

Jamie Deyoung

No, well said. I appreciate you being patient with laying the foundation, because it seems like there is a heck a lot of leverage in the model as you put this foundation in place. So thank you.

Mark Grewal

Thank you very much. Good to hear from you.

Jamie Deyoung

Alright, take care. See you soon.

Operator

The next question is from Frank Smith of Weirton Funds.

Mark Grewal

Mr. Smith, how are you doing?

Frank Smith

Hey, Mark. How are you doing? Thanks a lot for taking the call. So I've got a question about the corn and wheat pricing, I know it's at six or seven year lows. What affect is that having as an alternative seed; is your pricing being pressured by the fact that they are making these multi-year lows?

Mark Grewal

Okay. It depends on the market, so let's go back really briefly and look at a dairy man.

Frank Smith

Okay.

Mark Grewal

Frank, he's got a nutritionist. The nutritionist is putting together a feed ratio that gives him the highest weight gain, milk protein, butter fat, that he can get on a per unit basis.

Frank Smith

Okay.

Mark Grewal

If wheat is down, they may add a little more component of wheat and reduce the component of alfalfa. What I have tried to have our yard group let everybody know with Robert Blum is that he can provide you with, what is the minimum pounds of alfalfa per day per cow? What is that? It can vary from 8 to 12, so it could go down to 4 pounds, it could go down from 4 pounds to 8 pounds per day or it could go up depending on price to 12 pounds per day per cow. Now, if canola is cheap, the corn is cheap, if wheat is cheap, they are going to add that mix ratio a little bit more until it effects the quality of the milk or the end-use product that they want to sell.

Frank Smith

Okay.

Mark Grewal

So the dairy nutritionist has a lot of power. We are actually trying to work with a few distributors at least domestically right now that have their own dairy nutritionist and sell them on why our varieties increase the protein and weight gain faster, and that they should actually increase what we are doing in the way we think it should happen. And so, these things take time, our sales guys are working their butts off and we are trying to get this into the right component. So I think that we are at the lowest component part, if you look at where we've been and especially in ag in general, I think it's only going to go up. And I think yes, we are at 8.1 pounds, Robert, right now? Yes, so we can get you that information say quarterly, where you can look at it yourself, Frank, and put it under your program and decide.

Frank Smith

Okay.

Mark Grewal

But very bullish. Look, read the facts, we are going to have to increase the amount of meat that the third world wants, it's going to increase by 70% by 2050. How are they going to do that? That's the story, it is a protein play.

Frank Smith

Right, okay.

Mark Grewal

And just bodes...

Frank Smith

Okay, that gives me a little idea here. Thanks and I will appreciate it.

Mark Grewal

Alright, Frank.

Operator

The next question comes from Tyler Etten of Piper Jaffray.

Tyler Etten

Hey, guys, just one more from me.

Mark Grewal

Go ahead.

Tyler Etten

It seems to be a little bit confusing around the inventory levels. If the North American harvest completes normally, how would you classify your inventory levels looking out for the year? Would it be caught up after the bad 2015 season? Would it be still perhaps some work to do to get caught up or comfortably ahead?



Matthew Szot

I would say that, Tyler, this is Matt here. I would say that, this harvest based on the preliminary results we are seeing, this is the harvest that we are going to be able to accomplish through replenishment of our inventory and getting our carry over levels back to appropriate levels to fully capture demand throughout the rest of the year. We are feeling good, we are feeling pretty good about where we are at this point and the further growth as we look to contracts replacing for next year, the replenishment has been done so that additional acreage growth we get in future years should translate to more seed available for sale and revenue growth.

Tyler Etten

Got it. Thank you.

Operator

This concludes our question and answer session. I would like to turn the conference back over to Mark Grewal for any closing remarks.

CONCLUSION**Mark Grewal**

Thank you, Amy. Fiscal 2017 should be an exciting year for S&W. We are leveraging the strengths of the global distribution platform, a large and diversified production base, leading edge research and development, and a strong and expanding product portfolio to drive growth in alfalfa while leveraging those strengths for additional crop opportunities, including sorghum and sunflower. We expect to report record revenues of the \$100 million on improved gross profit margins, while eliminating our convertible note for fiscal 2017.

And I appreciate the hard work from all the employees of S&W to develop our vision to be the world's preferred proprietary seed company that supplies a range of forage grain and specialty crop products to support the growing global demand for animal proteins and healthier consumer diets.

Again, my thanks to everyone for participating on today's call, and we look forward to talking with you again at the conclusion of the current quarter. I am going to be very excited to have Matt announce to you guys that the convert is gone. It's quite an accomplishment on what has been done in less than two years. And we want to thank everybody that supported us. Thank you very much.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

