



CONTEXT

Thinking in Context...

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Dear Friends and Colleagues,

Harvest is under way in the U.S.; a culmination of planning, operations and time resulting in growth. Fortunately, in business, we're not

limited by a specific growing season. But all too often, business executives preclude or ignore growth opportunities in their businesses. There are countless reasons for this conundrum, but few excuses that justify the losses caused by ignored growth opportunity exploration.

In this issue of *Thinking in Context*, we talk about business growth. It can be achieved in many ways; through people, through product marketing and through acquisition to name a few means.

At Context, we feel it is important to practice what we preach. We share a couple of announcements of growth within our own firm. Adding Partners Mark Holland and Mark Nelson allows us to focus efforts toward even greater service and practical support to our clientele. The addition of Ken Rinkenberger and Ronnie De La Cruz punctuates our commitment to provide clients with the highest level of executive expertise.

The vast and rapid growth under way in the fresh produce segment is highly enlightening for all in our industry. It offers perspective into a market in which large retailers are dramatically reshaping fresh produce supply chains. Mark Nelson asks us to think critically about developing systems to deliver on the benefits of two major sourcing trends and how their ability to manage the risks will determine which retailers are successful in the fresh produce supply chain of the future.

Growth doesn't just happen in our businesses. It requires that we "think big ideas" and create new and unique market opportunities. Mike Borel explains that it

means focusing on marketing strategy and considering our competition to maintain value in a technologically converging market as it approaches competitive equilibrium.

We also introduce you to Context's acquisition of SeedMatrix™, a unique web-based application that enables users to analyze seed test plot data in a simple format with powerful sorting and comparison tools. With roughly \$3B spent annually on seed research and development, field trials shape the R&D agenda and guide commercialization pipeline decisions. Field trials help focus those significant R&D investments to drive toward commercialization. SeedMatrix allows practical tools to manage data and assemble actionable conclusions and strategies from what would otherwise be reams of test plot data.

Through continued growth and exploration, through using tools available to us, including Context's broad array of syndicated studies, we look forward to providing you the support you need to achieve actionable solutions for your business growth.

Sincerely,

Blake Sieker
Managing Partner
The Context Network

Context Welcomes Two New Partners

Two of Context's Senior Associates have become Partners with the firm.

Context is very pleased to announce the advancement of Mark Nelson and Mark Holland to Partners. Their contributions and expertise as Senior Associates have proven their commitment to consulting excellence. The actionable solutions and solid, strategic results they provide have had a profound and

indelible positive influence on our clients, our industry and on The Context Network. We are confident their contributions will bring continued growth and business success to our clients.

Mark Nelson joined Context in 2001. He has led and directed numerous efforts and has originated several Context Network Multi-Client reports including Global Seed Market Database, Global Seed Sector Outlooks, Vegetable and Major Field Crops, and Emerging Market Outlooks.

Nelson draws upon this market mapping expertise in leading strategic planning assignments. In addition, Nelson now spearheads initiatives in the fresh produce market segment. Nelson is based in Champaign, Illinois.

Mark Holland joined Context in 2006. He is deeply engaged in strategic business management directives in seed and biotechnology industries. With strong experience in executive management, Holland's work includes creation and analysis of business plans and financial forecasts, debt and equity financing and contract negotiation and mediation services. He is based in McCrory, Arkansas.

Context's growth is not in small part due to the contributions of Mr. Nelson and Mr. Holland. They exemplify the value Context provides to our client base in bringing the right people, the right expertise and strong, executive commitment to each initiative.



Context Partner
Mark Nelson



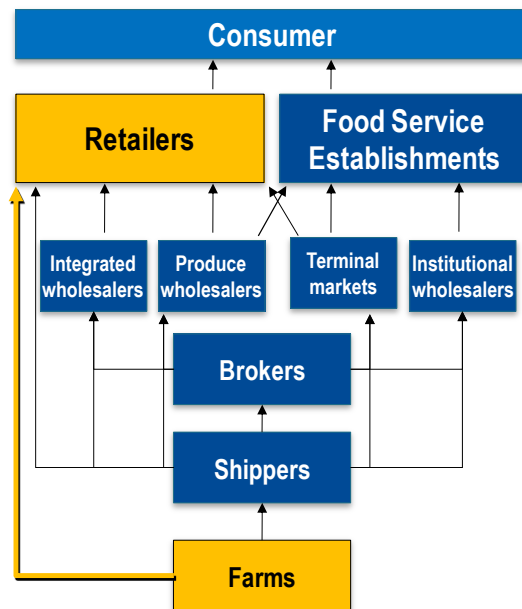
Context Partner
Mark Holland

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When Trends Collide

Tesco recently discussed plans to rationalize its supply base and source more fresh produce directly; to become "a more vertically integrated business." Recent developments in *direct sourcing*, such as this announcement by Tesco or by Wal-Mart opening a direct buying office in Yakima, WA (2009), provide notice on how large retailers are dramatically reshaping fresh produce supply chains.

