



CAYUGA

Quality Nutrition. Better Life.

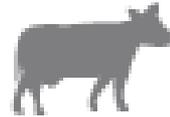


Cayuga- Past, Present, & Future

Key figures



30 Milk Producing
Members of Cayuga
Marketing Inc.



45,000+ cows
(100% rBST-free)
(50% Non-GMO
Verified)



70,000+ acres of
fertile land



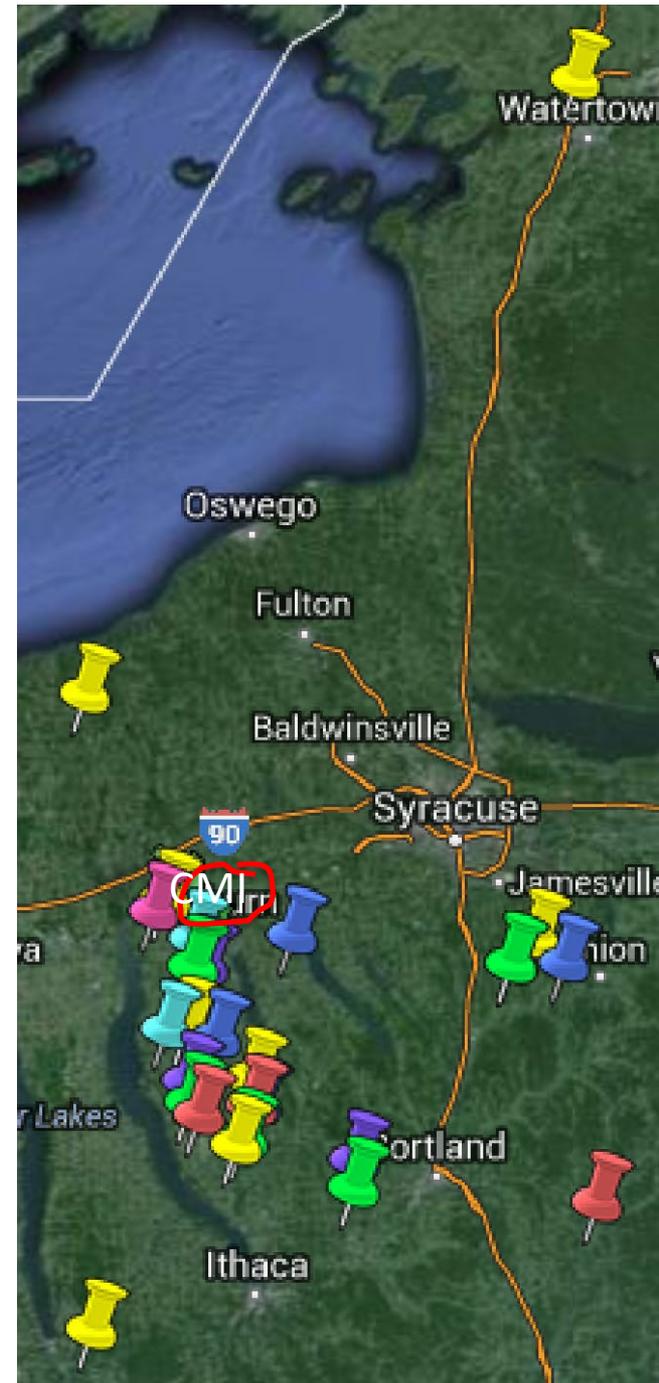
1.3+ billion pounds
annual milk
production

Cayuga, located in the heart of Central New York

- 70% of milk collected within 25 miles (40 KM) of Auburn, NY
- Cayuga farms = 0.6% of farmers in NY
8.5% of NY state's milk production



Map showing
Cayuga's farms'
locations



Cayuga Marketing:



- 30 Members- Elected Board of 7
- Mid 1980's: Started marketing milk and purchasing farm supplies together
- Created Eagle Supply Company- Sold to Dairy Farmers of America in 2012
- Own 50% of a regional milking equipment company
- Mix contract with CNY Feeds
- Full-time OSHA/ Milk Quality/ Animal Welfare Specialist on staff
- Full-time sustainability officer on staff
- 30+ year history of working together
- Cayuga Marketing was the catalyst behind Cayuga Milk Ingredients
- 6% YOY milk growth since 2015

