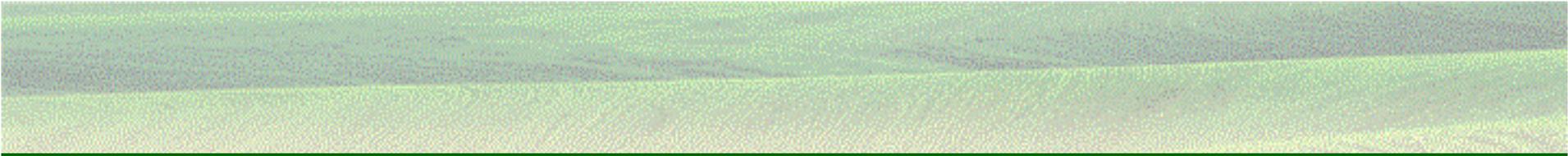




AGRICULTURAL EXCHANGES ONLINE

**Agricultural
Outlook
Forum
2001**





How Will Agricultural E-Markets Evolve?

Royce Nicolaisen, CEO

AgEx.com

February 22, 2001

**“I’m all for progress. It’s change I
can’t stand.”**

Mark Twain



“Our e-commerce strategy is to avoid it as long as possible.”

--Anonymous U.S. Ag company



AgEx.com provides e-procurement solutions to top U.S. food and beverage manufacturing companies. Our goal is to enable our clients to leverage a more efficient purchasing process so that they ultimately increase their bottom line and maximize shareholder value.



E-commerce In Perspective

- **E-commerce is not new**
 - UPC codes
 - Electronic Data Interchange (EDI)
 - Vendor Managed Inventories (VMI)
- **Has already dramatically changed the food distribution landscape**

E-commerce In Perspective

- **UPC codes alone altered the power balance**
 - Retailers now control market information

- **Wal-Mart's exceptional growth can be traced to aggressive use of technology**
 - Pioneered vendor managed inventory concept

E-commerce In Perspective

- **Food retailers' fear of Wal-Mart has triggered the most important trend in the food distribution business today – rapid consolidation of retailers and manufacturers**
- **This consolidation is already having a severe impact on primary food producers**

