

2008-09 UNITED Seed Acreage Reduction Program

Basic Definitions and Ground Rules

The Principal

United Seed members want to REDUCE plantings in 2008-09 from the 2004 national base by 20%.

Why? A 20% reduction in seed will match the 2008-09 reduction targeted in plantings for commercial growers. Seed growers acknowledge that seed supplies need to be balanced with commercial production demand which is driven by actual fresh potato consumption. In the last 3 crop years, Seed growers have experienced an 8% increase in yield versus their standard state wide average of 240 cwt per acre. That means each year Seed has produced between 500,000 and 1,000,000 cwt of additional seed versus that average. That excess seed has threatened the market each season and has resulted in the need for numerous contingency buys, Spec dehy deals, etc., all to remove excesses the market does not need.

UNITED's 2008-09 Goal

- 1) Reduce fresh plantings off the 2004 base by 20% nationwide.
- 2) **Reduce Seed plantings by 20% off the 2004 base to match anticipated reductions in fresh acres.**
- 3) **Discourage and eliminate "mindless expansion" beyond the 2004 base acres.** That specifically applies to expansion on acres WITH OUT potato base, meaning they haven't had potatoes planted on them as part of their normal rotation.

UNITED's Basic Seed Acreage Program

For the 2008-09 growing season, United Seed growers and ALL Seed Growers everywhere if they choose to participate, will be given the following options to choose from:

Basic Seed Acreage Management Assessment: The same as last year, \$30.00 per base acre.

Seed Acreage Program:

Option I: Reduce plantings a full 20% off of their 2004 BASE. Full execution of this option constitutes a Payment in Kind meaning the grower will owe no cash assessment.

Option II: Growers choosing to reduce acreage LESS than 20% will be assessed a pro-rated percentage of the \$30.00 fee ON ALL THEIR BASE ACRES. Monies will be used to "buy-out" acres elsewhere within the State.

Growers expanding acres WITHOUT BASE will be assessed \$100 per acre on ALL acres (expansion plus base acres).

How does one legitimately expand acres?

- 1) No one is prohibiting expansion. You can legitimately expand by choosing to pay \$30.00 per acre assessment and then planting your full 2004 base. United Seed District will use the monies collected to buy-down seed acres elsewhere. If you want to expand beyond your 2004 base, refer to items 2 and 3 below.
- 2) You can "legitimately" expand if you buy or rent Acres with Base. If you do, you will need to register the land with UNITED and pay the preferred stock assessments. You will be asked to participate in the UNITED Basic Seed Program of reducing total plantings by 20% and/or pay the pro-rated \$30 per acre assessment.
- 3) **If you buy or rent Acres without Base or accelerate your normal rotation on your own land, resulting in planting Acres without Base,** you will do so "illegitimately" or outside the approved UNITED guidelines. These are acres that did not have potatoes planted on them OR they are acres where you choose to accelerate the rotation schedule to significantly increase your acres planted in 2008-09. **These opportunistic acres are coming into potato production in 2008-09 principally to take advantage of the strong market created and supported by UNITED members nationwide.** UNITED leadership has agreed that such acres represent the biggest threat to overproduction in Idaho and nationwide. Therefore, as a disincentive to this type of "mindless expansion", these opportunistic acres will be taxed at \$100 per acre on ALL acres; that is your 2004 base PLUS the expansion acres.

Remember, the goal is to reduce production, not collect assessments. All members are asked to complete the attached forms to formally establish their 2008-09 planting intentions.

Note: ALL assessments referred to in these forms are specifically for the 2008-09 Acreage Management Program and are separate from any dues, check-offs or acreage fees required for Co-op overhead and management.

Key Definitions:

Acres WITH Base – Acres that had potatoes planted on them sometime since the 2003-04 crop, REGARDLESS of whether or not they were registered in UNITED.

Acres WITH OUT Base – Acres that have NOT had potatoes on them for years; at least since 2003-04 crop. These represent “mindless expansion” acres coming into production merely to take advantage of the improved market facilitated by UNITED seed programs.

