S&W Seed Company
(NASDAQ: SANW)

Second Quarter Fiscal Year 2015 Financial Results

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PARTICIPANTS
Mark Grewal - President and Chief Executive Officer, S&W Seed Company
Matthew Szot - Chief Financial Officer, S&W Seed Company
Robert Blum - Managing Partner, Lytham Partners, LLC

PRESENTATION

Operator
Good afternoon and welcome to the S&W Seed Second Quarter Fiscal Year 2015 Financial Results Conference Call. All participants will be in listen only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star (*) then one (1) on your telephone keypad; to withdraw your question, please press star (*) then two (2). Please note this event is being recorded. I would now like to turn the conference call over to Robert Blum of Lytham Partners. Please go ahead.

Robert Blum
Thank you, Laura, and thank you all for joining us to discuss the financial results for S&W Seed Company during the second quarter of fiscal 2015 ended December 31, 2014. With us on the call representing the Company today are Mark Grewal, President and Chief Executive Officer; Matthew Szot, Chief Financial Officer; and Robin Newell, Company's Vice President of North American Sales. At the conclusion of today's prepared remarks, we will open the call for a question and answer session. Before we begin with the prepared remarks, we submit for the record the following statement.

Statements made by the management team of S&W Seed Company during the course of this conference call may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended, and such forward-looking statements are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results or strategies and are generally preceded by words such as may, future, plan or planned, will or should, expected, anticipates, draft, eventually or projected. Listeners are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events or results to differ materially from those projected in the forward-looking statements, including the risks that actual results may differ materially from those projected in the forward-looking statements as a result of various factors and other risks identified in the company's 10-K for the fiscal year ended June 30, 2014, and other filings made by the company with the Securities and Exchange Commission. With that said, let me turn the call over to Mark Grewal, Chief Executive Officer for S&W Seed Company. Mark?

Mark Grewal
Thank you, Robert, and good afternoon to all of you. As I mentioned last month, this is a very exciting time for everyone at S&W Seed Company. With the acquisition of DuPont Pioneers dormant alfalfa seed production and research assets, we have positioned S&W as the leading alfalfa seed company with the largest and most diversified production capabilities in the world, the broadest array of product offerings, and a large and established network of distributors. We have significantly transformed the Company from what it was five years ago and believe that we now have position to drive revenue growth, enhance operational efficiencies, improve predictability and consistency of revenues and produce strong profitability in cash flows on a go forward basis. While we have previously communicated our strategy to drive growth and revenues through various acquisitions to extend our production capabilities, we are now bringing to market a number of new products and extending distribution of existing products that we believe will drive incremental revenue growth for the next number of years. Our acquisition of the Pioneer dormant germplasm is really an opportunity for us to expand the distribution of the varieties outside the traditional Pioneer base, which has been focused on the U.S. Corn Belt. There are significant opportunities to grow our dormant business in the U.S., as well as places like China and Europe. While we work to develop these regions of growth, our tenure agreement to produce seed for Pioneer, primarily in that Corn Belt, will help drive consistency and predictability to our revenues.

We are less than a year away from bringing to market initial quantities, both our GMO non-dormant alfalfa seed varieties that were developed with Monsanto and FGI, as well as our tropical varieties that were developed by our Australian operations. We expect both of these to steadily ramp up over the coming years and be key contributors to growth moving forward. And finally, we have made a number of important strides over the last year to drive the distribution improvements of our non-dormant varieties. Our joint venture with Bioceres is one component to that growth and should begin to develop over the next twelve months. We have also signed on new distributors in other regions that will lessen our reliance on certain key markets and allow for an expansion of our overall footprint. Overall, we believe we have made tremendous strides to position the Company for growth going forward. We have the products, we have the right people in place to expand our production capabilities, and we have the sales (ph) channels to drive volumes.

With the acquisition we are better able to leverage the operating infrastructure of S&W. As a public company, there are a number of expenses that are required and with the larger revenue and income base, we are able to ramp up our operating margins. The DuPont Pioneer business had adjusted EBITDA margins of approximately 14% to 18%, while our historical EBITDA ratios were well below those levels. We believe that, as we are able to continue expanding revenue growth, we will increase operating profit margins and driving overall profitability for the Company as a whole. We recognize that one of the key issues that we have had over the last two years has been the predictability and consistency of our revenues. We were relying on certain key markets for our revenue, which had a hindering effect when those markets were impacted. We recognized the impact this has had on our financial results and share price and are focusing on driving greater predictability and consistency to our business. The steps that we have taken to expand our distribution, particularly our agreement with DuPont Pioneer, will allow us to meet these objectives. Also the ability to expand our distribution base should be beneficial. We look forward to being a company that can drive growth in revenues, but also provide the best level of predictability and consistency that is capable of an agricultural company.

