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United Unveils Dehy Plans

The United Potato Growers of Idaho, Idaho Fresh-Pak Corporation (Idahoan) and R.D. Offut Company, announced recently the formation of a joint venture in the dehydrated potato industry. The potato supply resources of United of Idaho, the Idahoan facilities within Idaho and the potato processing assets of Offut in several states will combine to create a broad network of potato processing plants with convenient access to markets and to customers.

As part of the plan, United of Idaho recently completed the signing of MOUs and Definitive Agreements for the acquisition of Idaho Fresh-Pak Corporation (Idahoan), which operates in Eastern and Southern Idaho. United of Idaho (United I) is also forming a separate cooperative called United II which will offer to potato growers (who are currently members or decide to become members of United I) preferred stock in United II. This stock will be purchased by members for grower-member stock ownership and associated production rights to furnish process grade potatoes.

This new United II cooperative will partner with the Ron D. Offutt Company (RDO) to form a newly combined company, which is yet to be officially named, but is currently known as "NewCo." Once the combined deal is accomplished, which is anticipated to take 120 days to finance and close, NewCo will be a consolidated dehydration company with United II owning and contributing the Idahoan plants, and RDO owning and contributing its plants in North Dakota, Nevada, and Idaho. Ron Offutt has also agreed to join United.

A strategically fundamental part of this consolidation is that United II becomes the contractual "sole" raw

product supplier and field procurement division of NewCo. All process-grade potatoes (washed sort-outs, dry eliminators, low-grade field-run, etc.) for NewCo will have to come through United II, primarily through its grower-member packing sheds and grower-member production. For additional raw needs, United II may purchase process grade from outside growers and sheds; however, non-United II member spuds will incur a handling service charge, and in every case, United II member spuds will have first priority.

Other dehy companies are also likely to join NewCo. United of Idaho feels that the current dehy strategy being implemented is critical to United's overall mission of supply management.

If you have questions or would like to know how you can be part of this opportunity, please contact your United of Idaho field man. It is important to remember that this opportunity is open to all growers. Completed membership applications and preferred share subscription forms must be returned to United of Idaho offices no later than April 27, 2007.

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PGI & UNITED



Information for the Idaho Potato Grower

Quote of the Month

If you don't know where you're going, chances are you will end up somewhere else.

- Yogi Berra

The monthly newsletter is issued by the Potato Growers of Idaho and the United Potato Growers of Idaho.

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A Not so Traditional Spring

By PGI Executive Director, Keith Esplin



Traditional thinking would predict increased potato acreage this year after two fairly good price years, but there is nothing traditional about the circumstances growers face this

spring. Although potato prices have improved due to acreage management programs implemented by the United Potato Growers, the crop remains very risky to grow. Open prices for growers are still not high enough to adequately cover the huge investment required to grow a crop, let alone the risks of weather, crop quality, and labor shortages.

Much of the blame for the continued softness of the open market is the ongoing decline in fresh potato consumption. Process potato consumption is slowly increasing, but it is the fresh market that sets the standard for open potato prices. This trend is expected to continue, as fewer new consumers even know how to cook a potato. Growers know that planting a crop without a known market does not make sense. Many of today's growers are older and at a point in life where risking the farm, hoping for a price home run, is not worth the risk required.

The biggest reason this is not a traditional spring for growers is the

unprecedented demand for corn to make ethanol. A widely read market report last week reported that with crude oil at \$62 per barrel and corn at \$4.00 per bushel, the ethanol producers are making \$2.18 profit with every bushel of corn they buy. With a new ethanol plant opening almost every week, much more corn will be needed every year. Even in Idaho, corn acreage has been increasing with the tremendous demand from dairies and because new corn varieties grow very well here. In 2006, Idaho growers raised 265,000 acres of corn, and this acreage will only go up.

High corn prices have also caused the value of wheat and barley to rise to levels unseen in over 30 years. It's been interesting to watch the future markets of crude oil, corn and wheat move in tandem. America's farms are rapidly returning to pre-World War II conditions when a large part of each farm was dedicated to producing energy – energy for animals that did the farm's work. This time farmers are responding to America's need to produce energy as a critical component of our nation's needed energy independence.