Below you will find several forms and worksheets meant to help you define your seed planting intentions for 2008-09.

Form A – Base Acres Worksheet. Use this form to record your 2004 base seed acres and your 2008-09 planting intentions showing a reduction in acres planted by 20% off of 2004 Base.

This worksheet will help you define your 2004 Base Acres and your 2008-09 planting intentions FOR YOUR TOTAL SEED BASE ACRES ONLY. It also contains a **Seed Base Acres Fee Assessment Worksheet**. Use this form to formally define your 2008-09 planting intentions on your SEED Acre Base. It is also a worksheet to help you calculate the assessment due. **REMEMBER, if you fully comply with the 20% reduction off your 2004 base, you will be credited with the “Payment in Kind” and your 2008-09 Acreage Management Assessment will be \$0, Nada, NOTHING! This DOES NOT include any Expansion acres you may want to plant.** Use Form B to define your expansion plans.

***ONLY USE THE FORMS BELOW IF YOU ARE EXPANDING YOUR ACREAGE
IN 2008-09***

Form B – Expansion Acres Worksheet. Use this form only if you are expanding acres in 2008-09

The Expansion Acres worksheet that will help you define whether or not your expansion acres have 2004 Base. Complete the worksheet and then move to either Form C or Form D.

Form C – Expansion Acres with United Base.

Complete this worksheet if your expansion acres have Base. It is a worksheet that will help you calculate the acreage assessment for those acres. If your expansion HAS BASE, you will be asked to participate in the UNITED Basic Program which calls for an overall 20% reduction in seed acreage planted and/or a \$30 per acre assessment.

Form D - Expansion Acres without United Base

Use this form if your expansion acres DO NOT have Base. It will help you define and calculate the assessment due on those acres. If your expansion DOES NOT have Base, you will be asked to pay \$100 per acre on all acres planted. Why? There is NO room in the market for these potatoes. They represent true excess production. The acreage assessment will be used to 1) buy out potato acres elsewhere to create a market for your excess spuds and 2) to register these new acres in UNITED so they have future base.

Step #1. Complete Form A showing your 2004 Base Seed Acres and declaring your 2008-09 Seed planting intentions, showing at least a 20% reduction off your 2004 Base.

Farm Name: _____
 Grower Name: _____

United II Member? Y N

Form A- Base Seed Acres Worksheet

2004 Base				2008-09 Commitment			
Fresh	Variety	Acres	1	Fresh	Acres	+ / - 2004	% chg.vs. 2004
	Variety	Acres	2		Acres		14
	Variety	Acres	3		Acres		15
	Totals		4		Totals		17
<i>Note: Your Seed Acre reduction SHOULD total at least a 20 % reduction to qualify for the payment in kind.</i>							
Seed	Variety	Acres	5	Seed	Acres		18
	Variety	Acres	6		Acres		19
	Variety	Acres	7		Acres		20
	Totals		8		Totals		21
Process	Variety	Acres	9	Process	Acres		22
	Variety	Acres	10		Acres		23
	Variety	Acres	11		Acres		24
	Totals		12		Totals		25
Grand Total	Totals		13	Totals			26

Step #2, Complete and sign this form to declare your Seed Acre Planting Intentions and determine your 2008-09 Seed Acreage Management Fee Assessment.

From Page 1, fill in the numbers for your FRESH ACRES only.

