
Land O'Lakes, Inc.: Branding the Agronomy Distribution Business

We cannot make Winfield Solutions into a marketing business like dairy and feed. If we do, we will fail.

CHRIS POLICINSKI, CEO, LAND O'LAKES, INC.

“All your life...you have been eating butter made from sour cream...because you couldn't get sweet cream butter.” Chris Policinski, president and CEO of Land O'Lakes, Inc. read these words in a 1922 print advertisement and began to reflect on the company's growth. Starting from simple beginnings in the early 1920s, when independent dairy farmers banded together to form cooperative creameries, Chris pondered the extraordinary number of diverse business units that the company had held over time.

After establishing itself as a butter marketer in the early '20s, the cooperative began to sell dairy equipment, feed, seed, and farm supplies to its members. It bolstered its product line with the addition of eggs and poultry, and by 1930, the cooperative had a value of \$6 million in total assets and \$0.4 million in net earnings.

In the 1940s and 1950s, the company took a quantum leap by adding a cheese business, followed by the marketing of ice cream. It entered the fluid milk business and was the first to successfully create and market calf milk replacer. The cooperative also expanded its role further from a butter marketer to a butter manufacturer. By 1960, the cooperative's assets had increased to eight times the 1930 numbers, while net earnings increased 10 times.

The 1960s through the 1990s was a period of rapid growth, which resulted from acquisitions and strategic alliances. The cooperative entered and then exited the beef and turkey businesses, invested in partnerships with other regional cooperatives in fertilizer and flavorings businesses, introduced its first margarine, and became the nation's leading marketer of grocery deli cheeses. The company also added petroleum to its offering and entered the swine business. After mergers took place with California and Mid-Atlantic dairy cooperatives in the late 1990s, the business' geographical footprint expanded from what was primarily a focus on the Upper Midwest to a truly national dairy presence.

This case study was prepared by Allan Gray, professor of agricultural economics at Purdue University and director of the Center for Food and Agricultural Business; Jane Anderson, senior program manager at the Center for Food and Agricultural Business; and Barry Wolfish, senior vice president for corporate marketing at Land O'Lakes, Inc., as a basis for class discussion and represents the views of the authors, not the university. No part of this publication may be reproduced or transmitted in any form without written permission from Purdue University.

In just 30 years, the cooperative's assets grew to 50 times what they were in 1960; their net sales were 30 times greater than in 1960; and their net earnings were five times higher than in 1960. In just 30 years, the cooperative's assets grew to 50 times what they were in 1960; their net sales were 30 times greater than in 1960; and their net earnings were five times higher than in 1960.

While diversifying into several businesses, the cooperative also ratcheted up growth and strengthened its position further in existing businesses. Land O'Lakes, Inc. acquired Purina Mills in 2000 and became the leading animal feed manufacturer in North America. The company also became a leader in crop protection products (through its investment in Agrilience LLC, a joint venture with CHS), and it was the third largest crop seed company in North America. By 2000, the total value of assets had increased threefold; net sales more than doubled; and net earnings tripled in this 10-year period.

Just then, a flock of geese interrupted Chris' train of thought. They were landing on the pond just outside his office window at Land O'Lakes, Inc.'s headquarters in Arden Hills, Minnesota. After refocusing, Chris started thinking about the state of the company in 2005, the year he entered that office as president and CEO. At that time, the company could have been described as not only diverse with a multi-business cooperative portfolio, but also as a fairly decentralized conglomerate.

But, by 2005, key industry financial measures were signaling a pattern of what would become a significant economic downturn. There was an increasing rate of volatility in agricultural markets, dramatic peaks in energy costs, and a growing public concern with food safety. The channels of distribution for food products and agricultural inputs were experiencing increased competition and an ongoing, rapid pace of consolidation.

Chris knew that for Land O'Lakes, Inc. to compete effectively in the new business environment, he had to redefine the company and set a bold, new course. Chris and the senior strategy team decided to refocus and move to fewer, bigger businesses that had been established earlier in the decade. Even though most of the legacy businesses had been a part of the company for many years, some no longer made sense in its portfolio. The company had evolved from a marketing organization that eventually took on manufacturing and ultimately became a branded business. As a result, there were few truly "core" businesses in the portfolio. Chris wanted to concentrate on what the leadership believed to be their core businesses—dairy foods, feed, and agronomy—while staying true to the company's vision and values (Exhibit 1). This refocusing effort had begun to lead to solid growth in sales and net earnings for the company in the last several years (Exhibit 2).

Chris and the executive team believed that the dairy foods and feed businesses derived much of their distinctive competence and competitive advantage from the strength of their product brands and the research and development capabilities that support those brands. The agronomy division derived its distinctive competence more from the strength of its distribution network and scale economies. These differing distinctive competencies across business units provided the backdrop for Land O'Lakes Inc.'s senior strategy team as they developed a culture across all business units that aligned with the company's overall strategy of Growth from the Core. As Chris prepared for the morning meeting with the senior strategy team (Exhibit 3), he wanted to focus on the agronomy division, Winfield Solutions LLC. There were still some lingering questions in his mind:

1. Can a business predicated on wholesale distribution also pursue a brand strategy?
2. Is the Winfield Solutions LLC model sustainable given the changes in the external landscape?
3. How does Winfield Solutions LLC maintain and accelerate its impressive rate of growth?
4. How does the corporate core strength of understanding customer trends and preferences and leveraging brand strength help to create value in Winfield Solutions LLC?

The Business Model

In recent years, Land O'Lakes, Inc. has created senior oversight for corporate strategy and marketing to facilitate the Growth from the Core strategy in each business unit. The central theme is that innovations in all three business units should be driven by a solid understanding of target customers, discovering the needs of these customers through market research, maintaining the core of their brand identity in all innovations, and investing financial and human resources against key businesses. This consumer-focused research guides their investment in R&D projects, which have primarily focused on product innovations that are close to their core products, leverage existing customer relationships and are consistent with their brand image. However, the challenge of bringing this culture to all three business units is not insignificant.

The dairy foods business contributes approximately 34 percent of the company's net sales. The dairy foods business, whose heritage is grounded in bringing premium quality, innovative dairy products under the well-known LAND OLAKES brand to consumer and commercial markets, continues to focus on producing value-added foods including butter, cheese, and other dairy products, while ensuring that its dairy member owners have a secure home for their milk. Land O'Lakes, Inc. has also entered into a limited number of strategic licensing partnerships to further extend the footprint of its brand and benefit from the incremental spending in support of the brand by these partners. The long-term success of the dairy foods business has been driven by its efforts to understand the marketplace and capitalize on insights derived from that effort. Land O'Lakes, Inc. spends substantial resources each year understanding consumer and customer trends and preferences, as well as the strength of its brand. The company also invests to build the brand through a multimillion dollar media budget across multiple media channels.

While the dairy foods business has historically had a branded culture that reflects the corporate philosophy, the feed business has had a more commodity focus. In 2000, Land O'Lakes, Inc. purchased Purina Mills and gained access to the well-known Purina brand and its history of animal nutrition research and development for a wide range of animal species. Today, Land O'Lakes, Inc. is leveraging the strength of the Purina brand by focusing resources and effort on value-added feed products, thereby leveraging its leadership position in animal nutrition with an emphasis on technologies in young animal nutrition. The senior strategy team sees synergies between the dairy food and feed businesses under the Purina brand. Barry Wolfish, senior vice president for corporate marketing, is responsible for encouraging these synergies by infusing more discipline in marketing

and market research for the feed division, advocating a redefinition of the brand architecture to effectively leverage the Purina brand, and encouraging a more robust segmentation to identify higher margin species and market-driven opportunities while adopting the customer knowledge, market insights, and product innovation culture into the feed business.

Today, the feed division contributes 32 percent of Land O'Lakes, Inc. net sales. The new focus on the core business model has led to several changes in this division. For example, analysis of core brand strength and recognition led to consolidating most of Land O'Lakes branded feed business under the Purina brand. In addition, the new focus on market research uncovered that while Purina was the leading feed brand in the horse market, Land O'Lakes, Inc. was not reaching the number of horse producers in the United States that it desired. These market insights led to expanding the distribution network from retailing primarily through Purina dealers and selected cooperatives to include Tractor Supply Company as a key retailer.

