



## S&W Seed Company (NASDAQ: SANW)

*A 30-year old agribusiness specializing in salt-tolerant, warm climate alfalfa seed varieties; seed processing and cleaning; and the production and global supply of U.S.-farmed stevia leaf*

<b>Stock Price (06/06/11)</b>	\$3.85	<b>Operations:</b>	25552 South Butte Avenue
<b>Shares Outstanding:</b>	5.80 Million		Five Points, California 93624
<b>Estimated Public Float:</b>	5.52 Million	<b>Phone:</b>	559-884-2535
<b>Market Capitalization:</b>	\$22.33 Million	<b>Fax:</b>	559-884-2750
<b>52-Week Low/High:</b>	\$2.51/\$5.25	<b>Web Site:</b>	www.swseedco.com
<b>Fiscal Year End:</b>	June 30	<b>Insider Ownership:</b>	49%



### CORPORATE SUMMARY

Founded in 1980 and headquartered in Five Points, California on the west side of the San Joaquin Valley, **S&W Seed Company** has earned global distinction for its success in using selective breeding to produce a robust line of high salt tolerant, warm climate growing, high yield alfalfa seed varieties. In fact, the Company's flagship salt tolerant variety, marketed as *SW9720*, was rated number one out of 44 top alfalfa varieties as of the end of the 2008 season in yield per acre tests conducted at UC Davis; and it topped the Non-Dormant Alfalfa Salinity Trials at the USDA Salinity Laboratory in Riverside, California. In June of 2010, S&W launched its newest certified alfalfa variety, *SW8421S*, the world's only Group 8 dormancy, high yield, salt tolerant alfalfa, developed specifically for major hay growing markets in California, Arizona and Latin America.

S&W contracts locally grown alfalfa seeds from farmers in the San Joaquin Valley (many of which are second and third generation growers for S&W); processes them at its own seed cleaning and processing facility in Five Points; and then sells them to agribusinesses and farmers around the world for use in growing animal feed – primarily hay – for dairy and beef cattle, horses and other livestock. Approximately 45% of its certified, award-winning varieties are sold to customers in the Middle East and Latin America.

In May 2010, S&W made its debut on NASDAQ upon completing its Initial Public Offering and raising \$15.4 million in gross proceeds. Although its core alfalfa seed operations have yielded respectable revenues and profitability for nearly every one of its 30 years in business, the Company's successful IPO has empowered management to trigger a series of aggressive growth strategies aimed at leveraging S&W's respected reputation and expertise in plant development, seed processing and marketing to exploit potentially profound expansion opportunities related to large scale production of stevia in the United States – something never before achieved.

### THE STEVIA OPPORTUNITY

Stevia (*Stevia rebaudiana*) is a South American plant that has been used as a sweetener for over 1500 years by the native Guarani Indians of Paraguay. It spread to the rest of the world during the 18<sup>th</sup> century and in the 20<sup>th</sup> century exploded in popularity in several global markets – notably Japan, Brazil, South Korea, Thailand and China, where it is now chiefly grown on thousands of small, independent farming operations. Stevia is the source for an all-natural sugar substitute, known as Rebaudioside A, or Reb-A, that is up to 300 times sweeter than sugar, yet has no calories, no carbohydrates and a zero glycemic index, making it a great natural alternative to sugar and chemical sweeteners. Despite its acceptance in other countries, stevia has enjoyed little market penetration in the U.S. – that is, until now.



In December 2008, the U.S. Food and Drug Administration issued two 'no objection' letters to companies seeking a determination that Reb-A could be designated as "generally accepted as safe" (GRAS) as a food additive. This GRAS designation has since led several major U.S. food and beverage companies to begin introducing a fast growing list of new consumer offerings using stevia. For example, Coca-Cola is now using stevia in *Sprite Green*, *Vitaminwater Zero* and *Powerade Play*. PepsiCo uses stevia derivatives in *Trop50*, *SoBe Lifewater Zero* and *G2*, a *Gatorade* extension. It is also in some Minute Maid teas and Odwalla juices and smoothies.

Market research firm Mintel reported in September 2009 that "It's stevia's year. All natural and calorie-free, stevia is poised to become the 'holy grail' of sweeteners. Since December 2008, when the FDA approved use of Rebaudioside A in U.S. food and beverage, the stevia market has erupted. By mid-July 2009, stevia sales topped \$95 million, a substantial increase over the \$21 million achieved in all of 2008." Mintel went on to predict that the stevia market could exceed \$2 billion by the end of 2011.