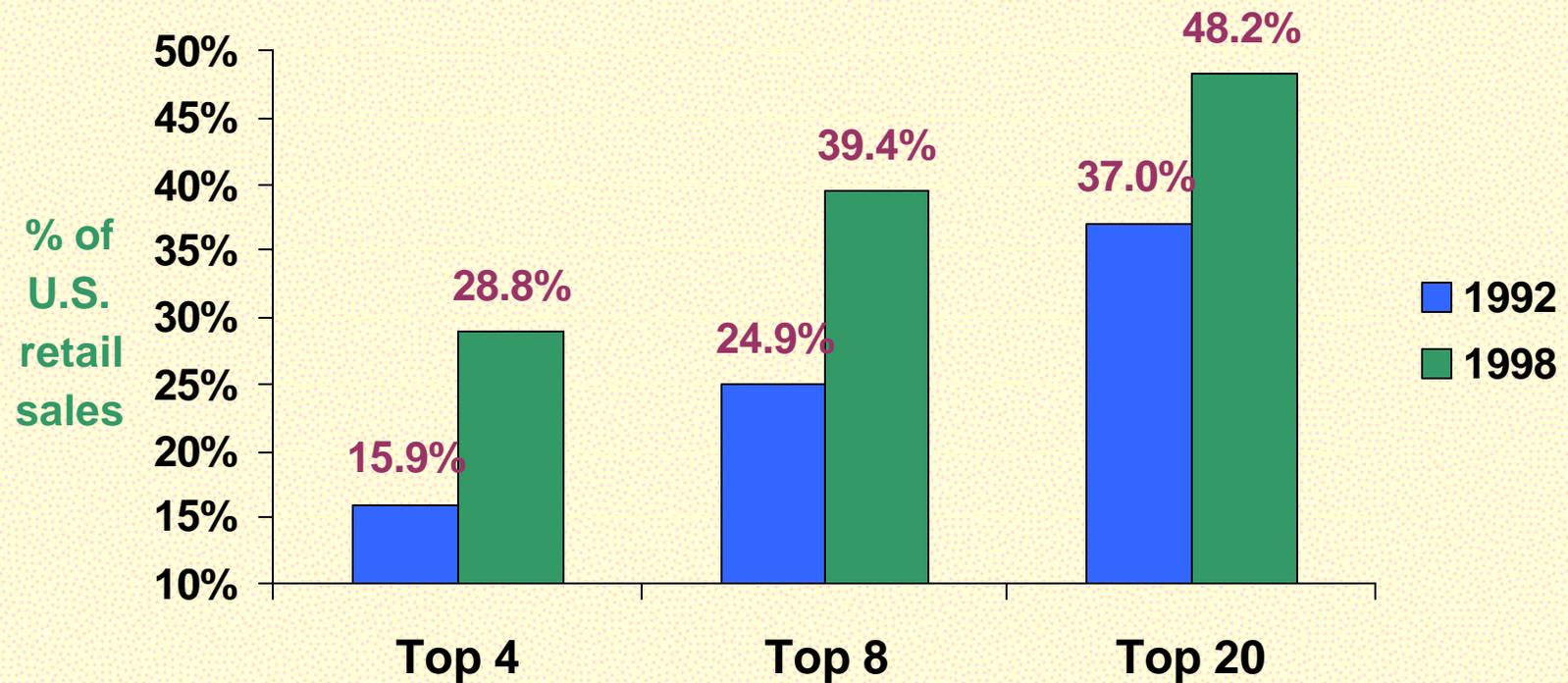
Consolidation

“Since 1996, large retailers have purchased almost 3,500 supermarkets, representing annual grocery store sales of more than \$67 billion.”

--Agricultural Outlook, Aug 2000

Consolidation

Trends in U.S. Retailer Consolidation



Retail Consolidation

Top 5 Grocery Consolidations in 1998

<u>Acquiring Co. (Sales)</u>	<u>Co. Acquired (Sales)</u>	<u>Total Sales</u>
Kroger (\$28.2 billion)	Fred Meyer (\$14.9 billion)	\$43.1 billion
