



Phone: (608) 325-3021 | W7839 State Road 81
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Hello, my name is Steve Buholzer. My brothers and I, and our children, own Klondike Cheese Co. It is a midsize cheese factory located in Monroe, WI. Klondike was established in the late 1800's as a co-op. In 1925 my grandfather, Ernest Buholzer, was hired by the co-op as a cheese maker. In 1947, my father Alvin and my mother Rosa took over the management of the co-op. In 1973, our family bought the co-op. Over the years we have produced a variety of cheeses to try to stay profitable. Klondike Cheese Co. currently manufactures traditional Feta, flavored Feta, Brick, Muenster and Havarti cheeses and most recently, Greek yogurt.

In 2001, Klondike expanded its business by constructing a new cheese manufacturing facility and installing a computerized, fully automated coagulator. With the addition of the coagulator and advanced technology, Klondike has more than doubled their production of Feta to meet the growing demand for this specialty cheese. In 2013, Klondike expanded again to produce Greek yogurt.

In the 1940's we produced 4 wheels of Swiss cheese per day. Today we produce over 125,000 lbs. of cheese a day. In the 1980's we were a small family business with 8 employees. We now have 162 employees. We have grown from 10 patron farms to 75. Our current patrons are larger and produce more milk than our early patrons. We have gone from processing 20,000 lbs. of milk per day to 1,000,000 lbs. of milk per day.

2014 American Cheese Society Contest

Feta Cheese | Best of Class
Flavored Feta Cheese | Best of Class, Second, and Third Places
Reduced Fat- Light/Life and Reduced Fat Cheeses | Second Place
Fat-Free/Low-Fat Feta Cheese | Third Place

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2013 United States Cheese Championship Contest

Flavored Feta | Best of Class & Second Place
Low-Fat Cheese & Fat Free Feta | Best of Class & Third Place
Reduced Fat Soft & Semi-Soft Cheeses | Second Place



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Odyssey
FETA CHEESE GREEK YOGURT

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MUNSTER & BRICK

Klondike Cheese Co. currently sells cheese and yogurt to many national retailers and foodservice distributors. Our product mix is 75% foodservice and 25% retail. We sell our own Odyssey branded product as well as private label.

We are located 7 miles from the nearest municipality and therefore have to process our own wastewater. In 2006, we upgraded our wastewater facility at a cost of \$3.9 million and ongoing operation costs of \$300,000 each year. Our wastewater treatment plant is an anaerobic and aerobic pretreatment system. We spread the treated water on 100 acres of land that we own. Alfalfa is grown and harvested, on this land, by local farmers. Hydraulic loading is an issue for us. We are limited in the amount of wastewater we can process in 1 day due to our limited acreage. There is no adjacent land for purchase that would allow us to expand.

Due to these land constraints and tighter DNR requirements, we are in the planning stages of an upgrade to a higher rate system, at an estimated \$3 million. This will allow us to expand our cheese and yogurt production only, but will not allow us to expand into whey drying.

For a small to midsize cheese manufacturer, the demands for our whey stream have changed dramatically. In the 1960's, all of the whey went back to local farms to be used as hog feed. As more farmers got out of the hog business, the whey started to become a burden. Klondike put in equipment to at first ship warm whey to a drying

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KLONDIKE
CHEESE COMPANY
MONROE, WISCONSIN

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facility for animal feed. A few years later we upgraded to cool the whey and were able to ship it to a plant that made whey protein concentrate. In 1984, we installed our first ultra-filtration system. This allowed us to sell WPC34 to a neighboring whey processing facility, in order to gain revenue. At that time, permeate was spread on the land as fertilizer. In 2004, we installed a reverse osmosis system for the permeate, so that we could increase the solids and sell it to a neighboring processor to increase revenue. Our whey processing capabilities are limited by our production of Feta cheese. Feta cheese produces a higher acid whey that must be blended with other whey in order to be dried. This fact, along with our limited waste water capacity, only allows us to sell liquid products to a larger whey processing facility, thus limiting the amount of revenue we can generate. At this time, Klondike Cheese has no other options to recoup any additional revenue from its whey stream.

The issue is that the other solids milk price is based on the dry whey price, which doesn't accurately reflect on our whey revenue. So there are months that Klondike Cheese cannot earn revenues on concentrated whey and permeate that meet the whey value in the class 3 milk price. This will be demonstrated in the attached spreadsheet. This deficit hinders our ability to invest in our operation, in the face of ever increasing costs brought on by buyer demands, food safety requirements, environmental regulations and overheads.