In May 2010, S&W initiated stevia growing trials in the U.S. in collaboration with PureCircle, Limited, the world's largest producer of stevia sweeteners. Then, in late July, the Company announced that it signed a five-year sourcing agreement with PureCircle, providing for them to purchase stevia leaf from S&W. This agreement brings the companies a step closer towards their mutual goal of growing stevia in the continental U.S. on a scale necessary to help support growing demand from major North American-based food and beverage manufacturers. S&W anticipates supplying PureCircle with a minimum of 1,000 metric tons (2.2 million pounds) of stevia leaf over the first two years of the agreement. Grover Wickersham, Chairman of S&W Seed, noted, "For 30 years, S&W has worked with California farmers to produce high quality agricultural products. We are very pleased that our efforts to bring commercial scale production of stevia to the U.S. have begun to gain measurable traction, marked by this important sourcing agreement with PureCircle. In addition to contributing what we believe will be meaningful new revenue to our Company in 2011, we are very excited about working with PureCircle to produce the highest quality stevia in a way that will be cost effective for food and beverage manufacturers and beneficial to our California growers."

## CORE BUSINESS: HIGH PERFORMANCE ALFALFA

Alfalfa is the most cultivated legume in the world. The United States is the largest grower, followed by Argentina, Australia, South Africa and the Middle East. There are a number of factors a farmer must consider when selecting the ideal alfalfa seed – most notably are yield ability, dormancy type and heartiness, specifically the plant's resistance to potential disease and pests. However, in many important farming regions of the world, including areas in Texas, Arizona, New Mexico, California, Saudi Arabia, Morocco and Mexico, salt tolerance is a critical selection consideration. Salinity in groundwater and soil has sharply increased in arid regions around the globe, resulting in economic constraints to growers. According to the United Nation's Food and Agriculture Organization, of 230 million hectares of irrigated land in the world (which produce about a third of the world's food), nearly 20% is salt affected.

Through its proprietary breeding program developed over three decades, S&W agronomists have pioneered the most salt tolerant, non-dormant alfalfa varieties available on the market today. In regular testing at UC Davis, UC Kearney and the University of Arizona, its varieties have consistently yielded as well as, or better than, the best non-salt tolerant varieties, meaning that S&W seeds can be used to grow alfalfa in subprime soil conditions, but produce yields that are comparable to alfalfa grown in quality soil. All of the Company's varieties are certified and compliant with California and OECD standards for purity and germination; and as part of the certification process, its seed varieties are tested and data substantiated for at least six major pests and diseases.



*SW9720 germinated in soil with an EC of 27.8 (60% the salt content of ocean sea water) in the top 1½ inches of the seed*

## SEED PROCESSING: ALFALFA, WHEAT, BARLEY AND OTHER GRAINS



S&W owns and operates a specialized seed cleaning and processing facility located on its Five Points property encompassing a total of 40 acres (35 acres have been reserved for future expansion). The complex houses modern cleaning and packaging equipment, including three separate cleaning lines for wheat, alfalfa seed and small grains. S&W's seed cleaning equipment backed up by seed sample analysis by trained technicians to ensure excellent purity and germination.

Because processing alfalfa only consumes approximately 25% of the facilities current production capacity, S&W has recently begun offering other independent growers and grain companies comprehensive seed cleaning, processing, treating and bagging services. Recent improvements to the plant have enhanced its cleaning and processing value proposition. By elevating the grain once and allowing gravity to move product through processing, efficiency is improved and costs are reduced. The Company has also developed an innovative receiving process, whereby it can now unload trucks faster than nearby competitors. The entire process is

traceable; seed lots are identified and labeled by year, by variety and by grower, allowing optimal transparency throughout the marketing chain and providing quality assurance. This high margin service offering represents a key component of S&W's near term growth strategy, providing the Company with a relatively new revenue channel that has historically not been optimized.

## GROWTH TRENDS AND OPPORTUNITIES IN GLOBAL AGRICULTURE

According to noted futurist, trends and innovation expert Jim Carroll, global agriculture must double in the next 30 years to sustain world population growth that is estimated will increase 47% to 8.9 billion by the year 2050. Moreover, there is little new arable land in the world, supporting his contention that existing producers will have to continue to focus on smarter, better, more efficient growing in order to meet the demand. He states, "Growers that focus on innovation as a core value will find success; their innovation will focus on the triple-feature need for growth, efficiency and ingestion of new science. It will be by adopting new methodologies, products, partnerships and ideas that they will learn to thrive."

S-Network Global Indexes, LLC (S-NET), a developer of benchmark indexes that are designed to isolate key global investment themes and concepts and measure their performance, appears to concur with Carroll. In its *Global Agriculture Industry* report, S-NET notes, "On an historic timescale, agriculture products are still near all time record prices. Demand is forecast to increase due to several key factors. First and foremost, the world population is expected to increase by approximately 1.2 billion people by the year 2020 (United Nations, constant fertility variable). At the same time, per capita daily caloric intake for the world's population is now 2800 kcal, compared to 2280 kcal in the early 1960's, and continues to rise (FAO, 2006 and the *State of Food and Agriculture Report 2007*, FAO). Simply put, more people times more caloric intake equals more food consumption. To compound matters, an increasing percent of world food consumption is meat, which exponentially increases grain demand. (It requires at least seven pounds of grain to produce one pound of beef protein!) In China alone, annual per capita meat consumption has increased 150%, rising from 44 lbs in 1980 to 110 lbs in 2007 (*Time Magazine*, May 19, 2008)."

