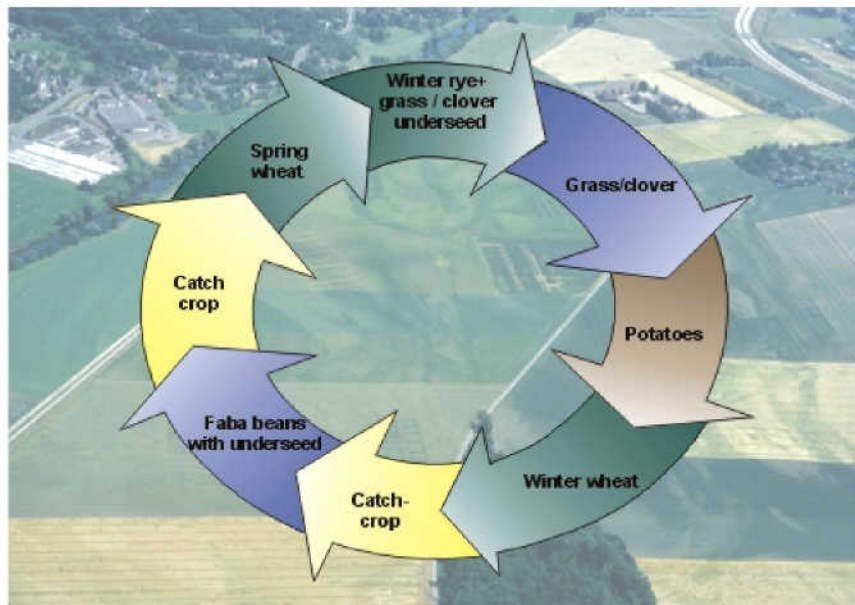


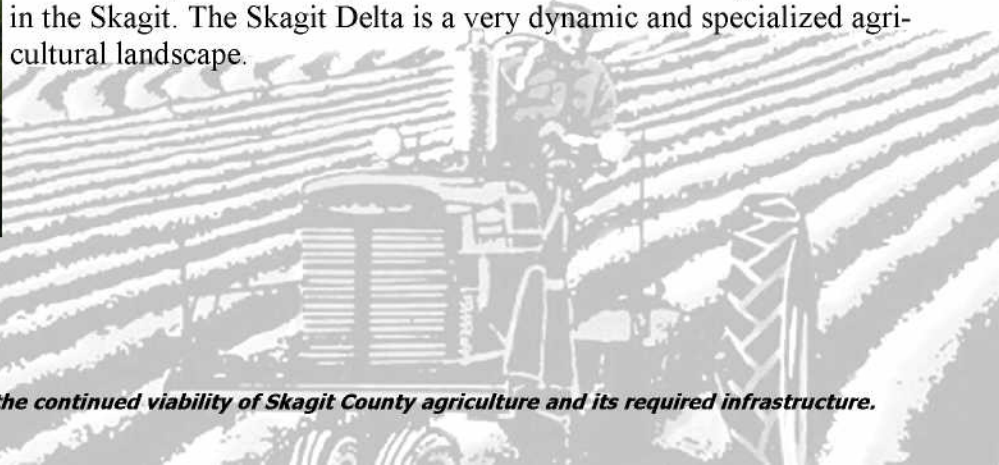
The farmers of the Skagit Valley have formed a unique level of cooperation where farmland is seasonally leased, swapped, exchanged and bartered for the cultivation of a variety of crops. This communal sharing of agricultural lands allows the necessary rotation for the major cultivated crops including potatoes, wheat, broccoli, cauliflower, cucumbers and vegetable seed.

A single farmer may not be growing any of his crops on land he owns, but is cultivating someone else's land. In turn others are using his acreage for their crops. Thus, very little, if any, acreage in the Skagit Delta remains fallow during any given year. To illustrate this concept, potatoes are not grown on the same ground more than once in every three years to reduce risk of pest and disease infection. In the intervening years other crops will cover the acreage. For the same reason, vegetable seed crops may not be grown on the same plot more frequently than 10 to 15 years. Additionally, the isolation of seed crop varieties requires a large intact agricultural land base for separation of various seed crop.



Important secondary economic and environmental benefits to this intricate and specialized crop rotation and isolation practice include improved soil management which lessens the need for fertilizer and pesticide inputs to the crops.

Among the challenges to this constantly changing mosaic of crop patterns is draining and delivering water to meet the needs of crops that move yearly from one location to another. The farmers have created a vast web of ditches that are necessary to drain water from the land in the winter and spring. And then when needed, this same network can then be used during summer and early fall months to move water from one point to another to provide the water to crops which require irrigation. This geographic optimization of the agricultural land base leads to extraordinary overall crop production totals for the acreage land farmed in the Skagit. The Skagit Delta is a very dynamic and specialized agricultural landscape.





Skagit agricultural lands are in danger of falling below a critical mass necessary to sustain the highly complex crop rotation system that is unique to the Skagit River Valley and which is unduplicated anywhere else in the world in both complexity and scale.

To understand the context in which SPF is engaged in farmland preservation, the following agricultural statistics should be considered:

- There are an estimated 98,000 acres of farmland in the Skagit River Valley (including the Delta area) available and/or currently utilized for farming.
- Approximately 90% of Skagit's farm gate value is produced within the Delta.
- The Delta contains approximately 70,000 acres of farmland.
- With approximately 12,000 acres of farmland within the Delta devoted to the potato industry, which on average has a three year rotation, there is a minimum of 36,000 acres of farmland needed just for the potato industry.



From a crop rotation and isolation perspective, we are nearing the tipping point with regards to a critical mass of farmland and the continued viability of Skagit Valley's specialty crop and seed industry. If the critical mass of farmland shrinks to the point that specialty crop and seed growers are unable to rotate their crops and/or meet critical isolation requirements (in some cases up to 5 miles) it is quite probable there will be uncertainty and price volatility in agricultural markets as there are only a few place in the world capable of producing high quality seed.

These impacts could be felt worldwide if the recent trend of converting approximately 200 acres of farmland a year to non-agricultural uses continues. It is not generally appreciated that a stable agricultural land base provides the predictability the specialty crop industry and seed companies require in order to continue investment into capital equipment, infrastructure, research and development and marketing.