



CONTEXT

Thinking in Context. . .

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Dear Friends and Colleagues,

Dale Carnegie said, "Inaction breeds doubt and fear. Action breeds confidence and courage. If you want to conquer fear, do not sit home and think about it. Go out and get busy."

In the midst of global economic downturn, the agriculture industry is actively engaged in strategic review. It is probably one of the wisest moves managers can make toward minimizing the negatives, accentuating the positives and positioning for a favorable competitive position.

In this issue of Thinking in Context, we offer some food for thought. We ask you to consider: what will you need to change to effectively compete amongst new technologies, new consumer demands and an ever-consolidating industry base. We share thoughts about competing – not to lose. We provide perspective and solutions through our unique and effective benchmarking tools.

Context has positioned itself to strategically and effectively provide you and your company's teams with the resources you need to answer the many questions posed.

Confidence comes from knowing you've tapped the right resources, asked all the right questions, and mitigated all unforeseen risks facing your company's strategies. We invite you to engage our executive leaders in your efforts to confidently advance, establishing profitable and sustainable positions among the forces that determine the future.

Tray Thomas
Founding Partner
The Context Network

Context Announces Context Renewables Practice

In an effort to meet growing demand across the agriculture, energy and environmental segments of the renewables industry, Context has launched the Context Renewables Practice. Led by Senior Associate Jim Murphy, Context's Renewables Practice closely tracks economic/market, technology and policy developments to advise clients on the direction of the renewables industry's evolution and emerging opportunities.

Murphy said, "Our coverage of the renewables industry includes the biofuels, biopower and bio-based products markets. Our primary focus is on renewable feedstocks, including 1st generation feedstocks, such as corn and soybeans, all types of cellulosic feedstocks (energy crops and residues) and new 3rd generation feedstocks."

Context Managing Partner, Blake Sieker said, "We're pleased to formalize our client offerings in the renewables field. Our experience and depth of exposure across these areas allows us to offer clients a multi-dimensional view of the renewables industry. Over the past several years, Context has undertaken a variety of different and challenging assignments in this field. This team has an exceptional ability to deliver customized sets of service offerings to meet clients' needs."

Murphy added, "This is an important and rapidly evolving industry. The Renewables Practice has both the perspective and the ability to help clients



Context Senior Associate, Jim Murphy

focus on the economics of the different sectors, advances in processing technology and trends in industry development."

Context Renewables Practice clients include agribusinesses, energy crop developers, food processors, governmental agencies and associations.

For a fact sheet on the Renewables Practice, click here or contact Jim Murphy at jim.murphy@contextnet.com.



Renewables Practice embraces new research, assessment areas

Research reconnaissance and assessment of carbon market opportunities and risks are now available to Context Renewables Practice clientele.

Since last year, Renewables Practice principals have undertaken projects for both North American and European clients who are positioning themselves for increased regulation of carbon in the U.S. and Europe. The coming regulations will attach a price to carbon that will affect agriculture in ways both direct and indirect. Context expects new legislation now progressing through the U.S. Congress and the extension/renewal of the U.N climate change treaty to have more far-reaching impacts than the growth of biofuels.

VISIT OUR RENEWED WEBSITE!
Context has launched an update of our website. The new format includes information, reports, resources, etc. Visit us today at:
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Capturing value from new genetics

Consumers have long demanded cheaper and more convenient foods. But consumer trends have shifted significantly in the past decade as desires for healthier food choices have emerged. In addition, budget-conscious consumers are now looking carefully at the value they receive for the food they buy.

In the food sector, input providers in the chain are faced with adjusting the tried-and-true food value chain to find new and better means of extracting value while meeting the demands of the evolving value chain.

The Evolving Value Chain

A hundred years ago, food went from the farmer's field to the family plate. Traditionally, each member of the value chain acted independently and focused on their organization (supplier) and the next supply chain member (customer). For example, genetics providers concentrated on developing higher yielding crops and extracting value from the farm market. Both benefited by selling more seed/grain at an overall lower cost/higher productivity per acre.



As this market matures, it becomes more competitive and therefore more difficult to generate acceptable margins.

Today and in the future, it becomes increasingly complex. Many dimensions must be synchronized and fluid: segregating the seed, field and harvest (Identity Preservation), specialty dealer networks, specialized grain processors, constantly changing food/industrial manufacturers and the ever-changing consumer.