2004 Base		2008-09 Commitment			
	Column 1	Column 2	Column 3	Column 4	
Fresh	Acres	Fresh	Acres	+/- 2004	% chg. vs. 2004
Totals	4	Totals		21	34

1. If you are planning a 20% reduction or more in 2008-09 Base planted acres

If the number in Column #3 is a NEGATIVE number you are reducing acres. The % chg. number in Column #4 should also be a negative number. **If you are reducing your acres by 20% or more, you owe NO assessment and will be credited with a Payment in Kind. You must fill out, sign and return this section below to receive credit for the Payment In Kind.**

2004 Base	2008-09 Acreage Assessment Owed:
Totals <input type="text"/>	$\times \$0 \text{ per base acre} =$ <input type="text" value="\$ 0 (PAYMENT IN KIND)"/>

2. If you are planning less than 20% reduction in 2008-09 Base planted acres

If the number in Column #3 is NEGATIVE and the % chg is LESS THAN 20%, you owe some pro-rated portion of the \$30 per acre assessment times your total base acres registered with United of Idaho. Use Chart 1 to look up the assessment amounts. Calculate your assessment as follows:

2004 Base	2008-09 Acreage Assessment Owed:
Totals <input type="text"/>	$\times \$____ \text{ per base acre} =$ <input type="text" value="\$"/>

3. If you are planning an increase in 2008-09 Base planted acres.

If the number in column #3 is a POSITIVE you are INCREASING your base acres. Please contact your UNITED field representative to resolve the differences from your 2004 Base or your assessment will be based upon your higher 2008-09 Base times \$100 per acre.

New 2008-09 Base	2008-09 Acreage Assessment Owed:
Totals <input type="text"/>	$\times \$100 \text{ per base acre} =$ <input type="text" value="\$"/>

Note:

This sheet constitutes a legally binding commitment not to exceed the acres indicated for planting in 2008-09 and to pay the assessment calculated. **All assessments are due JUNE 1st, 2008. Late fees of 1% per MONTH will apply to all late payments.**

If you have questions about this form or how to calculate your 2008-09 Acreage Assessment, please contact your United Field Rep Shane Wright 208-241-4438 or Mike Leavitt at 208-535-8500.

United Grower _____ date

United Representative _____ date

Farm Name _____

Chart 1

2008-09 Acreage Assessment Chart

if your reduction in acres is:

**Assessment
Amount**

		\$0 per base acre
line 8	is greater than 20%	
line 8	is between 15% and 19.99%	\$15 per base acre
line 8	is between 10% and 15.99%	\$20 per base acre
line 8	is between 5% and 9.99%	\$25 per base acre
line 8	is between 0% and 4.99%	\$30 per base acre

Use this chart to look up your acreage assessment. For example: if your acreage reduction was -17.5%, that falls within the range defined by 15% and 19.99%. Your assessment would be \$15 per acre on ALL your 2004 base acres.

If you are NOT expanding your 2008-09 acres, you DO NOT need to complete this form.

Form B

Seed Expansion Acres Worksheet

If you are planning to expand from your 2004 base thru lease or purchase of additional ground or base, please complete the following AFTER you have completed Form A and/or Form C for your BASE acres.

Base Acres Totals ONLY (from Base Acres Form)

2004 Base				2008-09 Commitment			
Fresh Acre	Totals	<input type="text"/>	4	Totals	<input type="text"/>	+ / - 2004	% chg.vs. 2004
Seed Acre	Totals	<input type="text"/>	8	Totals	<input type="text"/>	<input type="text"/>	<input type="text"/>
Process Acre	Totals	<input type="text"/>	12	Totals	<input type="text"/>	<input type="text"/>	<input type="text"/>
Base Acres Grand Total	Totals	<input type="text"/>	13	Totals	<input type="text"/>	<input type="text"/>	<input type="text"/>

