

ENVIRO.FARM SYSTEMS, LLC
Feasibility Review
July 10, 2025

I have completed a detailed review of all of the attached exhibits relating to the construction and operation of the proposed 5,000+ cow dairy and cheese manufacturing business being planned by Enviro.Farm Systems, Incorporated in Bowdle, South Dakota. My opinions of this proposed project are developed not only from the attached exhibits but also from inquiries from management and from my own experience with working with large dairy farm clients for over 50 years and as presiding partner of three of my own large dairy farm investments.

Not unlike any proposed project, there are inherent investment risks for any new venture. Therefore, I have analyzed this proposed project carefully and have become satisfied with the likelihood of its success. The following is a recap of my scope of review of this project and at the end, express my opinion of the potential success of this proposed business.

A. Market for Milk and Cheese Production

Milk will be produced from the planned, state of the art, milking facility and delivered directly to the nearby cheese manufacturing plant. Sales of cheese have steadily increased over the years which generally means there will be a market for new cheese production. In my opinion, the specialty cheeses to be produced from this new facility will yield a much higher sales value than the most common mass produced cheddar and mozzarella cheese varieties. Attached pages A-3 and A-4 discuss these specialty cheeses to be made by Enviro.Farm. I believe that these cheeses produced in the U.S. vs imported, would be preferred by most customers.

B. Planned Construction of the Dairy Farm and Cheese Plant

The attached schedules B-1 through B-5 disclose a considerable amount of detail related to the establishment of the dairy and cheese facilities. The construction costs of \$155,000,000 over a two year period seem reasonable, and from my experience should take less than two years to begin cheese production. I have not been asked to verify the cost totals, but the \$155M seems adequate.

C. Profitability of this Dairy Farm

After reviewing the Enviro.Farm provided "Pro Forma P & L's" (attached schedules C-6 through C-21) we then produced schedule C-1, a comparison of a one year Enviro.Farm projected P & L with our firm's published dairy client "Average Income and Expense Report" for our South Dakota dairy clients, as attached schedule C-2. Attached schedules C-3 – C-5 are our other area published reports provided for comparative purposes.

Schedule C-1, under the project column, shows from C-20, year 8 a Pre-Tax net income of \$21,089,064, an amount available for debt service and owner dividends solely from the dairy operation. Enviro.Farm projects income streams from not only sale of milk to the cheese plant, but also beef/steer sales, sales of specially bred dairy cattle and treated animal waste fertilizer to surrounding crop farmers.

The largest expense of a dairy farm is the cattle feed costs. I analyzed the current feed commodity costs (attached schedules C-22 – C-24) and animal consumption rates and found that the feed expense projected by Enviro.Farm to be reasonable.

All other projected dairy operating costs were compared with our South Dakota averages and seemed to be stated in reasonable amounts.

D. Profitability of the Kosher Cheese Plant

Included in the attached schedules C-6 – C-21 are “Pro Forma P & L’s for the kosher cheese plant for the first eight years of operation. The sales value of the finished cheese products seems reasonable for these specialty cheeses being produced. These cheeses sell for far more at retail than the projected \$8 per pound value used in these projections.

The operating costs projected for the cheese manufacturing process are in line with the “cheese study” costs reported by the California Department of Food and Agriculture report on attached schedules D-1 – D-3.

The result from attached C-21, year 8, shows a Pre-Tax net income of \$51,279,885 which is also available for debt service and owner dividends.

E. Summary

Like any business, its success is heavily reliant on strong management. In this case, key management personnel have already been selected.

In my opinion, Enviro.Farm Systems, Inc., has the right/cost effective farm location, has the right dairy facility planned, has the right cattle breed, has the right cheese plant location and has the right cheese products to be produced. I have a very strong opinion that Enviro.Farm Systems, Inc. will achieve most, if not all of the projected profit illustrated on attached schedule A-5.

By:



Gary Genske
Certified Public Accountant