

Connections 2010 Oil General Session

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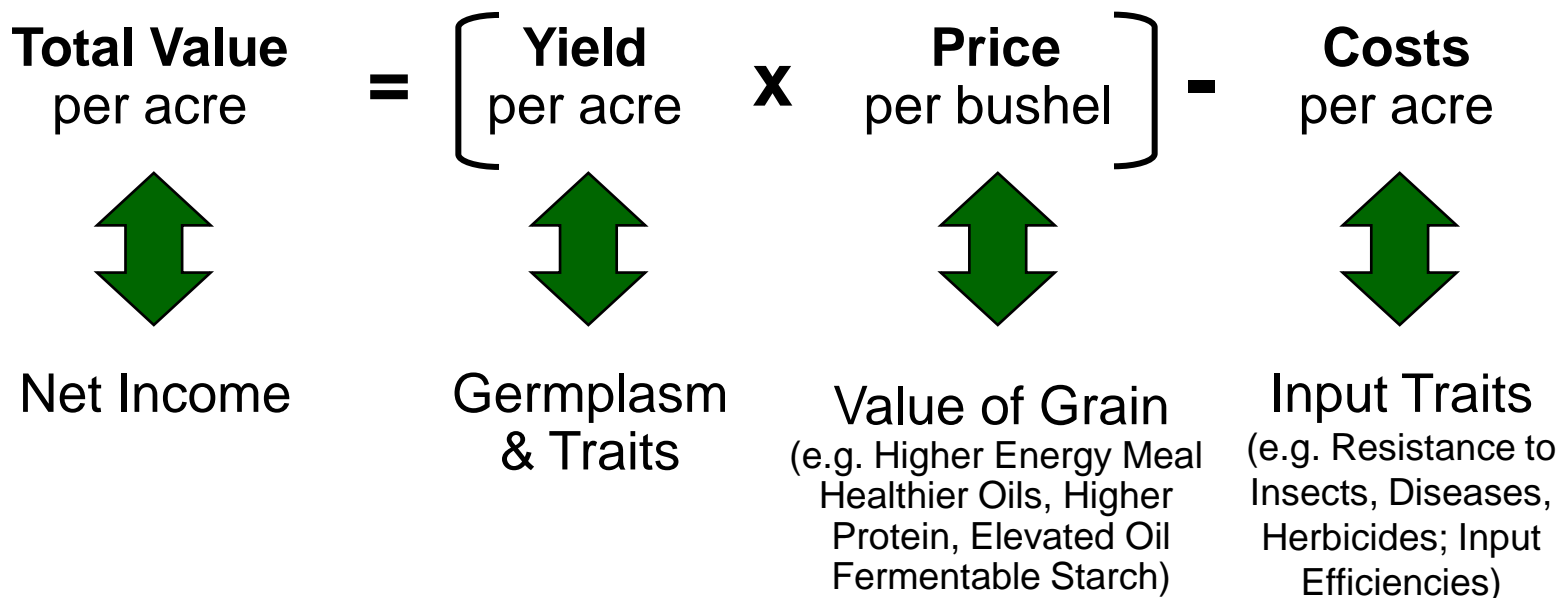
High Oleic Soy: Solid product concept, but a “Must Win”

1. First soybean biotech trait with downstream / consumer benefit-implications for improved acceptance of biotech traits
2. Oil Profile: Triples oleic content, reduces saturated fats, 0 trans (~almost olive oil from a soybean)
3. Excellent functionality in frying / packaged food applications, potential for new industrial markets
4. Opportunity to recapture 11% soy oil share loss in the last 5 years to crops most soybean farmers can't produce
5. Genetic technologies enable high yielding seed products with a full array of input traits
6. The high volume / low cost soy platform is powerful leverage
7. Market space estimates from ~10MM to more than 20 MM acres



