S&W Seed Company
(NASDAQ: SANW)

First Quarter Fiscal Year 2019
Financial Results Conference Call

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11:00 AM Eastern

CORPORATE PARTICIPANTS

Mark Wong – 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 morning, everyone and welcome to the S&W Seed Company reports first quarter fiscal year 2019 financial results conference call. All participants will be in a listen only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0".

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*" and then "1" using a touchtone telephone. To withdraw your question, you may press "*" and "2". Please also note today's event is being recorded.

At this time, I'd like to turn the conference call over to Mr. Robert Blum of Lytham Partners. Sir, please go ahead.

Robert Blum
Thank you so much and thank you all for joining us today to discuss the financial results for S&W Seed Company for the first quarter of fiscal year 2019 ended September 30, 2018. With us on the call representing the company today are Mark Wong, President and Chief Executive Officer and Matthew Szot, Chief Financial Officer.

At the conclusion of today's prepared remarks, we will open the call for a question-and-answer session. Before we begin with 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 27 A of the Securities Acts of 1923 as amended, and section 21 E 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 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, 2018 and other filings made by the company with the Securities and Exchange Commission.

With that said, let me turn the call over to Mark Wong, Chief Executive Officer for S&W Seed Company. Mark?

Mark Wong
Thank you, Robert and welcome to everyone who's on the call today. Because we talked last week about the Chromatin acquisition, I'm going to keep my comments fairly short today. I just want everyone to know though that the organization, as we've announced, has hit the road running. Our new organization geographically organized along the lines of the Americas, North and South America that is, and then all the international markets is in place.

Don Panter and David Callachor respectively have been announced to our organization. We've had a call with all of our employees and last week our senior management team was together, and we started working on the integration plan for S&W and Chromatin assets. So, we're pretty excited still about the acquisition.

The top things that are peace of mind going forward are really the sales and distribution assets that we acquired with the Chromatin purchase. In the U.S. of course we are focused on the farmer dealer system, what its strength is historically, what products we moved through there. Chromatin did not spend a lot of money on the farm dealer network over the last couple of years because of their own financial problems and so we are very focused on how to build strength in the farmer dealer network that we acquired in the U.S., what products we can sell through there in terms of not just the traditional sorghum variety that Chromatin was selling but also cross-selling our sunflower and alfalfa product line. So, we're pretty excited still about the U.S.

And then internationally, we have many, many new distributors that we're going to be visiting. We contacted most of them by phone this past week now that we own, and we closed on the Chromatin assets and that's looking very, very excellent in terms of opportunities there, too.

The last thing I just like to mention is stevia. We haven't talked about that in a call or so. We're still very aggressive on stevia. We planted winter trials in the East Coast for the first time with large farmers in the Carolinas and a couple other locations and we'll be planting with those same farmers a spring trial so that will have yield data both on winter plantings and on spring plantings on the East Coast, which we think is going to be a better market for stevia production then maybe our traditional locations on the West Coast.

We also planted West Coast trials, so we should have a lot better data coming in the harvest season, so that would be October of 2019. So, we're very excited about stevia and we're continuing to look at the opportunities at Chromatin and I just wanted to make those several general points on the call and I'm happy, obviously, with the progress that we've made so far. And with that said, I'll make a couple comments at the end of the call but I'd like to turn the call over now to Matt, who has the financial report for you all. So, Matt, please.

Matthew Szot
Thank you, Mark. And thanks to everyone on the call today. For the first quarter, revenue came in at $26.1 million compared to $10.7 million in the first quarter of the prior year. As we stated in our press release, the $15.4 million increase in revenue was due to a $16.7 million increase in revenue to Pioneer. This increase to Pioneer is solely due to the acceleration of revenue recognition pursuant to our adoption of ASC 606, which is effective July 1, 2018. We expect full year revenues from Pioneer in fiscal '19 to be down compared to fiscal '18.

The adoption of 606 had a significant impact on our revenue recognition for our distribution of production agreements with Pioneer. However, there were no other changes to our accounting as a result of the new accounting standard. I want to make clear that this is an acceleration of revenue in the current period that was spread over multiple quarters in the prior year. We recognized approximately two-thirds of our expected fiscal 2019 revenues from Pioneer during the first quarter, but the remaining $9.7 million to be recorded during the second and third quarters of the current year.

