

NEWSLETTER VOL. 3 ISSUE 1

Record Grain Demand Holds Promise for Idaho Growers

While Idaho farmers may be best known for growing the state's famous potatoes, grain markets for the coming year may be too attractive to ignore. Increased worldwide demand for grains, ranging from soybeans to wheat, has pushed crop prices to record highs with wheat hitting a never before seen \$10 a bushel last December—an increase of 100% in one year.

Even countries like China and India are feeling the pinch with China recently assessing a 5–25% export tax on grains, including wheat, corn, soybeans, and oats. Better known for giving its farmers rebates, the Chinese move reflects its desire to maintain a steady domestic supply and to control inflation, issues that will affect the global market as suppliers look elsewhere to fill their orders. Russia and India, both large grain exporters, are also looking to keep their exports down to supply in-country demand.

Reducing Risk

With an uncertain water future and increasing production costs, Idaho farmers looking to diversify during the next year have an opportunity to balance their risk by increasing the size of their grain crops. Beyond increased market demand, small grains like wheat and barley also require less water than potatoes, an issue in Idaho given the below average water season last year.



Crop prices aren't the only thing increasing. Costs for fertilizer and chemicals continue to climb with some suppliers reporting a 30% increase in fertilizer charges. Besides using less water, small grains also require less fertilizer and chemicals than potatoes, an advantage in this competitive marketplace.

Continued on page 3...

This Month

Tracking Snowpack

Winter storms add to snowpack totals, but totals are still low.

More on page 2...

Consolidation On Hold

Upcoming district meetings will solicit grower feedback on the plan.

More on page 2...

New Fresh Market Report

Growers can now review weekly GRIs and shipments.

More on page 3...

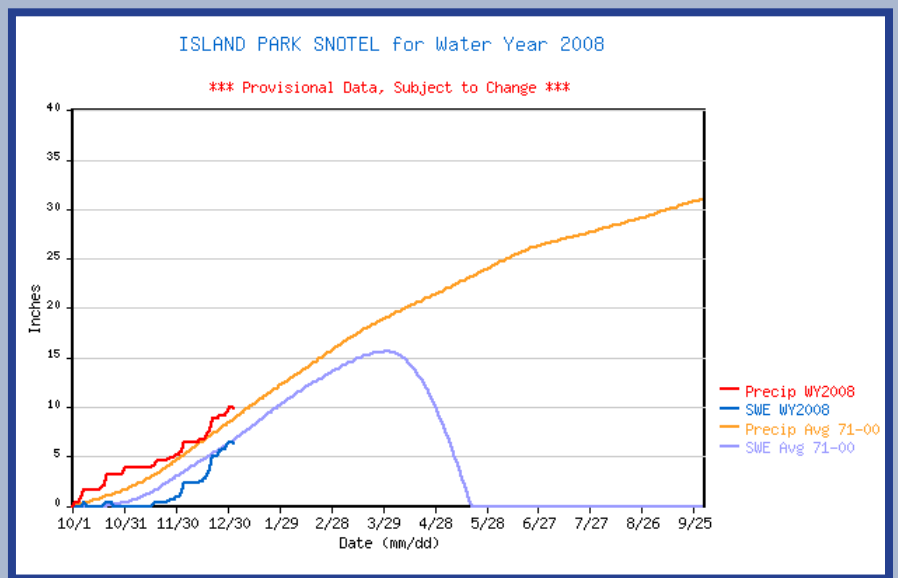
Growers Watching Snowpack Levels

Recent winter storms have left many wondering if Idaho's water woes are at an end. However, even if the season ends with above average snowpacks, farmers aren't guaranteed above average streamflows to see their crops through the next summer. Besides uncertainty about Idaho's water future in 2008, the 2007 water season saw some of the lowest snowpack totals in two decades in certain areas.

This shortfall demanded that irrigators and other water users tap into the carryover from the previous year, significantly lowering reservoir levels. For example, Jackson Lake and Palisades Reservoirs only carried over 35% of their storage capacity into this winter. The snowpack in these two areas needs to reach 106% of average for the whole season to have any hope of reaching an 88% of average streamflow, which will barely satisfy this coming year's surface irrigation needs. To date, Teton Basin is at 45% of average snowpack and the Snake Basin above Palisades is at 40% of

average. Other areas throughout the state are facing similar or worse situations

In addition, farmers with junior water rights are also facing the possibility of curtailment orders from the Idaho Department of Water Resources during the next water season if the situation doesn't improve. As growers try to make planting decisions for the next season, they can visit the United web site to track local snowpack totals or the National Resources Conservation Service (<http://www.id.nrcs.usda.gov/snow/data/current.html>) to track levels throughout the state.



Consolidation Plan On Hold

During recent weeks, United Potato Growers of Idaho (UPGI) explored the possibility of consolidating the potato pile to increase the grower's rate of return. Jerry Wright, United CEO and President, originally announced the Idahoan Fresh Potato Plan during the All Grower Meeting last November. After additional exploration, UPGI decided that growers would be better served to put the plan on hold for this growing season.

"The Idahoan Fresh Potato Plan represents a huge leap for the industry," said Wright. "However, the logistics of signing up so many potatoes so quickly,

and the tight timetables and challenges of building a marketing program from scratch, make it prudent to move at a slower and more calculated pace."