It's about innovation...without it, an industry declines

Tech Supplier Investment Options to Increase Crop Value



Technology investments are made where they will generate the greatest returns

- >\$100 MM per biotech trait
- > 10 year development time frame (payback on investment, market view implications) **Regulatory approval delays are a major risk factor**
- Requires large acre volumes, or very high per bushel value
- Complexities / risks that require cross-chain coordination

A Low Cost Position is Required to Achieve High Levels of Market Penetration

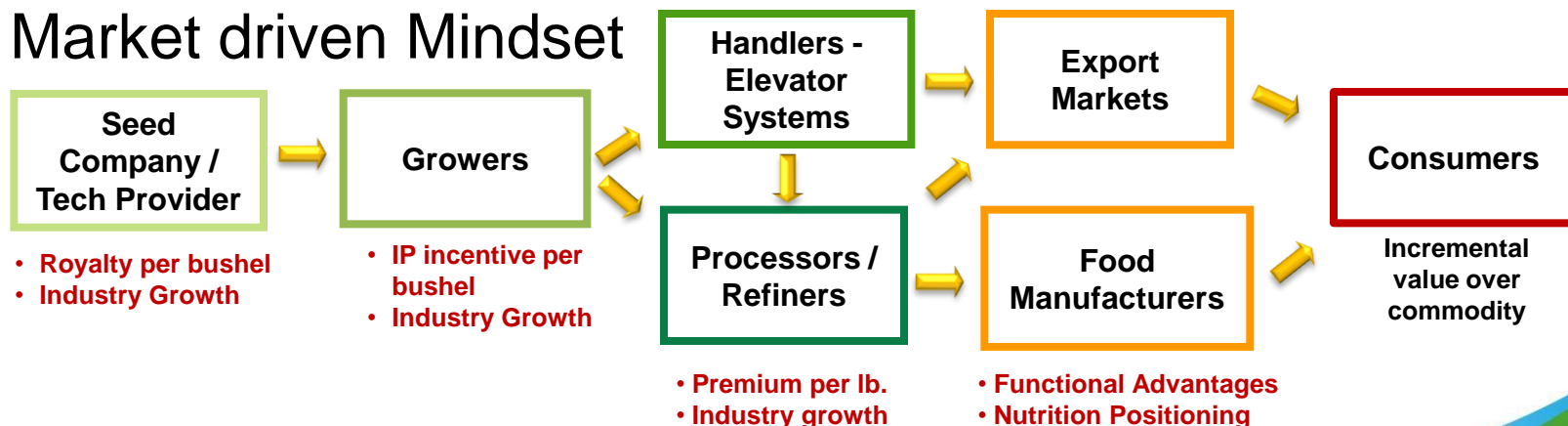
	Premium Over Soy
High Oleic Canola	\$0.12
High Oleic Sun	\$0.35
NuSun	\$0.15
Low Lin Soy	\$0.08
Corn	\$0.13
Cottonseed	\$0.05
Palm	\$0.10
Partially Hydrogenated Soy	\$0.02

- For soybeans, a \$.10/ pound oil premium generates \$1.10/bushel to cover costs and all incentives
- While HO brings more value than Low Lin, **high acreage will require a very attractive cost position** for end-users in order to replace existing oil solutions
- **Wild Cards:** What are competitive oils doing to innovate? (e.g. canola seed technologies to dramatically boost productivity, redefine the commodity, increased processing capacity)