Through *direct sourcing*, retailers locate direct buying offices near major production areas to establish their own relationships with growers and put infrastructure in place to work with them directly; in effect bypassing shippers. Motives are both directly and indirectly economic: reduce distribution cost and establish proprietary systems to ensure food safety risk and traceability are being managed.



Context adapted from Roberta Cook, UC Davis

Verticalization is not new. In the U.S., many large retailers have already worked past produce brokers and percent of produce flow through terminal markets has been halved over the past 40 years. While shippers were an important champion of those historical trends, they now are in the cross-hairs of direct sourcing rationalization. Meanwhile, *local sourcing* is becoming a permanent fixture within the year round supply of fresh produce. Initially predicated on fuel cost savings, the trend towards consumers buying *local grown* produce has morphed into satisfying their wants for supporting community, protecting the environment and advocating food systems. Sales of local produce are growing fast.

Forty years ago, ~70% of fresh produce flowed through terminal markets. Today, terminal markets account for less than 30% of U.S. fresh produce.

Retailers are being forced to reconsider their traditional approach to optimize cost through fewer and larger suppliers in favor of driving top line growth. *Local grown* is demonstrating that satisfying preferences of fresher, better tasting produce lifts sales and retains customers.

"Shoppers' reasons for buying locally vary, with 57% purchasing local food because it was fresher and 54% wanting to support local producers and farmers - up from 29% in 2006."

Independent Grocery Distribution

Tough Decisions and Support Systems Needed

For large retailers, *direct sourcing* necessitates adding field staff, information systems and possibly even facilities to manage and maintain direct grower relationships. Similarly, for retailers to source *local grown* produce, buying systems need to be supplemented. In the future, innovative information and distribution systems are needed including supplier hub websites, traceability programs and product consolidation. In addition, supplier training will be required to help growers achieve industry or retailer specific technical standards or develop customer -specific packaging.

Direct and local sourcing trends diverge when considering the source; the farms producing the produce. Through *direct sourcing*, the tendency is for retailers to gravitate to a select number of large growers. *Local sourcing* legitimizes smaller suppliers outside of major growing areas, allowing them to sell beyond the farmers market to large national and regional retailers. At least early on, systems to support both sourcing initiatives will need to differ.

Retailers need to weigh the benefits of rationalizing the supply chain through *direct sourcing* and driving sales through promoting *local grown* with one very large common denominator: RISK. Direct large grower relationships place retailers in a more exposed position to production uncertainties. Direct sourcing is a proven cost savings approach when supply is ample. When supply becomes tight, exposure to higher cost increases. Local small grower relationships also bear supply uncertainty because of the seasonality and higher variability of local production areas. Also, areas outside of major production regions typically have fewer food safety safeguards in place.

Getting the right systems in place to deliver on the benefits of these two major sourcing trends and effectively manage their risks will determine which retailers are successful in the fresh produce supply chain of the future.

Thinking about Fresh Produce? Contact Mark Nelson at mark.nelson@contextnet.com or ronnie.delacruz@contextnet.com.

“Can being BIG get you CLOSER?”



Context Partner,
Mark Nelson




Context
Partner,
Mike Borel

“Thinking of big ideas is the ultimate value activity

you can engage to keep your company thriving in today’s intensely competitive marketplace.”

The majority of business leaders know big ideas are critical to success, yet often don’t know how to find or invent them. Industry research shows that 80% of companies know big ideas are necessary for success, but only 4% know how to get them. Thinking of big ideas is the ultimate value activity you can engage to keep your company thriving in today’s intensely competitive marketplace.

A big idea is one that will enable your company to grow 25% to 50% faster than others in your industry and will improve the perception of your brand. A big idea can also provide a sustainable competitive advantage for your company.

Ideation science has developed considerably in the last decade. The understanding of ideation thinking has advanced significantly so that now companies can learn how to plan for big ideas with certainty through a proven 10-step thinking model.

The model uses a unique SWAT team approach that involves a team of professional ideators working in collaboration with a company’s best people.

Big Ideas: why they are important and how to generate them

Ideation is different than brainstorming. It requires critical thinking and a more structured approach to an end result. The ideation process is divided into four stages:

1. **Preparation.** You can’t develop a relevant idea unless you understand the problems, opportunities and competitive position that your company faces. The ideation team consisting of professional ideators and management personnel interview key employees and create an ideation brief. An incubation period follows in which individuals ideate on their own and write ideas in a notebook before meeting again as a group.
2. **Idea generation.** An ideation session facilitated by a professional ideator is held to generate 100 or more ideas relevant to the ideation brief. After an incubation period, an idea upgrade session is then held to determine how the group can improve, complete, or combine the ideas. Ideas are then prioritized and eventually each team member chooses their top three. The three most popular ideas are presented to the group and a 20 minute discussion is held on each idea. Each idea is then assigned to an ideator to create a visual concept and copy. This will help to reveal which of the ideas is truly a big idea.
3. **Evaluation.** With the three ideas chosen, it is time to do a reality check on each idea. Questions need to be answered regarding risks, costs and the payback. Work that is not done thoroughly in this pre-implementation phase could end up costing the company millions. Is there any user testing or market research that needs to be done? Consider including on the evaluation team some of the following: a financial whiz, an industry expert and a marketing or sales person. Ideators will review the final evaluations to determine if the rankings still hold or need adjustment.
4. **Selling and implementation.** Although there are three big ideas, selling more than one at a time will water down your chances of getting necessary approvals and buy in for success. Don’t throw the other ideas out – just do one at a time. You’ll often find that generating a big idea is easier than selling it.