Creating a Branded Wholesale Agronomy Business

In 2007, Land O'Lakes, Inc. and CHS, Inc. agreed to divest their agronomy partnership known as Agriliance, LLC, which was the second joint venture in the agronomy sector that Land O'Lakes was part of in more than a 20-year period. The mutual agreement led to CHS acquiring the fertilizer business and certain retail outlets from the partnership. Land O'Lakes, Inc. took over the agricultural crop protection chemical distribution business, which was then aligned with Land O'Lakes' existing seed business to create Winfield Solutions LLC.

Land O'Lakes, Inc. launched Winfield Solutions LLC as its agronomy business unit in 2007 (its first full year of operation was 2008). The agronomy unit is a wholesale distribution business focused on delivering seed and crop protection products to its member cooperative network. Winfield Solutions LLC leverages the Croplan Genetics and AgriSolutions brands exclusively through the cooperative channel. Under the Croplan Genetics brand, it markets and sells corn, soybean, canola, sunflower, forage, and turf grass seeds. Under the AgriSolutions brand, Winfield Solutions LLC markets and sells herbicides, pesticides, fungicides, and adjuvants that, in most cases, are no longer patent protected by the original manufacturer. With the exception of alfalfa, the technology or product for Croplan Genetics and AgriSolutions is licensed or purchased (if off patent) from major seed and chemical product manufacturers. Proprietary brands of seed (Croplan Genetics) and crop protection products (AgriSolutions) are a significant source of gross margin for Winfield Solutions LLC.

In addition to Winfield's proprietary brands, it distributes crop protection products and seeds for other manufacturers to its network of farmer-owned cooperatives, which operate about 3,500 retail outlets across the United States. Winfield is one of the largest independent U.S. distributors, by volume, of products for two of the market leaders in seed and crop protection in the U.S. market and one of the largest sources of licensing income for the two companies that provide technology to the Croplan Genetics and AgriSolutions brands.

Winfield Solutions LLC contributes significantly to Land O'Lakes, Inc.'s financial strength and has had impressive growth during the first few years of its existence. In total, Winfield Solutions LLC contributes approximately 30 percent of Land O'Lakes, Inc.'s net sales, with seed representing 11 percent of total sales and agronomy products contributing 19 percent of total net sales. The senior

strategy team believes, and has recently experienced, that Winfield can provide diversification to reduce volatility in cash flows, particularly with the recent increase in volatility in the animal agriculture industries that is affecting both the dairy foods and feed businesses. In addition, because of the relatively low investment in fixed assets for Winfield Solutions LLC, the return on invested capital compares extremely well with the other two main businesses, which have meaningful investments in legacy manufacturing locations.

Winfield Solutions LLC is focused on providing value for key channel participants: seed and chemical manufacturers (industry partners), the retail farmer-owned cooperative network, and producers. Winfield must continue to convince large seed and chemical manufacturers that selling through Winfield, rather than directly to retailers and/or producers, is to their benefit; the executive team refers to this as the swing ratio (a level of codependency, where both sides “lose” if the relationship comes apart). Its substantial retail network of cooperative members provides much of Winfield’s appeal as a distributor for the major manufacturers. The company reaches a major share of the row crop input market as a result of its geographic concentration in the “Heartland.” In addition, Winfield, through Croplan Genetics, spends a large amount in biotechnology trait licenses. The trait licenses are significant income for several of the large seed/trait companies, further increasing Winfield’s value and codependency to these companies. This set of value propositions has allowed Winfield Solutions LLC to negotiate agreements to be a preferred supplier for the major seed and crop protection manufacturers.

Winfield provides a number of value-adding propositions for its customers—the retail cooperatives it supplies. The preferred supplier status they have achieved with major manufacturers offers retailers access to leading-edge seed technology and an assured supply of the best technologies at a fair price for the cooperative system in own-label (Croplan Genetics/AgriSolutions) products. Winfield’s scale allows them to be cost competitive with other wholesale distributors and provides the cooperative retailers with a way to validate appropriate and competitive retail margins. Winfield’s Emerald Extra’s program is an attractive bundling and rebate opportunity for cooperative retailers based on the product types and volumes they purchase. Finally, Land O’Lakes, Inc. has a Business Development Services division that Winfield Solutions LLC shares with the feed unit to provide cooperative retailers assistance with business strategies, marketing plans, human capital development, and other needs.

Scale, supply assurance, and rebate programs are fairly typical for Winfield’s primary wholesale competitors. Most of them also handle seed and crop protection products. The low-end wholesale competitors have a limited supply and compete exclusively on price. To differentiate itself in this primarily cost-driven marketplace, Winfield Solutions LLC uses the Croplan Genetics, AgriSolutions, and Answer Plots brands to create additional value for retailers. The Croplan Genetics brand provides both niche and broadly targeted seed offerings with the latest technology exclusive to the cooperative system. The AgriSolutions brand offers primarily HIF (herbicides, insecticides, and fungicides) and adjuvant products, but micronutrient offerings and seed treatments also provide segmentation and higher margin opportunities for cooperative retailers that market and sell those products. Both the Croplan Genetics and AgriSolutions brands can provide retailers and Winfield Solutions LLC an opportunity for higher margins than selling brands from the major manufacturers.

Winfield Solutions LLC introduced a concept called Answer Plots a number of years ago, primarily to demonstrate in-field seed performance at various times during the growing cycle and to give large

seed manufacturers access to growers and retailers in the cooperative system (Exhibit 4). Answer Plots were developed to 1) educate cooperative seed sellers on new or emerging technologies, 2) recruit cooperatives not doing business with Land O'Lakes, Inc., and 3) validate the value proposition of new genetics and biotech traits with demonstrated in-field performance. Answer Plots provide producers an opportunity to see results of field test trials on various combinations of seed technology, nutrition, and crop protection products regardless of brand. Winfield uses the Answer Plots to provide retailers with better knowledge about product performance and to help producers make more-informed decisions that take into account a variety of factors, but ultimately drive productivity per acre. Winfield purposefully focuses on sharing knowledge and expertise through the Answer Plots system while steering producers to the local cooperative retailer for actual product purchases. In 2008, Winfield had 125 Answer Plots locations with 2,400 participating sellers, reaching 9,000 growers. In 2009, the Answer Plots grew to 138 locations nationwide, reaching almost 18,000 growers. The company's goal is to have Answer Plots conveniently located and accessible for the majority of farmers in Winfield's market. Land O'Lakes, Inc.'s recent analysis of producers who attended Answer Plots days indicated that 43 percent of growers attending increase their orders by an average of 51 percent more as a result of attending (Exhibit 5). Given the early success, Land O'Lakes, Inc. will expand Answer Plots to 154 locations in 2010.

The Agronomic Marketplace

Production agriculture continues to consolidate at a rapid pace. According to the 2007 Census of Agriculture, there were 57,292 farms that produced more than \$1 million in value; an almost six-fold increase in 25 years. The consolidation has become more rapid in the last decade. In fact, from 2002 to 2007, farms producing more than \$1 million in value increased by 28,619 or just shy of doubling in a five-year period. In 2002, farms producing more than \$1 million represented 48 percent of the total agricultural value, up from just 23 percent in 1982. By 2007, \$1 million farms represented 58 percent of the total value of agriculture.

Agricultural chemical and seed purchases have also become more consolidated over time. Exhibit 6 illustrates the percentage of crop protection chemicals purchased by various farm sizes. The farm size is delineated by the amount of expenditures on crop protection chemicals. In 2002, farms purchasing more than \$50,000 of chemicals represented 49 percent of the total value of the agricultural chemical market, but only 3 percent of all farms purchasing chemicals. By 2007, more than 43,000 farms (5 percent of total farms) purchased more than \$50,000 of agricultural chemicals, and they represented 59 percent of the \$10 billion crop protection chemical market. The seed industry has seen similar purchase consolidation with 7 percent of farms representing 61 percent of the \$11.7 billion market in 2007 (Exhibit 6).