Every report under the old revenue recognition standard, ASC 605, revenue would have been $8.8 million in the first quarter of 2019. Now as we discussed during our conference call last week, we closed on the Chromatin acquisition on October 25th and therefore we will have approximately eight months of financial activity in 2019 from the Chromatin business. We expect the newly acquired business to generate approximately $14 to $15 million of revenue in fiscal 2019 and $17 to $20 million in fiscal 2020.

From a seasonality perspective, we estimate the sorghum revenues from the acquired operations will be approximately 20 percent in the first quarter, 25 in both the second and third quarters, and 30 percent in the fourth quarter. And these are rough estimates. Now, moving to gross margins, gross margins during the first quarter of fiscal 2019 were 20.9 percent compared to gross margins of 21.8 percent in the first quarter of the prior year. The decrease in gross profits margins is due to a product sales mix during the term where we had higher concentrations of sales at a percentage of total revenue through Pioneer under our production agreement.

The sales pricing under our production agreement, which expires in May 2019, and this production agreement specifically covers the GMO varieties we sell to Pioneer, is lower, the pricing on that is lower than the prior year. We estimate that gross margins of our organic business, including any impact from the Chromatin acquisition, will slightly decrease from 2018 due to the anticipated sales mix as less revenue during 2019 will come from higher margin Pioneer business.

Now turning to our expectations of the acquired operations, we expect gross margins will be higher than our historical operations. We currently estimate that the newly acquired operations to generate gross margins ranging from 30 percent to 40 percent depending on specific hybrid. Operating expenses were $4.7 million in the first quarter of fiscal 2019 compared to $4.5 million in the first quarter of the prior year. As we mentioned in our press release, during the first quarter we incurred $409,000 of transaction expenses related to our acquisition while the first quarter of 2018 included a minimal $29,000 of transaction related expenses. Excluding these one-time transaction expenses, our operating expenses totaled $4.3 million in the current quarter compared to $4.4 million in the prior year.

Now, if we looked to the individual line items within operating expenses, SG&A was down nearly $400,000 when backing off transaction experiences, R&D was up approximately $250,000, and depreciation and amortization was relatively flat. As we mentioned in the past, we're going to continue to focus on controlling costs and operating efficiencies while maintaining an investment in developing next-generation products that are intended to drive growth in revenues as well as gross profit margins.

Now I want to spend a few minutes providing clarity on our new operating expense structure. Including the Chromatin operations, we expect SG&A to be approximately $14.3 million in total for fiscal '19, and that number excludes transaction expenses. And we expect SG&A to be approximately $15 million in fiscal 2020. R&D expenses are expected to be totaled $6.6 million for fiscal '19 and $7.4 million in 2020. Our depreciation and amortization could not be accurately forecasted until we perform further work on our purchase price allocation so, we'll be able to provide further guidance on this number in the next quarter.

Adjusted EBITDA for the next first quarter of '19 was $2.1 million compared to a loss of $967,000 in the first quarter of the prior year. Again, the adoption of the new revenue recognition standard 606 drove the increase over the first quarter of the prior year. As we mentioned last week, we expect positive EBITDA contribution in fiscal 2020 from the Chromatin operations with minimal impact to our adjusted EBITDA in 2019.

Now I want to spend a few minutes or two providing further clarity on the cap structure and our shares outstanding. Upon completion of our shareholders vote taking place this November, on November 20, the $22.5 million series A preferred start issued MFP will automatically convert to common stock at $3.11 per common share. Upon conversion of the series A preferred, we're going to have approximately 33.2 million shares of common shares outstanding.

Now moving to the balance sheet, we are making measured progress and better aligning our seed inventory balances with our sales demand. And as we've discussed over the last several quarters, we are carrying higher levels of inventory. We planted very few new acres for crop year 2019 and we expect production volumes from the upcoming harvest to continue to decrease and we expect our inventory balances to further decrease over the next 12 to 18 months and become more in line with historical carrying levels.

Now as we mentioned last week, we did acquire a number of tangible assets in our recent acquisition. So, to help you update your pro forma balance sheets, included in this was approximately $11 million of inventory and accounts receivable and $9 million in property plant and equipment. And on the intangible side, we acquired a customer base, invaluable distribution channels including a former dealer network, a robust portfolio of products in elite germplasm, a leading R&D breeding program, product registration, and trade names, and we assume minimal liabilities. So, I know we went through a lot of data here, so if you have any questions, please feel free to ask and I'll turn the presentation back over to Mark.

