

## NEWSLETTER VOL. 3 ISSUE 2

### United Potato Partners Program Announced to Growers

On February 11, 2008, United Potato Growers of America (UPGA) and the Potato Marketing Association of North America (PMANA) announced the formation of United Potato Partners, a key strategic alliance with Bayer Crop Science, AMVAC, and WinField Solutions. United of America and PMANA jointly represent over 75% of United States fresh potato acres and over 80% of all fry process acres.

With the formation of this key alliance, major suppliers are acknowledging that United's efforts have helped restore and stabilize grower profitability.

"This is a significant show of unity with and financial support for United Potato Growers who are major consumers of their products, and they are not the only major suppliers that

will be joining," said Buzz Shahan, COO of UPGA. "You can anticipate the announcement of a major fertilizer supplier joining the Partners in the coming weeks."

Jerry Wright, CEO of United Potato Growers of Idaho (UPGI) stated, "These companies are really stepping up with significant dollars in a show of



unity and support, and it only makes sense that the more we support them, the greater their financial support will be for us."

#### How the Program Works

All three organizations, Bayer, AMVAC, and WinField Solutions, will contribute volume-related funds

**Continued on page 3...**

### This Month

#### 2008 Industry Forecast

Industry outlook indicates numbers similar to 2005 & 2006.

**More on page 2...**

#### SIPCO Growers Redefine

Co-op evolves from price setting to volume marketing.

**More on page 2...**

#### Climbing Costs

Growers facing increased production costs for 2008.

**More on page 3...**

## Forecasting 2008 Idaho Production

United Potato Growers of Idaho (UPGI) hosted three all-grower meetings during the first week of March. At each meeting, Jerry Wright CEO of UPGI presented the first "Pre-Planting 2008 Idaho Crop Forecast." In his opening statement, Wright acknowledged, "This is only a forecast and by definition it will be wrong. However, the value of United is to give you the best, most accurate information available as soon as we have it so you can make sound business decisions."

Wright presented alternative scenarios for next year's planting, starting with a review of the three moving variables that complicate a crop forecast:

- 1) the acres to be planted,
- 2) the yields, and
- 3) the pack outs for the fresh market.

This forecast relies on the actual fresh acres submitted on the United Planting Intentions form. Total fry process acres, however, represent the real wild card. Wright also shared data indicating Idaho's yields increased 27 sacks per acre over the last four years versus the previous five year historical average. Based on these results, UPGI believes that it's realistic to project at least 376 cwt

per acre for next year, with a high potential that the number will be 380 cwt per acre, the average of the last two years.

Wright indicated that the best pack-out forecast lines up with the averages for the 2005 and the 2006 crops. With these estimates in mind, Wright presented a Total Idaho Crop Forecast that showed even with the acreage reductions committed by UPGI's fresh growers and forecasted by SIPCO members, the fresh market will have an ample supply next year (30,600,000 cwt). "That means a probable return of between \$6.50 and \$6.75 next year, just like we have had for the last three years in a row when Idaho has shipped these same quantities into fresh markets. Growers throughout the state are hoping that alternative crops will short the potato acres enough to create 'an \$8 potato year.' I honestly cannot see a reasonable scenario next year where you will get \$8 for your potatoes," said Wright.

To reach \$8, growers statewide would need to cut twice the planned acres, which isn't likely. To balance risk, UPGI growers are strongly encouraged to consider planting more grain where the market looks to reward growers with less risk.

## SIPCO Growers Define New Direction

### Dan Hargraves

At a well-attended meeting in Burley on March 3, SIPCO growers voiced overwhelming support to advance our cooperative efforts. Beginning with the 2009 crop, the co-op will bring binding acreage commitments on the part of member growers when the annual fry contracts are negotiated. Instead of negotiating a statewide price with each processor for all potato growers, SIPCO will bring the actual member acres for each processor and deal with the terms and price of those acres only.

This evolution from price setting to volume marketing is mandated in the new environment of keen competition for ground, dynamic input prices, and multiple cropping options for growers. Along with this advancement, the cooperative has elected to add a position to assist with the additional field activities that will be required to identify, document, and cooperatively market the acres of SIPCO member growers. This individual is expected to be on board this spring.

The traditional, fixed-price, pre-season potato contracts are also being evaluated in light of the 2008 settlements. All growers have seen their projected margins erode as fertilizer and fuel prices reach all-time highs. The 12% increase negotiated prior to Thanksgiving has been more than offset by higher production costs in many cases. For this reason, the cooperative has held some initial discussions for the 2009 crop with processors about a flexible contract pricing mechanism that would bring the contracts into parity with current production costs and then fix a percentage above production costs for risk and return on investment. With more significant changes surely on the horizon, we must adapt as a cooperative if we are to attain the profitability required to sustain our farming operations long term.