A recent survey conducted by the Center for Food and Agricultural Business at Purdue University examined the buying preferences for mid-size, commercial, and large producers across the United States. Exhibit 7 illustrates producers' preferences by size of farming operation for product/service characteristics for both crop protection and seed products. Across all producers, there is a large segment (at least 50 percent in all cases) that expects to see a balance of product performance, service, and price when choosing products to purchase. But, as the size of the operation increases from mid-size (\$100,000 to \$500,000 in sales) to commercial-T (greater than \$500,000 in sales), and to large farms (largest 15 percent of commercial operations), more of the producers are driven

by product performance and price as key characteristics in their purchasing decision. Given the large proportion of total market represented by large producers, the product performance and price segments likely represent an even larger portion of total crop protection and seed purchases.

In the same survey, producers were asked to identify people outside of their farm business who have the most influence on their decisions. The survey indicated that retailers, other farmers, and manufacturer representatives had the most influence on their decisions. As the operations increased in size, the manufacturer representative tended to have a bit more influence, particularly relative to other farmers. But, regardless of size, the retailer was the number one influencer. And, by a relatively large majority, producers indicated that they were quite loyal to their local retailer. However, larger producers consider themselves less loyal than their smaller counterparts. And, all producers felt that retailers were less differentiated with respect to information, services, and prices than they had been in previous surveys, which suggests some commoditization of the factors that had previously led to an advantage for some retailers.

The retail input supply industry has undergone substantial consolidation in the last decade. The drivers are: 1) consolidation at the producer level to fewer and larger farming operations, 2) consolidation in the wholesale and manufacturer sectors for agricultural inputs, and 3) advances in technology that require a larger scale and deeper technical selling knowledge to remain competitive. Exhibit 8 illustrates the consolidation that has taken place as the number of supply cooperatives has declined from just under 2,400 in 1980 to 1,090 by 2007. Meanwhile, sales per cooperative have increased from \$11.7 million to \$70.0 million during the same time period. The increase in sales is partly due to rising input prices, but also reflects the rapid consolidation to fewer and larger retail supply cooperatives. Many of the supply cooperatives now serve substantial territories that may cover multiple counties in multiple states. These cooperatives have many options in sourcing supplies, including several wholesale distributors like Winfield Solutions LLC and, in some cases, direct from the manufacturer.

Seed and crop protection manufacturers have consolidated rapidly in recent times. The major players in the U.S. market consist of Monsanto and the associated American Seeds, Inc.; Pioneer, a Dupont Company; Syngenta and the associated Garst/NK/Golden Harvest brands; Dow Agro Sciences and the Mycogen brand; BASF; and Bayer. In addition, there are a large number of regional seed companies that make up about a third of the market. Monsanto, Pioneer, Syngenta, and Dow lead the market for input traits—particularly corn, soybeans, and cotton. They have changed the landscape of crop production from one driven by seed genetics and crop protection products to one that is increasingly driven by seed genetics, genetically enhanced traits that make crops resistant to a number of insect pests, and some weed-controlling crop protection products. While crop protection continues to be a larger market than seed in terms of sales, an increasing share of sales has been captured by seed manufacturers either through their own branded seed and/or licensing of their genetic traits to other seed companies.

Because of the shift in value creation from crop protection to seed, many manufacturers have substantially increased their sales forces to create brand awareness for their seed products. In some cases, these manufacturers offer similar rebate programs to retailers that are also available from wholesalers in the market. In addition, all of the major seed manufacturers sell their branded products directly to the farmer in some markets, particularly larger farmers. As genetically enhanced

traits become more commoditized and margins fall for licensing, some of these manufacturers may decide to move away from the licensing business model and begin to offer their newest traits only through their brands.

The major manufacturers of crop protection products have a large sales force to create brand awareness for their products and often provide incentives for retailers to sell their products. At the moment, the vast majority of crop protection volume is sold through the traditional three-step channel (manufacturer-wholesaler-retailer). This is likely due to the efficiencies of the wholesale channel and the lower margins for crop protection products, particularly those that are competing in off-patent markets.

The Winfield Challenge

Winfield Solutions LLC has grown rapidly in its short existence by deepening penetration and accessing new geographies, while leveraging the synergies of putting two separate organizations that shared a common customer base together. Both seed and crop protection products are sold by the same seller to the grower, and it is the traits in the seed that increasingly drive, and will continue to drive, the crop's chemical needs. But, it will be challenging to keep up with the pace of growth.

The seed and crop protection groups within Winfield Solutions conducted a strategic analysis of their businesses in 2008 using the deepen, extend, and broaden (DEB) framework. The DEB model is being used by Land O'Lakes, Inc. to refine the future growth strategy in all business units. Exhibit 9 summarizes the results of this analysis. The seed division's management team defined the core of the business as:

Partnering with co-ops to deliver insight via expert sellers to growers producing corn and soybeans in the Land O'Lakes, Inc. affiliated co-op footprint.

The seed group saw opportunities to deepen this core through bulk seed sales and seed treatments, in addition to improving sales force effectiveness, increasing business with local cooperatives that were selling crop protection products but not seed, and targeting marketing and sales efforts to large growers.

The management team for the crop protection division defined the core of the business as:

The wholesale delivery of a full line of crop protection products to ag supply co-ops in an effort to help them succeed against the two-step distribution model.

The crop protection group saw opportunities to deepen the core through growing shelf share with local cooperatives, increasing market share of the AgriSolutions brand, targeting marketing and sales efforts to large growers, and improving their presence in the Texas market.

Currently, 85 percent of Winfield's volume is sold through the cooperative retail system. The other 15 percent is marketed by independent retailers in a few areas where the cooperative system is not as strong. Part of Land O'Lakes, Inc.'s vision, and by association Winfield Solution's vision, is to maintain and strengthen the health and relevance of the cooperative system. While the cooperative

input supply system is quite strong in the Midwest and Great Lakes, it is not as strong in the Southeast, Northeast, and West (Exhibit 10). Expanding beyond the cooperative retail network might allow Winfield Solutions LLC to grow faster or provide an offset to any declines in the cooperative system's share of market. In the feed division, Land O'Lakes, Inc. chose to extend its retail distribution through Tractor Supply Company, which created competition with its more traditional Purina feed dealerships. Barry Wolfish believes this would be a challenging approach and one that undermines relationships with cooperative members. To date, Land O'Lakes, Inc. has not considered providing independent retailers with access to the Croplan Genetics or AgriSolutions brands.

From a product perspective, Winfield Solutions LLC has focused on growing market share in row crop and turf seed, in addition to herbicides, insecticides, and fungicides. There seem to be opportunities in additional crops and niche chemicals, such as output traits that link to better animal nutrition, forages, bio-mass crops for the energy sector, micronutrients, and seed treatments. But, these may not be an appropriate fit for Winfield's core strengths. Winfield's core brands, Croplan Genetics and AgriSolutions, are heavily reliant on licensed technology for their products and leveraging the Answer Plots network in existing geographies to educate and demonstrate performance.

One possible growth opportunity being considered is to integrate backward into primary technology R&D or partner with someone to pursue some of these opportunities. This approach would not be unprecedented, as Winfield is vertically integrated in the alfalfa market, having made investments in leading technology and R&D some years ago. As a result, it enjoys a leading share of the forages seed market. This might at least allow Winfield to supplement the licensed technology from others with their own product innovations for Croplan Genetics and AgriSolutions. But, competing with the big players will be difficult to do in mainstream segments and markets.

Summary

Chris took one last look at the geese as he headed toward the conference room to meet with the senior strategy team. The focus of today's discussions would be on Winfield Solutions LLC. Because Winfield is primarily a wholesale business, the value-added, branded products model of the dairy foods and feed divisions may not be as relevant or useful. The innovative branded products model that exists in dairy foods and is being adopted in feed will likely be different for Winfield. As Chris entered the room, he remembered what he had said when the senior strategy team first decided that agronomy was one of the company's core businesses:

“We cannot make Winfield Solutions into a marketing business like dairy and feed. If we do, we will fail. But, we can bring the customer segmentation knowledge, market insights, and brand consistency culture into this business. The difference will be that we will have to focus the innovation on distribution, information, and research—things that we have an advantage at executing because of our scale and market access. Our individual member cooperatives would not be able to effectively implement things like access to traits, access to global supplies of crop protection products, or Answer Plots because of the lack of scale and/or scope within their own businesses. We believe that bringing value to our members through innovations in these areas can create a value-added, branded, and wholesale agronomy division.”