## PROVEN LEADERSHIP

### **Grover T. Wickersham, Chairman of the Board**

Grover is a private investor as well a farm owner himself. A former SEC Branch Chief, he is experienced in financing public companies. He also serves as the Chairman of the Board of Trustees of Purisima, a mutual fund and, although he is no longer employed as an attorney, is of counsel to Wickersham & Murphy, P.C., the successor to a law firm he founded in 1986. Mr. Wickersham holds an A.B. from the University of California at Berkeley, an M.B.A. from Harvard Business School and a J.D. from University of California, Hastings College of the Law.

### **Mark S. Grewal – President, Chief Executive Officer and Director**

Mark has served as President, CEO and Director since October 2009. Beginning in February 2009 until October 2009, he provided advisory services to S&W Seed Company, the Company's predecessor general partnership. He also has served as the Chief Executive Officer, President and Farm Manager of Triangle T Partners, LLC (TTP) since August 2009 and has held the same positions with Triangle T Ranch, Inc. (TTR) since February 2009, both located in Chowchilla, California. From January 2006 until he joined TTR, Mark was the principal of Grewal Consulting in Lemoore, California, where he addressed water, land, drainage and fertilizing, herbicide and insecticide management issues. Mark served as the Vice President of Ranching/Director of JG Boswell, Co., the largest farming operation in California, where he worked for 27 years. Mark is Chairman of the Board of California Ammonia Co. and privately held TTP; Chairman of the Plant Science Advisory Council of California State University; and a member of the Leadership Committee of California State University, Fresno. Mark earned a B.S. in Agronomy from California State University, Fresno, and an M.A. in Leadership from Saint Mary's College, Moraga, California.

### **Matthew K. Szot, CPA – Vice President of Finance and Chief Financial Officer**

Matt has served as Vice President of Finance and CFO since March 2010. Matt brings a wealth of knowledge in developing and implementing financial and operational process improvements, technical accounting and finance, SEC reporting and compliance. Since February 2007, he has served as the Chief Financial Officer for Cardiff Partners, LLC, a strategic consulting company that provides executive financial services to various publicly traded and privately held companies. From 2003 to 2006, Matt served as CFO and Secretary of Rip Curl, Inc., a market leader in wetsuit and action sports apparel products, overseeing all aspects of finance, accounting, legal, real estate and information technology. He also spearheaded a multi-store retail expansion and was instrumental in the re-engineering of processes throughout the organization. From 1996 to 2003, Matt was a Certified Public Accountant with KPMG in the San Diego and Chicago offices and served as an Audit Manager for various publicly traded companies. Matt graduated with High Honors from the University of Illinois, Champaign-Urbana with a Bachelor of Science degree in Agricultural Economics/Accountancy. Matt is a Certified Public Accountant in the State of California.

### **Daniel Z. Karsten – Vice President of Operations**

Dan was appointed to the position of Vice President of Operations in February 2010, maintaining overall responsibility for the Company's manufacturing operations, including engineering and design and start-up of the Company's manufacturing facilities.

He has been a member of the S&W team since August 2008 and served as Plant Manager for the Company's Five Points facility. From March 2005, Dan was Production Manager and Safety Officer for Colusa County Canning, a canning and industrial bulk tomato processing company located in Williams, California, where his responsibilities included operations, maintenance and compliance of facility safety and environmental requirements.

## NEWS ARCHIVES

- 05/18/11 S&W Seed to Begin Commercial Scale Planting of Stevia
- 05/16/11 S&W Seed Company Reports Fiscal 2011 Third Quarter Results and Comments on Prevailing Growth Initiatives
- 04/28/11 S&W Seed Leases Farmland
- 04/06/11 S&W Seed Expands Global Sales Distribution Network
- 04/04/11 Israeli Ministry of Agriculture and Rural Development to Trial S&W Seed's Varieties
- 03/31/11 Wells Fargo Extends \$5 Million Credit Line to S&W Seed
- 03/30/11 S&W Seed Company to Present at National Eagles and Angels Association's Inaugural Meeting of New Miami Chapter
- 03/02/11 S&W Seed Company to Present at National Eagles and Angels Association's Rescheduled Inaugural Dallas Chapter Meeting
- 02/14/11 S&W Seed Company Announces Fiscal 2011 Second Quarter Results
- 01/31/11 S&W Seed Company to Present at National Eagles and Angels Association's Inaugural Texas Chapter Meetings
- 01/27/11 S&W Seed Company to Exhibit at 44<sup>TH</sup> Annual World AG Expo 2011 in Tulare, California
- 01/21/11 S&W Seed Company Effects Name Change of Salt Tolerant Alfalfa Varieties to Provide Greater Marketing Differentiation
- 01/10/11 S&W Seed Company Seeks Acquisitions and Marketing Alliances
- 01/07/11 S&W Seed Company to Present at National Launch of National Eagles and Angels Association

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Citadel Derivatives Group LLC  
Felt & Company  
Knight Equity Markets, L.P.

Merrill Lynch, Peirce, Fenner & Smith Incorporated  
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