



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O.Box 13528 • Austin, TX 78711-3528

September 16, 2016

Robert Dillard
Superintendent
Littlefield Independent School District
1207 East 14th Street
Littlefield, Texas 79339

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes by and between Littlefield Independent School District and Continental Dairy Facilities Southwest, LLC, Application #1137

Dear Superintendent Dillard:

On August 4, 2016, the Comptroller issued written notice that Continental Dairy Facilities Southwest, LLC (the applicant) submitted a completed application (Application #1137) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on April 27, 2016, to the Littlefield Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1137.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

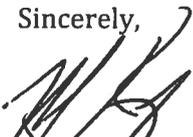
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2016.

Note that any building or improvement existing as of the application review start date of August 4, 2016, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or direct at 512-936-0758.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure
cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Continental Dairy Facilities Southwest, LLC (the project) applying to Littlefield Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Continental Dairy Facilities Southwest, LLC.

Applicant	Continental Dairy Facilities Southwest, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Littlefield ISD
2014-2015 Average Daily Attendance	1,328
County	Lamb
Proposed Total Investment in District	\$193,500,000
Proposed Qualified Investment	\$191,000,000
Limitation Amount	\$20,000,000
Qualifying Time Period (Full Years)	2017-2018
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	90
Average weekly wage of qualifying jobs committed to by applicant	\$770
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$770
Minimum annual wage committed to by applicant for qualified jobs	\$40,050
Minimum weekly wage required for non-qualifying jobs	\$711
Minimum annual wage required for non-qualifying jobs	\$36,985
Investment per Qualifying Job	\$19,350,000
Estimated M&O levy without any limit (15 years)	\$17,340,627
Estimated M&O levy with Limitation (15 years)	\$5,847,275
Estimated gross M&O tax benefit (15 years)	\$11,493,352

Table 2 is the estimated statewide economic impact of Continental Dairy Facilities Southwest, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2016	0	0	0	\$0	\$0	\$0
2017	100	96	196.119	\$4,000,000	\$8,847,000	\$12,847,000
2018	115	115	230	\$4,449,520	\$10,824,480	\$15,274,000
2019	100	112	212	\$3,729,100	\$10,577,900	\$14,307,000
2020	100	115	215	\$3,729,100	\$11,805,900	\$15,535,000
2021	100	114	214	\$3,729,100	\$12,694,900	\$16,424,000
2022	100	111	211	\$3,729,100	\$13,371,900	\$17,101,000
2023	100	107	207	\$3,729,100	\$13,950,900	\$17,680,000
2024	100	104	204	\$3,729,100	\$14,463,900	\$18,193,000
2025	100	101	201	\$3,729,100	\$14,991,900	\$18,721,000
2026	100	99	199	\$3,729,100	\$15,517,900	\$19,247,000
2027	100	97	197	\$3,729,100	\$16,082,900	\$19,812,000
2028	100	95	195	\$3,729,100	\$16,720,900	\$20,450,000
2029	100	91	191	\$3,729,100	\$17,082,900	\$20,812,000
2030	100	90	190	\$3,729,100	\$17,703,900	\$21,433,000
2031	100	90	190	\$3,729,100	\$18,306,900	\$22,036,000