Currently, each player in the chain is working toward specific targets:

- Genetics researchers are spending more time and money on consumer oriented, downstream traits in addition to field and yield productivity.
- Agricultural companies are aggressively working on developing new genetics that will provide healthier crops.
- Food companies are searching for products that are "better for you" to meet consumer demand for foods that will provide healthier lifestyles and longer, active lives.

Future value will depend on consumer needs that promote health and wellness. Industrial users will demand greener products from domestic sources that are sustainable, bio-degradable and non-toxic. The opportunity lies in deciding correctly and

effectively where to invest your resources to ensure that you receive a good return on your investment.

Each player in the chain has new opportunity where they accept the responsibility of investing time and money wisely to identify and create the most value. While the traditional business model will become more of a cash model, future growth and opportunity will be in marketing specialty grains with *high-value, downstream consumer traits*. The complexity of the supply chain will necessitate a better understanding of the value that each link in the chain delivers and how to best position your company to develop and extract the value received.

Focus the Process in Five Steps

Totally assessing the full value chain requires experienced understanding of each segment, and of where the most value is created. For example, while the grower may not perceive value in planting a specialty crop, the food processor may be willing to pay more for a specialty grain that provides increased value to the consumer, such as lower saturated fats or higher nutritional value.

Context outlines five key steps toward advancing the value capture opportunities in the evolving value chain.

1. **Understand your "real" customer:** while the grower or processor may be the traditional customer, a specialty product will probably be more valued by the end user.
2. **Identify where the value will be created:** Think of it this way: deciding to go to the moon did not create value in itself; it was the electronic innovations and new technologies that ultimately created value for aeronautic and aerospace companies.
3. **Develop a value chain model:** Identifying and understanding each piece of the chain will provide a simplified analysis of where the true value is and where to focus your time and attention.
4. **Run the numbers:** develop a financial analysis of the value chain and make sure you and your ultimate customer understand and appreciate the value received.
5. **Develop the value-focused business plan:** starting with good market research, create a strategy that is needs-driven and develop the sales and marketing plan based on market needs vs. supplier wants.

While the current economy may be fraught with pessimism and reluctance to take on new opportunities, a long-look at positioning sustainable growth in the industry enables the winners to emerge. Advancing these plans strategically is key to that long-term success.



"The complexity of the supply chain will necessitate a better understanding of the value that each link in the chain delivers – and of how to develop and extract the value received."



Context
Sr. Associate,
Greg Keeley



CONTEXT Strategy



“Loss aversion may be a strategy, but it is not a winning strategy. Context works with companies to find strategic solutions from within your business and from throughout the industry.”

Examining our businesses and the reasons we make decisions can help us better understand how to play to win for the long term.”



Context
Managing
Partner,
Blake Sieker

Playing “Not to Lose”

What do football, psychology and consulting in food and agribusiness have in common? No, it's not a joke, but a unique set of ideas initiated in my mind after reading an interesting book called *Sway* (Ori and Rom Brafman Doubleday ©2008).

The book is actually found in the psychology section of your favorite book store. Perhaps the book's subtitle explains its placing: *'the irresistible pull of irrational behavior'*. It explores real-life examples of how irrational behavior, poor choices and counter-intuitive behavior is a reality among even the world's smartest people. The authors note that “irrational behavior” is present, even common, in entrepreneurial, business and career choices. Understanding how and why these processes occur can help us play to win instead of the human compulsion of playing not to lose.

Loss aversion strategy – a strategy, but not a winning strategy

One story told in the book is about the University of Florida football team. For years, the team, as well as the other teams in the conference, had adhered to an ‘aversion of loss’ strategy. They called conservative plays and held onto the ball for as long as they could, hoping to win a defensive battle. The idea wasn't necessarily to score a lot of points, it was to wear down the opponents and eat up time. In other words, the coaches were playing not to lose.

Steve Spurrier arrived as Florida's head coach in 1990 to a true ‘fixer upper’ team. Against all odds, the coach led a turnaround so dramatic that it still lives on in the memory of fans years later. He brought charisma, team rapport and new player talent, but his most important move was to identify a weak spot in the strategy employed by his opponents; the aversion of loss strategy. Rather than focusing on maximizing their gains, the opponents concentrated on avoiding losses.