### United Potato Partners...

to UPGA offices to offset the costs of data collection and information systems, both at UPGA headquarters as well as at the state co-op level. Alliance members openly acknowledged United's contribution of key information and category analysis as the cornerstone of the organization's success, leading to improved grower profitability. These monies will be distributed back to each state based upon product usage and membership.

### How to Participate

All members of United are qualified to participate in the program. To benefit, growers need to use Partners' products. Growers can review the available AgriSolutions products at [www.agrisolutionsinfo.com](http://www.agrisolutionsinfo.com). Since Idaho represents one-third of all acres in the national program, Idaho growers in both UPGI and SIPCO stand to gain a dues offset for their participation. The UPGI Board of Directors has agreed that wherever possible, the monies will be returned to growers based upon their support of the program through usage of the Potato Partners products.

Money from WinField Solutions money will be returned as a direct grower rebate. Thus growers can potentially "double" their rebate when they buy Bayer or AMVAC products (like VAPAM or K-PAM) at their local WinField retailer. In Idaho, WinField Solutions Partners include:

- Valley Agronomics with four locations in the Magic Valley, one in Burley, and four in the Idaho Falls, Rexburg and Ashton areas
- Bingham Cooperative with locations in American Falls and Blackfoot

All purchases at these WinField retailers earn a grower-specific cash rebate. In addition, purchases of Bayer and AMVAC products will earn additional dollars returned to growers through the offset of dues.



**Look for the United Potato Partners logo to identify products and suppliers that are supporting United Potato Growers.**

## Grower Costs Climbing

At the recent United Potato Growers of Idaho and Potato Partners meetings, Layne VanOrden of VanOrden and Associates presented the projected Potato Growing Costs for the 2008 growing year. These projections are based on the University of Idaho's updated 2007 Extension Service Potato Production Costs. As anticipated by most growers, the projected costs are higher for 2008:

Per acre	2008	2007
Fertilizer	\$461.73 (up 50%)	\$306.90
Chemicals	\$110.36 (up 5%)	\$105.10
Irrigation	\$92.25 (up 16%)	\$79.37
Fuel & Lube	\$116.00 (up 16%*)	\$100.26
<b>Total Eastern Idaho Operating Costs</b>	<b>\$1588.08 (up 13%*)</b>	<b>\$1399.38</b>
<b>Total South Central Idaho Operating Costs</b>	<b>\$2734.54 (up 8%*)</b>	<b>\$2542.43</b>

If ownership costs remain unchanged at \$775.55 per acre, that would mean total production cost would rise 9% from \$2174.93 per acre to \$2363.63 per acre. To cover costs, growers must achieve the GRIs below, assuming a certain yield per acre:

Area	Yield/acre	GRI
Eastern Idaho	345	\$6.85
South Central Idaho	400	\$6.84

As VanOrden said many times throughout the meeting, these costs were very close to what he has seen when he does a lot of his clients budgets for the upcoming 2008 crop year. If you would like to see more detail, these cost summaries are on the United Potato Growers of Idaho web site at [www.unitedpotato.com](http://www.unitedpotato.com).

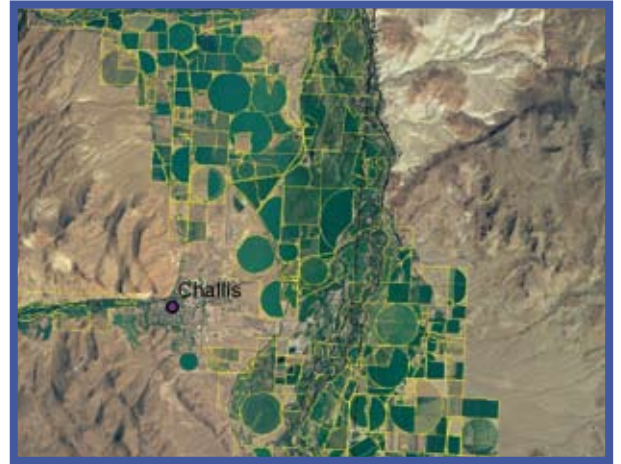
\*Costs do not take into account continuing increases in crude oil.

## Counting Idaho's 2008 Potato Acreage

### Mike Leavitt

Starting in May 2008, UPGI will visually count every potato acre in Idaho, using GPS to record the data. The picture to the right is an example of how UPGI's computer program shows all the Farm Services Agency fields and the acreage.

To gather the initial data, five teams of three people will cover the state and record acres. UPGI estimates that the five teams will cover the entire state in a little over three weeks. On a weekly basis, teams will send their data to the UPGI's office for analysis. UPGI should have a clear and more accurate picture of the entire state's potato acres a month sooner than in the past.



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

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