

NEWSLETTER VOL. 3 ISSUE 3

United Adopts Flow Controls to Improve GRI

In the Marketing Administrative committee meeting on April 17, marketing board members agreed to abide by flow controls for the next eight weeks to help stabilize the year-end market. Jeff Duffin in the weekly market report from April 18 discussed how expected future run outs in other states contributed to the decision to slow Idaho's flow into the markets to avoid running out of potatoes.

"With the fact that Wisconsin and Colorado are going to run out early, Kern County is down 18%, and our shed stocks show[ing] that we only need to average around 590,000 per week to avoid an early crop runout, the committee decided it is time to start advancing our GRI up now instead of waiting for June or July."

Why Flow Controls?

United has tracked the impact of flow controls on grower returns since 2005. Historically, with flow controls in place, prices have increased. Once

flow controls are lifted, prices may grow for a week or two then hold steady, but as weekly supply begins to consistently exceed demand, the price always drops. Ultimately, flow controls are about managing weekly or sometimes daily excess potato supplies produced when packing sheds run without regard to real demand. Those excess supplies of perishable potatoes ultimately get discounted, dragging down prices.

"That happens to be the cycle we are



in today," stated Jerry Wright, CEO of United. "It's not about the quantity of potatoes left to run; it's all about how fast sheds want to run them. It only takes one or two packing sheds with excess floor stocks to crash the market or keep it from moving up."

Flow controls act like a "governor" on an engine, avoiding excess production and oversupply, balancing supplies with actual demand. Flow

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This Month

UPGA Message

Flow control can help Idaho improve its GRI.

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Water Outlook Improves

Current snowpacks point to healthy streamflows.

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Wada Wins Award

Ag Summit recognizes Wada's industry contributions.

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A Message from United of America

Cary Hoffman

We would like to make you aware of the “Russet Market Report,” a weekly report that is on United of Idaho’s website and that is also published in several Idaho newspapers. It compares the prices and grower returns on potatoes between Idaho and three other major shipping areas.

In this week’s report, the returns to Idaho growers were more than \$3.50 per cwt less than the returns to growers in both Wisconsin and Colorado. One of the major reasons for the lower returns received by Idaho growers is the price at which bales of 5# and 10# consumer bags are sold by shippers in Idaho. Did you know that Idaho’s average price of 10# russets was \$2.75 per cwt LESS than Colorado’s and \$4.25 per cwt LESS than Wisconsin’s? Let’s be clear; this is NOT about freight.

Your potatoes should be worth more than the price at which they are currently being sold. This comparison between Idaho, Wisconsin, and Colorado prices is meant to inform you—not to insult you. Idaho has a long standing reputation of growing and packing a premium product. However, your potatoes are now being sold at a discount to other areas. It’s like selling a Cadillac at a Chevrolet price. And the grower is subsidizing the price!

How can you turn this around? By encouraging those who sell your potatoes to ask more for them. Being a member of United allows your sheds to work with other United sheds to legally set prices. However, no one shed can do it by itself without risking losing business to another shed. Idaho growers must unite and speak with a unified voice to all sheds so that they all ask a better price for your potatoes. Tell those that sell your potatoes that you want them to sell 5# and 10# bags of your Idaho potatoes for at least the price that growers in Colorado and Wisconsin are receiving.

United of Idaho has taken the first step by getting many of the Idaho sheds to agree to rationally flow product into the market and to start asking for more money for your potatoes. Support this effort by telling your sheds you want them and expect them to follow through. Support and encourage efforts for sheds to work together to get you higher prices. If you expect to get more for your potatoes, you need to stay posted on the price that the sheds are asking for your product, and the returns you are actually receiving. That information is readily available to all growers at unitedpotato.com.

Flow Control cont.

controls have consistently proven to increase grower returns by focusing shipper awareness away from mere production onto real demand.

Creating Results

Consider what happened in 2007 when flow controls were implemented. From January 2007 to the end of March 2007, the GRI dropped to its lowest number since the previous January. Flow controls were implemented and the GRI steadily increased from week to week, leveling off in June. A similar result was accomplished the previous year, too.

Supply and Demand

Flow controls aren’t about telling farmers how to sell their potatoes, but rather to help growers get the value they deserve from their crop. If the market is flooded with potatoes, regardless of the quality, the price a shed can sell them for declines, making it difficult for the grower to demand a fair price for their crop.