Mark Wong
Thank you, Matt. I'd just like to conclude by saying that 2018 is actually a very eventful year for me. It marks 40 years since I've come into the seed biotech business .40 years ago, I was named general

manager of FMC Niagara Seed Company, which was a vegetable seed company that sold tomatoes and vine seeds basically in the U.S. and in the Middle East.

And I've, as all of you know, I've over those 40 years participated in building three fairly significant seed biotech companies, one became part of Dow, two others I sold to Monsanto. And I have to say in the 40 years that I've been in the seed biotech business, I have not had much more personal excitement than right now. I really believe that S&W is becoming the platform that we thought it would be for the middle-market seed industry, seed biotech industry.

What I mean by the platform is we have breeding and technology that are generating new products and a new product line for our customers. We have production assets all around the world as well our three target crops, alfalfa, sorghum, and sunflower. And now, thanks to the Chromatin acquisition in the U.S. with our farmer dealer network and internationally with our new distributor, contacts, and customers, we really have the ability to take those products, introduce them to farmers all around the world, and get those farmers based on the quality of those products to purchase. And that's what we mean by our platform.

We continue to look for acquisitions. The next couple we're looking at, frankly, are in the Australian market. So we'll be telling you more information about that in the future as we work our way through those. But it's a wonderful, exciting time for S&W Seed. The Chromatin acquisition has really given the company so much more in terms of opportunity than we had before and it's a pleasure as always to be on these calls and update all of you. And I think I'll end my comments there and just wait and see if there's any questions. So operator, thank you very much.

QUESTION AND ANSWER

Operator
Ladies and gentlemen, at this time, we'll begin the question and answer session. To ask a question, you may press "*" and then "1" using a touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, you may press "*" and "2". Once again, that is "*" and then "1" to ask a question. Our first question today comes from Sarkis Sherbetchyan from B Riley FBR. Please go ahead with your question.

Sarkis Sherbetchyan
Good morning and thanks for taking my question.

Mark Wong
You’re welcome, Sarkis.

Sarkis Sherbetchyan
So just to start off on the inventory balances first, it seems like you're carrying a pretty high level as you mentioned and the prepared remarks and given that we're kind of in fall here, can you give us kind of the cadence of whether you expect inventory to go up from here given acquisition and the fact that we're in fall, and then just kind of the trajectory of your expectation of working it down in the next 12 to 18 months? Just kind of help us understand that, please.

Mark Wong
Matt, you want try to take that one, please?

Matthew Szot
Yeah, sure. So Sarkis, with the with the acquisition of Chromatin, our inventory balances, probably at the peak level, will be an additional $10 million higher than they otherwise would with the new Chromatin inventory. But that inventory, that incremental inventory should be primarily sold down through the period in June with not much carryover inventory.

And I think I mentioned in my prepared remarks that, you know, roughly the sales for the newly acquired business should be about 25 percent, of annual sales, should be about 25 percent in both the second and third quarters and 30 percent in the fourth quarter. But as we look to our overall seed balances, Sarkis, we are and continue to be long, from an alfalfa standpoint. Were probably long $20 to $25 million, but we see that that working through the balance sheet over the next 12 to 18 months as we just normally fulfill our sales contracts and the seed is of high quality. It's being stored properly, so we're not concerned about any deterioration and germination. And we've got the working capital facilities see us through this position of longer inventory balances.

Sarkis Sherbetchyan
Okay, great. That's really helpful. And if I can move on and ask a question regarding, you know, your expected sales to be recorded to Pioneer, here in 2Q and 3Q, I think you said the balance was about in $9.7 million, so call it 1$0 million or so, how do we expect that to kind of materialize in here in 2Q and 3Q, please?

Matthew Szot
Yeah, so Sarkis, so in the first quarter on the new revenue recognition standard, we recorded about two-thirds of our revenue in Q1. And then probably 20 percent of the annual revenue will be recorded in Q2 and then with the trickling amounts coming in in Q3 and Q4. So it's definitely frontloaded into the first half of the year.

Sarkis Sherbetchyan
Okay, got it. Good. And then I think you gave us some kind of, you know, combined operating expense targets for the business once you factor in Chromatin. Can you just remind us if you expect a fiscal '20 opex structure to move, you know, up and to the right or does the integration kind of take care of any incrementals given the full year versus the eight months?