While we have seen strong growth in revenues from where we were a few years ago, we believe we are now positioned to drive profitability, as well. Our ability to leverage our operating infrastructure and drive enhanced gross margins should have the beneficial impact of increasing adjusted EBITDA, as well profitability. As we look forward we believe that the hard work in investments that have been made over last number of years are positioned to pay off. Now let me turn the call over at this time to Matt Szot for a review of the quarterly results. I will then come back and discuss what we see taking place within our end markets and the outlook for the upcoming quarter and the rest of the year. Matt?

Matthew Szot
Thank you, Mark, and thank you to everyone on the call today. Since most of you should have a copy of the financial results and the press release, let me spend some time going through some of the more pertinent details of the quarter and discuss some of the impacts to the model on go forward basis, given the acquisition. Before I begin, let me remind everyone that we completed the acquisition of DuPont Pioneer alfalfa assets on December 31st. Therefore the balance sheet as of December 31st does reflect the acquisition and concurrent debt and equity financing. However, the statement of operations for the second quarter does not include any activity from the acquisition other than non-recurring transaction expenses being charged to SG&A. For the second quarter, revenues totaled $13.8 million, up from $11.5 million a year ago and above our previous guidance of approximately $12 million. As we indicated in the press release, we shipped higher volumes of non-proprietary seed than we had originally anticipated. This has the beneficial impact of driving revenues and turning inventories, but it did have a negative impact on our margins for the quarter.

We saw strength in the Saudi Arabia where we shipped more than $4.7 million of seed during the quarter, compared to $1.2 million in Q2 of the prior year. Now we did discuss this earlier, but to remind everyone, we are currently estimating that the recent Pioneer acquisition will generate revenues of approximately $26 million during the remainder of this fiscal year and approximately $40 million of incremental annual revenues in fiscal year ended June 30, 2016.

There is upside potential to these numbers in '16 and beyond, but that will be dependent on our ability to increase production acreage. Based on the information we have available at this time, we are anticipating revenues of $27 million to $30 million for the third quarter. We are expecting our Legacy business to be up slightly from Q3 of the prior year and the remainder to come from the recently acquired Pioneer operations. We are expecting a small portion of revenue originally expected to ship in Q4 to move up into Q3.

Adjusted gross margins during the second quarter were 16.2%, compared to gross margins of 20.7% in last year's second quarter and compared to gross margins of 16.1% in the immediately preceding first quarter. As you likely saw in the press release, we incurred approximately $270,000.00 in non-seed farming related losses. We accelerated double cropping to speed up our certification process, allowing us to prepare fields for GMO production. While we did incur these losses, we are going to be able to utilize these acres on a go forward basis for our GMO production, which should be a key driver for us going forward. As we've communicated during recent quarters, gross margins will vary, quarter-to-quarter, based on the mix of seed sold. During the quarter we had sold much higher quantities of lower margin seed than we had originally expected, which had an adverse impact on margins. As we move into our higher volume sales quarters of Q3 and Q4, we are expecting to pick up in gross margins. We expect gross margins to be approximately 20% for the third quarter.

Adjusted SG&A for the second quarter totaled $1.86 million, which was in line with our previous guidance and compared to $1.5 million for the comparable period of the prior year. As we mentioned in the press release, we did incur approximately $1.2 million of onetime non-recurring expenses associated with the acquisition. We estimate that SG&A for the third quarter is going to be approximately $2.1 million to $2.2 million. We did touch on this during our acquisition conference call, but on an annualized basis, we expect to add about $700,000.00 to our annual SG&A, which should be pretty, should be split pretty evenly across the year. We're also going to continue to invest in research and development from the robust program that we acquired from Pioneer. We estimate that on an annual basis, we will add roughly $1.7 million to $1.8 million of additional R&D expense on top of our annualized historical spend of around $900,000.00.

