

ENVIRO.FARM SYSTEMS INC

18 GRANT ST, PLYMOUTH MA 02360

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BUSINESS OPPORTUNITY

ON-FARM SPECIALTY CHEESE PRODUCTION AND PROCESSING

Enviro.Farm SD#1 Cheese-Dairy near Bowdle SD

Enviro.Farm Systems Inc identify, plan, develop, own and operate on-farm cheese-dairy sites and other agricultural combinations to build highly profitable, integrated ag-food-tech ventures where today's farms otherwise underperform using outdated traditional methods.

Enviro.Farms™ Integrate aerobic livestock and crop production systems to eliminate risk, significantly reduce cost, increase profit and produce premium product to support business sustainability and value.

Enviro.Farm™ Projects eliminate major risks from agriculture, including air, water, soil and health risks which contribute significantly to Public Health Costs and Quality of Life concerns.

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SPECIALTY CHEESE OPPORTUNITY

Executive Summary:

US per capita "all cheese" consumption increased from 11 lbs to 40 lbs since 1970, more than doubling in the last 20 years, reaching 9.9 billion pounds and \$50 billion in revenues. The long-term trend continues. Food and agriculture experts agree cheese is poised for strong growth over the next 15-25 years. Experts also agree South Dakota offers some of the best cheese-dairy locations.

SPECIALTY CHEESE CONSUMPTION grew faster than all other cheese. Over 350 types of specialty cheese are produced today with outstanding 10-year growth, reaching over US \$10 billion in sales.

The business model is designed to produce fine quality cheese at the lowest cost, pre-sold into reliable markets, using "green" production systems. Flexible output capabilities adapt to changing customer demand.

THE OPPORTUNITY: Ten pounds of milk makes one pound of cheese. Off site cheese processors haul milk containing 9 lbs. of water from distant dairies every day. By producing cheese on-farm instead of off-site we avoid hauling milk and water. This single step alone adds \$500,000/year, about 10% in 1st year profit, more profit than most other plants achieve in total.



Because we are processing at a farm, further steps designed into the business model add even greater profits. For example, other cheese processors must dispose 9lbs of whey for every 1lb of cheese they produce. The largest plants process whey into protein supplements. But smaller plants have no profitable or environmentally sound means for disposal of whey. Most simply waste it by spraying onto farm fields. At our plant, daily fresh whey recycles as a protein drink for cows. Feeding whey increases cheese components in milk by 10%-15%. This adds \$1 million/year in free cheese production while avoiding the disposal costs of whey.

*Enviro.Farm*TM expects cheese production costs to be 25%-35% below industry standard. Other plants cannot compete with such economies. But quality, not cost, sells specialty cheese. *Enviro.Farm*TM uses fresh daily, golden Jersey cows' milk to produce the premium quality cheese at lowest possible cost.

*Enviro.Farm's*TM state-of-the-art dairy combines years of best practice experience worldwide. Using engineered management, milk production systems enhance animal well-being, reduce environmental impacts, increase food safety and hygiene and reduce production costs. Whey recycling, freshwater reduction and 90% less transportation fuel greatly enhances dairy and cheese profits.

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MARKET TIMING: Entry into the US specialty cheese market comes at a time when Europe no longer chooses to subsidize its specialty cheese sector. European Union countries have taken policy decisions to discontinue the \$1.00/lb cheese subsidy that has discouraged imports into Europe and encouraged exports to the US. Global specialty cheese suppliers like New Zealand, Argentina and others are rapidly switching market targets to take advantage of Europe's higher prices. China's dairy problems have tainted their cheese export opportunities for years to come. This leaves the US market open for significant domestic expansion of premium specialty cheese at enhanced pricing.

MARKET ENTRY: Fresh, all-natural labels provide the entre for cheese into currently underserved market segments and signify a product that has high health status, somewhat like organic.

MARKET POSITIONING: *"Premium product at lower price"* provides the ability to introduce new products with smaller advertising and promotional budgets. Numerous product choices and segmented buyers make these consumers difficult to reach, rendering advertising less effective. Instead our broker-distributors utilize in-store promotions to introduce premium products at a lower price. Based on product value, strong repeat sales of lower priced all-natural, premium Jersey cheeses are anticipated.



BUSINESS STRATEGY: *Enviro.Farm™* specialty cheese provides value-added margins as well as price stability by using a captured supply of fresh, premium grade Jersey milk and a well-designed, efficiently operated cheese plants to generate higher profits at reduced cost and risk.

BARRIERS TO ENTRY hold others back from expanding in specialty cheese.

- *Environmental Permits* can be difficult for large dairies. Odor-free dairy avoids such challenges by offering state of the art environmental management.
- *Dairy production* is not easy. *Enviro.Farm™* dairy team offers BMP's worldwide!
- *Milk price volatility* is avoided by providing on-site captured supply.
- *Costs to haul* – on-farm cheese processing eliminates milk hauling.
- *Premium Product* depends on milk. Whey-fed, Jersey milk is superior to all
- *Unique Recipes* give specialty cheese added appeal. *Enviro.Farm™* has contracted *The Cheese Doctor* to provide the best specialty cheese recipes

EXIT STRATEGY: Global consolidators have accelerated acquisition of smaller specialty cheese plants to gain production capacity and meet growing demand. A significant number of smaller US and Canadian cheese plants have been acquired by consolidators such as Saputo, Arla, World Cheese, the Fairmount Food Group and others assembling global production capacity. *Enviro.Farm™* has the advantage in being able to build new cheese capacity with reduced costs. At projected levels of profitability, the cheese business will enjoy exit strategy options that include public offering, acquisition by consolidators, a management buyout, and large food companies.

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FINANCIAL SUMMARY – CASH REQUIREMENTS

Months	1-4	7-12	13-24	Total
BLDG,ENG, EQUIP & ADMIN	\$5,765,000	\$65,066,247	\$52,420,238	\$123,251,485
CATTLE			\$31,930,400	\$31,930,400
TOTAL	\$5,765,000	\$70,831,247	\$84,350,638	\$155,181,885

EIGHT YEAR – P&L – OPERATIONS

YEARS	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	EIGHT
Rev	\$35,155,575	\$69,969,501	\$79,348,248	\$84,505,884	\$89,980,913	\$95,792,181	\$101,959,622	\$108,504,328
Exp	\$17,691,983	\$32,980,518	\$35,449,968	\$35,963,009	\$36,476,940	\$36,991,842	\$37,507,676	\$38,024,443
EBITDA	\$17,463,592	\$36,988,983	\$43,898,280	\$48,542,875	\$53,503,973	\$58,800,339	\$64,451,946	\$70,479,885
Interest & Lease	\$19,200,000	\$19,200,000	\$19,200,000	\$19,200,000	\$19,200,000	\$19,200,000	\$19,200,000	\$19,200,000
Dep & Amort	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pre-Tax	-\$1,736,408	\$17,788,983	\$24,698,280	\$29,342,875	\$34,303,973	\$39,600,339	\$45,251,946	\$51,279,885
Cumul.	-\$1,736,408	\$16,052,575	\$40,750,855	\$70,093,730	\$104,397,703	\$143,998,042	\$189,249,988	\$240,529,873

BALANCE SHEET

CONTINGENT UPON FUNDING STRUCTURE

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