Albertson's (\$16.0)	American Stores (\$19.7) Buttrey (\$0.4) Sessells (\$0.2)	\$36.3 billion
Safeway (\$23.7)	Carr Gottstein (\$0.5)	\$24.2 billion

Food Industry Consolidation

Recent Mergers & Acquisitions in Food Industry (1998-2000)

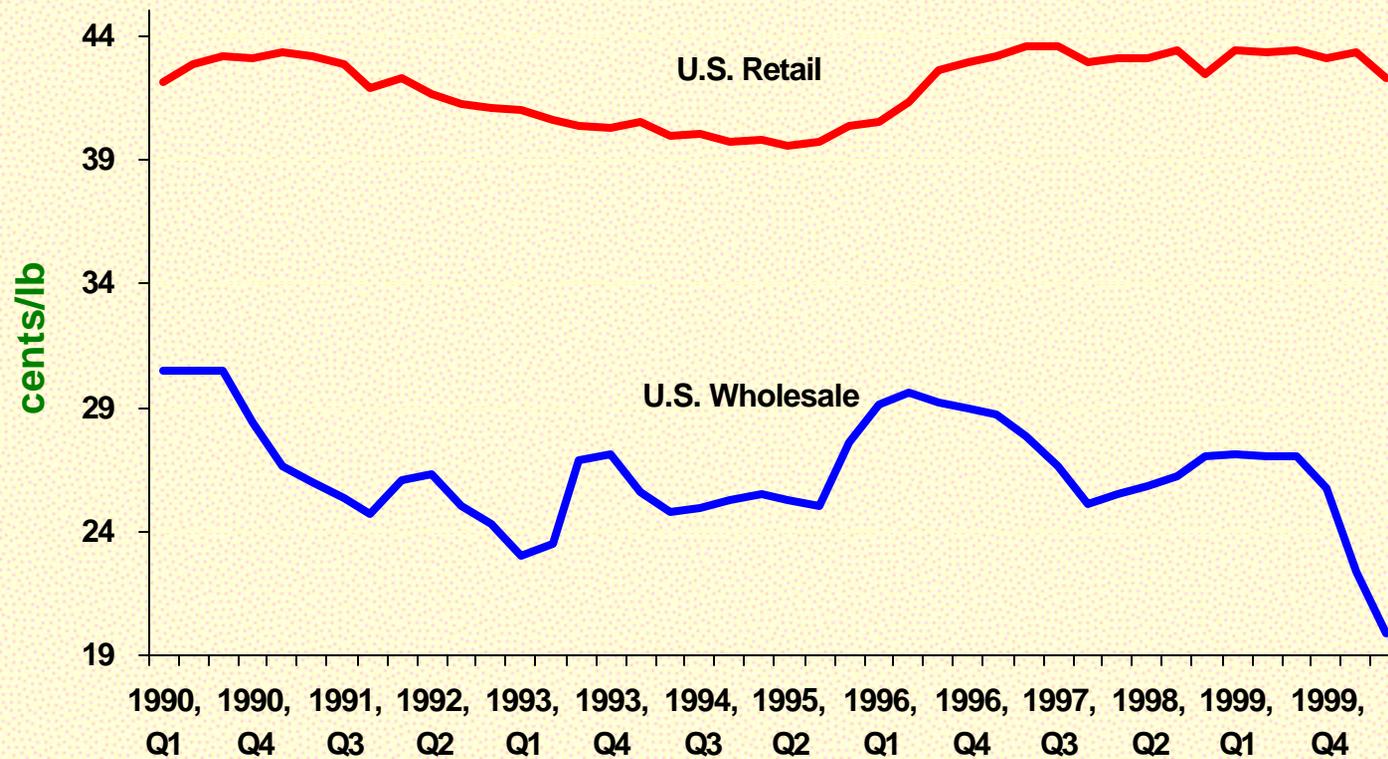
ACQUIRING COMPANY (\$ Sales)	COMPANY ACQUIRED (\$ Sales)	TOTAL SALES
Unilever (\$43.6 billion)	Bestfoods (\$8.6 billion)	\$52.2 billion
Philip Morris (\$27.5)	Nabisco (\$8.3)	\$35.8
General Mills (\$6.7)	Pillsbury (\$5.9)	\$12.6
Kellogg (\$7.0)	Keebler (\$2.67)	\$9.7