As we talked about on the call in January and issued in various news announcements, we funded the upfront payment of the acquisition with a financing that consisted of convertible debt with warrants and a private placement of common stock to raise a total of $31.7 million in gross proceeds. We issued $21 million, or $27 million of secured convertible debentures and $4.7 million of stock. But when you look at the December balance sheet, you'll see the impact of both of these items. Now from an interest expense stand point on the convertible notes and the Pioneer seller note, there will be incremental cash interest expenses fiscal year of approximately $1.1 million. Next fiscal year, that incremental cash interest expense would be roughly $1.59 million, and then when we look out to fiscal 2017, that would be back down to $600,000.00 of incremental cash interest expense. These numbers assume no conversions and we are servicing all the convertible debt in cash. In addition to the cash interest expense discussed, we will incur non-cash interest expense of approximately $2.4 million in fiscal '15 and that relates to the accretion of our debt discount associated with the derivative warrant liability and the amortization of debt issuance cost. Under the effect of interest method, non-cash interest expense is front loaded and decreases as principal is paid down. In fiscal 2016, these non-cash interest charges will be approximately $3.2 million and $1 million in the final year. We are going to disclose these as separate line items on our P&L going forward so you can clearly identify the non-cash components of interest expense.

In addition to servicing the interest and debt payments with cash flows from the business, we also recently entered into agreements to sell 759 acres of farmland in the Imperial Valley, as well as 30 acres of farmland at Five Points, for a total of $7.3 million. Following the repayment of our existing $2.3 million mortgage, the Company will utilize the remaining proceeds to prepay $5 million of the convertible debentures recently issued. This has the benefit of reducing potential dilution associated with the debentures. As we talked about, our objective is to clearly pay off all the principal and interest payments with cash, but we recognize that there will likely be a certain level of note conversions. This will have an impact on increasing our shares outstanding, but will also reduce the cash required to service the debt. These conversions will likely only take place if the stock is above $5.00 per share. Now many of you have asked about what the number of shares outstanding are or will be, and clearly this number does not have a definite answer and will depend on how high the stock price is. That said, to provide some level of clarity to the upcoming quarter, we estimate that there will be approximately 12.9 million shares utilized for our basic shares outstanding. This does not account for any conversions; however, it does include the 1.3 million shares of common stock issued in our December financing.

Now let me spend a little time discussing our inventory balances and receivables. Regarding the inventory, we ended the quarter with approximately $43 million of inventory on hand. Included in this is approximately $22 million from the Pioneer acquisition, with the remainder attributable to our Legacy business. Our Legacy business inventories decreased to $21 million in December, down from $29 million at the end of September. Our receivables decreased approximately $5.4 million from September, as we continue to manage our collections on an orderly basis. Now I know we just went through a lot of data here, so if you have any questions please free to ask. Now let me turn the call back over to Mark.

Mark Grewal
Thank you, Matt. Before we turn the call over to your questions, let me expand a bit on our outlook for the upcoming quarter. Overall we are seeing a strengthening in certain of our key markets that have been weak for a period of time. The factors that are influencing this are low levels of inventory at the higher end of the market and decreasing levels of inventory at the lower end. These inventory levels are creating price increases at the higher end of the market and stable to increasing pricing at the lower end. Overall, we are expecting revenues during the third quarter to be approximately $27 million to $30 million, with gross margins of approximately 20%. This will be a record third quarter for the Company. We believe that our markets are strengthening and have a favorable outlook for the remainder of the year.

The last few months have been transformational for S&W Seed Company. We have positioned ourselves to be the leader in a very important agricultural crop. We have a product portfolio, production and distribution base that we believe is unmatched by anyone in the industry. The building blocks are in place to take this company to the next level by driving growth in revenues and profitability. We thank for your support and I'm going to turn the call over to Robert so he can talk to the operator and take some of your questions.

Robert Blum
Laura, can you instruct the listeners how to dial in?

QUESTIONS AND ANSWERS

Operator
Sure. At this time, if you would like to ask a question, you may press star (*) then one (1) on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*) then two (2). At this time, we will pause momentarily to assemble our roster. And our first question will come from Mike Malouf of Craig-Hallum.

Mike Malouf
Great, thanks guys for taking my questions.

Mark Grewal
Hello, Mike.

Matthew Szot
Hi, Mike.

