



# UNITED POTATO GROWERS OF AMERICA

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TO: All United of America Potato Grower Members  
 FROM: Jerry Wright, CEO and President  
 RE: More Information on 2006 Pre Planting Acreage Control Guidelines

October 4, 2005

By now you should be aware that UNITED has announced our 2006 Pre Planting Guidelines. We have done so this far in advance to establish realistic expectations for the 2006 crop and to give you important information so you can make informed decisions as you begin to harvest the 2005 crop. Below find some examples of how the program will work.

### 2006 Acreage Planting Guidelines

Your United of America Future Crop Committee, in collaboration with the your states Future Crop Committee, has developed the 2006 United of America Acreage Management Targets. The committee unanimously agreed to use 2004 acreage bases as our starting point because it is well understood by all members and well-documented by all states. Extenuating and unusual circumstances for some growers for using '04 as a base may be accommodated by appeal to use a verifiable 3-year average. The committee further agreed that we would need to remove approximately 12-13 million cwt bags from that 2004 base crop to balance SUPPLY with DEMAND in 2006. **To achieve this necessary national supply reduction, we need an 8% to 10% co-op average acreage reduction off of the 2004 ACREAGE BASE**

### How the program works

Nationwide in 2006, we have chosen to use a per-acre assessment. Here's how it will work. **First, we are asking all members to voluntarily reduce plantings by 8% to 10% off their 2004 base.** If they do so, they will be credited with a PIK, "payment in kind" against the 2006 acreage buy-down assessment projected to be \$50 per acre, and will pay no assessment. **When you do the math, that equates to a \$500 per acre payment to not plant. THUS, IF YOU REDUCED YOUR ACRES BY 8%-10% IN '05 AND SIMPLY MAINTAIN YOUR '05 ACREAGE AT THE SAME LEVEL FOR '06, YOU WILL AUTOMATICALLY QUALIFY FOR THE PIK, AND NO ASSESSMENT IS DUE.** If a member chooses to NOT cut acres or to cut something less than the 8-10% targeted reduction, they are free to do so. However they will pay a pro-rated portion of the \$50 acreage assessment into the respective UNITED state fund which will then be used to buy out acres first within the state and second, nation-wide.

Examples:

2004 Base Acres	'06 Assessment	Assessment Amount	'06 Acres Planted	Acres reduced	% Reduction	Payment in Kind	Bal. Due in Cash
1000	\$50	\$50,000	1000	0	0%	\$0	\$50,000
1000	\$50	\$50,000	900	100	10%	\$50,000	\$0
1000	\$50	\$50,000	950	50	5%	\$25,000	\$25,000

The formula for calculating the amount due is as follows:

2004 Base Acres	'06 Assessment	Assessment Amount	Acres reduced	Reward for reduction	Payment in Kind	Bal. Due in Cash
1000	X \$50	= \$50,000	50	X \$500/ acre	= \$25,000	\$25,000

In January 2006, all members will be asked to sign a contract wherein they will commit to the acreage reduction they will make. Contracts will be made available in December and will be due at Coop offices by January 13<sup>th</sup>, 2006. After we tabulate and evaluate the committed cuts by state, UNITED will once again offer to the membership at large, the 2<sup>nd</sup> annual National Acreage Bid Buy-Down in February. Thus, if a grower desires to cut more than the 10% acres required, he is encouraged to do so. The first 10% reduction will be credited as a Payment in Kind and all additional acres beyond the 10% cut can be competitively bid into the Acreage Bid Buy Down. Members who have cut less than the required 8%-

10% can bid their acres into the Acreage Bid Buy-Down, however **Members who have contractually committed to cut acres between 8%-10% will be given priority in the bid process.** Furthermore, we anticipate enough broad based support to minimize the need to buy-down a large amount of additional acres, never the less the “sealed” bid will be available on a competitive and confidential basis to all members to further reduce acres.

If a grower chooses to increase his acreage vs. the '04 base, **he can legally do so without any penalties** by buying or renting 2004 base from another member who is in good standing, provided those acres are also subject to acreage control guidelines. That means the acquired acres CANNOT be part of another growers reduction. And, the \$50 per acre assessment needs to have been paid by either the lessor or the lessee.

Examples:

2004 Base Acres	'06 Assessment	Assessment Amount	'06 Acres Planted	'06 Acres Leased out/in	Acres Reduced	% Chg	Payment in Kind	Bal. Due in Cash
Member Grower A 1000 acres	\$50	\$50,000	700	-200	100	-10%	\$50,000	\$0
Member Grower B- 1000 acres	\$50	\$50,000	1200	+ 200 from Member Grower A	0	+20%	\$0	\$50,000

**Remember, your actual out-of-pocket cash cost will be ZERO if you reduce plantings by 8%-10% off of your 2004 base. Stay focused on your RETURN ON INVESTMENT (ROI).** Without the Acreage Buy-Out program, you could very likely be looking at GRI's of \$2-\$3 per cwt. With your \$50 per acre Payment-in-Kind investment in the acreage reduction plan, we anticipate 2006 GRI's greater than \$6.50. **Per acre, that is more than a 1500% ROI. It is not a gamble; IT IS SMART BUSINESS AND RISK-MANAGEMENT!!**

**Your Indicated Actions:**

**Do not make the mistakes of the past. Re-think your 2006 planting intentions today. Anticipate your 8%-10% reduction off of your 2004 base as you begin preparing, fumigating and fertilizing your next year's spud ground this fall. Extend your crop rotations, increase the health and balance of your soil, increase the quality of your future potato crops, and reduce your input costs!** Keep your options open by NOT fumigating and fertilizing for potatoes on every possible spud acre. Save money by spending these costs on 90% of the ground that can be planted to spuds in '06. Don't box yourself in. Act responsibly. Don't be part of the problem....PLEASE BE PART OF THE SOLUTION! **Remember: LESS ACRES means MORE \$\$\$\$\$.**

Sincerely,



Jerry P. Wright  
CEO/President  
United Fresh Potato Growers of Idaho