Impact on Supply Side

- **While retailers and grocery manufacturers consolidate, the supply side remains fragmented**
 - No processing cost advantages to consolidating
 - Wide geographic dispersion
 - Enterprises are mostly family owned or co-ops
- **Sellers continue to lose negotiating leverage**

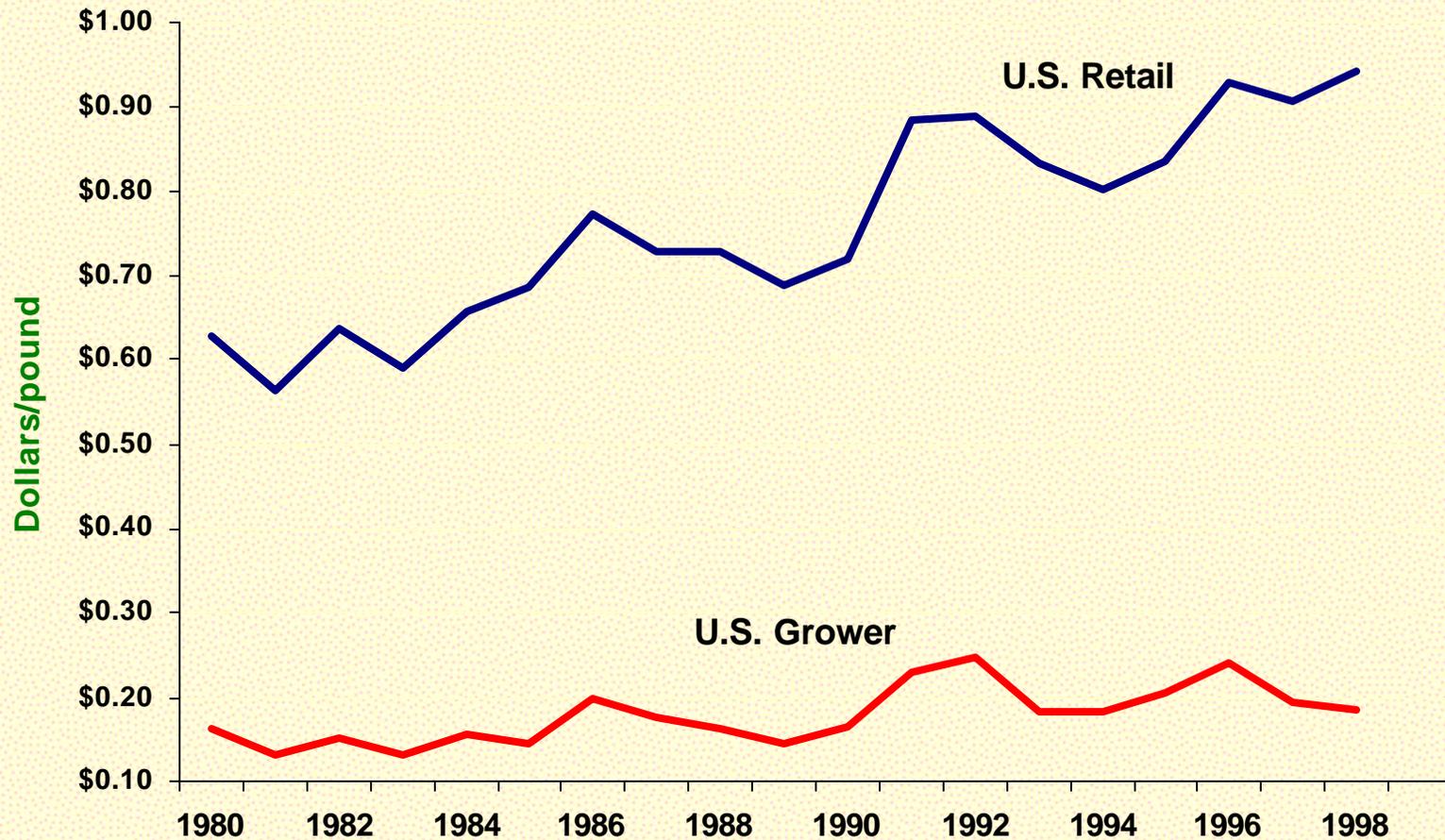
Price Trends

U.S. Wholesale vs. Retail Refined Sugar Prices



Price Trends

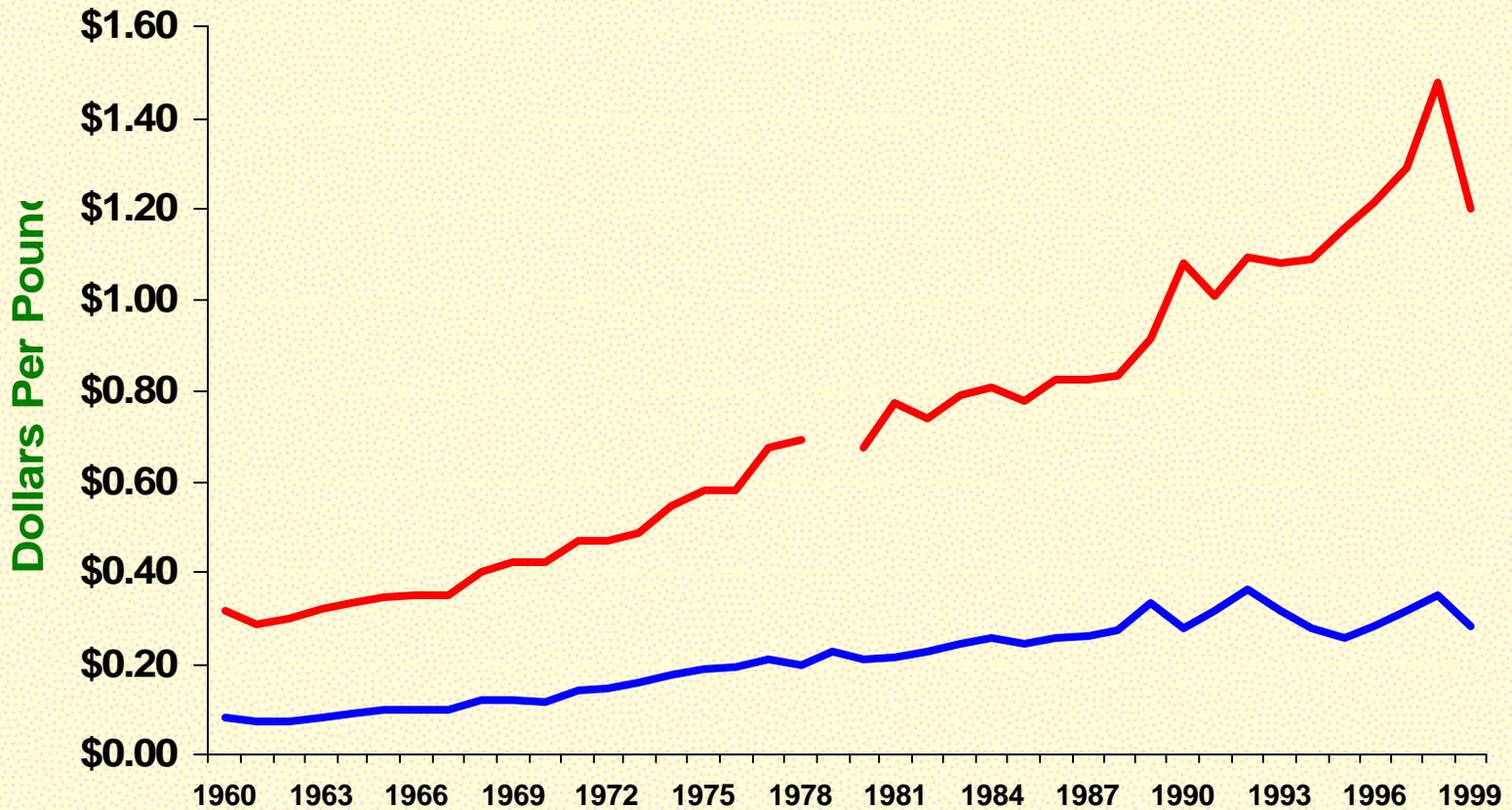
Red Delicious Apple Retail vs. Grower Price