Matthew Szot
So, the total operating expense structure that in 2020 is going to be higher than '19 because we don't have, we're going to have an incremental four months of additional operating expenses as we move into 2020, we are absolutely focused on obtaining synergies and cost efficiencies at the SG&A level and the R&D level. But we still need to work through those, Sarkis. So the number that we guided to is basically what our expense structure is now. Without reflecting those further cost reductions that we think can be achieved in the coming periods. We just need further time to work through them.

Sarkis Sherbetchyan
That's helpful. Thank you, home. I'll hop back in the queue.

Operator
Once again, if you would like to ask a question, please press "*" and then "1". Our next question comes from Ben Klieve from National Securities. Please go ahead with your question.

Ben Klieve
All right, thanks for taking my questions. First, Mark, quick question for you regarding stevia planting. Are these on schedule with, you know, in terms of what your prior estimates were or were there any delays in the planting on the East Coast? Specifically, I'm thinking about hurricane Florence and Michael that came through in September, October. Did that have any impact on this initiative at all?

Mark Wong
Not really. I mean, we were always scheduled to plant in October and that's the month we got them done. Remember that stevia, stevia you plant clones, so you're planting small plants. So, one of the problems with the crop is that you don't have a lot of time if you have a delay due to hurricane or something to sort of have the clones be the right size to plant them.

So, we are very, very careful about the schedule and about the production schedule for the clones. And that's why one of the project goals of stevia is to look at possibly making the crop into a seeded crop so that our farmers can plant seeds rather than clones, which, seeds obviously are much cheaper, and they also have a much longer shelf life. They'll be, like most of the other crops, probably three years if you keep them stored under good conditions. And that's obviously very beneficial when you're doing big ramp-up of acreage to be able to produce the seeds, you know, in the long time in advance of the actual demand for planting.

Ben Klieve
Got it. Perfect. Thanks, Mark. Another question here, you know, in the past, you've kind of pre-Chromatin, you always talked about sorghum and sunflower kind of lumped together. In the past you'd said $25, $30 million business five years out. Now with Chromatin in the mix, I'm wondering if you can kind of update us on how this acquisition will impact your sunflower business and then also curious if you could kind of break out kind of a mid to longer-term revenue target from the sunflower business.

Mark Wong
Yeah. So, the reason I always put the two together, sorghum and sunflower, is because of the acquisition we did in Australia, which was the original germplasm we had in both those crops. And so we look at them as, you know, sort of a pair of crops. And they're both annual crops, so that's different than alfalfa, which is sewed every 3 to 7 years depending on where you are in the world. And so sunflower and sorghum have a lot more in common from sort of farmer practice than they do with alfalfa.

We're really not ready to talk about what the future projection looks like. We will be maybe in the next quarter or two, but right now, as I said my comments, you know, we're in the process of going around to all of our new customers in the U.S. cross-selling alfalfa probably because of where our farmer dealer network is, there's more opportunity there then cross-selling sunflower in the U.S. But we really do have a lot of distributor, new distributor contacts internationally, and those people we're just starting to visit with. So, we really don't have a forecast yet of what the longer-term sales picture is going to be for sunflower and for sorghum.

As Matt said, the inventory that came out of 2018 harvest, so we're harvesting now in Texas for the northern hemisphere. Crops almost 100 percent in, so we're happy about that. Remove the weather risk from our crop production and we'll start cleaning the seed and we've already started cleaning the first seeds that came in, but will start cleaning the seed and you know through the winter here and have that seed ready to go to our farmer dealers network kind of in the January, February, March timeframe and internationally also in that same timeframe.

So, we're really getting a handle on that. We're pretty optimistic most of the distributors internationally seem to be very positive about doing business with us. Maybe it's an indication that there aren't really very many integrated seed companies in the middle market like we talked about that they can do business with. Some of the distributors are seed companies that don't have breeding programs in the same crops we do. Other distributors are more pure distributors with warehouses and locations and no breeding whatsoever. So, we're in the process of understanding the demand of all of those customers and it's frankly going to take two, three, four months to get all that figured out. So we'll have an update for you, you know, in the future, but right now it's very, very difficult to predict that.

Ben Klieve
Okay yeah very good. I guess that that kind of ties into my next question with the visibility here. I'm curious your visibility today versus this time in prior fiscal years. You know, do you have any revenue sources here that have kind of higher uncertainty today versus prior year and, you know, how does your visibility for the balance of the year, how does that impact your decision here regarding revenue guidance on this call?

