify the "base" registration and initiate the base and stock transfer.
- 2) You agree to reduce planting on the "new" acres by 15% and/or the assessments will be paid by you as a part of the United '07-'08 Planting Guidelines.
- 3) You agree to place the "new expansion" acres into a 3 to 4 year rotation.

Expansion Acres 2004 Base

Expansion Acres 2007-08 Commitment

Expansion Acres Grand Total	Totals	<input type="text"/>	13	To be planted	+	-	2004	% chg. vs. 2004	<input type="text"/>	26	<input type="text"/>	39
-----------------------------	--------	----------------------	----	---------------	---	---	------	-----------------	----------------------	----	----------------------	----

1. If you are planning 15% reduction in 2007-08 plantings on the Expansion Acres.

Assessments on new acres are calculated the same as on your regular acres. If your or the original owner or lessor has REDUCED the 2007-08 plantings by 15% ON THE NEW ACRES, you have a "payment in kind" on the new acres and owe \$0 dollars per acre assessment. Fill in the form below.

2004 Base

2007-08 Acreage Assessment Owed:

Totals 4 X \$0 per base acre = \$0 (PAYMENT IN KIND)

2. If you are planning less than a 15% reduction in 2007-08 plantings on the Expansion Acres.

If you OR the previous owner or lessor have reduced 2007-08 plantings by something LESS THAN 15% on the new acres, you will owe a pro-rated percent of the \$50.00 per acre assessment on ALL of the expansion acre base. Use Chart 1 to look up the assessment amounts. Calculate as follows:

Expansion Acres 2004 Base	\$	<input type="text"/>	per Acre	Expansion Acre Assessment
<input type="text"/>	X	<input type="text"/>	=	<input type="text"/>

Note:

This sheet constitutes a commitment to plant the acres indicated for 2007-08 and to pay the assessment calculated. All assessments are due JUNE 1st, 2007. Late fees of 1% per MONTH will apply to all late payments.

If you have questions about this form or how to calculate your 2007-08 Acreage Assessment, please contact Mike Leavitt at 208-535-8500.

United Grower _____ date _____
Farm Name: _____

United Representative _____ date _____

If you are NOT expanding your 2007-08 acres, you do not need to complete this form.

Form D

Expansion acres WITH OUT BASE

By definition **Expansion acres without Base** are acres that have NOT been planted in spuds in the last 4 years. Expansion Acres WITH OUT Base are generated in two ways...They can be acres you buy or lease that have NOT had spuds planted on them for years thus they have no potato base. OR they may come as the result of an accelerated rotation schedule that significantly increases your acres planted vs. your 2004 base. **Either way, they represent EXPANSION and PRODUCTION that will certainly exceed the forecasted supply needs based upon the 2004 base acres for United of America.** There is NO consumer demand for these EXCESS spuds, and this excess supply will depress prices. United of America and your United of Idaho Co-op will need to PAY a grower elsewhere to reduce planting in order to achieve a balanced supply with demand and to make a market for your additional spuds. Your assessment will provide funding necessary to make that happen. Without your assessment, UNITED will NOT have the necessary funds for reducing plantings elsewhere and your excess spuds will be "part of the problem" and not part of the solution. The National Board has agreed to assess these "expansion" acres as follows:

<u>2004 Current Base Acres</u>	+	<u>New Expansion Acres</u>	=	<u>Adjusted 2007 Base</u>

<u>Adjusted 2007 Base</u>	X	<u>\$100 per acre</u>	=	<u>2007 Acreage Assessment</u>
	X	\$100 per acre	=	

Your assessment will :

- 1) Register and purchase preferred stock for your Expansion Acres with the Idaho United Co-op. These acres will officially become part of your new "base". Call the United office at x208-535-8500 and speak with Mike Leavitt for help.
- 2) Provide funding to "buy-out" acres elsewhere. Remember, if we do NOT reduce production elsewhere, we will oversupply the market and drive down Grower returns.

Note:

This sheet constitutes a commitment to plant the acres indicated for 2007-08 and to pay the assessment calculated. **All assessments are due JUNE 1st, 2007. Late fees of 1% per MONTH will apply to all late payments.**

If you have questions about this form or how to calculate your 2007-08 Acreage Assessment, please contact Mike Leavitt at 208-535-8500.

United Grower _____ date _____
Farm Name: _____

United Representative _____ date _____