



# CONTEXT

Thinking in Context. . .

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[www.contextnet.com](http://www.contextnet.com)

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## Dear Friends and Colleagues,

I'm pleased to be writing to you as Context marks an important milestone. It has been one year

since Context announced its formation of a new partnership. At that time, Context had reached a point in its evolution, in terms of both size and scope, at which it could no longer continue to grow effectively under one owner. Changes were needed to effectively grow the business and serve our clients' expanding needs. Great care was taken to choose partners who would continue the tradition of integrity the Context Network is known for.

With one year of partnership coordination and orchestration under our belts, we are pleased to report things have gone very well. Plans and operations have unfolded to reveal new processes, additional opportunities and enhanced abilities to serve our clients. Because of the new Context partnership, we are able to offer more depth and breadth in terms of intellectual resources and actionable practices. At the same time, we have retained the network philosophy that has helped us creatively, economically respond to client needs.

Allow me to briefly introduce our partners. Blake Sieker has been with Context for the last seven years as my closest associate, helping develop Context to what it is today. Blake brings focused expertise in seed and finance. Steve Hawkins is a familiar name to many of you. Steve was formerly President of Delta and Pine Land Company. He has more than 30 years executive management experience in plant genetics and biotechnology industries. Also a partner is Mike Borel, former president and COO of Valent Corporation. Mike's experience provides Context with additional perspective and focus for strategic thinking and opportunity analysis for corporate, global,

regional, functional and product levels of business.

For further introductions to our partners and other new team members, please take a look at our newly refreshed website at [www.contextnet.com](http://www.contextnet.com).

Thank you for the opportunities to work together as businesses and colleagues over the years. We value our personal association with you as well as your business. We look forward to working together and "Thinking in Context" in the future.

Sincerely,

Tray Thomas  
Founding Partner  
The Context Network

## Context Releases New Multiclient Report: The Future of the North American Biofuels Industry

The transportation fuels market is one of the largest markets of any kind in the world, and certainly one with vast impact and influence. Consider, in 2003, 80 million barrels of refined fuels were consumed worldwide each day, with 30% of that being consumed in North America.

"It is undoubtedly an important time for agriculture and for the biofuels industry," observed Context Consultant, Jim Murphy. For that reason, Context undertook development of its most recent multi-client report entitled, "The Future of the North American Biofuels Industry". Murphy served as principle content development manager.

The 400+ - page report includes discussions of the many biofuel technologies available as well as those

in development. Murphy said, "Findings point to continued rapid change in the biofuels industry affecting market players as diverse as biofuels producers, farmers, seed companies, equipment manufacturers and the groups and lobbyists in their service."

Context analyzed 13 publicly available forecasts of the future of ethanol production in the U.S., and presents conclusions in the report. "The study focuses on North America, but also examines the Brazilian and European markets. We consider market potential, distribution and new capacity in the works and how we see the industry adjusting to growth. Projections in the report include those on demand, supply, industry development, available acreage, impact on other crops, production economics, crop technology developments, and process technology developments."

Murphy concluded, "This study offers analysis of future scenarios and their drivers, exploring how each scenario plays into the economic success of various feedstocks and technologies."

### Context Multi-Client Reports Available

- ✓ Future of the North American Biofuels Industry
- ✓ Benchmark Study for Crop Protection Manufacturers
- ✓ Biotech Traits Commercialized: Outlook 2010
- ✓ Global Seed Market Database 2007
- ✓ Outlook: Global Seed Market

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# Thinking in Context. . .

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## A Biofuels Outlook Summit

Attention on the ethanol industry has grown from grassroots producer enthusiasm to almost daily fare in such venues as *The Washington Post*, *The Wall Street Journal* and *The New York Times*. In December, 2006, Context assembled some of the world's leading minds in biofuels for an outlook summit in Chicago, Illinois. Participants represented the agriculture, oil and ethanol industries.

Leading the group in discussions was Context Consultant, Jim Murphy. “The purpose of the meeting was to provide a current perspective from several levels and angles. In addition, it was a capstone event for the recently released multi-client report, “The Future of the North American Biofuels Industry,” as these experts compared their views on major biofuels trends and influences and shared expectations for the future of the industry.”

Participants discussed the varied and many biofuel feedstocks under investigation around the world from cellulosic sources including switch grass, wood pulp, begasse, and others. While participants discussed these potential future biofuel options, the focus of the day-long event emphasized biofuel production from corn (starch).

“Underlining findings in our multi-client report, experts offered key variables that are driving ethanol's future,” Murphy said. While a complex econometric model would be needed to explain the variables at work, primary ethanol market drivers were identified:

- The price of oil and oil-based fuels
- Expanded refining capacity and capability for biofuels
- Feedstock availability in the U.S.
- Increasing feedstock prices

Additional drivers supporting *corn ethanol production* specifically include:

- Increased planting intentions for corn
- Unprecedented ethanol production capacity
- Public opinion and acceptance

“Several factors have positioned ethanol for growth,” Murphy stated. “Still other factors will mold and modify the marketplace. It was clearly pointed out from both agricultural and oil industry participants that the recent U.S. energy bill devotes millions of dollars to subsidize starch-based ethanol. Participants stated that, without such support, ethanol would not be poised for such growth.”

“Clearly, U.S. feedstocks, corn production, supply and global marketing will remain ongoing influences to the ethanol industry,” Murphy said. He added, “A revealing point was made by one participant; for the first time in history, corn prices exceed \$3 per bushel due to demand – not a supply disruption.”

Experts added that continued demand for corn is expected to encourage acreage expansion. Murphy said, “Among the expert projections, 14-million-bushel corn crops will be required in the next few years to supply ethanol plants.”

In discussion and evaluation of key drivers impacting the market in the next several years, experts agreed that one under-recognized driver was what participants termed “irrational exuberance”. Murphy said, “There has been great hype, discussion, and a rush by many to invest in ethanol production. But these experts noted that in a rush to participate, some may have overlooked or underestimated such considerations as plant site selection, transportation logistics and long-run profitability in a commodity business.

A host of influencers, game changers and wild cards were evaluated throughout the Summit. Murphy said, “Included in their considerations was the “food vs. fuel” argument, which argues that strong demand for corn will cause food prices to rise to a point where consumers will feel the “economic pain.” That leads to the question; do we grow food or do we grow fuel? Several experts agreed that food wins the debate. When the public perceives higher grocery prices, the amount of corn available for ethanol will decline.”

The day closed with projections from the experts. According to Murphy, “The projection session was very interesting. With a variety of possibilities on corn prices, acreage, utilization for ethanol production capacity, the experts offered a range of predictions.” Murphy concluded, “Further details, rationales and reasoning to this panel's thinking are included in “The Future of the North American Biofuels Industry”.

**New Look for Context Website** Visit the Context Network website for a detailed look at our people, our products and services.

[www.contextnet.com](http://www.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 more than 100 industry and subject-area experts.



Context  
Consultant,  
Jim Murphy