Southwest Cheese LLC

Working Together to Cultivate New Ideas
Who is SWC?:

Southwest Cheese Company is a Joint Venture. The partners are:

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<tr>
<th>50%-Milk Members</th>
<th>DFA</th>
<th>GSA is responsible for:</th>
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<tbody>
<tr>
<td>Members of Greater Southwest Milk Agency (GSA)</td>
<td>Select</td>
<td>Milk Supply</td>
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<table>
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<tr>
<th>50%-Glanbia plc</th>
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The Strategy for SWC

- **Joint Venture:**
  - Glanbia and Milk Member: clear rights, responsibilities and legal agreements regarding Milk Supply, Sales, Operations and Finance

- **Operational Strategy:**
  - Economy of scale, low cost, high quality, utilizing the Glanbia Performance System GPS
  - 640 pound & 40 pound cheese products
  - WPC 80 and WPI Whey products
  - Long-term (20 years) milk supply agreement
There are 59 dairies (123,000 cows) in Curry & Roosevelt Counties within a 25 mile radius of the plant.
Milk Growth in 2014 grew due to strong on-farm profit margins.
Average farm size 2,100 cows in production.
77.5% of the milk in New Mexico is produced on the East side of the State (Curry, Roosevelt, Chaves, Eddy & Lea).
Curry County is the new no. 1 county with 14M lbs. more milk produced with 20,000 fewer cows than Chaves County.
Top 10 Milk Producing States 2014 as a % of US Total

- California: 20.55%
- Wisconsin: 13.49%
- Idaho: 6.73%
- New York: 6.67%
- Pennsylvania: 5.18%
- Texas: 5.00%
- Michigan: 4.66%
- Minnesota: 4.43%
- New Mexico: 3.93%
- Washington: 3.20%

Milk production in million pounds

- California: 42,357 (2014) vs. 41,256 (2013)
- Wisconsin: 27,795 (2014) vs. 27,752 (2013)
- Pennsylvania: 10,583 (2014) vs. 10,565 (2013)
- Texas: 10,310 (2014) vs. 9,610 (2013)
- Michigan: 9,699 (2014) vs. 9,184 (2013)
- Minnesota: 9,127 (2014) vs. 9,140 (2013)
- New Mexico: 8,105 (2014) vs. 8,057 (2013)
- Washington: 6,584 (2014) vs. 6,356 (2013)
Milk Utilization in TX & NM

Milk Distribution
- 50% of Overall Milk used for Cheese, of which 50% goes to SWC

[Pie chart showing TX/NM Fed Order 126 Utilization 2016 YTD with CL 1 at 9.40%, CL 2 at 8.43%, CL 3 at 52.55%, CL 4 at 29.63%]
## SWC Growth Timeline

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<td>First milk processed 10/4/2005</td>
<td>Exceeding Design capacity</td>
<td>Begin expansion 10.5M lbs of milk/day</td>
<td>WPI Expansion</td>
<td>Project Hercules Approved</td>
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- **Site Selection**
- **First milk processed 10/4/2005**
- **Exceeding Design capacity**
- **Begin expansion 10.5M lbs of milk/day**
- **WPI Expansion**
- **Project Hercules Approved**

### SWC Growth Timeline Details:

- **2003**: Site Selection
- **2004**: First milk processed 10/4/2005
- **2005**: Exceeding Design capacity
- **2006**: Begin expansion 10.5M lbs of milk/day
- **2007**: Plant at design capacity: 6.8M lbs of milk/day
- **2008**: Discuss Plant expansion to 10.5 M lbs of milk/day
- **2009**: Plant expansion complete 10.5 M lbs of milk/day
- **2010**: Milk Milestone: 4 Billion lbs/annum!
- **2011**: Project Hercules Approved
- **2012**: Plant expansion complete 10.5 M lbs of milk/day
- **2013**: Milk Milestone: 4 Billion lbs/annum!
- **2014**: Project Hercules Approved
- **2015**: Plant expansion complete 10.5 M lbs of milk/day
- **2016**: Milk Milestone: 4 Billion lbs/annum!
- **2017**: Project Hercules Approved
- **2018**: Plant expansion complete 10.5 M lbs of milk/day

### SWC Milestones:

- **Ground Breaking**
- **Project Hercules Due Completion 14.15m/lbs of milk/day**
SWC Throughput

- Original capacity 2.4B lbs or 1.1B liters
- Expansion capacity 3.8B lbs or 1.7B liters
- Over 4B lbs or 1.8B liters of milk processed from 2012 onwards.

- SWC produces roughly 10% of US market share of American Style cheese.