Mike Malouf
Can we just get, Mark, just a little bit more clarity on the pricing? That sounds, I think on the last call, you talked a little bit about stability and now you are talking about rising prices, which is great. When you talk about the inventory levels, can you give a little bit of color around that and, in particular, I saw Saudi Arabia become a big portion of your sales this quarter. How is that market in particular?

Mark Grewal
Well, the Saudi Arabian, the Kingdom, is, our main distributors have no inventory left from previous years, so they're out now and they're currently negotiating with our marketing experts on pricing and on product and we're shipping. So we're back into the flow into Saudi and into North Africa with some solid ordering going on. So we believe that the market is really, really turning around in that region. I don't know if that's enough information or do you want to go in a more detail, Mike?

Mike Malouf
What about on the lower end?

Mark Grewal
The lower end, I'm pretty excited about because the lowest end public variety product that's sold around the world in the non-dormant market is Si River. So when you start talking about where that Si River price is and what's left in the marketplace, it's almost gone until the new crop comes off, the new crop has less acreage of it, but that base price has increased dramatically.

Mike Malouf
And when you say dramatically, can you give us just a sense to quantify that a little bit?

Mark Grewal
Well, I'll give you a range, and now you are going to have to do the penciling and conversion because that's in kilos, but a standard Si River price would be somewhere between $2.00 and $3.00 a kilo and that price is going upwards of over another $1.00 on top of that, right now strengthening to, say, $4.00 a kilo.

Mike Malouf
Okay, great, thanks, and then if I could just get a comment on the stevia initiatives that you have, can you give us an update there?

Mark Grewal
Mike, I'm very impressed with the team that's been put together and where they're headed. We are expanding the stevia operations. We're moving into our Nampa facility with green house operations. You have to recognize that our current main research area is by the Oregon State University Operation in Ontario, Oregon, with Dr. Shock, with the acquisition of Pioneer's alfalfa program, we picked up Nampa and Nampa is only 42 miles away from Ontario. We have eight acres of the research site there that I've instructed the agronomist to start putting in additional green houses and we're going to be doing some expanded operations in production and R&D at the Nampa site, adding agronomic activities and people and so we're back in the flow of expanding this operation to prepare for a lot of future growth. Matt, you want to add some?

Matthew Szot
Yeah, and then, Mike, I would just also add to that we were anticipating filing our third patent application for stevia sometime over the next four weeks or so.

Mike Malouf
Okay, great, and then just one final question, with regards to GMO and tropical, can you give us a sense of how many pounds this could be over the next couple of years? How do you think it will scale for you if things go well?

Mark Grewal
You'll have to put a pencil on this, but after you get the initial 100 to 300 acres, if everything turns out right and Monsanto is happy with everything, we've flown everything over, as far as the chemicals, let's just put a small conservative number of say 500 pounds per acre on that and

then look at how you could ramp up just in the following year alone. So it's this initial ramp up of next fall that's critical, Mike, and then, literally, you're talking we could put in 1,000 acres if we wanted to, for example, and at 500 pounds, you're talking 500,000 pounds. Or we could put in 2,000 acres and do a million pounds. So it's going to be substantial, depending on, we're trying to get the demand up first. You got to recognize that the two products that we have licensed currently is the only salt-tolerant eight dormant seed in the world and the highest salt-tolerant nine in world.

But we expect the demand for those products in the San Joaquin Valley and in other GMO regions, domestically, and a non-dormant geography to be very robust and so I think we'll have a lot more discussion of this this fall, Mike, and we'll have a lot more vision on how fast that we need to ramp up and then, as we do that, we are still working on adding to our production licenses with Monsanto and FGI, a lot of Pioneer germplasm, so we'll be moving into some other modes and operations in this. So it's pretty exciting with the collaboration of the groups together and what's going to occur over the next few years.

Mike Malouf
And how about tropical?

Mark Grewal
Well tropical, I spent two weeks in Brazil. I went there with some of the top guys in another distribution operation that we have a good relationship with. They're very excited about the potential; we just have to prove it out. So we have to prove it out in these rainforests that this alfalfa can survive that type of environmental condition and if they are satisfied with that, you're talking about some pretty big geographies into Brazil, into any wet area where you have like 50 inches of rain or more, into South East Asia, and those are brand new markets, Mike, there's nothing there. It's just, you're going from zero to whatever people are willing to do and I think they'll see new farms put in place and things like that and you'll dairy enhanced.

Mike Malouf
Great, thanks for the help, I appreciate it.