Relentless focus on milk quality



- As a farmer-owned company, **we are uniquely positioned to oversee milk supply, ensuring milk of the highest quality from start to finish**
 - ⇒ In turn, means cleaner, purer and higher quality milk ingredients
 - ⇒ 2020 YTD- 125,000 SCC and 3500 Bacteria
- Study conducted by Cornell University (2013)- Prior to building our plant
 - Goal: assess the **condition of spore-forming bacteria** to help keep CMI products as bacteria-free as possible at the farm level
 - Length: **12 months** / Frequency of sampling: monthly
 - Analysis: Somatic cell count, bacteria count, lab pasteurized count, mesophilic spore count, psychotropic spore count, and thermophile spore count
 - Findings: Cayuga farms had much lower levels of SCC and bacteria than the wider NY population of farms and lower standard deviations as well



Total Quality Management



Committed to quality assurance, from farm to plant to consumer

- **Certifications**

- Cayuga is **SQF certified Level 3**, incorporating HACCP.
- Oversight from **New York Ag and Markets, FDA, and the USDA**.
- **100% Compliance with the NMPF FARM animal welfare program**
- Farms and Processing Plant are **OSHA compliant and CMI is SEDEX approved**
- Organic and Non-GMO Project verification through NSF

- **Quality Control**

- Internal and external third-party analytical laboratories certify rigorous controls throughout the milk chain.
- Testing for **Beta Lactams, Sulfas, and Tetracycline drugs** since inception
- Recently invested in an UPLC-MS testing apparatus to test for contaminants in milk in real time

Cayuga Milk Ingredients, LLC:

- **Majority farmer owned Initiative (29 of the 30 Cayuga Marketing Members)**
Limited Liability Company – 7 Board members (elected to 3-year terms)
Headquarters in Auburn, NY (USA), in the Finger Lakes region



- **Farmer Members who are Committed to producing the highest quality milk** and passionate about animal welfare, sustainability, continuing to increase traceability and adding family-owned farm value to every product

Decision to **build a local processing plant** as a solution to ever increasing hauling costs

A state-of-the-art greenfield facility

Commissioned in 2nd half of 2014

- Cutting-edge industry technologies
- Ultrafiltration and RO Technology
- 1 Compact Dryer with cyclones and a bag house
- 108,000 square-foot facility
- Designed to be easily expanded
- Production planned 7 days/week/
19.5h/day
- 2.1 M lbs. of milk processed per day
- 5S methodology to continually improve operations (reducing waste, increasing employee productivity, etc.)
- 82 permanent jobs



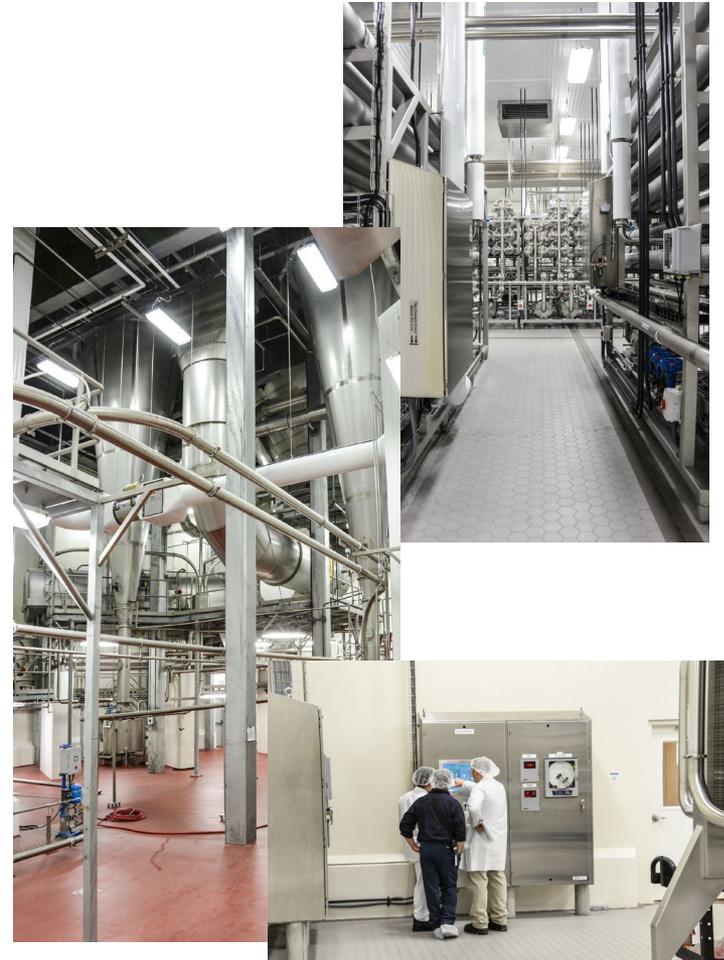


Enjoy this Short Video about the Cayuga Companies

If we had the opportunity of a “do over”

Would we do anything different?