Many fresh and seed potato growers have made commitments to United to reduce their acreage 15 percent from their 2004 levels. Most process growers have also committed to only planting potatoes that they have contracts to produce. With numerous profitable alternatives, these intelligent growers have plenty of options—options for profit. And for that reason, 2007 is not a traditional spring.

Legislature, Governor Approve IPC Cap Increase

The Idaho Potato Commission (IPC) successfully moved their bill to raise the allowable IPC advertising tax from 10 cents to 15 cents per cwt through the Idaho State Legislature. The House passed the bill 65 to 0 and the Senate approved the measure 28 to 7. The governor signed the bill March 12, 2007.

The IPC has indicated that they will not seek the full 15 cents before the 2009 crop year. It is also important to note that it will still take the approval of 6 of the 9 commissioners to raise the tax.

Industry Holds Transportation Summit

Recently, potato growers and representatives from state potato grower organizations joined together to discuss the industry's challenges with rail, trucking and ocean shipping. Maximum weight limits on state highways, driver shortages, hours of service regulations, reliability and availability of rail cars and shipping containers, and fuel surcharges were identified as challenges being faced in all regions. The summit was a first step in developing an agenda for the industry to take steps in working together to improve transportation efficiency for fresh potatoes and potato products.

PGI executive director Keith Esplin and PGI member, Ritchey Toevs, represented PGI at the meeting. United was represented by Brian Jones of Sun Valley Potatoes.

Good Agricultural Practices (GAP) Certification to be Required

Effective July 1, all growers selling potatoes to Lamb Weston or McCain Foods, or into government food assistance programs will be required to pass Good Agricultural Practice (GAP) audits. These audits will be done by state inspectors who will be required to inspect each farm during the summer and again at harvest.

The purpose of GAP is to ensure food safety. Wide publicity over last fall's spinach

contamination brought renewed attention to ensuring the safety of the nation's food supply. The Simplot Company will require a partial implementation of the program this year.

GAP practices address issues such as worker hygiene, toilet facilities, water supplies, restricting access of livestock or wildlife to fields or irrigation water, and timing and proper management of animal manure used on the farm. Shippers and

processors have an even more extensive list of practices that they will be required to implement. A minimum of 80 percent compliance for the audit will be required. Auditors will charge \$75/hour including travel time and mileage.

Processors will have grower meetings in April to fully disclose the details of these audits. You may also contact the PGI office and we will fax or mail a copy of the document to you.

2007 Contract Negotiations Completed

By Dan Hargraves, SIPCO Executive Director

With a grower vote on March 12, SIPCO completed the approval process for the 2007 Idaho pre-season potato contracts. The 2007 negotiations are noteworthy in that early settlements were reached in the fall of 2006 with the J.R. Simplot Company and Heinz Frozen Foods. Although the ConAgra and McCain contracts were not finalized until the first week of March, this negotiation season remains one of the earliest ever.

More importantly, contract values are up significantly again in 2007. The percentage increase varies by variety, type, and processor. SIPCO used a template with one set of quality averages to value all contracts and drive an equivalent economic value by contract type for all processors. Base price increases range from 5-10 percent

alone. In addition, there are major improvements in hauling compensation on both field delivery and grower storage contracts. Progress continues to be made on conversion from volume to acreage contracts. All processors have adopted a new minimum price of \$4.00 per hundredweight to somewhat mitigate downward price risk in the contracts.

Growers should take note that this is the first time since 2004 that all fryers have contract offers that have been approved by their respective grower base. Grower resolve and cooperation have made this possible. With planting time upon us, all growers must realize that negotiations for next year begin right now. A surplus crop in 2007 could stand in the way of continued improvement in finished prices for our processor customers. Please plant only what you have contracted with your processor customer(s). That is the first, best action growers can take to maintain contract profitability.

PCN surveys to play key role in 2007

Any growers with the expectation of exporting their potatoes to Mexico or Asian markets this year are required to get their fields sampled prior to planting. Growers can contact USDA APHIS at (208) 522-2431 to make necessary arrangements.

It is also important to note that ISDA will be starting a tare dirt sample as a continuing effort to ensure our trading partners that the state of Idaho has contained PCN to a very small area within the state. The samples will be identity preserved and are expected to be mandatory. ISDA also announced their intentions to go forward with the eradication plan for the infested fields in the regulated area.