Mark Grewal
Thank you, Mike.

Operator
Our next question comes from Brett Wong of Piper Jaffray.

Tyler Etten
Hey guys, this is Tyler Etten on for Brett Wong. Thanks for taking my questions. I was wondering if you guys could talk about the blending initiative or what plans you have to blend the newly acquired varieties into your current varieties.

Mark Grewal
Okay, Tyler, what we have to do there is we're working with distributors right now, some have

been with us, some are brand new and that's a function of our breeding team getting together and deciding what the ratio needs to be between the product lines, and the branding, do they want it in an S&W bag? Do they want it in a private label bag? Do they want us to register that brand exclusively and then what registration processes do we go through. So we have made a few of those, but with Pioneer, we're in negotiations right now for some of their non-dormant germplasm that they really don't produce anymore. I may have Robin speak on that a little bit. He's available to talk and we may come back to that if Robin wants to expand on it, but we will, you will see blended products of the strength of Pioneer with the strength of S&W and the two of us command a lot of strength. We have the ability to do the salt side and the yield side; they have the ability to do the nematode resistance and the quality parameters. And when you put them together in the right breeding with our breeders and our doctors on what they think is the right ratio, I think we'll create some solid product blends that are going to be exceptional in the marketplace and we'll be able to attack other markets that we've never had before. Robin, do you want to say anything?

Robin Newell
Sure, Mark, thanks, and Brett, I can elaborate on that little bit. From the Pioneer germplasm viewpoint, we just went through an advancement of the newest germplasm into the Pioneer line up and then we also will take certain varieties and begin growing those this year. And then next year, we should be able to use those in conjunction with certain S&W varieties and great blends that our customers will want. So as we move forward and advance these new products into the S&W line up and, as well, make them available for blending, that's really how we'll position that. So this isn't something we're doing right now. This is something we'll be doing starting next year as we grow these new products.

Tyler Etten
Okay, great, thank you for all that information. In terms of the blending initiatives that you have right now, have you guys, did you guys make any blending initiatives during the quarter or could you expand on that a little bit?

Matthew Szot
Tyler, this is Matt, maybe I can answer that initially. We, roughly 40% of our sales for the quarter included some sort of blended product and that blended product typically includes some level of Australian material. Now that, but that blend could be a little as 5% Australian material or 85% Australian material, so it's, and it's really kind of across the board in between there. So we certainly are doing that and it's continuing to be an initiative on a go forward basis and when we look to our go forward models, we're getting pretty excited about the margin potentials that can come about by effectively executing on this optimization program we have.

Tyler Etten
I'm sorry, what was the percentage you said?

Mark Grewal
40%

Matthew Szot
Yes, roughly 40%.

Tyler Etten
40%, okay and then my last question would be when you say that the Middle East depleted all of their inventories in this quarter, is there a shortage of shipments going out there now or is the demand being met for those empty inventories?

Mark Grewal
We'll start hitting a lot of those markets in the fourth quarter, Tyler. So we'll ship them out so they're prepared for the first quarter plantings. That'll be a big component of what happens in the fourth Q.

Matthew Szot
And, Tyler, we did ship roughly $4 million worth of product to Saudi in December. So that product is there now and we're, as Mark contends, we're anticipating everyone to really start refilling their warehouses in a pretty meaningful way come Q4.

Tyler Etten
Great, all of that's very good information. I'll get back in the queue, thank you.

Mark Grewal
You're welcome.

Operator
And the next question is from Philip Shen of Roth Capital Partners.

Philip Shen
Hey, guys, thanks for taking my questions.

Mark Grewal
It's good to hear from you, Philip.

Matthew Szot
Hey, Philip.

Philip Shen
Nice to talk to you, as well. Hey, following the acquisition, how have discussions or dynamics with your customers changed? Are you seeing any changes in those relationships as a result of having Pioneer in your back pocket?

Mark Grewal
Philip, it's actually very exciting, and Robin may want to comment on this, too, but what's happening is, because we have the ability to carry all dormancies across the board, even in our non-dormant regions and you have to remember that elevation in California still requires

dormant seed that we were never a part of. So look at our initial geographies, even in the non-dormant area we were selling, those are going to be expanded and we're getting a lot of distributors that want to come and have us, S&W Seed Company, supply their entire demands, so it is extremely exciting. Robin, do you want to say anything about a one-stop shop or any comments that you're seeing out in the marketplace?

