

SERVICING IP PRODUCTION AND MARKETING: A THIRD PARTY ROLE

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SERVICING IP PRODUCTION AND MARKETING: A THIRD-PARTY ROLE

Bill Grande

Good morning. I appreciate being able to participate in today's program and would like to thank the organizers for this opportunity. My background and experience with IP production systems is process-oriented, as well as customer-focused, and being such I hope to leverage these to present a 'hands-on' third-party perspective in how third-party participation in the production and marketing of differentiated crops is taking on a more strategic role in product authentication.

Today's Seminar

During my allotted time, I will describe how well defined IP programs assist producers in their capability to deliver differentiated products. These programs typically include specific services and tools that are customized to deliver 'branded' crops to a pre-determined end-user(s) and/or market niche.

Our Definition of IP

Maintaining product integrity throughout production and processing cycles of a differentiated crop production/processing system successfully achieve IP.

Watershed events promote IP movement and third-party participation

GMOs, StarLink, and most recently ProdiGene have all brought global attention to bear on the impact that agriculture practices and technologies can have on resulting finished product quality and safety. And while each of these individual events has had different impacts on how the public perceives the wholesomeness and safety of agriculture and resulting finished products, they collectively triggered a realization with some that a mutual reliance between production agriculture and food companies is necessary to better understand and define respective roles and responsibilities in creating, producing, and delivering finished products to more discerning customers. Needless to say, positive public perception is critical to the mutual success of agriculture and food companies.

This realization has also advanced the role of a third party to validate traceability, tracking, and authenticity of product manufacturing and marketing claims, including IP. Third party participation are now embedded in ongoing IP debates concerning biotechnology applications in agriculture and food production, particularly with regard to consumers' "right-to-know," but also concerning environmental impacts, functional food, global population growth projections, malnutrition, sustainability, and trade. Third party validation of raw material origin is becoming fundamental for any level of IP emphasis that might be placed on a differentiated food production system.

A critical end-point for these aforementioned issues is undoubtedly to elevate and sustain consumer confidence in production agriculture and food companies' collective ability to deliver safe and wholesome food products to the marketplace.

Industry Responses focus on IP in both production agriculture and food manufacturing

In response to the aforementioned issues, some production agriculture and food companies have either begun development, or enhancement of their procurement functions for raw materials and key ingredients. The origin of grain-based food product constituents (e.g., genetic make-up, production methods, ag-chem usage, etc.), and the ability to validate specified product attributes and/or process claims are becoming increasingly critical to resulting finished product marketing strategies. A prime illustration of this is the USDA's new National Organic Program. Once again, the ability to maintain identity preservation of predetermined product information and/or production data will be critical to satisfactorily addressing customer and/or consumer expectations.

Additionally, the realization of direct "cause and effect" consequences from sequential links in the supply chain has been an eye-opener for companies who have experienced receiving "off-spec" materials from suppliers who "thought" the material was OK.

Validation of IP products seek certification of product and/or process claims

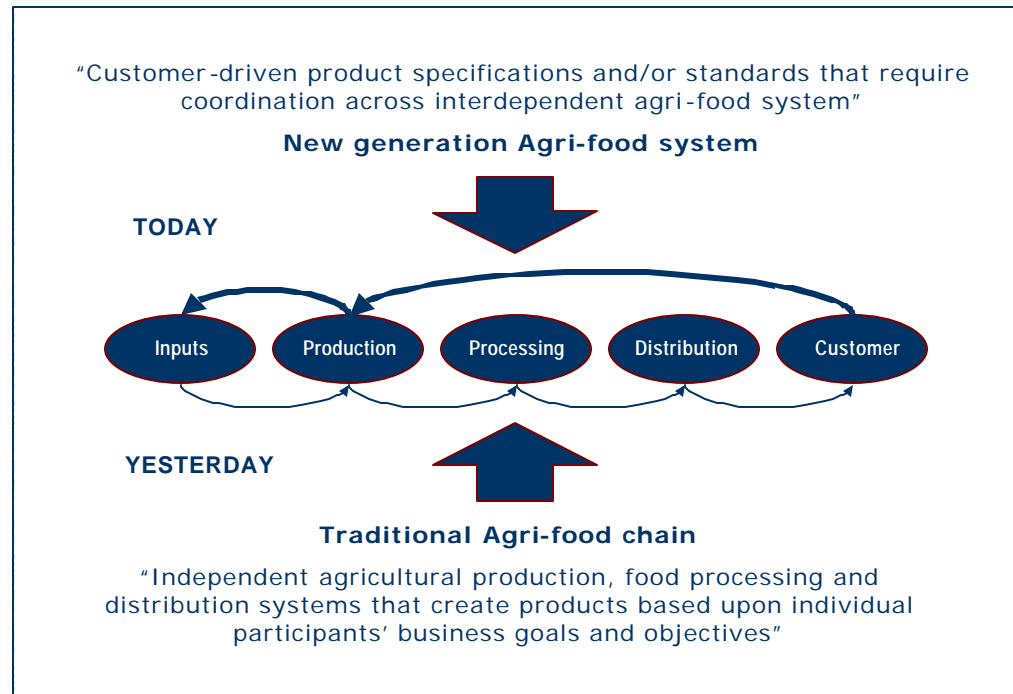
Production agriculture and food processing companies alike are selecting quality management system formats that best address specific IP goals and objectives. Additionally, attention is being given to the "endorsement" aspect of successful program implementation that can come from a number of certification bodies – private companies, industry associations, consumer groups, and government agencies. The desired outcomes from a certified quality management system are internal (e.g., production/processing efficiencies) and external (e.g., product differentiation in the market place).