Source: CPA REMI, Continental Dairy Facilities Southwest, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Littlefield ISD I&S Tax Levy	Littlefield ISD M&O Tax Levy	Littlefield ISD M&O and I&S Tax Levies	Lamb County Tax Levy	High Plains Underground Water Conservation District Tax Levy	Estimated Total Property Taxes
				0.0000	1.0400		0.7900	0.0080	
2017	2,182,000	\$2,182,000		\$0	\$22,693	\$22,693	\$17,238	\$175	\$40,106
2018	51,782,000	\$51,782,000		\$0	\$538,533	\$538,533	\$409,078	\$4,156	\$951,767
2019	152,798,000	\$152,798,000		\$0	\$1,589,099	\$1,589,099	\$1,207,104	\$12,264	\$2,808,467
2020	147,341,000	\$147,341,000		\$0	\$1,532,346	\$1,532,346	\$1,163,994	\$11,826	\$2,708,166
2021	142,086,000	\$142,086,000		\$0	\$1,477,694	\$1,477,694	\$1,122,479	\$11,404	\$2,611,578
2022	137,026,000	\$137,026,000		\$0	\$1,425,070	\$1,425,070	\$1,082,505	\$10,998	\$2,518,574
2023	132,153,000	\$132,153,000		\$0	\$1,374,391	\$1,374,391	\$1,044,009	\$10,607	\$2,429,006
2024	127,460,000	\$127,460,000		\$0	\$1,325,584	\$1,325,584	\$1,006,934	\$10,230	\$2,342,748
2025	122,939,000	\$122,939,000		\$0	\$1,278,566	\$1,278,566	\$971,218	\$9,867	\$2,259,651
2026	118,585,000	\$118,585,000		\$0	\$1,233,284	\$1,233,284	\$936,822	\$9,518	\$2,179,623
2027	114,391,000	\$114,391,000		\$0	\$1,189,666	\$1,189,666	\$903,689	\$9,181	\$2,102,536
2028	110,351,000	\$110,351,000		\$0	\$1,147,650	\$1,147,650	\$871,773	\$8,857	\$2,028,280
2029	106,460,000	\$106,460,000		\$0	\$1,107,184	\$1,107,184	\$841,034	\$8,544	\$1,956,762
2030	102,712,000	\$102,712,000		\$0	\$1,068,205	\$1,068,205	\$811,425	\$8,244	\$1,887,873
2031	99,102,000	\$99,102,000		\$0	\$1,030,661	\$1,030,661	\$782,906	\$7,954	\$1,821,521
			Total	\$0	\$17,340,627	\$17,340,627	\$13,172,207	\$133,823	\$30,646,657

Source: CPA, Continental Dairy Facilities Southwest, LLC

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Lamb County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Littlefield ISD I&S Tax Levy	Littlefield ISD M&O Tax Levy	Littlefield ISD M&O and I&S Tax Levies	Lamb County Tax Levy	High Plains Underground Water Conservation District Tax	Estimated Total Property Taxes
			0.0000	0.0000	1.0400		0.7900	0.0080	
2017	2,182,000	\$2,182,000		\$0	\$22,693	\$22,693	\$17,238	\$175	\$40,106
2018	51,782,000	\$51,782,000		\$0	\$538,533	\$538,533	\$409,078	\$4,156	\$951,767
2019	152,798,000	\$20,000,000		\$0	\$208,000	\$208,000	\$0	\$12,264	\$220,264
2020	147,341,000	\$20,000,000		\$0	\$208,000	\$208,000	\$116,399	\$11,826	\$336,225
2021	142,086,000	\$20,000,000		\$0	\$208,000	\$208,000	\$224,496	\$11,404	\$443,900
2022	137,026,000	\$20,000,000		\$0	\$208,000	\$208,000	\$324,752	\$10,998	\$543,749
2023	132,153,000	\$20,000,000		\$0	\$208,000	\$208,000	\$417,603	\$10,607	\$636,210
2024	127,460,000	\$20,000,000		\$0	\$208,000	\$208,000	\$503,467	\$10,230	\$721,697
2025	122,939,000	\$20,000,000		\$0	\$208,000	\$208,000	\$582,731	\$9,867	\$800,598
2026	118,585,000	\$20,000,000		\$0	\$208,000	\$208,000	\$655,775	\$9,518	\$873,293
2027	114,391,000	\$20,000,000		\$0	\$208,000	\$208,000	\$722,951	\$9,181	\$940,132
2028	110,351,000	\$20,000,000		\$0	\$208,000	\$208,000	\$784,596	\$8,857	\$1,001,452
2029	106,460,000	\$106,460,000		\$0	\$1,107,184	\$1,107,184	\$841,034	\$8,544	\$1,956,762
2030	102,712,000	\$102,712,000		\$0	\$1,068,205	\$1,068,205	\$811,425	\$8,244	\$1,887,873
2031	99,102,000	\$99,102,000		\$0	\$1,030,661	\$1,030,661	\$782,906	\$7,954	\$1,821,521
			Total	\$0	\$5,847,275	\$5,847,275	\$7,194,450	\$133,823	\$13,175,548
			Difference	\$0	\$11,493,352	\$11,493,352	\$5,977,757	\$0	\$17,471,109