Robin Newell
Sure, Mark. I've been spending some time with Pioneer sales reps and some customers over the past couple of weeks. They are interested in pretty much one thing, which is they want to continue have access to their exclusive Pioneer varieties and once reassured about that, they're ready to keep right on rolling into the marketplace the way they always have. So that's really good reassurance from that side. And then the really exciting part to me is the fact that we got other distributors knocking on our door asking about access to this germplasm base that is very well known, very well respected high performance, and so as we are able to advance some of these newer products that they also use and grow them out this coming year, this gives us opportunity looking forward into future years [technical difficulty] market.

Philip Shen
That sounds really exciting. Is there any way to potentially quantify on the demand side of the equation, what the potential change in demand could be from your original base? If you take a look at Pioneer's original business and your Legacy business, obviously, there are some synergies here. You can expand internationally, you can expand domestically beyond the Corn Belts and then to existing customers offer to two sets of varieties. How, to what degree can you quantify that upside potential and then, obviously, you may have some limitations on the grower side. Let's talk about that in a second, but let's focus on demand. How much potential is there?

Mark Grewal
Okay, I'm going to give you Mark Grewal's opinion first, okay? So this is my agronomic view and then Robin can either calm it down or take it to another level. But when I look at, I think it was Tyler, earlier asked about blending initiatives and things, what I see currently where we'll get to is is if we're 25 million to 30 million pounds of production, I would say we have a 25% potential ramp up on blended product lines. The way I look at that is about 4 million pounds coming out of Australia, about 2 million pounds coming from the Pioneer germplasm to up it another 2 million, and a couple of million from us. So we see at least the ability to brand, develop, expand, create into some agronomic areas that people haven't been in with maybe a combo product into a four, five dormancy salt tolerant that people are looking at as our breeders enhance the things that they're working on. And as we take these brands and take them to the markets, and I'm going to say this, now this may not happen, so one of Robert Blum's thing, may, should, can, win, how, but we have distributors right now who are requesting like $7 million of new sales potential just in our seed products because of the ability to one stop shop and that's going to be all new business, Philip, so we're very excited about what's going to happen the next few years.

Philip Shen
That is exciting. So then let's flip it around and look at it from the supply side. What do you

need to do and where are you now from the grower base? What needs to happen in order to deal with the, allow you to meet this increased demand?

Mark Grewal
I may think that Matt put that in one of his comments, but it's production and its new production and its production shifting to areas that have, that are going to create our new proprietary variety, so Australia is a key. Robin may want to touch on Kansas, may not, but we're looking at some new areas. We're going to have to hit the state of Washington more. We are going to move into Canada at a larger potential, but we have to have production and the key to this is our head production guy that's taking over that area is Kirk Rolfs, from Pioneer at Nampa. But he's going to have to go out and get more acres and we're helping him with that, but you're looking at some regional expansions and so it takes time to get those varieties in, placed, get the seed off and it's the ever changing thing that basically a lot of guys have been waiting on, is when do we get more of the S&W Legacy product produced. Australia is a key, Canada is a key, Washington's a key, Philip. So it's getting growers to rely on and trust our varieties and to grow those and produce them for us. Robin, do you want to make any comments?

Robin Newell
Sure, Mark. I think the main thing on the dormant side is we want to be able to start moving into some brand new varieties that we can use to get other distributors [technical difficulty] freedom to do that, so it's a matter of time and [technical difficulty]. We will need to obtain new production acres and that's going to begin this spring, but it really goes in earnest in the fall. That's when most seed growers [technical difficulty] prefer to plant. [technical difficulty] will establish some this spring [technical difficulty] looking for a lot of acres this spring, probably a record number for us at Pioneer because of the [technical difficulty] putting some new germplasm in the ground and getting to try some new varieties for distribution channels. So we will do that in the North West. We will also do it in Canada. One of the big differences that [technical difficulty] request, though, is that the Canadian production does not produce the first year. [technical difficulty]

Mark Grewal
That's a good point.