Discussion Questions

1. Can business units in different markets with different fundamental business models coexist and grow within one culture?
2. What capabilities from the dairy and feed divisions can and/or should be leveraged to the wholesale agronomy business?
3. Is the pairing of a proprietary, technology driven seed business and the more commoditized chemical business a viable long term proposition? Can the two businesses effectively leverage common systems and infrastructure, including a field selling organization?
4. Does a branded wholesale business make sense in a highly commoditized crop protection business?
5. Should Land O'Lakes, Inc. consider expanding their retail network beyond the cooperative system to strengthen their market reach in regions where the cooperative system is not as strong?
6. Should Winfield Solutions, LLC diversify its base of products outside of row crops and alfalfa and a focus on HIF chemicals to exploit profitable niches and expand its geographical opportunities? If so, who are the appropriate technology and supplier partners or should Winfield invest in becoming primary to accelerate growth?
7. Will the wholesale agronomy business be able to compete effectively for R&D dollars to pursue innovations that may be more service, rather than product, focused, longer versus shorter term, and perhaps more internally, rather than externally, focused?

Exhibit 1 Core Businesses

Dairy Foods



Makers of the Land O'Lakes brand—America's No. 1 brand of butter and deli cheese, an icon in our nation's kitchens and restaurants.

Land O'Lakes Purina Feed



The No. 1 livestock and lifestyle feed marketer in North America. From companion animals to livestock, we make premium feed for healthy, growing animals.

Winfield Solutions



Exhibit 2 Financials

Consolidated Balance Sheets (\$ in thousands)

	December 31, 2008	December 31, 2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 30,820	\$ 116,839
Receivables, net	1,104,261	1,006,931
Inventories	1,083,978	964,515
Prepaid assets	1,101,005	857,257
Other current assets	123,504	76,357
Total current assets	3,443,568	3,021,899
Investments	314,487	304,013
Property, plant and equipment, net	658,261	565,293
Goodwill, net	277,176	280,942
Other intangibles, net	120,982	125,004
Other assets	166,838	122,044
Total assets	\$ 4,981,312	\$ 4,419,195
Liabilities and Equities		
Current Liabilities:		
Notes and short-term obligations	\$ 409,370	\$ 132,170
Current portion of long-term debt	2,864	3,082
Accounts payable	1,175,995	1,150,353
Customer advances	1,045,705	926,240
Accrued liabilities	423,494	341,421
Patronage refunds and other member equities payable	37,751	28,065
Total current liabilities	3,095,179	2,581,331
Long-term debt	531,955	586,909
Employee benefits and other liabilities	358,404	230,444
Minority Interests	18,922	6,175
Commitments and contingencies		
Equities:		
Capital stock	1,611	1,707
Member equities	947,141	937,126
Accumulated other comprehensive loss	(150,277)	(61,931)
Retained earnings	178,377	137,440
Total equities	976,852	1,014,336
Total liabilities and equities	\$ 4,981,312	\$ 4,419,195

Exhibit 2 (continued) Financials

Consolidated Income Statement (\$ in thousands)

	Dec. 31, 2008	Dec. 31, 2009
Net Sales	\$ 12,039,259	\$ 8,924,895
Cost of Sales	11,083,910	8,160,306
Gross Profit	955,349	764,589
Selling, general and administrative	756,606	623,526
Restructuring and impairment charges	2,893	3,970
Gain on insurance settlements	(10,638)	(5,941)
Earnings from operations	206,488	143,034
Interest expense, net	63,232	49,645
Other income	(12,028)	(37,157)
Equity in earnings of affiliated companies	(34,972)	(68,183)
Minority interest in earnings of subsidiaries	16,128	1,469
Earnings before income taxes	174,128	197,260
Income tax expense	14,508	36,331
Net earnings	<u>\$ 159,620</u>	<u>\$ 160,929</u>
Applied to:		
Member equities		
Allocated patronage	\$ 114,170	\$ 97,147
Deferred equities	2,231	5,496
	116,401	102,643
Retained earnings	43,219	58,286
	<u>\$ 159,620</u>	<u>\$ 160,929</u>