Market challenges for IP crops

As production agriculture looks to the 'value-added' returns promised by biotechnology, the number of market channels through which these products can flow are still limited in numbers and through put capacity. Handling, segregation, and transportation requirements for 'high value' crops do require additional fore thought in how they will be harvested, processed, stored, transferred, and ultimately delivered to the end-user. These activities are sometimes seen as being counter-productive to the current industry's commodity-based standard operating procedures and infrastructure. The cost structures of IP products vs. look alike commodities also work against sales efforts in the open marketplace.

How we help producers deliver differentiated products

Our approach to IP projects is to first review, with producers, the structural change occurring within the agri-food sector. The diagram below illustrates how traditional relationships and market channels are bringing customer and the production component of an agri-food system into a more direct relationship.



The primary objective for this exercise is to educate and inform producers that for IP programs to be successful in the marketplace, the resulting finished product has to fulfill an end-user's immediate and on-going need for a differentiated raw material or key ingredient. The take-away message for producers investigating IP opportunities is this, "start at the end-point and work backwards...the days of 'build it and they will come' are going away."

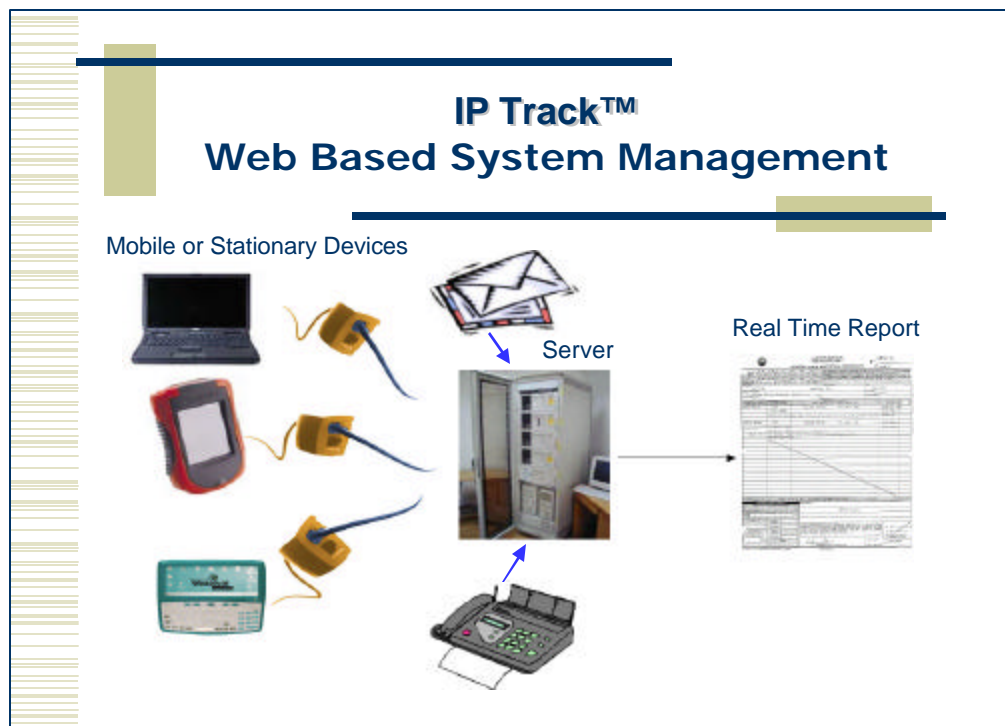
Several producer initiatives to launch value-added agriculture ventures in beef, ethanol, pork, and soybean crushing have either failed, or never gotten off the ground due to a lack of understanding of these market dynamics.

Specific services and tools designed to deliver 'branded' crops to the marketplace

Given the challenging business environment that IP crops work in today, the adage "perception is reality" is well suited for defining why IP product (and brand) authenticity is a necessary component of a successful sales and marketing strategy. And by authenticating how producers' conduct business (e.g., transparency, tracking, auditing), they will improve the perception of their brands and products. And that translates into brand equity.

We provide the expertise and tools to gather and manage the hard data necessary to meet IP certification and compliance requirements, and establish or confirm marketing claims. Once the

appropriate IP components are in place, producers can have more confidence in what they say to their customer and how they say it...their customers will have more trust and confidence in the products they purchase. And that increases sales.



By combining process-oriented quality system components, with web-enabled protocol posting and compliance software, a dynamic IP management system can be employed to successfully execute and sustain a transparent, traceable, and authenticated differentiated crop program.

Closing Comments

Successful implementation of IP programs is all about helping differentiate and substantiate brand and product claims by putting in place the processes necessary to deliver verifiable results. We provide customized solutions to candidly measure and control inputs and outputs to satisfy affirmed goals and objectives, which in turn builds trust up and down the supply chain leading to sustainable business relationships.

While my comments this morning have focused primarily on universal customer-driven aspects of IP, there are numerous other factors that are shaping how the agri-food industry is positioning identity preservation within their respective operations.

Thank you for this opportunity to visit with you today, and I would be pleased to address any questions that you might have.