Mark Wong
Yeah, I mean I think what people should be hearing from our calls now, this might be our fifth call, fifth quarter we are reporting on since I've become CEO, is just that, you know, we've been trying to establish opportunities, whether it be buying companies like Chromatin or internally generated opportunity. I'll give you one example. So, you know, we see good customer demand in Europe for our alfalfa seed varieties and so we put our first crop, planted our first crop in Europe this year and we'll be harvesting, well that's harvested pretty much now.

And all of that seed is sold. It's about $4 million or so in revenue. And we're pretty happy that we're going to be sold out and we'll be planting a bigger crop next year because we didn't supply all of the orders that we had. So, you know, it's things like that are positive. The sunflower business is going pretty well. It's a little bit less development time than sorghum for lots of different reasons, but you know, sales are pretty good in sunflower.

So, I think what people should understand is our job is to generate more shots on goal, right? And then, if all of them don't work every single year because of weather or customer conditions or whatever, economic crop conditions in these various countries around the world, you know, we have lots of shots on goal and we're not depending on all of them to work. We're depending on the majority of them to work to generate our sales projections and that's, you know, what we've been trying to do is give ourselves more possibilities to make those sales projections much more stable and predictable because it's built up from five or six different businesses rather than just depending on our alfalfa sales in the Middle East. So, we're taking risk out of the projections and people should be seeing that as we move forward through 2019 and 2020 fiscal years. The projections will be a lot more dependable.

Ben Klieve
Got it. Very good. Thanks for your comments. I think that does it for me. I'll jump back in queue.

Mark Wong
Okay. Great.

Operator
Our next question comes from Mike Malouf from Craig Hallum Capital. Please go ahead with your question.

Mike Malouf
Great. Thanks guys for taking my questions.

Mark Wong
Hey, Mike.

Matthew Szot
Hey, Mike.

Mike Malouf
Hey. If I could just sort of backup a little bit on Chromatin and could you give us some perspective on where their revenues have been over the last 3 to 5 years? And I guess just given the amount of money that they've spent on R&D over that period and the, obviously the amount of new products that they've also brought to market, sort of curious what specifically was the reason why they weren't able to capture a little bit more market share than you would have thought.

Mark Wong
Yeah, so you know, I think one thing to remember about the Ag business in general but the seed business in particular is that it's a pretty long sales cycle, right? It's not like a software company that has a 30-day sales cycle and new products come in and within six months you can kind of see the effect of those on your sales numbers. Yeah, we get two sales seasons a year, we get a northern hemisphere spring season, we get a southern hemisphere spring season, which is really been northern hemisphere fall season, clearly, but you're really only getting two seasons a year.

So, you know, like me, 40 years in the seed biotech business, you get 80 season, 80 sales cycles in 40 years. And so, you have to make the best use of every single one of those cycles because you don't get that many. And most people don't stay in the business for 40 years, I'll have to say.

But you know, those of us who do, you know, we're very proud of our history and industry. We think we understand the business. We think we understand the big opportunities strategically. You know, we have our eyes on the horizon on those and we think we understand the small things that a seed company has to do to be successful.

One of the problems Chromatin had was they kept having to raise money to pay their operating expenses, right, because they were really still in the venture sort of pre, new product stage. Yeah, they had sales, they hit $30 million in sales I think one of the last couple of years. I can't go back for you to the question of the last four or five years because I don't remember their numbers.

But they really sort of, their sales, the profits generated from their sales never caught up to the expenses that they had and so they were funding their development costs out of new equity rounds. And you know, that's a tough place to be and I take my hat off to them. I think they did a pretty good job.

They didn't do the greatest of sins in my view, which is cut your R&D. It's easy to, when you don't have enough money, to sort of cut the thing that has a six year product cycle and hope that nobody notices because you've got six years before you get something. And you know, they didn't do that and they kept their breeding staff on, they kept their molecular biology staff together and you know, the result is that we have some really interesting projects like herbicide resistance and other things in sorghum that we are pretty excited about and we have a big pipeline of products coming in. I think no one asked the question but in one of the exhibits we put out, I think it might've been for the last call, there was a lot of product put into the market by Chromatin about two or three, maybe it was three or four years ago. You know, that was when they were making up for a shortfall that they had. They were acquiring companies, they were trying to make their product line uniform, and they had a lot more in productions in those years than in the past couple years where they've been introducing four or five, hybrids a year, which is probably the more normalized number. And they did a great job on the product pipeline on R&D. And they really probably didn't have enough money to really push the sales and marketing parts the way, you know, if they had time they would have. So it's a complicated question

