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**Briefing to the
Ad-Hoc Agriculture Working Group
Commissioner Menge**

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October 23, 2006

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Background

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- Thanks for the opportunity to speak before you today.
- I work in the world of ideas - not too many facts
- Future, direction, growth revenue is key endeavor
- I know that you've dealt with many topics that I've heard before concerning the state of this and that, shutting down this and that, and strategies that may help the industry overall.
- Before that happens - Ask yourself these questions:
 - How do we add value to agriculture with every investment that we make? If a subsidy - what value-added? What profit, what growth?
 - What does the Alaskan consumer really need and want from us? Now and five, ten years from now. What trends?
 - What scale of production, processing and manufacturing will work for Alaska - then for what markets beyond?

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My work today

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- Understanding the consumer, new markets and trends
- Monitoring the external environment - trends, challenges, barriers (WIC).
- Moving past consumer barriers to buy more products:
 - No need (nor want)
 - No time to find it - if not readily available
 - No money to pay the premium price
 - No trust of brand and its promise
- In Mat Maid and AKG case - Pleased to report that we maintain strong market share and customer loyalty. Question is: Now what?
- Understand national trends, national marketing and attitudes about the products we sell.

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The Mat Maid situation...

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- Three generations of Alaskans have grown up with the Mat Maid brand - their loyalty will remain strong.
- Despite challenge of costs of production, Mat Maid is poised for reinvestment for grow, new markets and opportunities.
- What model should Mat Maid fit for this growth. Investment from the public, or from private investment?
- Who should take the risk?
- The decision to shut down the business should come from the consumers buying the product, if they want it now, serve it up to them!
- The strategies (options) for the future are straightforward to consider (cont.)

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On strategy

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- The new Strategy should be a statement of investment priorities, how best to deploy management resources, that will use agricultures strengths, while correcting its limitations to pursue opportunities and avoid the threats facing it.
- If we want a future, we must:
 - Figure out what to invest and where (from whom)
 - What categories of resources are required to get us there?
 - Then how do we build on strengths and correct limitations?
- My belief:
 - I support the privatization of Mat Maid to allow investors to renew and invigorate the brand and take risks to maintain market share and innovate toward growth of the business.

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Where to go?

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- Holding Action - No Growth - Stagnation
- Diversified Growth
 - Deploy business resources to new products and markets
- Harvest Gradually
 - Question: what's really not working for us?
 - Balance our market share with investments to grow and sustain
 - Prune back, sell off segments, and encourage new growth or
 - Plan to exit no growth, no profit, no opportunities
- Exit - run for your lives. *This thing is going to blow at any minute!*

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The Do-able vs the Impossible Dream

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- National milk consumption is flat
- The Alaskan population and growth is flat
- Consumers challenged with hundreds of beverage, drink choices. Water only segment showing solid growth.
- No great investments being made to add-value to our produce, products, and or manufacturing. Eg: what will grow us?
- Most profit earned 'extracted' from the State along with the product extracted. What shall we own as our own?
- S W O T analysis most critical to define strengths
- What will delight the Alaskan consumer, and what could we offer that would reach new markets beyond us?
- Facts vs Ideas. The Ad-Hoc committee may be able to encourage the industry to grow, rather than watch it decline.

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Our challenge

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- For every product we offer up as Alaska's best, Alaska's Grown, we compete in the grocery aisle with other commodity products in the same category.
- Not the way to win the war - growing another sack of spuds
- What value can we add? Each dollar invested should return triple-fold:
 - Employment, economy diversification
 - Support values of being close to our land and food supply
 - Strategic decision - SEA port might seize up, then what?
 - How do we remain the last bastion of clean air, water, food and seafood on earth. Protect that which we have.
 - How do we introduce hi-technology that scales up our production, lowers our costs, and increases profit, value, and a satisfied customer.
 - Organic movement, or something beyond that?

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Conclusion

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- For every fact and problem that you find - discover solutions and 'ideas' that offer opportunity for the business segment to innovate and compete.
- Note that there are strengths at work in the ag industry that should be encouraged and supported with capital to grow.
- The State of Alaska (like Russia) can't make or force a business to grow through interference or disruption of the business. Politics and undue influence have drained energy that should be directed toward growth, profit, abundance.
- Offer up leadership towards new goals, new strategies, and that you are 'open for business' and others may come to lead agriculture to new profit models, products, and markets beyond.

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Quotes worth passing on...

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- One illusion is that you can industrialize a country by building factories. You don't. You industrialize it by building markets. Paul Hoffman
- Customers are increasingly choosing vendors on the basis of long-term value, not long-term history. Anonymous
- Quality is when our customers come back and our products don't. Siemens CEO
- "I have bad news and good news," says the pilot over the loudspeaker. "We lost our direction, but we are getting there very fast!"
- Your most important assets--your people, your reputation, your brands, and your customers--are not on the balance sheet of the corporation. Ted Levitt

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