1. We would increase the number of hygiene zones and isolate more of our “dirty” equipment
2. We would decrease the amount of concrete used in all wet process areas and increase the use of stainless steel IMP panels
3. We would install vitrified tile floors in all wet process areas
4. We would hand pick our construction managers
5. We would build more lab space
6. *Wish Item: I would build a visitor corridor in order to view the plant without having to go into the plant*



CMI Product portfolio

Locally produced, high-quality and specialized dairy ingredients for use by the global food and nutrition industry:

- Liquid cream, whole, skim, and condensed milks (RO & evaporated)
- Liquid blends utilizing a NIR in-line standardizer
- Milk Protein concentrates and Milk protein isolate (liquid & powder)
- Non-fat dry milk and Skim milk powder (standard and infant quality) (Low Heat and Medium Heat Range)
- Whole milk powder
- All Ingredients are Grade A, OU Kosher and Halal
- Offering r-BST, Non-GMO Project Verified, Organic, & A2 products
- 20,000 MT of Milk Powder capability/ 4,000 MT of MPI p.a.

Meeting Our Customers Most Stringent Standards



- Extremely Low Mesophilic and Thermophilic Powders
- No Nitrates and Nitrites
- Low Iodine & Selenium
- Low chlorates & perchlorates
- Agglomeration
- Strict Traceability
- 100% FARM Animal Welfare Compliant with Quarterly Audits and Third-Party Validation
- Sustainably Sourced Milk
- Supply of Non-GMO Project Verified milk available
- A2 Milk and Milk Ingredients

Meeting World market dynamics while working with local farmer suppliers



- We try to overcommunicate customer wants and needs with our farm suppliers
- We have focused on specialty ingredients with certain attributes that our competition either:
 - Does not want to compete in, or
 - Does not have the ability to engage in for various reasons
- We participate in the FO1 market pool, thus, our suppliers receive the blend price while CMI purchases predominantly class IV milk
- We have become very good at hedging risk on the Chicago Mercantile exchange, which allows us to forward contract with our customers while paying farmers the federal order price each month
- We have developed the ability to internally handle export sales from cradle to grave
- We are investing in R&D efforts to further enhance the functionality of our ingredients to take our business to the next level

Where do we see the milk ingredients market going?

- **Increased differentiation**
 - Enhanced functionality
 - Micronutrients
 - Attributes- market segmentation
- **Quality demands are increasing**
 - Ultra low spore
 - Microcontaminants
 - Micronutrients
- **Sustainability is on everyone's minds**
 - Animal welfare
 - Employee welfare
 - Good stewards of our resources (carbon, water, nitrogen, phosphorus)





Our Sustainability Initiatives



- **Waste management**
 - CMI on-site combination anaerobic/ aerobic waste-water treatment facility
 - 8 farms operating anaerobic digesters: decreasing waste and augmenting the environmental benefits of CMI farmers operations through:
 - Renewal fuel source: electricity production
 - Nutrient-rich fertilizer and recycled bedding source
- **Reduced total environmental impact - or “carbon footprint”** - thanks to shorter transportation distances
- All CMI farms: **compliant** with **US Environmental Protection Agency (EPA) Concentrated Animal Feeding Operations (CAFO) permits**
- One farm was the **site of the National Air Emissions Monitoring** study for 2 years: Data generated used to develop an emissions estimating methodology that the EPA will use to regulate livestock farms in the U.S.
- **Active role of farm owners in improving the local and global community**
- **Cayuga Marketing, is a Member of the SAI Platform + Dairy Working Group**
- **Full-time sustainability staff member to move us towards carbon neutrality**
 - Coolfarmtool for farms
 - Harbor Tool for CMI- we signed onto the sustainability commitment through DMI



We are Expanding Again

What is our Justification?

- We really miss the fun associated with commissioning a new plant!



All kidding aside....

Here is our Justification:

1. We are determined to unlock latent production capacity in our facility by removing all bottlenecks that strand high cost investments
 - We want our most costly investments to operate at 100% of capacity= our dryer
 - Investment in another evaporator will increase our output by 20%
2. Looking to harvest scale efficiencies to increase our competitiveness
3. Increased cash flow with same debt payments
4. Growth is integral to our strategic plan
 - 5 million lbs. of processing capacity within the next 10 years



Our Guiding Principles:

- 1. Hire the heart - not the mind.**
- 2. Our company culture**
 1. Mutual respect for everyone on the team
 2. The customer comes first
 3. High quality - ALWAYS!
 4. Do the right thing - ALWAYS!
- 3. Continuous improvement**
 1. Better, faster, lower cost
 2. Innovate and never be afraid to change
 3. Mantra: We can always be better



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Thank You