Expansion Acres ONLY

2004 Base				2008-09 Commitment				
Fresh				Fresh				
Variety	<input type="text"/>	Acres	<input type="text"/>	1	Acres	<input type="text"/>	+ / - 2004	% chg.vs. 2004
Variety	<input type="text"/>	Acres	<input type="text"/>	2	Acres	<input type="text"/>	<input type="text"/>	<input type="text"/>
Variety	<input type="text"/>	Acres	<input type="text"/>	3	Acres	<input type="text"/>	<input type="text"/>	<input type="text"/>
		Totals	<input type="text"/>	4	Totals	<input type="text"/>	<input type="text"/>	<input type="text"/>
Seed				Seed				
Variety	<input type="text"/>	Acres	<input type="text"/>	5	Acres	<input type="text"/>	<input type="text"/>	<input type="text"/>
Variety	<input type="text"/>	Acres	<input type="text"/>	6	Acres	<input type="text"/>	<input type="text"/>	<input type="text"/>
Variety	<input type="text"/>	Acres	<input type="text"/>	7	Acres	<input type="text"/>	<input type="text"/>	<input type="text"/>
		Totals	<input type="text"/>	8	Totals	<input type="text"/>	<input type="text"/>	<input type="text"/>
Process				Process				
Variety	<input type="text"/>	Acres	<input type="text"/>	9	Acres	<input type="text"/>	<input type="text"/>	<input type="text"/>
Variety	<input type="text"/>	Acres	<input type="text"/>	10	Acres	<input type="text"/>	<input type="text"/>	<input type="text"/>
Variety	<input type="text"/>	Acres	<input type="text"/>	11	Acres	<input type="text"/>	<input type="text"/>	<input type="text"/>
		Totals	<input type="text"/>	12	Totals	<input type="text"/>	<input type="text"/>	<input type="text"/>
Expansion Acres Grand Total	Totals	<input type="text"/>	13	Totals	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Please answer the following questions regarding the Expansion Acres:

	Yes	No
1. Does the expansion land belong to a participating member of United?	<input type="text"/>	<input type="text"/>
2. Did the expansion land have potato rotation any time in the last 4 years?	<input type="text"/>	<input type="text"/>

If you checked YES in boxes 1 or 2 the new land has "United Base". Complete Form C called Expansion Acres with United Base.

If you checked NO in Boxes 2 or 3, your new land does NOT have "United Base". Please complete Form D called Expansion Acres without Base.

If you are NOT expanding your 2008-09 acres, you DO NOT need to complete this form.

Form D

Seed Expansion acres WITH OUT BASE

By definition **Expansion acres without Base** are acres that have NOT been planted in spuds in the last 4 years. Expansion Acres WITH OUT Base are generated in two ways...They can be acres you buy or lease that have NOT had spuds planted on them for years thus they have no potato base. OR they may come as the result of an accelerated rotation schedule that significantly increases your acres planted vs. your 2004 base. **Either way, they represent EXPANSION and PRODUCTION that will certainly exceed the forecasted supply needs based upon the 2004 base acres for United of America.** There is NO consumer demand for these EXCESS spuds, and this excess supply will depress prices. United of America and your United of Idaho Co-op will need to PAY a grower elsewhere to reduce planting in order to achieve a balanced supply with demand and to make a market for your additional spuds. Your assessment will provide funding necessary to make that happen. Without your assessment, UNITED will NOT have the necessary funds for reducing plantings elsewhere and your excess spuds will be "part of the problem" and not part of the solution. The National Board has agreed to assess these "expansion" acres as follows:

<u>2004 Current Base Acres</u>	+	<u>New Expansion Acres</u>	=	<u>Adjusted 2008 Base</u>

<u>Adjusted 2008 Base</u>	X	<u>\$100 per acre</u>	=	<u>2008 Acreage Assessment</u>
	X	\$100 per acre	=	

Your assessment will :

- 1) Register and purchase preferred stock for your Expansion Acres with the Idaho United Co-op. These acres will officially become part of your new "base". Call the United office at x208-535-8500 and speak with Mike Leavitt for help.
- 2) Provide funding to "buy-out" acres elsewhere. Remember, if we do NOT reduce production elsewhere, we will oversupply the market and drive down Grower returns.

Note:

This sheet constitutes a commitment to plant the acres indicated for 2008-09 and to pay the assessment calculated. **All assessments are due JUNE 1st, 2008. Late fees of 1% per MONTH will apply to all late payments.**

If you have questions about this form or how to calculate your 2008-09 Acreage Assessment, please contact Shane Wright 208-241-4438 or Mike Leavitt at 208-535-8500.

United Grower _____ date _____
 Farm Name: _____

United Representative _____ date _____