Wright continued, "We're committed to making Idahoan Fresh a reality, but we want the deal to be a benefit to growers and not a distraction." During the next year, UPGI will continue its feasibility evaluation of the plan. District meetings are scheduled for the first three weeks in January to allow growers across Idaho to come and to ask their questions and express their interests and concerns.

Market Report Gives Growers Perspective

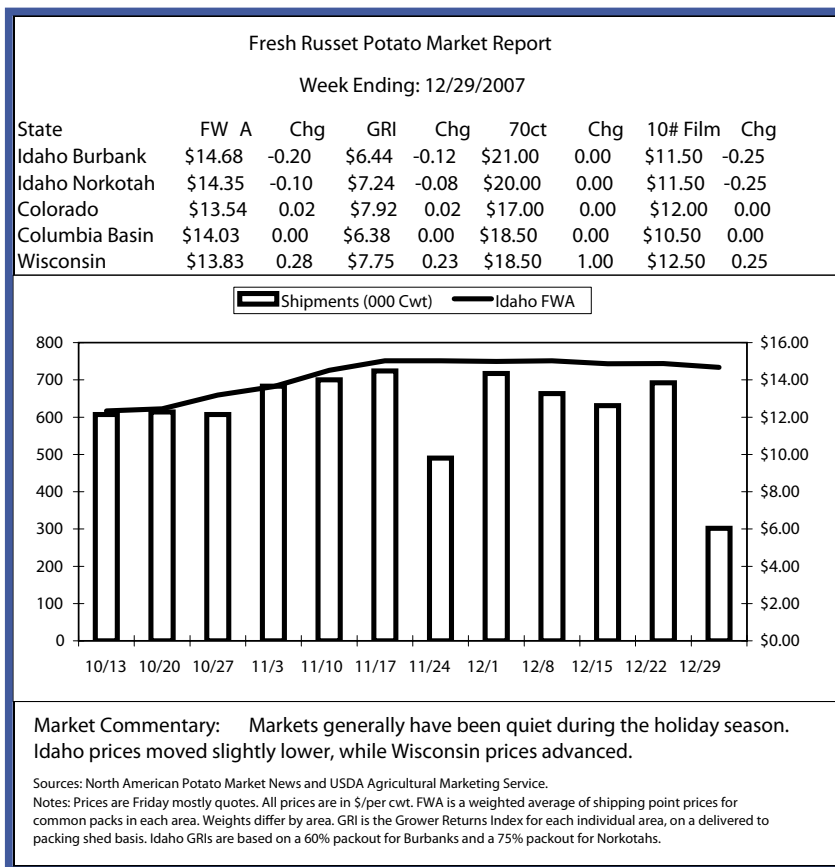
United Potato Growers of Idaho (UPGI), in partnership with United Potato Growers of America and North American Potato Market News, now publishes a weekly fresh potato market report. The fresh market report compares Idaho's grower return index (GRI) against Colorado, the Columbia Basin, and Wisconsin.

One of the problems growers faced in the past was a lack of information about what was happening in the market. "Growers can now track what's happening in the market," said Jerry Wright, United CEO and President.

"Access to this information gives growers a baseline to help them make marketing decisions about their crop."

As seen from the report pictured below, growers have access to a wide range of information. The included chart also gives growers a way to compare results from previous weeks and review shipment levels over the season.

Available at United's web site (unitedpotato.com), Idaho growers can also see the report in local publications like *Intermountain Farm & Ranch* and the *Capital Press*. If your local publication doesn't currently publish the report, please contact United and we'll see if arrangements can be made to include report.



1. Compare Idaho's GRI against 3 other areas
2. Track shipment levels & prices
3. Review weekly market commentary

Record Grain Demand Continued...

Managing Acreage

United's call to reduce acreage 20% off reported 2004 acres has left some farmers wondering how to make the cuts without sacrificing profit. "Planting small grains this coming year instead of potatoes does three things," said Jerry Wright, United CEO and President, "First, growers can significantly lower their overall farm risk, both the actual crop risk and the market risk, by planting grains in 2008; second, for the first time in

recent memory, rotating your reduced potato acres into grain is actually a higher profit alternative than planting potatoes; and third, grain crops will save growers on production costs." Wright concluded, "Reducing your potato acres by 20% and planting those acres in grains is a smart way to lower risk and insure we make money on the potatoes we do plant."

New UPGI Web Site Aids Growers

As the industry continues to change and grow, so does United Potato Growers of Idaho (UPGI). To improve access to vital industry information, United recently launched a redesigned web site (unitedpotato.com). Idaho growers can now easily find information about both the local and national potato industry in one place, helping them gain a better understanding of what's happening in the market.

In addition to industry information, growers can also find important data about snowpack totals and links to other water reports. "Our goal with the United web site is to inform all potato growers, whether United

members or not," said Jerry Wright, United CEO and President. "One of the biggest obstacles growers face in marketing their crops and planning for future growing seasons is a lack of information. With our new and improved site we hope to create a central place where growers can find answers to their questions."

Growers can also sign up to join United's mailing list for easy access to the latest information, like United's newsletter, via email. Visitors to the site can also review the latest marketing reports from Jeff Duffin, listen to any other phone messages that have gone out, or find United membership forms and contracts.

To learn more about United Potato Growers of Idaho, contact:

Jerry Wright, CEO & President

Email: jerry.wright@united.com

Phone: (208) 535-8500

To learn more about this newsletter, or to be added to our mailing list, contact:

Britt Raybould

Email: braybould@gmail.com