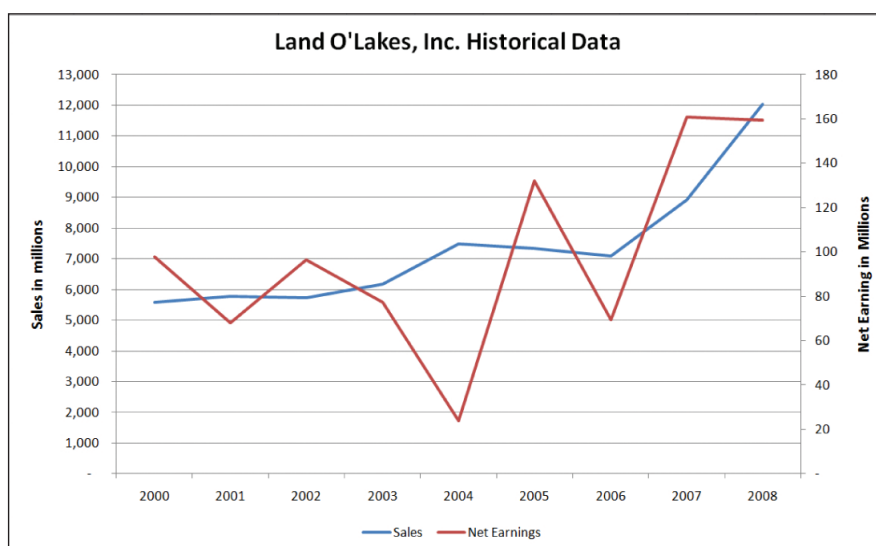


Exhibit 3 Senior Strategy Team

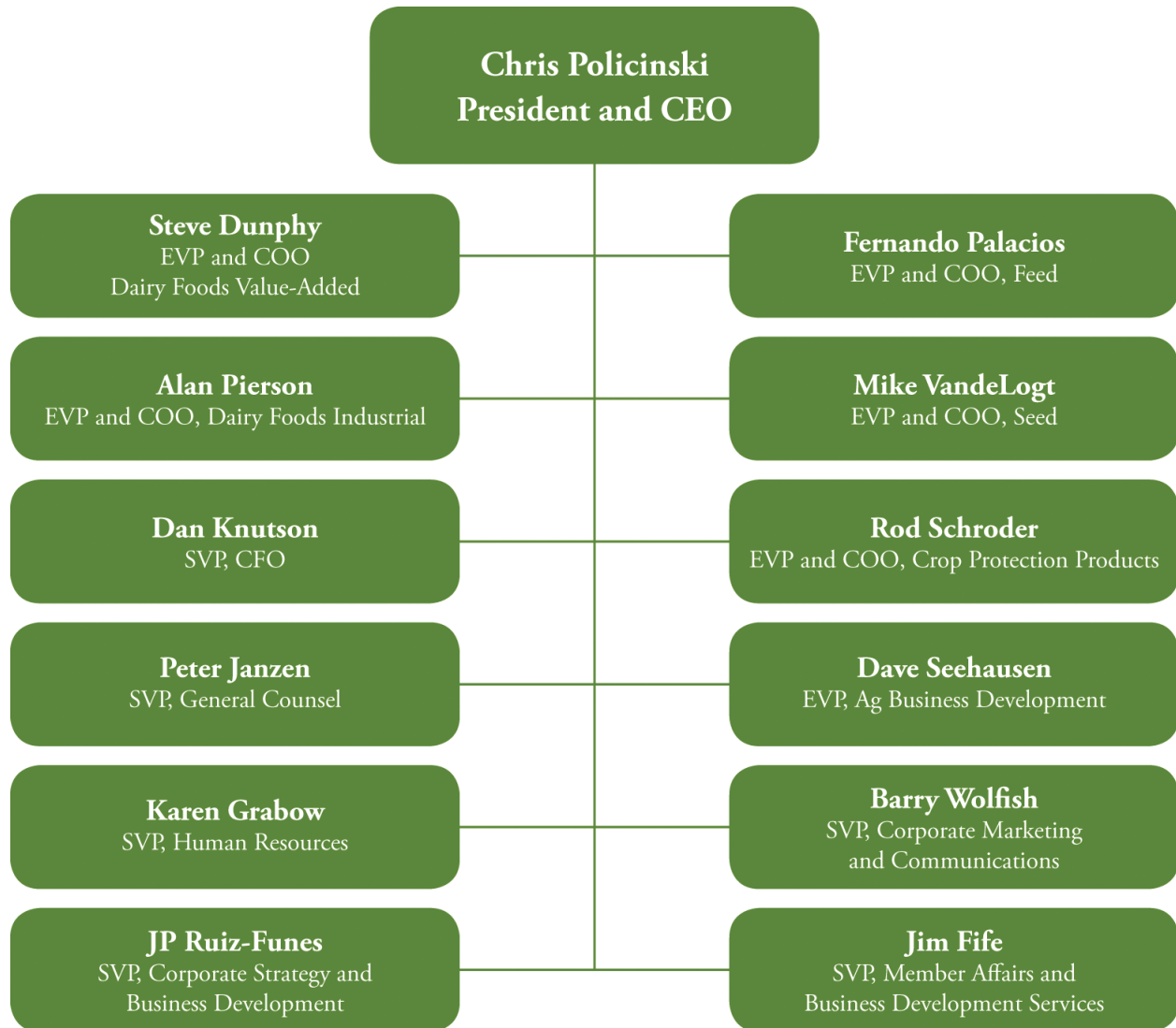


Exhibit 4 Answer Plots



ANSWER PLOT.

TOUCHING, SMELLING, HEARING AND SEEING IS BELIEVING.

ANSWER PLOT® KNOWLEDGE EVENTS
Seeing is believing. Our agronomist-led programs dig deeper to gain insights and expertise that you can then put to work in your field.

→ [LEARN MORE](#) → [WATCH ANSWER PLOT® VIDEO](#)

EVENT SCHEDULES & LOCATIONS
Find an Answer Plot location near you to see firsthand how seed and crop protection products perform in soil and weather conditions similar to yours.

→ [FIND AN EVENT](#)

SHARE THE KNOWLEDGE
At our Answer PLOT® Knowledge Events, we'll share our insights and expertise. Bring a friend along and maybe they'll share some gas money.

ROPLAN GENETICS 4421RB ANSWER PLOT

ANSWER PLOT® KNOWLEDGE EVENTS
CLICK HERE TO FIND EVENTS IN YOUR AREA

TAKE NEXT YEAR'S RESULTS FOR A TEST DRIVE.

Answer Plots Locations

154 Answer Plot® locations

- Local information
- 500,000 local plots to validate the information
- Driving the insights for the most profitable acre