Sources: USDA, NASS, U.S. Dept of Labor

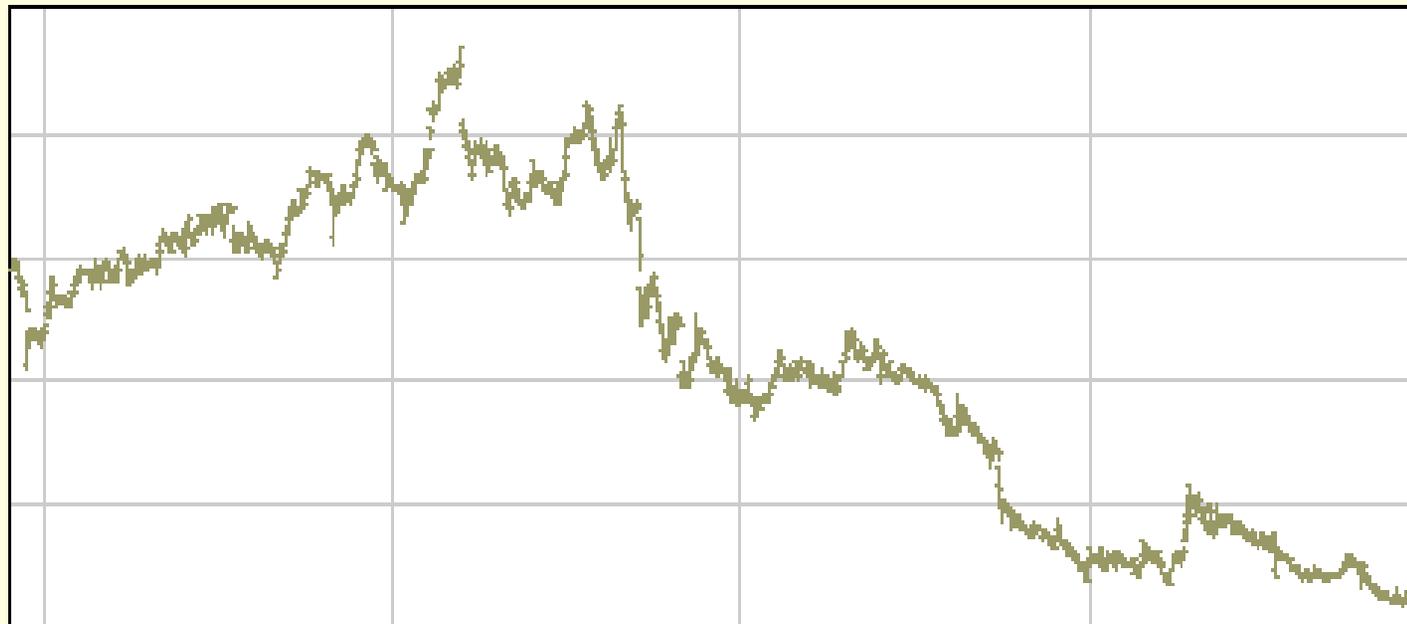
Price Trends

Fresh Tomato Retail vs. Grower Price

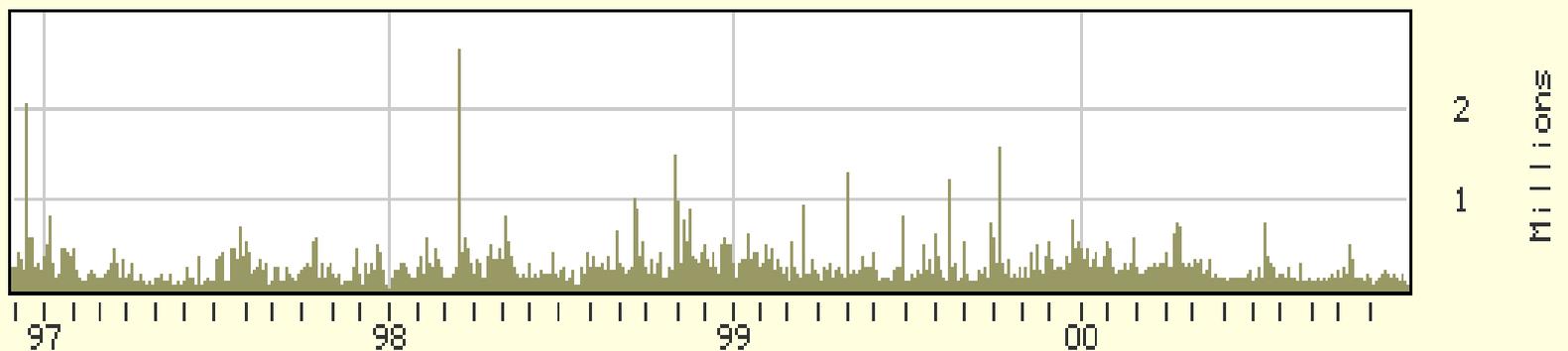


Share Price - Dole

DOL Daily — 11/24/00



Volume — ©BigCharts.com

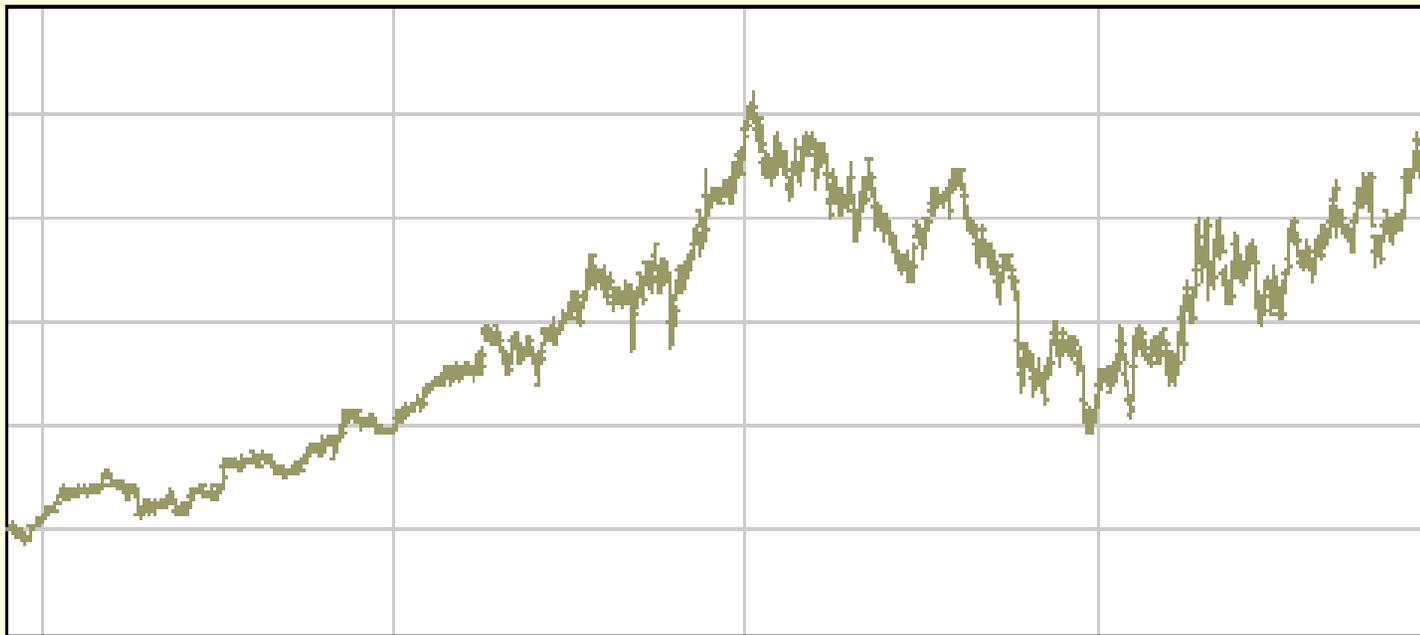


Share Price - Imperial Sugar

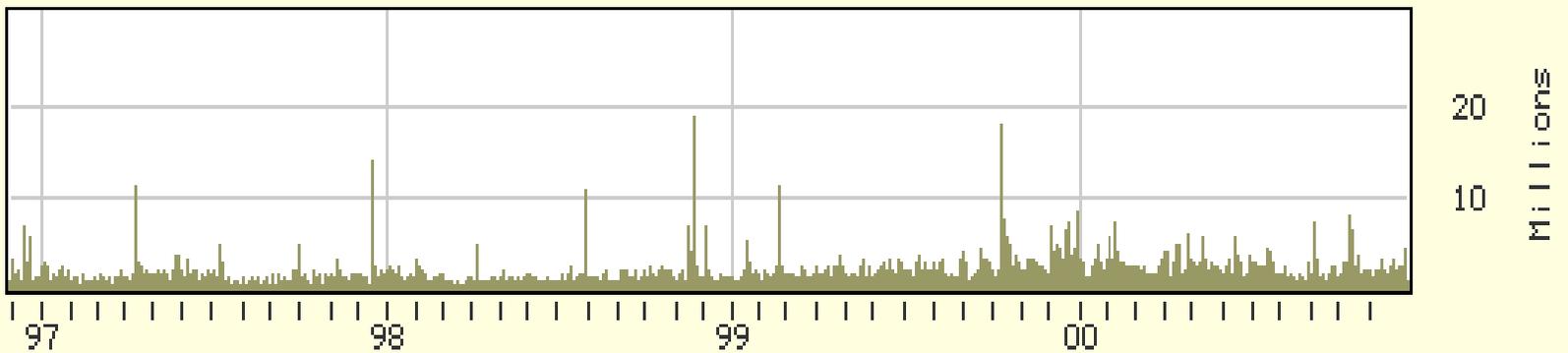


Share Price - Safeway

SWY Daily — 11/24/00



Volume — ©BigCharts.com

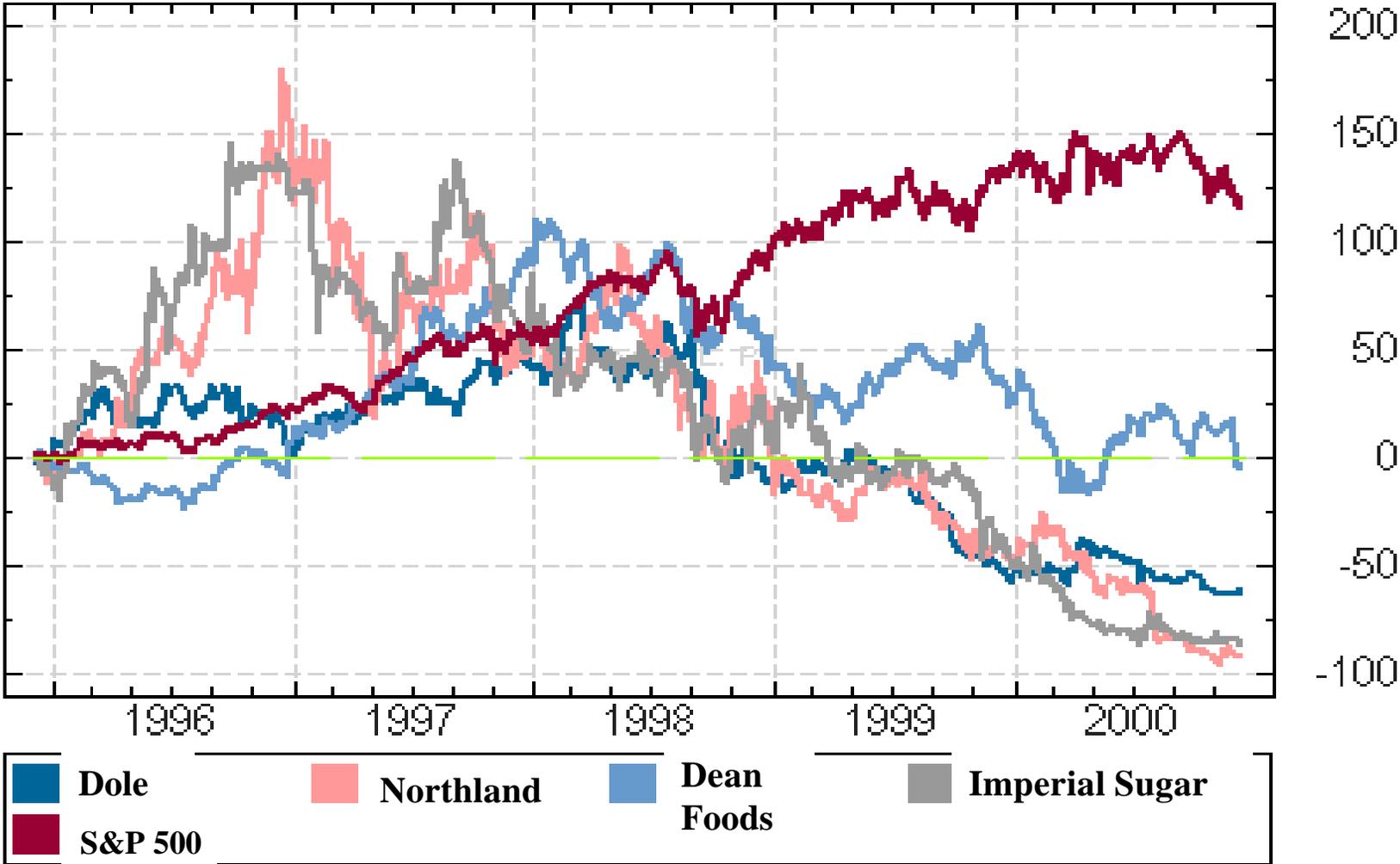


Share Price - Wal-Mart



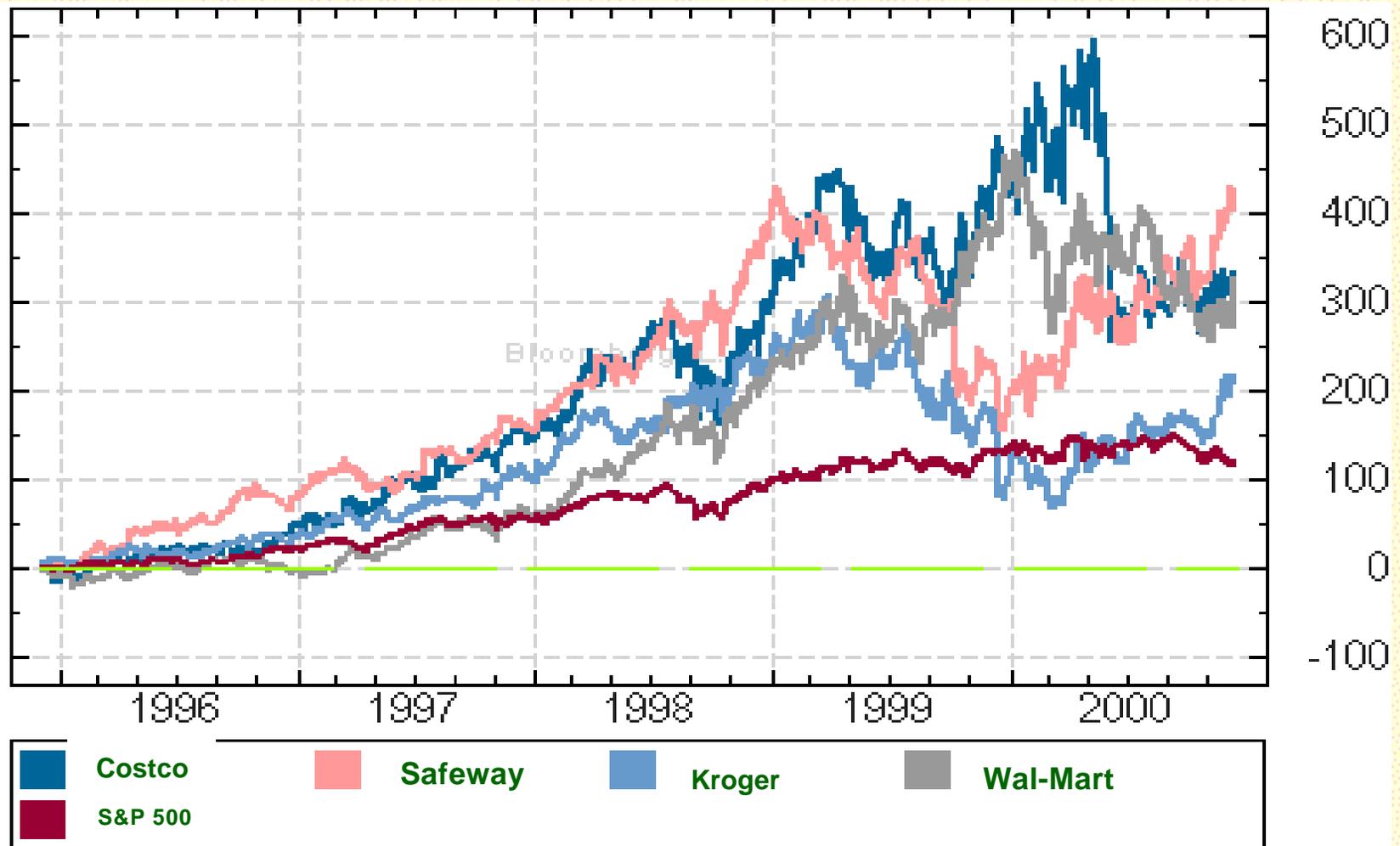
Supplier Trends

Major Suppliers Versus S&P 500 For Last 5 Years



Retailer Trends

Major Retailers Versus S&P 500 For Last 5 Years



Going Forward

- **The Internet is changing the nature of E-Commerce**
- **Prior E-Commerce was of the one-to-one type**
