

# ***CONFIDENTIAL***

Milk Movers of America

Business Plan

2019



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## **Business Plan 2019**

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Leonard Vandeburg, CEO  
Email: [leonard@milkmoversofamerica.com](mailto:leonard@milkmoversofamerica.com)  
Cell: 209-495-3005

Robert Meseer, VP International Operations  
Email: [robert@milkmoversofamerica.com](mailto:robert@milkmoversofamerica.com)  
Cell: 714-369-9966

Justo Padron Jr., Vice President  
Email: [justo@milkmoversofamerica.com](mailto:justo@milkmoversofamerica.com)  
Cell: 559-974-0313

Office Address: 1231 8<sup>th</sup> Street, Suite 850, Modesto, CA 95354

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## **Executive Summary**

Dairy International, Inc. (DI) is 35,000 cow milking dairy operation. DI is a fully vertically integrated operation, from feed to consumer.

DI is fully prepared to exceed all regulatory requirements, for waste management, air, water, humane animal treatment, milk quality, employee respect and finished products.

DI's full intent is to produce GMO and hormone free milk and beef. DI wishes to be the leaders in quality dairy products, for the global market.

The GMO free feed can be grown purchased or develop a fodder system (also known as sprouts). The fodder feed system is capable of providing greater nutrition at a much lower cost. The global consumer continues to be more and more aware of the food they are buying. Organic foods continue to grow and capture greater market share. GMO free dairy products is becoming the next consumer demand, this is evident at national food shows, state ballot measures and constant consumer awareness and debate. Milk is still one of the most purist foods that mothers, and consumers expect it to be, we must keep it that way.

DI will house all cattle in an enclosed air-controlled system, where all animals have free access to exercise, fresh feed, and fresh water, while allowed to lay in segregated stalls. This environment will allow maximum cow comfort, in order to meet the fullest potential of the cow, milk quality and maximum profit. DI's goal is to have the latest technology, proven design, while bringing eco responsibility and to never compromise food safety and quality.

All milk will be processed into cheese, powder (non-fat or whole milk), yogurt and fluid milk. This will allow DI to capture GMO free and hormone free premiums. This will also eliminate milk transportation and other associated cost. This also will show proof of origin (another consumer concern).

The global demand for dairy products continues to grow, especially whole milk powder, non-fat powder, cheese, whey protein, permeate and yogurt. The current milk production trend will not be able to supply this global appetite. DI will be uniquely positioned to capture this growing demand. California production has by far the best reputation for quality. The west coast also gives DI a three to four cent freight advantage to the port.

DI will also be uniquely positioned to service national retailers, food service and global markets. This positioning has already taken place in the poultry industry, beef, hogs, turkeys and dairy will be next. The reason for this is automated

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technology, growing dairy expertise, advancement in food safety and processing technology.

## **Background and History**

Leonard Vandenburg was born in the Netherlands on April 25, 1953 and moved to the United States in 1960. Leonard grew up in California and in 1974 at the age of 20 he started his own dairy with 75 cows. Since then Leonard has expanded his business over the 42 years, he has expanded his business with his current operation over 800 cattle.

Leonard has held a number of positions throughout his career; in 1977 he was elected to the Associated Dairyman Board of Directors. In 1988 he helped established the California Dairy Campaign, He also help the National Farmers Organization get establish in New Mexico, in 1999 he was elected the National Vice-President for the National Farmers Organization.

In 2001 Leonard was appointed National Director for the NFO. In 2003 Leonard started the retail division for the NFO known as New Country Farms. 2003 Leonard was re-elected National Vice- President.

In 2007 Leonard resigned from NFO and started the Milk Movers of America LLC (MMA) and was able to grow the business to \$6 million-dollar revenue in just 18 months.

In 2009 Leonard sold MMA milk contracts and started a consulting company Pacific Gold Milk Producers, Inc (PGMP) a cooperative for all the producers MMA was handling. Leonard has a 10 year contract with PGMP and does consulting work for producers, legal and milk processors.

In 2012 Leonard created Green Alfa Solutions and in 2013 he bought 50% interest in San Martin Milk Company.

## **Description of Products**

All milk will be processed into cheese, powder (non-fat or whole milk), yogurt and fluid milk. This will allow Dairy International to capture GMO free and hormone free premiums. This will also eliminate milk transportation and other associated cost. This also will show proof of origin (another consumer concern).

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## **Market Description**

The global demand for dairy products continues to grow, especially whole milk powder, non-fat powder, cheese, whey protein, permeate and yogurt. The current milk production trend will not be able to supply this global appetite. Dairy International will be uniquely positioned to capture this growing demand. California production has by far the best reputation for quality. The west coast also gives Dairy International a three to four cent freight advantage to the port.

