Managing Success During Market Turmoil

February 19, 2021

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Proliant Dairy - Part of Lauridsen Group, Inc. (LGI)
What Does Proliant Dairy Do?

- Concentrates and dries whey and milk permeate for food (**VersiLac®**) and animal feed (**Proliant® 1000**) applications.

<table>
<thead>
<tr>
<th></th>
<th>2019 Volume</th>
<th>2021 Volume (Est.)</th>
<th>Total Employees</th>
<th>Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• 45,000 MT</td>
<td>• 110,000 MT</td>
<td>• 60</td>
<td>• 2</td>
</tr>
</tbody>
</table>

**2019 Volume**: 45,000 MT

**2021 Volume (Est.)**: 110,000 MT

**Total Employees**: 60

**Sites**: 2
Melrose, MN Plant

- Commissioned in 2008
- Volume: 45,000 MT
St. Johns, MI Plant

- Investment: $85 Million
- Volume: 65,000 MT
- Employees: 30
- Glanbia, Dairy Farmers of America, Select Milk Producers
- Largest permeate dryer in the world
Technological Resources

- 20,600 square feet
- Conference & training rooms
- Commissioned in 2012
- Culinary test kitchens
- Center for customer collaboration
- Two pilot plant resources
- 8 research & development laboratories
- Research & application teams
Quality & Innovation

• Leader developing permeate food mkt

• Quality
  • Product
  • Team
  • Logistics & distribution
  • R&D
  • Customer service
VersiLac® Certifications

• SQF Level 2
• Kosher
• Halal
• GMO Free
“WHEN NOTHING IS SURE, EVERYTHING IS POSSIBLE.”

Margaret Drabble
“Fear, uncertainty and discomfort is your compass toward growth.”

Unknown
Expect the Unexpected

• Environmental regulations
• ASF
• Economic downturn
• Trade wars
• Pandemics
• Logistics disruptions
• Equipment problems
• Tariff and nontariff barriers
• Political uncertainty
• Supply and demand imbalance
• Plant based trends
World Permeate Production

2019 1.71 billion lbs
2023 2.03 billion lbs

2019 777,000 MT
2023 921,000 MT

USDEC
US Whey Exports
China Update

• Strong demand
• Phase 1 Agreement
• Lowered tariffs
• China approval of permeate for food use
• Recovery of sow numbers
• High hog price & profitability will continue to encourage expansion
• 16 kg feeder pig = $260 USD each
China Concerns

• ASF not under control
• Low weight pigs increasing
• Sow decline 1.76 million
• Illegal vaccines creating ASF mutations
• Disappearance of single farms that cannot afford risk
• Political uncertainty
• Excess supply
## China Permeate Swine Industry

<table>
<thead>
<tr>
<th></th>
<th>Sows in China</th>
<th>Piglets per Sow</th>
<th>Piglets per Piglet</th>
<th>Permeate per Year</th>
<th>% Permeate Total Whey Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Estimate</td>
<td>36 million</td>
<td>18 million</td>
<td>648 lbs</td>
<td>0.95 million lbs</td>
<td>51%</td>
</tr>
<tr>
<td>2018 Estimate</td>
<td>30 million</td>
<td>18 million</td>
<td>540 lbs</td>
<td>1.08 million lbs</td>
<td>45%</td>
</tr>
<tr>
<td>2019 Estimate</td>
<td>12 million</td>
<td>19 million</td>
<td>228 lbs</td>
<td>1.64 million lbs</td>
<td>32%</td>
</tr>
<tr>
<td>2020 Actual Low</td>
<td>25 million</td>
<td>15 million</td>
<td>375 lbs</td>
<td>1.76 million lbs</td>
<td>50%</td>
</tr>
<tr>
<td>2020 Actual High</td>
<td>34 million</td>
<td>15 million</td>
<td>510 lbs</td>
<td>1.76 million lbs</td>
<td>62%</td>
</tr>
<tr>
<td>Future</td>
<td>34 million</td>
<td>19 million</td>
<td>646 lbs</td>
<td>2.20 million lbs</td>
<td>847</td>
</tr>
</tbody>
</table>

*Note: Future data is projected and not finalized.*
Asia

• Vietnam
  • Pig inventory at 80%+ of pre-ASF levels

• Philippines
  • Premature repopulation failed
  • ASF still not under control
  • Market improving

• Indonesia, Malaysia
  • Food sector highly affected by COVID-19
  • Devaluations
  • Economy recovering
Latin America

- Mexico represents 10% of total US dairy exports
- Mexico whey imports down 37.5% 2020 vs 2019
- 10.5% reduction GDP, 27% devaluation
- COVID-19 foodservice disruption
- Without retail boost
- Brazil 30% devaluation
- South America increase in dairy production, lowered demand from main export markets
Managing Disruptions

- Strong team
- Proactive innovation
- Develop new opportunities
- Diversified sales
- Industry leadership/cooperation
- Embrace change
- Strong personal connections
- Long-term goals
- Patience
Thank you!!

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