Robin Newell
So we have, certainly have opportunity and now we have to realize that you're getting new production in the ground [technical difficulty] cycle of producing seed. So this is really our focus right now and Kirk Rolfs' focus with his team of production agronomists is with the potential seed growers and we're expanding our areas and our grower base so that we can obtain the new seed acreage that we need [technical difficulty] contract. [technical difficulty]

Mark Grewal
So, Philip. Thank you, Robin. So Philip, one of the first things that happens is we go visit the distributors on their needs. Our breeders get together and they say, well, we want a four or five dormancy product and we want it to be able to have these traits in it and this is the region we'll

be selling it and so then Robin and his team and Fred Fabre and his team will work on the pack plan and the demand plan and then we'll say, well, we're going to, that's going to require 3,000 more acres to get that for those sales for that distributor and this is going to be possibly a private label brand with a component of seed to work on our margin enhancement, our optimization plan initiative, of getting in an Australian component, maybe a Canadian component, Australian component and then moving that into a new product label brand and so that's where we're headed, Philip, and that's the exciting thing that's going on right now.

Philip Shen
Great, thank you, Mark. One last question and I'll jump back in the queue. Can you just remind us where, what is your acreage today combined between the recent Pioneer acquisition and all the acreage you have access to in Australia, as well as here in the U.S.

Mark Grewal
Instead of an acreage, I'd like to go with basically million in pounds and it's somewhere between, with the combination 25 million to 30 million, depending on the actual outcome of the crops harvested and weather. So we're somewhere in there and anything else we need to pick up, Philip, we'll spot purchase in the market, short term, and then we'll shore it up with proprietary varieties in the long term.

Philip Shen
Great, thank you, Mark. Thank you Robin, as well.

Mark Grewal
Yeah, Phil.

Operator
Our next question comes from Brett, sorry, Brent Rystrom with Felty and Company?

Mark Grewal
Hey, Brent. It's Feltl, but how are you doing?

Shannon Richter
Actually, this is Shannon Richter on for Brent.

Mark Grewal
Hey, Shannon.

Shannon Richter
But doing well here. Just a couple questions for you, first, can you update us a little more on your purchase agreements with Pioneer? Do you have a minimum or maximum volume stipulation or do they have a take or pay provision?

Matthew Szot
Yes, I can answer that. This is Matt here. So for, we have a ten year distribution agreement with

Pioneer and, in that agreement, the demand plan for the first two years was contractually defined at the onset of the agreement, which is why we are have the visibility and clarity of why we're giving revenue guidance on that business for both this year and next year. And then once we move on to year three through ten, there is a minimum guarantee and it is a take or pay sort of arrangement.

Shannon Richter
Okay, and then can you give us any

Matthew Szot
Did I answer your question?

Shannon Richter
Yep, can you give us any like volume to that, to what the minimum is?

Mark Grewal
What we can do is give you a historical base. Robin's been there for 32 years. Robin, do you want to give your basic historical volume take?

Robin Newell
Well, there is certainly a range of those volumes [technical difficulty] and that range probably averages around 7.5 to 8 million pounds.

[multiple voices]

Shannon Richter
I'm sorry, you cut out there.

Mark Grewal
Shannon, it's around 8 million pounds would be a normal range, 8 to 10, something like that.

Shannon Richter
Perfect, thank you, and then just one final question here. Can you give us a ranking of your cost of production for growing alfalfa seed in the San Joaquin, Imperial, Australia and then your new locations at Pioneer?

Mark Grewal
Shannon, I'm going to give you just a couple, but there's some market things that we wouldn't want to get into. San Joaquin Valley is relatively easy to say, the base price is $3.25 a pound, all the companies are out there are at that base price for farming production. Australia varies, depending on variety, is it public? Is it proprietary? So it's across the board. And dormant depends on when is that product coming off? Is it spring planted? Is it fall planted? So they can vary. But dormant seed, in general, is probably about a buck a pound less in production costs than non-dormant.

Shannon Richter
Perfect, thank you so much for taking my questions.

Mark Grewal
You're welcome.

Operator
Again, if you would like to ask a question, please press star (*) then one (1) at this time. Our next question will come from Ian Gilson of Zacks Investment Research.

Ian Gilson
Yeah, good afternoon, gentlemen. I'm having a problem in accessing the EDGAR file and I don't know whether the information I want is in there. Can you give us a breakdown of revenue by geographical area?

Matthew Szot
Ian, we have not disclosed that yet. That will be included in our Form 10-Q, which will go on file Tuesday morning.

Ian Gilson
Okay fine, I'll wait for it then. Thank you very much.

Mark Grewal
You're welcome, Ian.

Operator
And the next question is from Steve Postich of Steve Postich Builders.