Your sales team should include at least two people from the ideation sessions; someone with rank in your company to run interference and someone from sales or marketing who can sell and market anything.

Remember the people you are selling to haven’t lived through the process and won’t be as passionate about it as you are. Be prepared for questions, rejections and resistance. Sometimes people don’t buy the first time. You may have to retool your sales approach to adequately address concerns, but with all the hard work you have put in, you have to move the idea to the implementation phase.

An idea not implemented adds zero to your balance sheet. This final step involves a lot of hard work, so remember why you started on this ideation journey: you want your company to be a winner.

Context has ideators and the ability to facilitate this process for you. Call us to discuss. Reach Mike Borel at 925-937-4180 or mike.borel@contextnet.com.

Context Fortifies Team with the Addition of Two Senior Associates

Context is pleased to welcome two highly respected and extensively engaged executive professionals as Senior Associates.



Ronnie De La Cruz brings with him a broad experience and deep knowledge of the fresh produce supply and distribution channel throughout the retail and foodservice market segments. Having worked 20+ years in the fresh produce industry, De La Cruz is actively

engaged in consulting, speaking and educational/training endeavors. His high-energy, highly interactive style imparts "real world know-how" to his clients, audiences and trainees. A world-class speaker, De La Cruz has presented at venues from Canada to New Zealand, where his presentations focus on increasing the quality, supply and profitability of the fresh produce industry. De La Cruz can be reached at ronnie.delacruz@contextnet.com.



Ken Rinkenberger has more than thirty-five years experience in commercial management in the seed and agricultural chemical industries. His wealth of experience in seed business management, trait commercialization and crop protection provides Context's

clientele with a unique and well-rounded view. Rinkenberger will focus his consulting efforts on commercial strategy development, people and team leadership, strategic and marketing planning and business and product management. He will work with clients to develop and deploy effective long-term strategic plans. Rinkenberger can be reached at ken.rinkenberger@contextnet.com

Context Acquires SeedMatrix™: seed, biotech companies benefit from unique sorting tool

The Context Network is pleased to announce the acquisition of SeedMatrix™, a web-based application for seed companies offered through PLAN, Inc. The software simplifies hybrid and variety data management by allowing users to analyze seed test plot data in a simple format with powerful sorting and comparison tools. The application allows for customized analysis of variety and hybrid data on corn, soybeans, cotton, rice, wheat and sorghum.



Context Partner Mark Holland said, "SeedMatrix is an exceptional tool for seed companies and technology providers who require a comprehensive analysis of seed varieties where traits are placed. It is uniquely designed to create customized, head-to-head seed variety or hybrid comparisons, find the most consistently high-yielding varieties by geography and analyze those seed products for strengths and weaknesses within a specific geography. In addition, it enables managers to evaluate multiple points of data gathered from the public forum and compare that against internally generated data in a secure system."

Context Associate and PLAN, Inc. CEO, Dale Logan created the program over the past seven years. It was launched in 2009 and has met with enthusiastic exceptional acceptance by subscribers. Logan stated, "The time is right for providing seed managers with this specific analysis tool. The seed industry is at a point where huge volumes of new products are coming to the market. Keeping on top of what genetic and technology combinations work best in a given geography is critical for companies striving to place the best possible products in an agronomic environment. Ultimately, it enables users to glean actionable conclusions and strategies from reams of test plot data."

Logan added, "Traditionally, if seed companies or others in this marketplace wanted to see comparison data in this format, they had to plow through mountains of public data. SeedMatrix accesses the data, organizes and imports it into a user-friendly form. Through its online security measures, SeedMatrix data are never shared. The information generated is storable and accessible anywhere or any time even from a mobile phone device."

While SeedMatrix is a powerful tool for seed companies, Context notes its applicability reaches far beyond to other entities. Context Managing Partner Blake Sieker stated, "SeedMatrix provides companies involved at any level of biotech development a comprehensive understanding of the underlying genetics including performance and dynamics/trends."

For more information on SeedMatrix, contact Mark Holland at mark.holland@contextnet.com.

The Context Network provides business management and strategy consulting services to the world's leading agriculture, biotechnology and food companies, government agencies and institutions. Major areas of expertise include strategy, strategic decision support, merger and acquisition support, valuation of new technologies, formation of alliances, and market research. The Des Moines-based firm is composed of a core of professional consultants that is complemented by a network of hundreds of industry and subject-area experts.

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