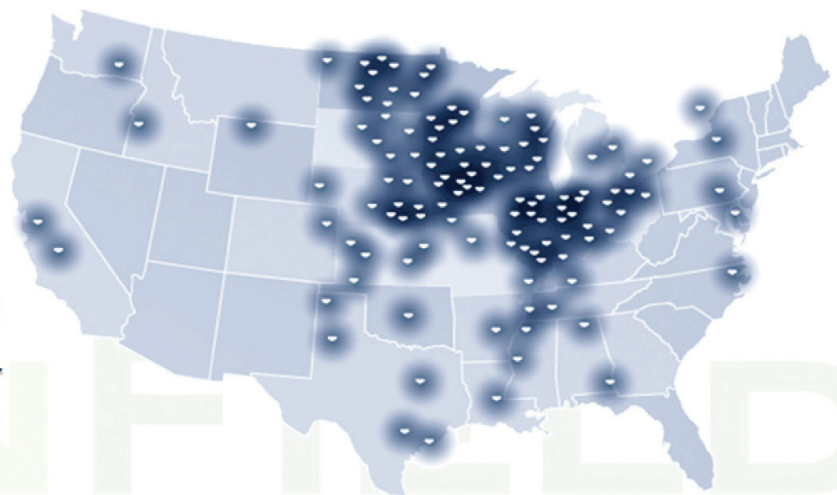


Exhibit 5 Results

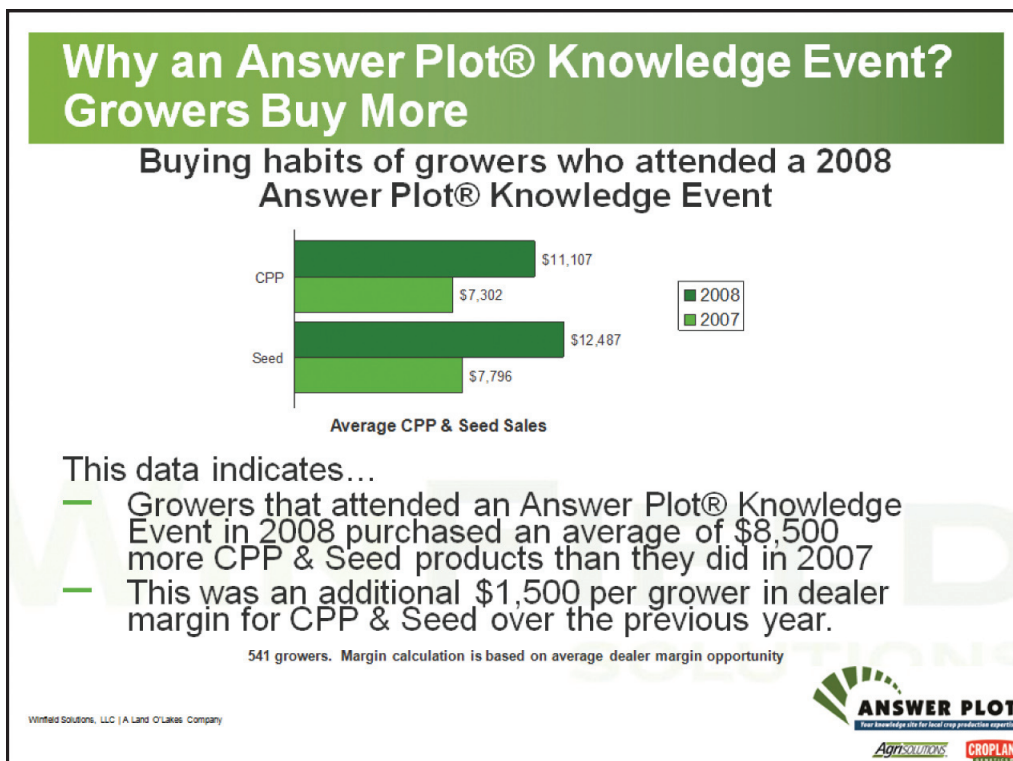
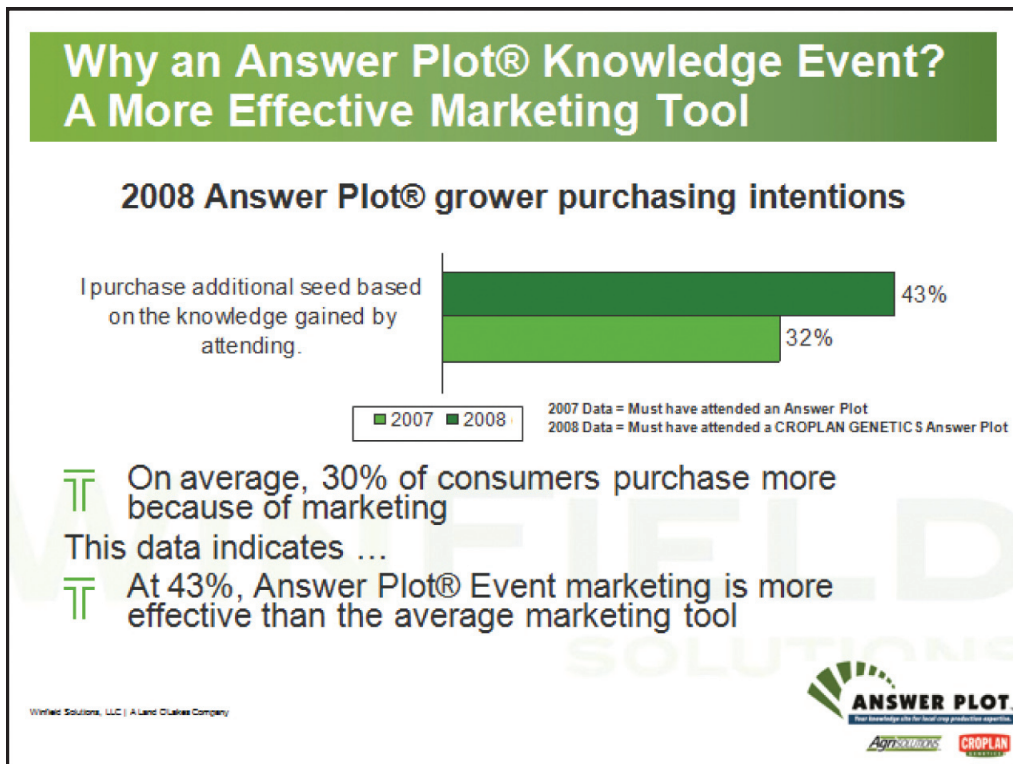
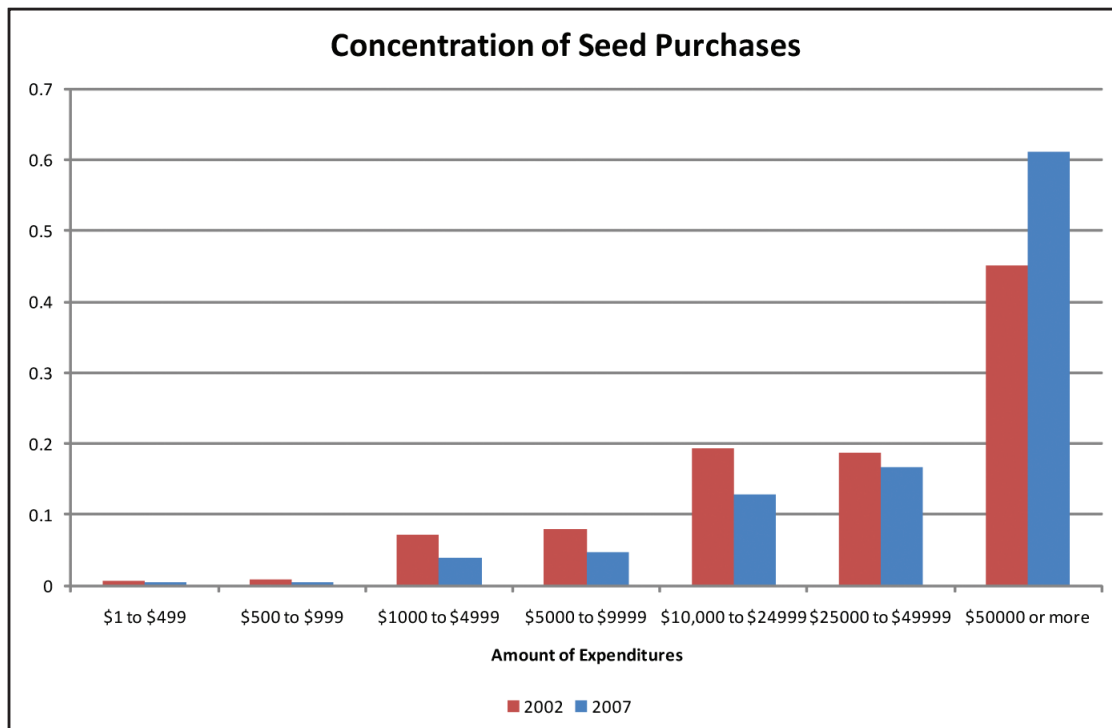
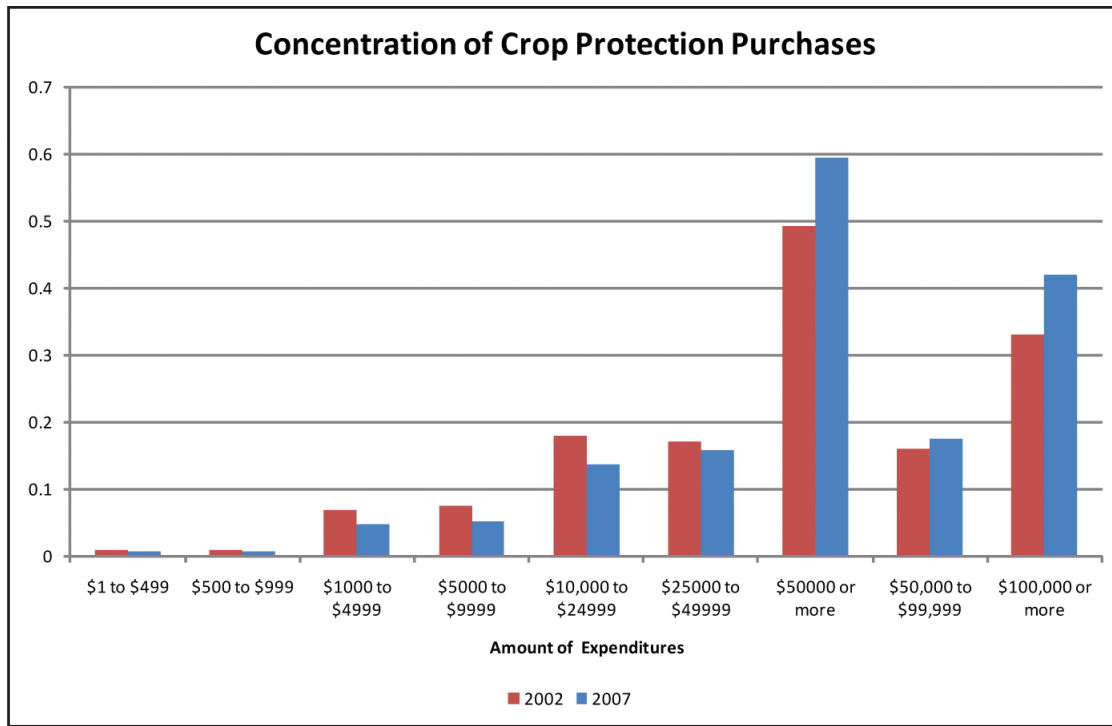
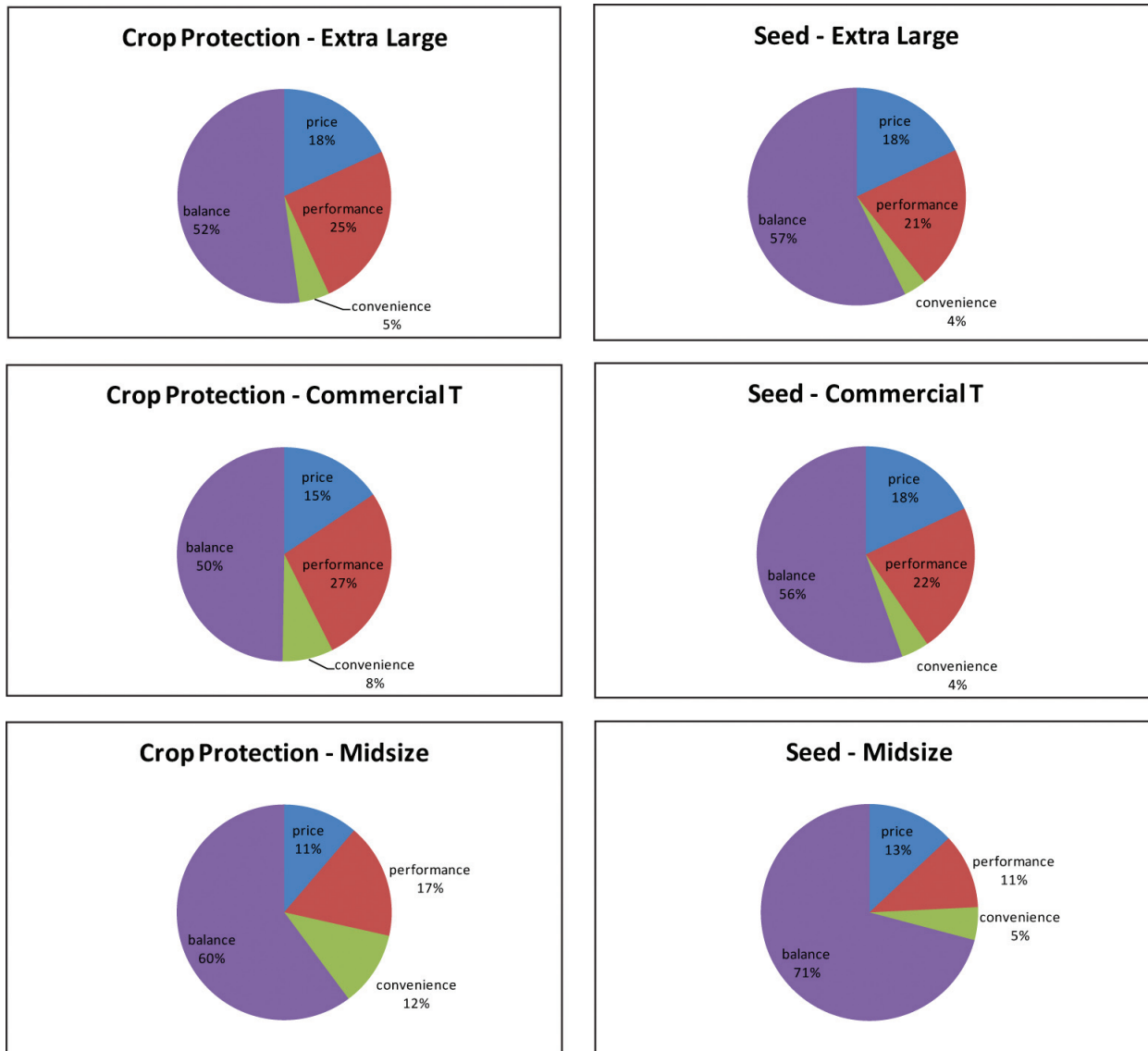