Assumes School Value Limitation and Tax Abatements with Lamb County

Source: CPA, Continental Dairy Facilities Southwest, LLC

¹Tax Rate per \$100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

This represents the Comptroller’s determination that CONTINENTAL DAIRY FACILITIES SOUTHWEST, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2014	\$0	\$0	\$0	\$0
	2015	\$0	\$0	\$0	\$0
	2016	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2017	\$260,000	\$260,000	\$1,071,200	\$1,071,200
	2018	\$260,000	\$520,000	\$1,004,640	\$2,075,840
	2019	\$260,000	\$780,000	\$938,080	\$3,013,920
	2020	\$260,000	\$1,040,000	\$871,520	\$3,885,440
	2021	\$260,000	\$1,300,000	\$804,960	\$4,690,400
	2022	\$260,000	\$1,560,000	\$738,400	\$5,428,800
	2023	\$260,000	\$1,820,000	\$671,840	\$6,100,640
	2024	\$260,000	\$2,080,000	\$605,280	\$6,705,920
	2025	\$260,000	\$2,340,000	\$538,720	\$7,244,640
	2026	\$260,000	\$2,600,000	\$472,160	\$7,716,800
Maintain Viable Presence (5 Years)	2027	\$665,600	\$3,265,600	\$0	\$7,716,800
	2028	\$599,040	\$3,864,640	\$0	\$7,716,800
	2029	\$532,480	\$4,397,120	\$0	\$7,716,800
	2030	\$465,920	\$4,863,040	\$0	\$7,716,800
	2031	\$399,360	\$5,262,400	\$0	\$7,716,800
Additional Years as Required by 313.026(c)(1) (10 Years)	2032	\$399,360	\$5,661,760	\$0	\$7,716,800
	2033	\$399,360	\$6,061,120	\$0	\$7,716,800
	2034	\$399,360	\$6,460,480	\$0	\$7,716,800
	2035	\$399,360	\$6,859,840	\$0	\$7,716,800
	2036	\$399,360	\$7,259,200	\$0	\$7,716,800
	2037	\$399,360	\$7,658,560	\$0	\$7,716,800
	2038	\$399,360	\$8,057,920	\$0	\$7,716,800
	2039	\$399,360	\$8,457,280	\$0	\$7,716,800
	2040	\$399,360	\$8,856,640	\$0	\$7,716,800
	2041	\$399,360	\$9,256,000	\$0	\$7,716,800
		\$9,256,000	is greater than	\$7,716,800	
Analysis Summary					
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?					Yes

Source: CPA, CONTINENTAL DAIRY FACILITIES SOUTHWEST, LLC

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in the Continental Dairy Facilities Southwest, LLC decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per Continental Dairy Facilities Southwest, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. The site selection process for the potential planned dairy processing facility began in 2014. Multiple sites in west Texas, Oklahoma, Kansas and eastern New Mexico were visited.
 - B. Littlefield was ultimately focused on as the proposed plant location, the land was acquired in October 2015 and preliminary engineering and site planning began shortly thereafter.
 - C. To avoid potential rumors and discord, which happened in Coopersville, the applicant decided the best approach is to inform the public of the intended project. This led to media coverage that made the project sound like a certainty.
 - D. Currently, the project does not have financing and does not have a final budget and incentives will play a critical role in allowing the project to be successful.
 - E. If the applicant does not get funding for the facility it will sit empty and will be utilized as storage for the farming equipment similar to what the cooperative did for two years in Coopersville.
- According to KCBD News Channel 11 updated January 25, 2016, “Please join dairy farmer leaders of Select Milk Producers, Inc. and other community leaders as they announce the acquisition of the former Littlefield Denim Mill for conversion into a state-of-the-industry milk processing plant.”

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

**Section 8 of the Application for
a Limitation on Appraised Value**

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? Yes No
2. The property will be used for one of the following activities:
 - (1) manufacturing Yes No
 - (2) research and development Yes No
 - (3) a clean coal project, as defined by Section 5.001, Water Code Yes No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code Yes No
 - (5) renewable energy electric generation Yes No
 - (6) electric power generation using integrated gasification combined cycle technology Yes No
 - (7) nuclear electric power generation Yes No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) Yes No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 Yes No
3. Are you requesting that any of the land be classified as qualified investment? Yes No
4. Will any of the proposed qualified investment be leased under a capitalized lease? Yes No
5. Will any of the proposed qualified investment be leased under an operating lease? Yes No
6. Are you including property that is owned by a person other than the applicant? Yes No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? Yes No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