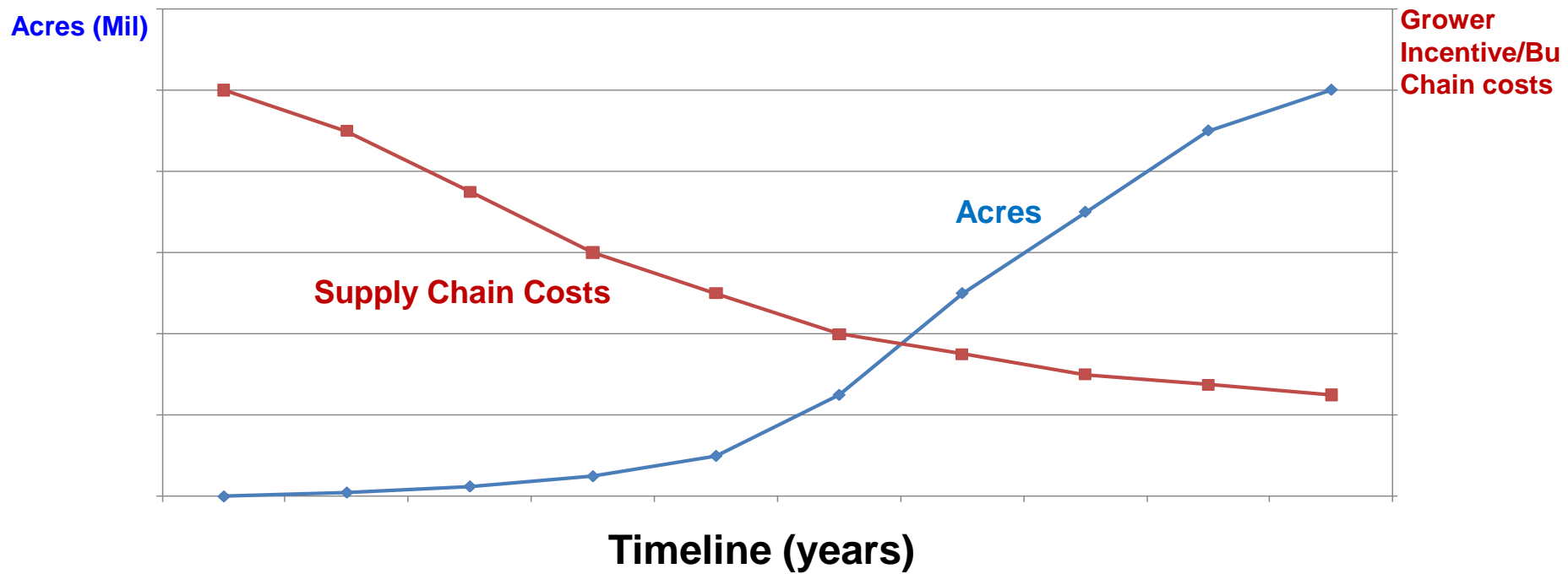
Building High Volume / Low Cost / Reliable Supply Chains for High Oleic Soybean Oil Will Be Essential

- Must be a Win - Win for all supply chain participants (**What's in it for Me?**)
- Each participant has hurdles that must be met, but ultimately the downstream end-user decides, based on:
 - Price point relative to other options combined with supply reliability
 - Functionality / flavor, market positioning advantages (consumer market pull)
- Challenge: aligning soybean supply / oil demand with a 3 year timeframe
- Long-term, requires new supply chain models that reduce costs, other than traditional niche based contracting systems

Market driven Mindset



High Oleic Volume Growth and Cost Reduction Illustration – What has to happen over time



- Conversion of significant acreage around target plants (a new commodity in that micro market)
- Whole farm conversions, requires large seed product portfolio
- Managing the transition from small / niche acres to a large portion of the crop....early stage implications for commodity soy oil profile if significant leakage occurs

Summary Points / Action Concepts

1. High Oleic is a “Must Win”
2. Solid industry commitment across the chain
 - **Coordinated / unified efforts to drive market demand, users....aggressive positioning and branding (like Canola?)**
 - **Willingness by all players to make investments during the ramp-up**
3. Engagement by the industry to shorten the regulatory approval timeline and accelerate market entry (advocate for these products)
4. The economics are critical to achieve high volumes; effective marketing and creative supply chain models can improve the odds of success
5. Growers and end-user customers are the most important chain participants in determining success
 - **If it's all about the money for growers, what can be done to drive costs out of the system?**
 - ***End-users must be convinced that we will do what it takes to be a reliable, high-volume, cost-efficient supplier***



Thanks!