Playing to win – a lesson

Spurrier introduced what he called the “Fun-n-Gun” approach – the Gators passed more often, took more chances, played more aggressively and tried to score more touchdowns. “Fun-n-Gun” unearthed two hidden forces or sways.

1. Spurrier gained an advantage because the other coaches were focused on trying to avoid a potential loss:
 - You'd have thought that after losing a few games to a team like the Gators, the coaches would have re-evaluated their war-of-attrition model – but they didn't.
2. The competing coaches also fell victim to another sway called commitment:
 - They were so committed to continuing down the road they had always walked that it was virtually impossible for them to take a different path – it made them unable to react to Spurrier's strategy.

There are valuable lessons in these ‘irrational’ acts by very smart people. As we look at our products, our paths to market, our research innovations, there is significant value in examining these two hidden forces that enabled someone with a new plan to succeed far more than they could have had their competitors not been held in their old paradigms. For more on the book, see www.swaybook.com. Contact Blake Sieker at blake.sieker@contextnet.com.

New at Context

Since the last edition of "Thinking in Context," several key reports have been released. Fact sheets are available on:

- Global Seed Market Database 2009
- Global Seed Sector Outlook: Field Crops
- Plant Biotech Traits Commercialized

In addition, our fact sheet on the new Context Renewables Practice is also available.

Visit our website to access these briefs along with information about our Multi-Client Reports, White Papers and Focus Papers.

We welcome your questions and ideas. Give us a call to learn how together, we can advance your business objectives.

Context presents keynote at Crop Protection and Distribution Association Meeting

Context Senior Associate, Dr. Thomas Klevorn presented the keynote address this month at the 2009 Chemical Producers and Distributors Annual Meeting in Chicago, Illinois.

Key drivers in demographics, resources, environment, energy and technology were highlighted for attendees.

Klevorn said, "The challenges to compete effectively have always been present in our market. But the competitive landscape will change as consequence of the global economic downturn and the resulting financial challenges. Those who can execute strategies as promised will best remain and sustain."

For more on recent speaking engagements, visit our website and click speakers. <http://www.contextnet.com/context-speakers.cfm>.

Know where you stand - Benchmark

In the book, "The Art of War, Strategic Attack", Sun-tzu wrote, "It is said that if you know your enemies and know yourself, you will not be imperiled in a hundred battles. If you do not know your enemies, but do know yourself, you will win one and lose one. If you do not know your enemies or yourself, you will be imperiled in every battle."

In the ag industry, many companies are acting on careful assessment of their own relative positioning in the industry to advance opportunities in their strategic positioning. Context is providing them with the knowledge they need to understand where they stand.

Context has the capability and integrity to do benchmarking studies for the participating companies in an industry. Delivery of just such a study for Crop Protection Manufacturers in North America was made in individual reports to subscribers during the month of May.

A quality study represents a supermajority of the industry involved, contains accurate consolidated costs, uses workable definitions consistently applied (to assure apples to apples comparisons), and incorporates process steps to test and retest accuracy and adherence to definitions. In addition, the company doing the analysis has to have the proven integrity to assure and deliver full confidentiality of individual company information; a solid experience base to understand the industry and know what is important is also highly valuable. Context delivers on all those points!

Context completed its third benchmarking of the CPC industry in North America this year. 2008 was an incredible year for most companies in this industry; and shifts in what constituted "best in metric" were common and significant. Relative position shifts were also common. Subscriber feedback was very positive. Included in the individual company reports were:

- Comparisons, by metric, of the subscribing company to the range and average of the top 10, Basics and Generics, and covering 2008 and 2007.
- Analysis of 2008 vs. 2007, how did the range and weighted averages change
- Basics compared to Generics
- Discounts and Rebates, how are they trending both overall and by product type.
- Which metrics show the highest variability
- Which metrics increased the most, which decreased the most
- Recommendations, i.e., based on the data, what should be recognized and celebrated; what should be evaluated for value realized or cost saving; what should be evaluated for additional resources.

There is high value in understanding your company's performance relative to competitors; and knowing where the industry-leading performance bar stands in the various metrics. This information enables focused attention on the areas of highest impact, and accurate feedback on the relative effectiveness of changes implemented in current and prior years.

If you value an accurate external dimension in business performance, and are therefore interested in benchmarking your industry and company, contact Mike Borel, Partner – mike.borel@contextnet.com or call 925-937-4180.



Context Partner,
Mike Borel



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.

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