



CONTEXT

Thinking in Context. . .

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Dear Friends and Colleagues,

When is the last time you dusted off your business strategy? A week ago? Six months ago? Unfortunately,

most executives fall in the latent category of having last performed strategy reviews one to two years ago, and some as many as three to five years ago. That's no longer frequent enough to anticipate market changes and challenges.

The need to look forward in business has never been more critical. Long-range business strategy helps us anticipate changes and adapt more effectively, more readily. How, then, do we maintain progress and effectiveness on a daily, monthly, yearly basis? The answer is through a long look approach, and frequent testing and evaluation of that long range plan. That helps us understand and determine which fields we will be playing on in the future, while actively adapting the initiatives at hand and keeping them consistent with the goal.

Thinking strategically, we can assess how our businesses respond to the many challenges and changes we face. Without a long-term strategy in place, we are forced to "react" to market influences instead of "responding" to them. A reaction occurs when unforeseen, unplanned factors affect or influence our businesses. A response results when the long-term strategy is current, relevant and considerate of the possible scenarios.

Will you be prepared? Will you react or respond? We believe it is necessary to look forward and maintain a long-term vision with a working strategic focus. That is the best way to successfully prepare for, and execute within the future fields upon which we will be playing.

This issue focuses on some exciting new work being released at The Context Network. Additionally, we have evaluated

the many variables that will drive future market direction, and used the seed market database to forecast the seed and trait markets to 2020. For our team, this has been a fascinating and enlightening exercise. We are currently working to determine the best way to share this insight with our clients. In the meantime, evaluate your strategy and determine whether it is influencing your company's daily decisions. If not, you are likely reacting to the market, letting others dictate your future direction.

Sincerely,

Tray Thomas
Founding Partner
The Context Network

New Report on Crop Protection Benchmarks Performance

Major transitions in the market and among crop protection manufacturers over the last decade have significantly changed the industry's landscape. The need for companies to create and maintain their competitive edge has never been greater, or more difficult.

The Context Network has recently completed the 2006 Crop Protection Company Benchmarking Study, a comprehensive study that collected and evaluated data from ten of the top crop protection companies in North America.

"As companies have worked to increase productivity, many have significantly changed their business models and spending profiles; and each company is experiencing unique industry dynamics," said Context Partner, Mike Borel. "In light of extensive consolidation of basic manufacturers, proliferation of generic products and generic companies, and differentiation in relative costs in many operating categories, most crop

protection companies are anxious to better understand their company performance relative to competitors." He added, "In addition, they want and need to know what represents industry-leading performance in the various metrics."

Specifically, this report evaluates financial performance on a number of key metrics in profitability, productivity and working capital utilization categories. Data is segmented by country and product group. Borel said specific information from the study is only available to subscribers who have their data included. However, a few highlights from the report, that can be shared, include:

- Best performance, range & average of Top 10 and among peers (Basics or Generics) are now known definitively for 190 metrics.
- Working capital turns have improved by 50% in the last decade, but the best of the best is only half as good as best of the best was over a decade ago.
- Year to year change is much higher than expected or predicted.

Borel said, "An annual benchmark allows companies to assess the efficacy of strategic changes, and whether these changes are improving their own competitiveness vs. competitors, who are also changing." The prospectus for the 2007 study is available and subscriptions are being accepted. Contact Mike Borel for more information, at: mike.borel@contextnet.com.

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Robust Growth – Global Seed Market Value Climbs, Traits Lead

Strategic forecasting is critical to both success and longevity in the seed industry. The Context Network's recently released Global Seed Market Database (GSMD) proves just how strongly advancements are driving seed marketplace value. GSMD architect and Context Consultant, Mark Nelson said, "The total global proprietary seed market sector value approached \$20B in 2006. That represents an increase of nearly 40% over 2001 marketplace estimates."

Drivers of Growth

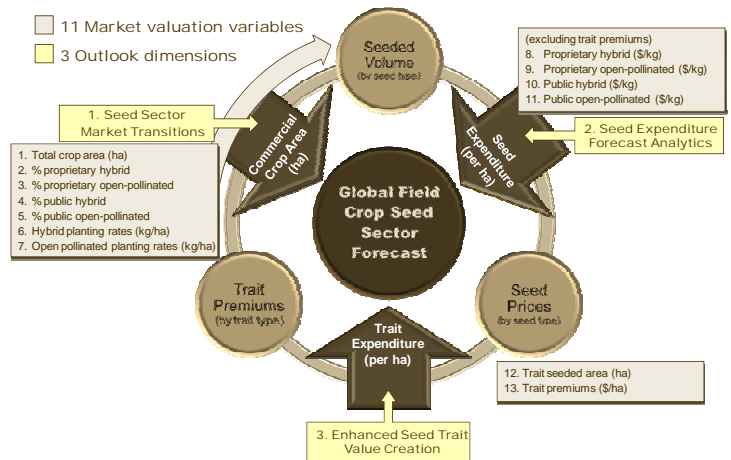
Nelson said the GSMD provides industry executives with an important tool to help value the marketplace and its historical trends. "As we look forward, we forecast that the field crops portion of the global seed sector will be \$36B in the year 2020, just over twice its 2006 valuation. That said, we've looked at primary sources of the sectors' growth; biofuels' impact on commodity prices which drive the potential for price increases in base-genetics, additional crop area being planted to biofuels crops such as corn in the US or rapeseed in the EU, near-term expanded use and stacking of currently commercialized traits, and the introduction of novel traits that are expected to be rapidly adopted in the later years of the forecast period. These four drivers of growth express themselves differently across global market geographies, significantly impacting the success of strategies presently being developed by multinational participants in agricultural markets."

Nelson added, "This is a robust outlook study that projects Context's proven sector valuation framework of thirteen seed market valuation variables in three outlook dimensions, commercial area, seed expenditure and trait expenditure."

Context is uniquely positioned to provide a clear and well supported 10 year forecast on the seeds with traits marketplace. Nelson noted, "The leveraging of Context's companion syndicated studies, *GSMD 2007* and *BTC Outlook*, provide Context with a valuation framework of the global seed market as well as an extensive review of commercialized and 'soon to be' commercialized enhanced seed traits."

Context has collaborated with Global Insight's Long-Term Forecast and Analysis for U.S. Agricultural and World Trade as well as for the

International Crop Sector, providing this seed sector outlook with a widely recognized baseline of crop acreage and commodity prices. "Collectively, these three elements, *GSMD 2007*, *BTC Outlook* and *Global Insight's Long-Term Forecast and Analysis*, provide the cornerstones for this study to incorporate forecast analytics on seed expenditures, market transitions of commercialization and/or hybridization, and grower adoption and sector value creation of enhanced seed traits."



Nelson commented, "At Context, we believe that developing and clearly articulating a 2020 vision for the global seeds sector requires bold discourse and concise imagery that only come through exposing our assumptions and modeling expected results." Context's tools to value the sector allow it to demonstrate a comprehensive 2020 vision of seeds and traits, complete with detailed growth assumptions by key market geographies and by each major field crop. He added, "That provides executives with a credible and cohesive possible future state to conceive the operation of their businesses therein, allowing them to challenge their own assumptions on the industry's growth as well as which crops and regions will provide primary and secondary platforms for market expansion."



Context Consultant, Mark Nelson

The Context Network provides business management and strategy consulting services to the world's leading agriculture, biotechnology and food companies and government agencies and institutions. Major areas of expertise include strategy, 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.

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