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Klondike Cheese Whey P&L

2014	Milk Purchases				NDM Purchases			FMMO OS per #	Calculated OS Cost
	TOTAL MILK	Milkfat	Milk Protein	Milk OS	TOTAL NDM Lbs.	Estimated NDM Protein	Estimated NDM OS		
JAN	11,526,621	458,489	361,444	655,880	467,185	168,187	298,998	\$0.4155	\$396,752
FEB	11,586,740	464,912	362,387	656,676	496,549	178,758	317,791	\$0.4453	\$433,930
MAR	13,882,303	544,422	428,256	787,020	573,655	206,516	367,139	\$0.4700	\$542,455
APR	14,995,495	575,470	458,133	852,089	686,839	247,262	439,577	\$0.4926	\$636,275
MAY	15,513,855	578,442	469,949	885,348	695,782	250,482	445,300	\$0.4897	\$651,619
JUN	14,971,185	543,208	442,028	861,455	681,333	245,280	436,053	\$0.4942	\$641,229
JUL	15,705,478	577,843	465,644	899,419	685,076	246,627	438,449	\$0.5046	\$675,088
AUG	13,558,479	501,347	399,762	774,143	550,248	198,089	352,159	\$0.5036	\$567,205
SEP	13,326,743	503,322	403,623	760,570	573,974	206,631	367,343	\$0.4876	\$549,970
OCT	13,875,626	549,889	432,824	794,810	577,575	207,927	369,648	\$0.4652	\$541,706
NOV	13,069,626	511,930	412,145	748,827	463,719	166,939	296,780	\$0.4505	\$471,046
DEC	13,849,851	533,848	430,949	794,950	466,766	168,036	298,730	\$0.3996	\$437,034
TOTALS	165,862,002	6,343,122	5,067,144	9,471,185	6,918,701	2,490,732	4,427,969	\$0.6910	\$6,544,309

Whey Protein 34% Concentrate Sales

2014	UF Whey Sales			Whey Permeate Sales			TOTAL WHEY REVENUE	Cost of Products Sold		Margin from Whey	
	TOTAL POUNDS	AVERAGE PRICE / #	TOTAL UF REVENUE	TOTAL POUNDS	AVERAGE PRICE / #	TOTAL PERM REVENUE		FMMO OS Cost	Processing Cost	Net Margin	Net Margin per Cwt. Milk
JAN	278,120	\$1.5456	\$429,852	504,312	\$0.1000	\$50,431	\$480,283	-\$396,752	-\$25,905	\$57,626	\$0.4999
FEB	252,068	\$1.5869	\$400,015	521,557	\$0.1000	\$52,156	\$452,171	-\$433,930	-\$23,478	-\$5,237	-\$0.0452
MAR	291,049	\$1.5588	\$453,694	544,358	\$0.0945	\$51,436	\$505,130	-\$542,455	-\$27,109	-\$64,434	-\$0.4641
APR	339,667	\$1.5593	\$529,639	593,093	\$0.1000	\$59,309	\$588,948	-\$636,275	-\$31,638	-\$78,965	-\$0.5266
MAY	343,272	\$1.5488	\$531,665	652,114	\$0.0935	\$60,958	\$592,623	-\$651,619	-\$31,973	-\$90,969	-\$0.5864
JUN	319,136	\$1.4724	\$469,909	639,638	\$0.0930	\$59,509	\$529,418	-\$641,229	-\$29,725	-\$141,536	-\$0.9454
JUL	346,421	\$1.4125	\$489,308	635,706	\$0.0984	\$62,552	\$551,860	-\$675,088	-\$32,267	-\$155,494	-\$0.9901
AUG	250,634	\$1.5307	\$383,640	565,070	\$0.0989	\$55,888	\$439,529	-\$567,205	-\$23,345	-\$151,021	-\$1.1139
SEP	258,572	\$1.5044	\$388,991	618,290	\$0.0949	\$58,689	\$447,679	-\$549,970	-\$24,084	-\$126,375	-\$0.9483
OCT	281,447	\$1.4013	\$394,403	558,169	\$0.1011	\$56,406	\$450,808	-\$541,706	-\$26,215	-\$117,112	-\$0.8440
NOV	242,140	\$1.3110	\$317,456	492,888	\$0.0982	\$48,394	\$365,850	-\$471,046	-\$22,554	-\$127,750	-\$0.9775
DEC	278,095	\$1.1932	\$331,823	506,783	\$0.1020	\$51,671	\$383,494	-\$437,034	-\$25,903	-\$79,443	-\$0.5736
TOTALS	3,480,620	\$1.4711	\$5,120,395	6,831,978	\$0.0977	\$667,398	\$5,787,793	-\$6,544,309	-\$324,196	-\$1,080,711	-\$0.6516

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Whey Operating Costs	<u>2014</u>	
Labor	\$112,720	
Chemicals/Cleaning	\$41,600	
Electric Cost	\$46,280	
Wastewater	\$55,000	
Depreciation	\$3,596	
Membrane Replacement		
3 Y Membrane Life	<u>\$41,667</u>	\$125K over 3 Years
<u>1.5 Year Membrane Life</u>	<u>\$23,333</u>	\$50K over 1.5 Years
Total Costs	\$324,196	Per Year
	\$27,016	Avg Per Month
	\$0.0931	Avg Per # UF Solids