The KEY to figuring out supply management is

information access. That’s why United makes an effort to post as much data as possible on its website about current market performance, including GRIs, shipment numbers, and other industry reports. The information can make the difference when a grower is formulating his marketing strategy.

The United Weekly Market Report showing last week’s price and returns in Idaho, Colorado, Washington, and Wisconsin should be required reading for all potato growers throughout the state. It shows the last 12 weeks shipment history for Idaho, and its impact on the FWA (Fresh Weighted Average Price of all the ones and twos). Growers can find the report at www.unitedpotato.com.

Sheds and Growers Working Together

For flow control to work, growers and sheds need to communicate and work together. Supply management falls apart if the sheds and growers undermine each others efforts to raise prices by flooding the market. Growers need to take the time to talk to their sheds and encourage them to stick to the flow control plan.

Albert Wada Recognized for Marketing Innovation

Earlier this year, Albert Wada, United's immediate past chairman, received an Ag Summit Governor's Award. The Larry Branen Idaho Ag Summit awards recognize individuals who have contributed to Idaho's agriculture industry. Ag Summit awards are handed out in five categories: Education and/or Advocacy, Environmental Stewardship, Technical Innovation, Lifetime Achievement, and Marketing Innovation.

Wada received the Marketing Innovation award in recognition of his contributions to Idaho's potato industry. Through his efforts to create products like the Easy-Steamer™ and the Easy Baker, Wada has helped develop the market for Idaho's potatoes beyond the traditional five-pound bag of spuds. "[The Easy-Steamer is] a one-and-a-half pound gourmet, petite size yellow, red, or russet potato," said Wada. "And it's ready to steam in the bag; you end up with is a potato that's quartered and buttered, right and ready to go."



Currently farming 30,000 irrigated acres with 10,000 of those acres in potatoes, Wada continues to be a leader in the industry. His leadership on the local level helped in the formation of United Potato Growers of Idaho, and he accepted the challenge to help form a national umbrella co-operative, United Potato Growers of America.

"The cooperative philosophy makes sense," adds Wada. "It's really unfortunate that more of the farming community can't latch onto that and come together with enough effective critical mass to make a difference. We were able to do that at a relatively high degree because so many of us were in the same boat."

Photo courtesy of Jake Putnam

Water Outlook Positive for Idaho

With statewide snowpacks mostly above average, hydrologists with the Natural Resources Conservation Service (NRCS) in Idaho are optimistic that reservoirs will fill and the state will have adequate water supplies for the summer. "Current snowpacks point to healthy streamflows and reservoir storage for the summer," said NRCS water supply specialist Ron Abramovich, "but we are still waiting to see how spring temperatures and precipitation will affect the melt season." Cooler months in March and April slowed runoffs, keeping snow at higher elevations and allowing for even more snow accumulation.

Above average precipitation in March around much of the state (the Upper Snake River basin received 140%, the Panhandle and Clearwater basin received 120–135%, the Henry's Fork and Teton basins received 116%) added to snowpack totals even at mid-elevation levels. This year's forecast also indicates that the Panhandle, Clearwater, and Weiser basins will see an average streamflow of 115–125%. Other areas will see streamflows of 90–115% with the Bear River region at the low end at 58% of average.

Reservoir storage levels were of concern to most growers last year with levels dropping dangerously low. While some reservoirs carried over storage of 70–110%, others like the Magic, Little Wood, Blackfoot, Salmon Falls, Owyhee, and Bear fell to 30–60% of average. NRCS believes that this year's runoff will either fill most reservoirs or provide adequate water supplies.

For more information on this year's snowpack and its impact on the drought in the West, growers can listen to an MP3 recording of Agriculture USA (<http://audioarchives.oc.usda.gov/radnewsfeatarchive.asp>). This edition features Rod Bain of the USDA and meteorologist Brad Rippey.



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United Upcoming Events

May–June

- *Acreage Counting*—United fieldmen will conduct their first statewide survey of potato acreage.

June

- *Acreage Audits*—United fieldmen will meet with growers in their districts to perform an acreage audit.

July

- *United Summer Meeting*—Growers will gather for an industry update, a review of NASS's acreage survey, and a forecast of the 2008-09 market.
- *NPC Summer Board of Directors Meeting*—This year's meeting is in Idaho Falls at the Hilton Garden Inn. For more details, visit www.nationalpotatocouncil.org.

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