With regards to seed potatoes, USDA APHIS and the Canadian Food Inspection Agency (CFIA) recently announced a joint potato certification protocol for all seed potatoes traded between the United States and Canada.

Since most seed potato fields are currently frozen, the first phase of the

protocol will include a tare dirt survey. This will involve sampling and testing of soil associated to tubers in storage facilities for all remaining 2006 seed potatoes shipped between the United States and Canada. All shipments between the United States and Canada must include a phytosanitary certificate with an additional declaration confirming that the lot was tested and found free of both pests according to the agreed protocol. Results from field surveys conducted by APHIS and State cooperators in 2006 are also acceptable.

The next phase of the bi-national potato surveillance will begin during the 2007 production year and will include more extensive field surveys for seed potatoes.



USPB annual meeting all about change

The U.S. Potato Board's annual meeting March 13-16, 2007, in Broomfield, Colorado addressed key issues facing growers in today's ever-changing industry.

"Change" was the predominant theme in this year's conference; however, the board's messaging probably won't change too much from last year with regards to convenience and nutrition, which are still key factors influencing the domestic marketplace. The USPB indicated they are willing and ready to tackle those issues again this year.

Two key obstacles the USPB identified the industry needed to overcome were:

1. Currently, potatoes are a poor fit in the changing lifestyles that demand quick and easy dinners
2. Significant number of consumers perceives potatoes are fattening and unhealthy.

The following are other trends you should be aware of:

- 62 percent of households are only one and two persons
- The U.S. is experiencing growing ethnicity, and potatoes do not play a key part in some of these ethnic group's diets.
- Today's consumer is time starved
- Average number of dishes served during in-home dinners continues to decline
- While homemade side dishes have decreased, frozen and ready mix side dishes have seen growth.
- 30 percent of adult females and 19 percent of males report following some type of diet. #1 diet of choice: "My own diet" (custom diets).
- On a per capita basis, people are eating fewer potatoes.

Idaho growers voted on to the USPB administrative committee were: Wayne Jensen, Alan Taylor, Kent Bitter, Shane Webster, Gary Hansen, and Dale Mickelsen.

Cheryl Koopin was selected to be on the executive committee.

PGI attends NPC public policy meeting in D.C.

As part of the 2007 NPC Public Policy Conference, growers and representatives from Idaho met with members of Congress, USDA, EPA and USTR in Washington, D.C. last month on the potato industry's need for federal agricultural policy that promotes increased consumption of fruits and vegetables and increases the domestic and international competitiveness and efficiency of specialty crop producers, and one that maintains the current planting flexibility restrictions. Growers also asked Congress for quick action on comprehensive immigration reform and for help in restoring ARS and CSREES funding for research critical to potato production and breeding.

Secretary of Agriculture Mike Johanns spoke to the group and provided details of the specialty crop specific programs included in the USDA farm bill proposal. The Secretary has been an outspoken leader in the effort to increase specialty crop benefits in the farm bill. The Secretary also indicated he would raise potato trade issues with his counterpart in Mexico.

Meetings were also held on Capitol Hill with members of Congress and key Committee staff. Growers benefited by lengthy discussion with the Chairman of the House Agriculture Committee, Collin Peterson (D-MN), and Debbie Stabenow (D-MI), a senior member of the Senate Committee on Agriculture, Nutrition and Forestry.

Idaho sees lowest March 1 potato stocks level since 1990

According to USDA NASS, potato stocks held by growers, dealers, and processors in Idaho on March 1 totaled 53.5 million cwt, 2.50 million cwt less than on hand March 1, 2006. This is the lowest March 1 potato stocks level in Idaho since 1990. **Disappearance, at 68.3 million cwt is up from last year's 62.3 million cwt.**

Nationally, the 13 major potato States held 153 million cwt of potatoes in storage March 1, 2007, down 1 percent from last year and 8 percent below March 1, 2005, for comparable States.

Processors in Idaho and Malheur County, Oregon used 7.63 million cwt of 2006 crop raw potatoes during February, up 4 percent from February 2006. For the 2006 crop, processors have used 47.7 million cwt of 2006 crop raw potatoes to March 1, up 10 percent from last year.

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