### **Dairy Products:**

More than 6 billion people worldwide consume milk and milk products; the majority of these people live in developing countries. Since the early 1960s, per capita milk consumption in developing countries has increased almost twofold. However, the consumption of milk has grown more slowly than that of other livestock products; meat consumption has more than tripled and egg consumption has increased fivefold.

Global export prices of skimmed milk powder (SMP) and whole milk powder (WMP) have been rising recently suggesting that global milk powder markets may be in the early stages of a recovery. In the case of WMP, prices have demonstrated steady but modest gains since early this year, increasing by nearly 12 percent since mid-February to early July. This appears likely driven by lower exportable supplies and an uptick in demand in many Asian countries, particularly China. Chinese imports of WMP through May are up nearly 20 percent over last year.

For SMP, the prices have recently climbed up 11 percent since early May to July despite ample stocks of exportable supplies in the United States and substantial intervention stocks in the EU. These overhanging volumes will likely temper any significant recovery in SMP prices. Nevertheless, these recent surges may reflect growing uncertainty regarding the availability of future supplies as milk production in New Zealand, Australia, and Argentina are expected to decline this year.

### **Organic Dairy Products:**

The booming U.S. organic industry posted new records in 2015, with total organic product sales hitting a new benchmark of \$43.3 billion, up 11 percent from the previous year's record level and far outstripping the overall food market's growth rate of three percent, according to the Organic Trade Association's 2016 Organic Industry Survey.

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Dairy, the second biggest organic food category, accounted for \$6 billion in sales, an increase of more than 10 percent. Dairy accounts for 15 percent of total organic food sales.

Organic milk ranked as the top commodity in certified organic sales in the nation, according to a 2015 survey conducted by the U.S. Department of Agriculture's National Agricultural Statistics Service and cited in Farm Futures. Up 8.4 percent from 2014, organic milk sales rose to \$1.2 billion in 2015, above sales of other organic agricultural products, including eggs, broiler chickens, apples and lettuce.

Total U.S. per capita consumption of natural cheese increased for the third straight year in 2013. Americans consume more Italian style cheeses than other types, followed by American style cheeses. Over the past few decades, total U.S. per capita consumption of processed cheeses has been on a downward trend and fell for the third straight year in 2013.

## **Competition**

**Consumers** in the coming year will demand “clean” labels free of antibiotics, preservatives and potential allergens, along with stronger flavors, handcrafted foods, grass-fed dairy products and even greater convenience with mobile apps.

Dairy substitutes like almond and coconut “milk” will also continue to rise in popularity as the “alternative” market makes its way in the mainstream, according to various sources. Some 2016 food industry predictions include:

**Non-GMO Verified Products** As shoppers demand more transparency in their food, the non- GMO movement will continue to gain momentum, Whole Foods predicted. Growth and innovation in the animal protein category will be especially strong, due to the recent development and approval of non-GMO verification methods for animal feed.

The word “free” will impact shopping decisions in the coming year, according to the fourth annual “What’s Trending in Nutrition” survey from Pollock Communications and *Today’s Dietitian*. Claims like “GMO-free” and antibiotic-free” will prompt purchases, along with “additive free” and “locally sourced.”

## **Marketing Strategies**

Dairy International already has verbal commitments for 100% of the products produced, from Walmart, Whole Foods, Cracker Barrel, Starbucks and Costco. The global demand for dairy products continues to grow, especially whole milk

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Dairy International will be uniquely positioned to capture this growing demand. California production has by far the best reputation for quality. The west coast also gives Dairy International a three to four cent freight advantage to the port.

## **Manufacturing Plans**

Dairy International has plans to create operations in both California and Texas. Processing plants will be located in both states that will give us the advantage of operation and shipments worldwide.

## **Financial Projections**

The following pages include multiyear projections for income, cash flow, balance statement, as well as estimated financial ratios.

***The financial projections are based on the information provided by partner Leonard Vandenburg who has over 42 years of experience in the dairy industry.***

First year operations at 15,000 head of cattle and second year of operations at projected 35,000 head of cattle.

- Professional fees paid to consultants such as Pacific Gold Milk Produces, Inc, Green Alpha Solutions, LLC and other experts in the field for our dairy operations. Experts will assist in the plans and specs for the operation and all other aspects of the operation as well. One example is the experts in the field for our gravity fed sprouts Fodder Conveyor feeding system.
- The number one expert in the field Leonard Vandenburg will be the in charge of all aspects of development in this all organic, non- GMO and antibiotic free dairy operation.
- Use of funds is broken down in the following pages attached for each category.
- All disbursements are paid over 24 months see disbursement schedule attached.

**PLEASE NOTE THAT THERE IS *NO* INCOME GENERATED IN THE FIRST 2 YEARS OF CONSTRUCTION DEVELOPMENT. SEE THE 12 YEAR CASH FLOW SUMMARY.**