- Produced 440M lbs or 200k metric tons of cheese in 2015 - Export 50M lbs or 22.5k metric tons

- Over 12% of cheese produced was exported to 19 different countries, primarily Mexico
SWC - The Plant

- $300 million investment -
  - Original build: $200M
  - Expansion: $100M
- 220 Tankers of Milk/day
- 32 truckloads of cheese/day
- 13 truckloads of whey powder/wk
- Approximately 383 employees
- Process Water Use - 310k/day
- Effluent Water – 1.2 Million gallons/day
SWC Produces

- Milk Processed: 11m lbs or 5 Million liters/day
- Cheese (40’s/640’s): 8.4m lbs or 3,800 Metric ton/week
  - 40’s: 5.3m lbs or 2,400 Metric ton/week
  - 640’s: 3.1m lbs or 1,400 Metric ton/week
- WPC 80: 370k lbs or 169 Metric ton/week
- WPI: 190k lbs or 88 Metric ton/week
- Permeate: 1.1m gals or 4.2 Million Liters/wk
- Water: 1.2m gals or 4.5 Million liters/day
SWC - Critical Success Factors

✓ People – “Everyone, Everyday”,: attract, train and retain well-trained, skilled, competent and highly motivated employees

✓ Excellence- Be the benchmark for industry standards

✓ Innovation- Utilize R&D, GPS, engineering to deliver maximum performance

Non-Negotiable:

✓ Safety – provide a safe and secure work environment

✓ Quality – Safe, consistent products.

✓ Sustainability- Reduce energy use, Reduce water use, Improve usefulness of wastewater effluent

✓ Housekeeping- “Always audit ready”
Sustainability
Net water generator of 900,000 gal/day!

Processed Water (Gal.)/Day

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<td>2009</td>
<td>550,521</td>
<td>519,881</td>
<td>387,289</td>
<td>369,092</td>
<td>369,073</td>
<td>354,353</td>
<td>422,125</td>
<td>336,061</td>
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Biogas Usage:
5% of total plant gas comes from biogas
Perennial Award Winning Cheese

United States Championship Cheese Contest

US Cheese Contest:
2009- Gold
2011- Silver
2013- Gold and Bronze
2015- Bronze
2017- 4 Gold 4 Silver 2 Bronze

World Cheese Contest:
2008- Gold and Bronze
2010- Gold, Silver, and Bronze
2012- Bronze
2014- Bronze
2016- 5 Gold, 6 Silver and 2 Bronze.

2012 Customer Bulk Cheese Supplier of the year
Supplying the World with Food

50 Million lbs. of cheese in 19 Countries in 2017

**SWC Export**

- **MEXICO/LATAM**
  - Dominican Rep.
  - El Salvador
  - Guatemala
  - Mexico
  - Panama

- **ASPAC**
  - Australia
  - China
  - Indonesia
  - Japan
  - Philippines
  - South Korea
  - Taiwan
  - Vietnam

- **MENA**
  - Algeria
  - Egypt
  - Morocco
  - Netherlands
  - Saudi Arabia
  - Turkey
Where’s the cheese in the U.S?
Where's the cheese (cont.)?
Where’s the whey?
Key Stakeholders

• Community
  • Donations in excess of $300k+ to: Clovis Schools Foundation ($100k/annum), United Way, PRMC ($35k), Presbyterian Regional Medical Center, Hartley House, Clovis Music Festival, Others

• Dairy Suppliers
  • 2016 Milk purchased- $800M
  • 180 Dairies (TX/NM)

• Employees
  • 383 People
  • Average $20+/hr
One Team, Our Team at SWC

- 10 different social and charity committees that are employee led and driven
  - Pioneer Days Rodeo
  - Red Shoe 5k
  - School Supply
  - Move it Truck Pull
  - Charity Golf Tournament
  - Employee Appreciation Dinner
  - Christmas Card Contest
  - Light Parade
  - Christmas Party
  - Children’s Christmas Party
Project Hercules-Plant Expansion

- Increasing sq. footage by 120,000.
- Process 3 million lbs. of milk each day.
- Additional 320,000 lbs of 640 cheese/day.
- 50,000 lbs. WPI per week.
- 90,000 lbs. WPC 80 per week.

- SWC site now 510,000sq/ft. in total.
- Total 14.15 million lbs milk per day.
- 1,500,026 lbs. cheese per day.
- 230,000 lbs. WPI per week.
- 345,000 lbs. WPC 80 per week.
- 90,000 lbs. high fat WPC 80 per week.
SWC: A Partnership for Growth and Sustainability