- **The Internet allows for Collaborative E-Commerce**
 - **Electronic marketplaces**
 - **Automated supply chains**

Collaborative E-Commerce

Major buyers are already organizing collaborative marketplaces

- **Transora**

- Formed by 50 major grocery manufacturers, such as P&G, Kraft, and General Mills

- \$250 million invested

- **Worldwide Retail Exchange**

- Includes Safeway, Ahold, Albertson's

- **Global Net Exchange**

- Includes Kroger, Sears, Carrefour



Mega Market Implications

- **Buyers intend to aggregate demand to conduct even larger purchases**
- **Buyers own the data of transactions flowing through the marketplace and choose not to share with the sellers**
- **Sellers will need to invest in technology to communicate with these marketplaces**

Supplier Options

- If they do nothing, primary food suppliers will be further squeezed on prices and at the same time need to invest in IT support
- An option is to form supplier sponsored collaborative marketplaces that will link to the buyer sponsored marketplaces

Supplier Marketplace Benefits

- **Participants can own the data flowing through the market**
 - **Better data will allow for better decision making and help “level the playing field”**
- **One linkage to the supplier market will allow linkages to all other markets**
 - **Reduced IT costs**

Supplier Marketplace Benefits

- **Can collaborate among members**
 - Trade raw material overages and shortages
 - Trade plant capacity
 - Participate in combined offers
- **Can better obtain and disseminate crop estimates and market demand conditions**
 - Help reduce over-planting and reckless pricing

Supplier Marketplace Benefits

- Can conduct aggregated purchases of needed inputs such as packaging materials, energy, and transportation
- Can utilize marketplace-owned, web hosted business software applications thereby adding efficiency at low cost

AgEx.com's Role

- **Organizers of marketplaces designed to assist the primary food manufacturers**

- **No other e-commerce company has adopted this approach**
- **Electronic procurement is about value, rather than cost**
- **Allows for more participation by suppliers**
- **Offers price transparency**
- **Shortens the purchasing cycle**



AgEx.com's Role

- **In regular contact with the major buying groups**
- **Already active in the nut, dried fruit, rice, pulse, sugar, tomato product, and juice industries**
- **Employ latest technology to support supplier needs**