Exhibit 6 U.S. Farm Consolidation



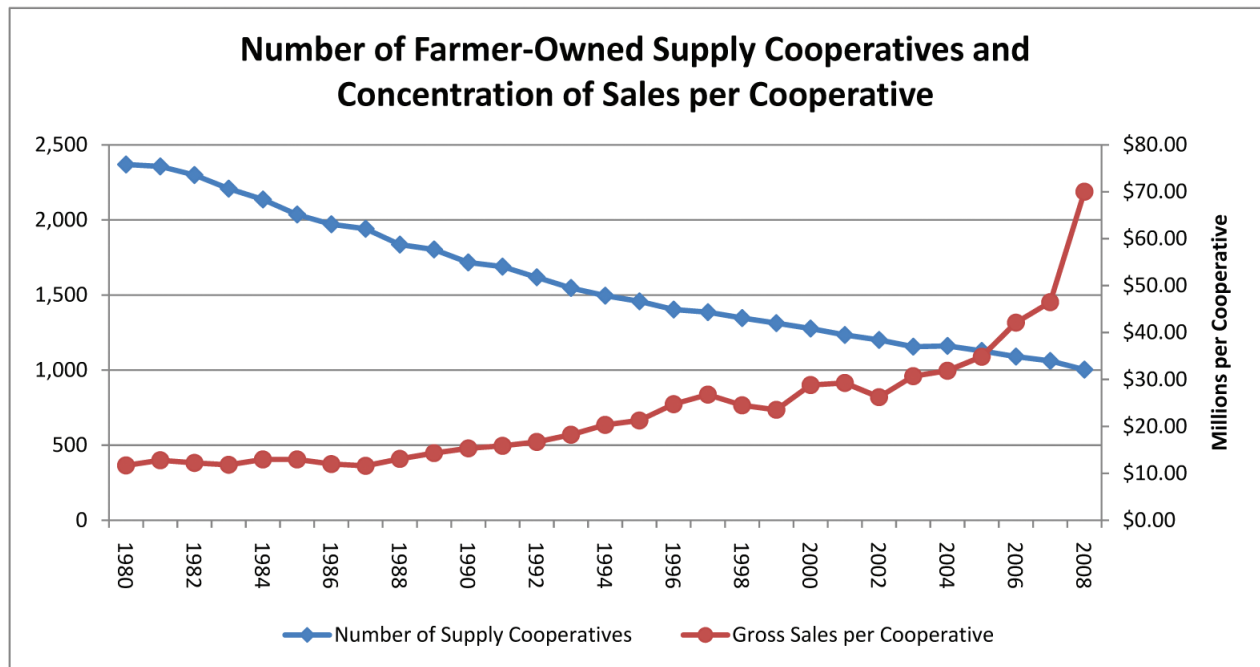
Source: Compiled by case writer using data from U.S. Agriculture Census

Exhibit 7 Large Commercial Producer Buying Behaviors



Source: Compiled by case writer using data from the Purdue University
2008 Large Commercial Producer Survey