Mike Malouf
Yeah, so I guess if you take a look--when you take a look though, and I note that the sales were 30 or 50 percent higher than they are now, what would lead to that sales falling off, especially given the fact there aren't very many sales cycles and I would assume that the products are pretty robust and so if a farmer is using this new product, gets sold on the new product through a long process, that you don't just over a year or two start switching to a different product. So, I'd like a, just a couple of comments on that would be helpful.

Mark Wong
Yeah, sure. So, of their sales, I would say it was a big component that were, the products that we are excited about, the ones coming out of their own research that had shown well and trials and farmers were excited about and they were producing seed and selling those. So that was a big piece of their sales, maybe half. But a lot of their sales was stuff they were purchasing and just pulling through their distributor system at pretty low margins. That's what they had such big losses. And they were, you know, they were doing that to make their sales number look bigger, Mike, that's all I can tell you.

You know, I'm not going to guess their motivation, I'm not going to say much about that because that's only going to me in trouble with some of the people who were there that are still my friends. I'm just not going to go there. But some of their sales, a big portion of their sales were purchase items that they were just pushing through in their sales organization.

Mike Malouf
Got it. That makes a lot more sense. And then just a quick question, if you have, do you have any update at all or any perspective, new perspective on what's going on in the Middle East, that would be helpful. Thanks.

Mark Wong
Yeah, I mean, we're still trying to understand when those sales are coming back in terms of the planted acres. We still believe that the dairies are doing about four different things. So, they are still buying alfalfa from local small alfalfa producers because the Saudi's have given those guys water where the big producers have been cut off. They are still importing hay, so number two they're importing hay from around the world including California. So, the hay price has been reasonably strong the last year on a per bail basis if you'd want to check that number.

They are expanding outside of Saudi Arabia so they have the big dairies like Almarai are, have bought land in California, have bought land in Argentina and are taking their own hay back to their cows in Saudi but also talking about building dairies in those areas so they can take milk back. And we've also seen from export data the fourth thing that they have been buying some milk directly.

So, they're buying from the EU, they're buying some milk from New Zealand, and their re-bottling that in Saudi for their Saudi customer base and the customer base in the Middle East because they sell, the big dairies are so big, they sell to most of the Middle Eastern countries. They are the milk supply for most of the Middle Eastern countries. Again, you know, there are 100, 150,000 cows. The two couple biggest dairies, the biggest dairy in the U.S. is about 35,000 cows. So, they're big, really big.

Mike Malouf
Okay, great. All right, that's really helpful. I appreciate the color.

Mark Wong
Yeah, thank you Mike. Appreciate the questions.

Operator
Once again, if you would like to ask a question, please press "*" and "1". Our next question comes from Walter Young from Thompson Davis. Please go ahead with your question.

Walter Young
Hi, it's Walter. My question has already been answered. Thank you.

CONCLUSION

Operator
And ladies and gentlemen, at this time we'll conclude today's question and answer session. I'd like to turn the conference call back over to Mark Wong for any closing remarks.

Mark Wong
Thanks very much. So just to everyone on the call, thank you again for following the company. We're very, very excited about the opportunities that Chromatin has given us. I apologize for being a little short on the details, but we only closed the purchase a couple of weeks ago and in those couple of weeks, as I've said, we put our new organization in place and were much more focused on markets now because we're geographically organized rather than functionally organized.

And you know, we'll have a good, a better and good understanding of our business and we'll be able to convey that to you guys in future calls. For me as I've said, now it's a very exciting time. When I came into the seed business, there were 500 corn seed companies in the U.S. and now there's five. So, we've lived through consolidation, we've lived through the introduction of biotechnology crops, of GMO's.
The industry has made many, many changes and I think, as I've said, this is one of the most exciting companies that I've had the privilege to be the CEO of and I am totally excited and I think our people are totally excited about what we're going to bring for our shareholders and our customers in terms of value. So, thanks very much everybody. And we appreciate your support, for sure. Bye-bye, now.

Operator
Ladies and gentlemen, the conference has now concluded. We do thank you for attending today's presentation. You may now disconnect your lines.