The Cayuga Milk Ingredients Story
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Our Beginnings

• Cayuga Marketing was the catalyst behind Cayuga Milk Ingredients
• 8 original members.
• 29 Members today
• Mid 1980’s: Started marketing milk and purchasing farm supplies together
• Partnered with Dairylea to create Eagle Supply Company
• 2007- purchased 50% of CIDEC
• Mix contract with CNY Feeds with Full-Time Nutritionist
• OSHA/ Milk Quality/ Animal Welfare
• 30 year history of working together

Cayuga Marketing

• Guidance and oversight from an elected board of 7 Directors
• 3 year terms & no term limits.
• Annualized milk growth rate of 7%.
• 70% of milk concentrated within 11 miles of Auburn
• Industry leadership
  – Founding member of NYAAC
  – Cayuga Members serve at NEDPA, DMI, Dairylea, DFA, DairyOne, & NYAAC

Cayuga Members are located in the Heart of Central New York

• 36,000+ cows
• 55,000+ acres of fertile land.
• 960+ million pounds of annual milk production
• Representing .6% of the farmers in NY and 8.5% of the milk production
Cayuga Milk Ingredients

- Limited Liability Company
- Board of 7 elected to 3 year terms
- Spin-out from Cayuga Marketing
- 21 of the Cayuga Marketing Members
- Looking for a LT solution ever increasing hauling costs, which have increased 230% since 2000
- Looking to add value to a high quality milk supply
  - 175,000 SCC 3500 SPC .89 CFU/ml MSC & .52 CFU/ml TSC

Where Does Cayuga Milk Go?

- Fluid
- Yogurt
- Cottage cheese
- Cheese and cream
- Butter/powder

Transportation Savings

1. Reduce average round-trip haul to ~25 miles
2. 24 hour farm pickup and plant receiving
3. Multi-trip loads between tanker CIP washes
   - Average of 3 to 4 turns between washes
4. Trucking savings of $.70 per cwt.

7. Where Does Cayuga Milk Go?

43 Destinations throughout the Northeast U.S.
- Fluid
- Yogurt and cottage cheese
- Cheese and cream
- Balancing - butter/powder

8. Transportation Savings

- Shortest haul is ~125 miles round-trip (201 KM)
- Longest haul is ~728 miles round-trip (1172 KM)
- Weighted average haul is ~230 miles round-trip (370 KM)
What Path to Follow?

- Fluid Milk
- Specialty Cheese
- Commodity Cheese
- Casein and Caseinates
- SMP and/or WMP
- WMP, SMP, MPC/MPI, Powder Blends

Our Constraints:

1. No Consumer Branding Expertise
2. Limited Capital
3. No Processing Experience
4. We Had to Find Competitive Advantages
5. Needed a Team to Work on a Business Plan

We Studied Farmer Start-up Strategies That Didn't Go Well:

- Lack of Engineering
- Failure to Recognize Long Product Sales Cycle – Customer Approval Time
- Inexperienced Marketing
- Inexperienced Management

Our Business Planning Started with Marketing:

1. Changing Consumer Demand in U.S.
2. Increasing World Demand for Protein
3. U.S. Competitiveness in Global Markets
Changing Consumer Demand

Order 1 Utilization

Historical Class III and Class IV Pricing

Class III vs. IV

Why We Paid Attention to the Class Trends.

2008 to Present- Paradigm Shift?
Chinese Milk Scandal

China's thirst for milk gives U.S. dairy farms a boost

Global Change in Wealth is Driving World Protein Demand

Annual Growth in Dairy Exports = 7%

Cayuga = 1/10th of 1% of World Market

Fonterra Global Dairy Update - April 2013

Graph: Development of average GDP/capita 2000-2012

- Above USD 2,000 people start consuming dried dairy products
- Above USD 5,000 people start consuming liquid milk, yoghurts and cheese

Source: IMF 2008
Source: Fmmone
When you come to a fork in the road, take it. - Yogi Berra

**Nailing Down the Big Stuff Before Construction**
- Finalize the Business Plan
- Select a Capable Design Build Firm
- Select a Site and Negotiate a PILOT Agr.
- Negotiate Marketing and Technology Transfer Agreements with Ingredia
- Finalize Phase I Engineering
- Organize a New Company and Execute an Operating Agreement
- Put Together a Private Placement Memorandum and Raise Seed Capital
- Negotiate and Finalize Construction to Permanent Loan
- Apply for Federal and State Grants
- Hire Key Employees

**The Point of No Return- October 2012**

**Lots of Work Underground- October to April 2013**

**May 2013 onward- A wet year for farming and construction.....**
Progress Continued though

The 300 Ton Crane at Work

60,000 Gallon Milk Silos Arrive

Getting Ready to Pour the 40 foot level of the dryer building
Offices Taking Form

Equipment Manufacturing on site

Equipment being Manufactured all Over the World

Equipment being Manufactured all Over the World
New Dairy Powder Processing Plant

- $100 Million USD capital investment
- $38 Million in Farmer Equity
- $5 Million in Grants
- 55 to 60 permanent jobs
- 285 construction jobs
- Cutting-edge industry technologies
- 600 to 840 million pounds of annual milk production capacity
- Designed to be easily expanded

Strategic Partnership with Ingredia

- French Cooperative with 1200 members
- Manufacturing in St. Pol since 1973
- Global Distribution and Sales (U.S., Canada, Singapore, Dubai, Paris)
- Partnership on technology and marketing
- Technology transfer
- Marketing arrangement on powders
We are Assembling a Great TEAM!

- Keven Bucklin, COO
- Tim Gaul, Controller
- Dustin O’Hara- EHS Manager
- Joel Herrling- QA Supervisor
- Michelle Hubbard- HR/Exec Assistant
- Jody Wells- WWTP Supervisor
- Katie Lawson- Operations Supervisor
- Doug Clark- Plant Engineer
- Duane Fox- Team Leader
- Bob Kerrick- Team Leader

Global-Standard Powdered Milk Products

- Milk protein concentrates
- Milk protein isolates 85% & 90%
- Cream, skim, and whole milk powder
- Low micro & medium heat

Top Quality Dairy Ingredients = Top Quality Products

- High quality, low spore, & fully traceable milk supply
- Low spore plant design
- Quality focused SOP's from the cows to the customers
- Will be HACCP and SQF level 3 Certified
- Kosher and Halal
- Sold throughout the World
- Primary focus on North America with emphasis on NAME, and China

We are Focused on Spores.
**Farmer Benefits**

- Reduce milk hauling costs
- Add value to a high quality milk supply
- Ability to react to customer wants and needs
- Be positioned to capitalize on market opportunities

**Coming July 2014**