Exhibit 8 Illustration of Consolidation in Farmer-Owned Supply Cooperatives



Source: USDA-RBS. <http://www.rurdev.usda.gov/rbs/coops/data.htm>

Exhibit 9

Winfield Solutions

Extend the Core

Seeds

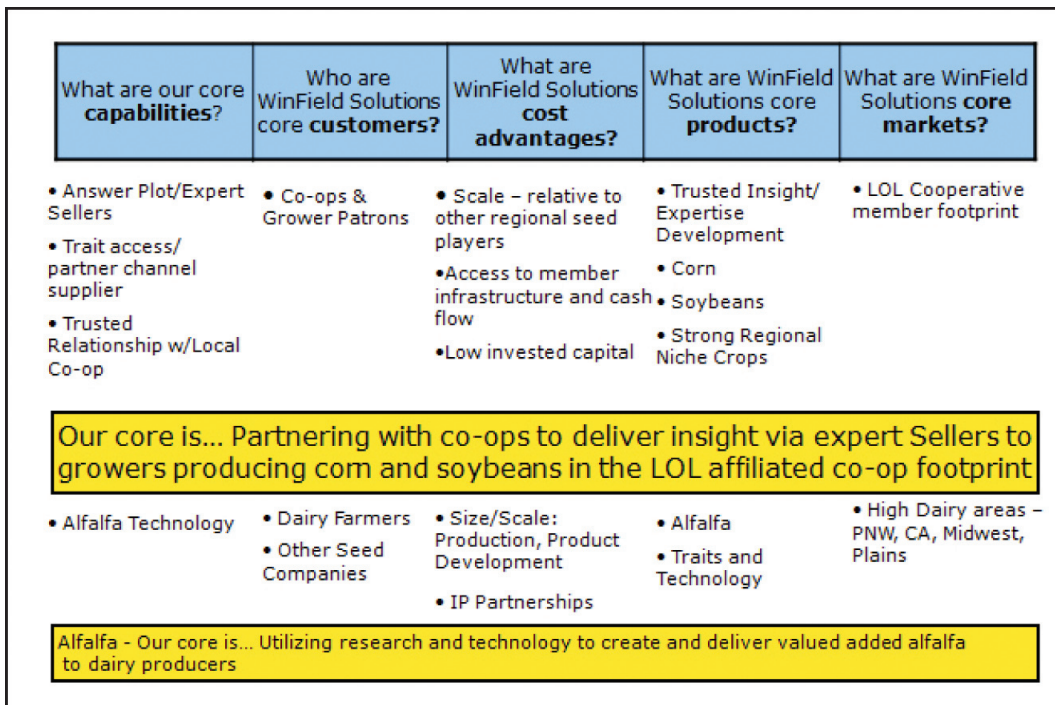
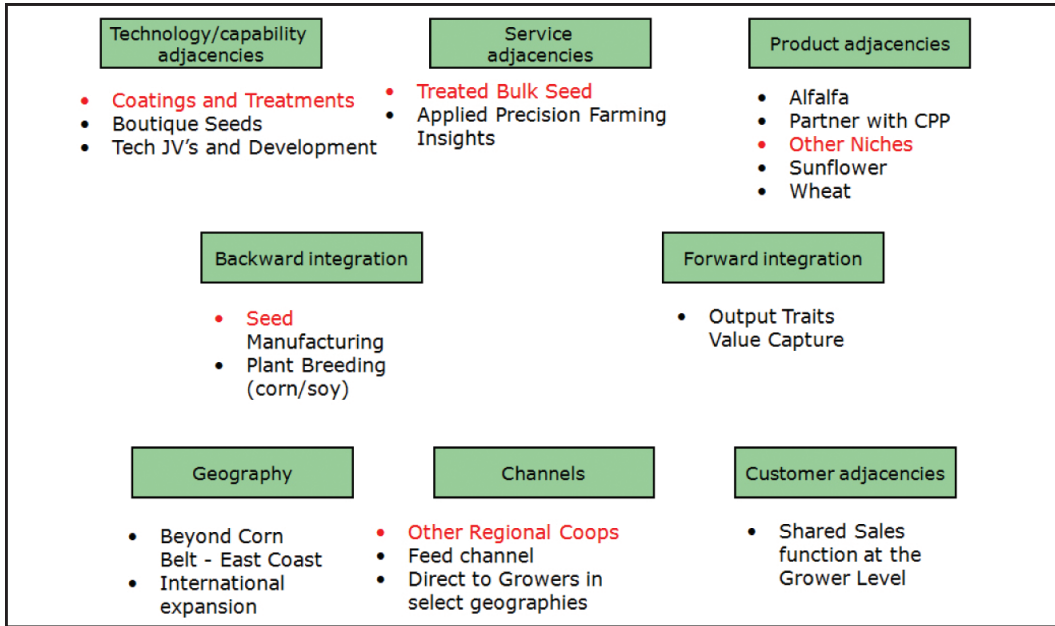
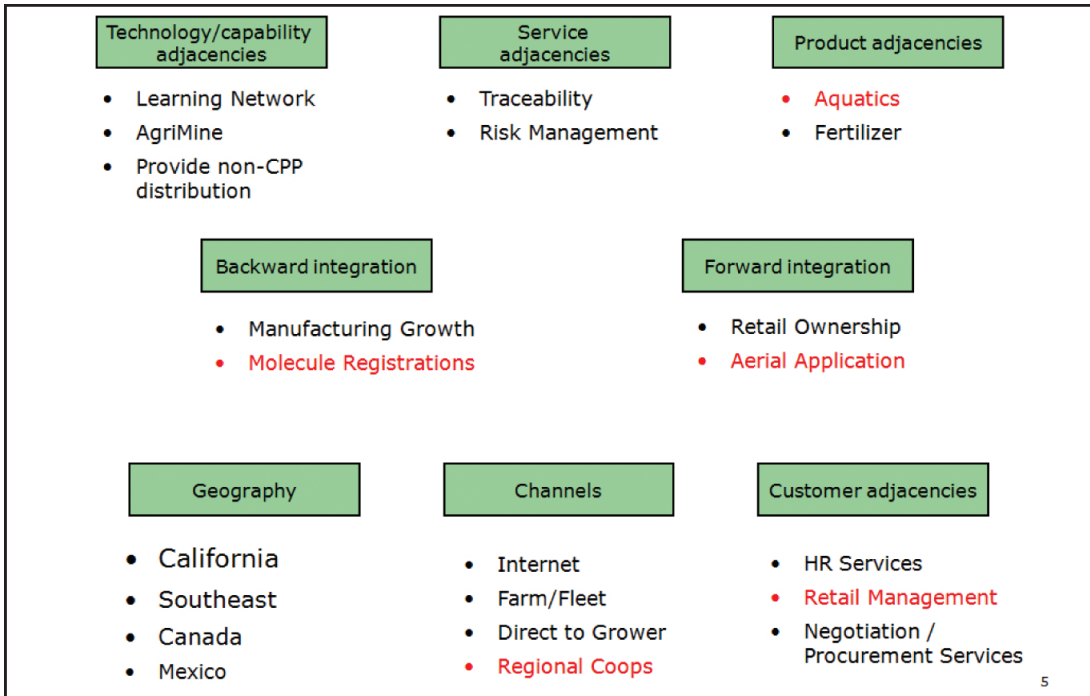


Exhibit 9 (continued)
Winfield Solutions
Extend the Core

Crop Protection Products



5

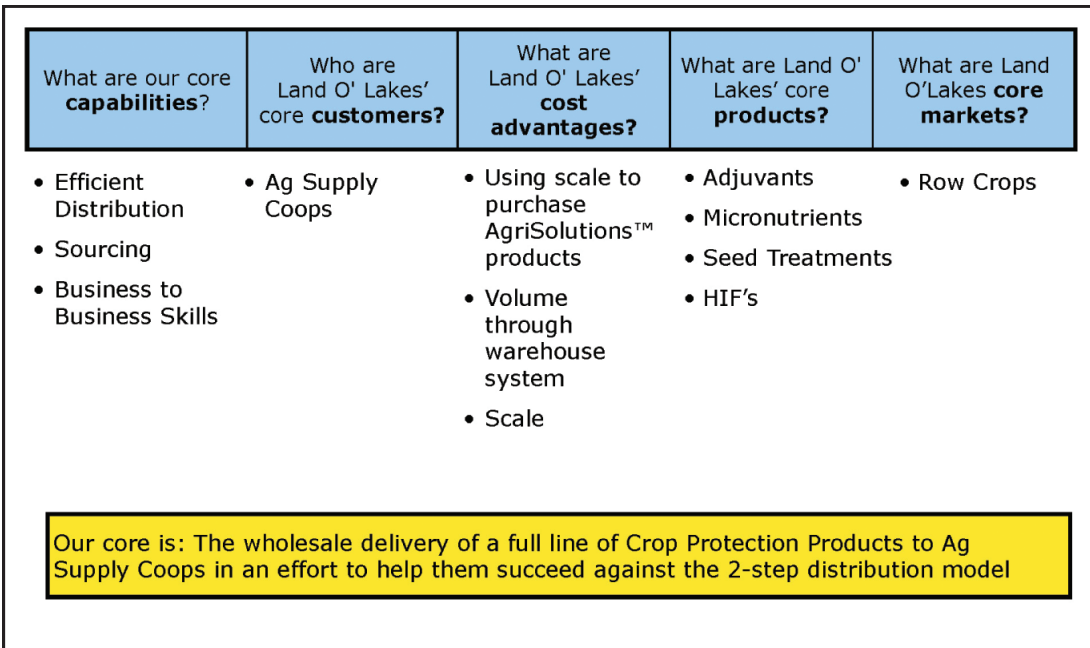
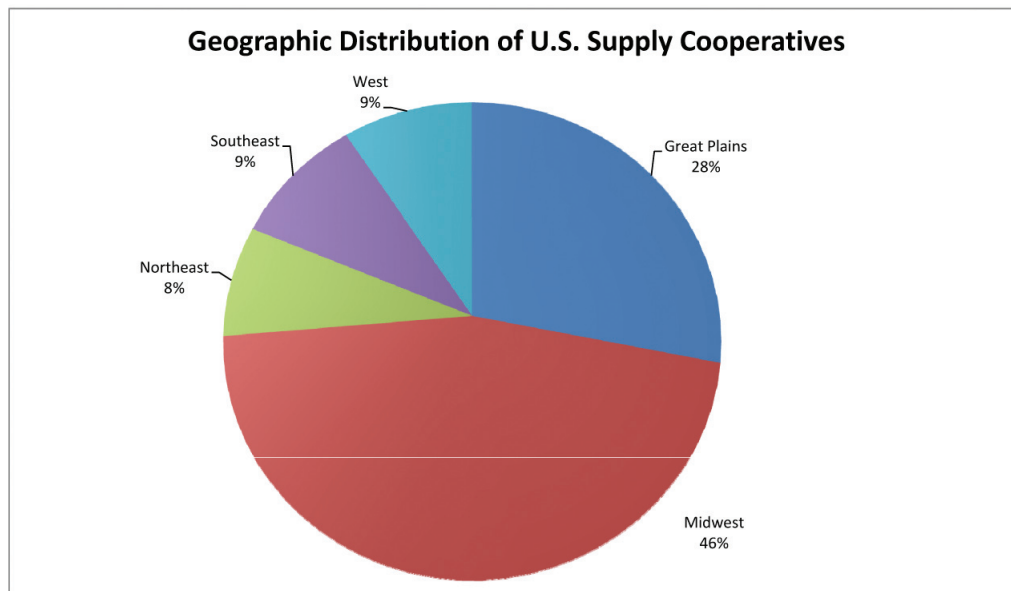


Exhibit 10 Geographic Distribution of Supply Cooperatives in the U.S.



Source: USDA-RBS. <http://www.rurdev.usda.gov/rbs/coops/data.htm>