Mark Grewal
Hey, Steve.

Steve Postich
Hello, Mark, Matt, how you doing?

Mark Grewal
Doing good.

Matthew Szot
Hi, Steve.

Steve Postich
I have a few questions and with respect to the joint venture of Bioceres, are we going to be doing anything with stevia down there, do you think?

Mark Grewal
I would say not initially.

Steve Postich
Okay. Next is what inroads have we made with China since we made our first shipment over there? Is there anything else coming up now?

Mark Grewal
Yeah, we actually have an exclusive distributor and they're getting ready to take the second container on, so we're getting very excited. These are trialings, but, in containers, quite a bit seed, 38,000, 40,000 pounds. So yeah, we're moving, we're slowly moving seed. You got to remember that, for us as a Legacy group, we were relying on the old Gerdsen varieties that we got, the Rhino, the Trophy and the Runners, and those are being produced up in Manitoba, Canada. As we expand and we're able to us some of the germplasm from Pioneer, this will ramp up quicker and as we increase our production in Canada, that will help on the dormant production for our ability to send more seed that way. But until, we just made this acquisition on December 31st, all we had was 300 acres of new production out of Canada and a lot of that was earmarked for those types of markets, Steve. So we are excited, it's small volumes right now, but it is moving. We have setup distribution and we're very excited about what's going on.

Steve Postich
Great. Another question I had is, it's on TV, on the news and that, about the slowdown at the docks in LA. Is that having any effect on the shipments?

Mark Grewal
Sure, they're slowed down.

Steve Postich
Okay.

Mark Grewal
But we had product that was sitting in the port, like December 18, that just got out and things like that. So it is a slow up. They have to work out their negotiations. We have other alternate routes, if needed, but we're trying to maintain the course and have enough upfront planning that we can still get those shipments there and, as they are moved in smaller volumes, they still hit the markets at the right time.

Steve Postich
Okay, and one last question, with the dollar being so strong, how has that effected S&W?

Matthew Szot
It's turning out in our favor. As we continue to move more and more production into Australia, those production contracts are denominated in Australia dollars. So we are benefiting from them and our sales are globally, it's a vast majority of our sales are denominated in U.S. dollars,

so the currency movement is, should help us in the coming months, help with margins.

Steve Postich
Great. Well, thank you very much. You guys take care.

Mark Grewal
Thank you, Steve.

Operator
The next question is from Keith Gil of JHS Capital Advisors.

Keith Gil
Hey, Mark, Matt, Robin, congratulations on this acquisition, I know it was a big one for your guys.

Mark Grewal
Thank you, Keith.

Keith Gil
And how acquisitions go, how do you feel you will be able to assimilate it into the S&W umbrella?

Mark Grewal
This is my personal opinion. They'll be the quickest and the fastest acquisition, as far as integration, that we've even done, of the three that we've done. So I'm very pleased with the staff, they're exceptional, they're professionals, they've been trained right and a lot of them, unfortunately for me personally, I was able to work with through my careers growing alfalfa seed and we have same culture and we know the same people and it's, quite frankly, it's fun and as an alfalfa company for guys that were, that had to play second fiddle to corn and now they've been released into an Alfalfa core company, it's very exciting for them also.

Matthew Szot
It brings an exceptional bench of additional management team, a set of processes and know-how that we're integrating throughout the rest of our organization. So there's immediate synergies that we're already experiencing the benefits of and we're really kind of only scratching the surface and it's going, the integration has gone, although it has certainly been a lot of work, its going about as smooth as we could have expected it to.

Mark Grewal
Yeah, the other thing I'll let you in on is that we've got state of the art facilities now. The lab at Nampa, we can do not only laboratory analysis for all of our stuff that used to be shipped outside to different entities, but we can do in house testing for stevia, also, and we're going to be ramping that up with our lab. Our lab is going to be a critical component there in Nampa and then, when you look at the breeding sites at Arlington and then Connell, we really have added some exceptional members that are excellent breeders that will enhance and will help us move

through some processes faster than we were previously moving through them. So it's all very positive, Keith.

Keith Gil
Outstanding, big guy, go get him.

Mark Grewal
Thank you.

CONCLUSION

Mark Grewal
Again, I wanted to thank everyone for participating on today's call. We look forward to talking with you again at the conclusion of the current quarter. We really look forward to the next one and have a good evening.

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