<input type="checkbox"/> Land has no existing improvements	<input checked="" type="checkbox"/> Land has existing improvements (<i>complete Section 13</i>)
<input type="checkbox"/> Expansion of existing operation on the land (<i>complete Section 13</i>)	<input type="checkbox"/> Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? Yes No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? Yes No
3. Does the applicant have current business activities at the location where the proposed project will occur? Yes No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? Yes No
5. Has the applicant received any local or state permits for activities on the proposed project site? Yes No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? Yes No
7. Is the applicant evaluating other locations not in Texas for the proposed project? Yes No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? Yes No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? Yes No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? Yes No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

For more information, visit our website: www.TexasAhead.org/tax_programs/chapter313/

Supporting Information

**Attachments provided in Tab 5
of the Application for a
Limitation on Appraised Value**

Tab 5- AMENDED

Throughout the years the years Select Milk Producers, while choosing to remain out of the public spotlight has grown quietly to be the 5th largest dairy cooperative in the nation. While its members, all family owned dairy farmers choose to remain quiet their accolades have not. Our cooperative members have not only become leaders within our industry but strive to become pivotal leaders in the various communities that they live in. Donald and Cheri De Jong, owners of Natural Prairie which is one of the largest family operated organic dairy farms in the US with over 8,500 cows and 130 employees. Overall the two own about 17,000 organic and conventional dairy cattle. Both individuals have striven to ensure that all employees are treated as though they are family, beginning a tutoring program for all employees and family members free of charge during the school year and summer months. They recently have established their own charitable organization to empower dairy farmers worldwide, and have been awarded with the NICF Outstanding Philanthropist Award. Brad Bouma, Select Milk Producers Board President, owner of Legacy Farms and Arroyo Seco in Plainview, Texas with 13,000 plus dairy cows with wife Barb and sons Brandon and Brent represent five generations of dairy farming beginning in the Netherlands. At the end of December 2015 winter storm Goliath tore through the Southern Plains, Midwest, and Northeast taking 52 lives throughout the country, and killing an estimated 30,000 cattle in Texas alone making it the deadliest storm system of 2015. During this time the Bouma family worked tirelessly during the 36 hour blizzard helping plow local roads with their front loaders, picking up, and bringing home employees. Brad Bouma also serves on the Board of Directors for the non-profit organization Operation Hope, which he has been involved with since 2008. These are just two out of the 99 family farm owners for the cooperative with many others even more involved in the various communities that they live in. Select Milk Producers is extremely particular on who they allow into their cooperative scrutinizing everything from herd health and animal welfare to the individual.

Milk production in the Southwest United States has grown to the extent it now strains the capacity of processing and transportation facilities in this region. As a result, the price of milk in this area has, at times, been depressed, forcing producers to deeply discount their pricing. If the currently oversupplied market continues as expected, the industry will suffer from maxed out capacity, denying producers fair prices for their product.

In 2014 Continental Dairy Facilities Southwest, LLC (CDFSW) began a site selection process for their potential planned dairy processing facility. As part of this process, CDFSW has visited multiple sites in west Texas, Oklahoma, Kansas, and eastern New Mexico. Ultimately, CDFSW chose the eastern New Mexico and west Texas region, and ultimately focused on Littlefield as the proposed plant location, largely due to the availability of labor, with the unemployment rate at 7%, and availability of raw materials. The land was acquired in October 2015 and preliminary engineering and site planning began shortly thereafter.

Once the Littlefield site was identified as a potential site for a dairy processing facility our cooperative members decided that the best possible way to prevent potential rumors and discord if the site was ultimately selected, would be to keep the community informed as much as possible to prevent what had happened up at the Midwest plant in Coopersville. In that case, the Cooperative actually purchased the Midwest plant to attempt to stay out of the public eye under a secondary corporation, "Arizona Maricopa". This led to distrust, and rumors within the small community, at one point being accused of running a secret government facility. Learning from that experience, and to avoid these unfortunate circumstances from being repeated, a media day was decided as the best approach to update the public on the intended Select Milk Producers project. Unfortunately, this led to media coverage that made the project sound like a certainty when it was actually based upon two critical factors: incentives offered and financing.

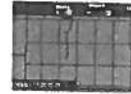
Continental Dairy Facilities Southwest, LLC would like to emphasize that we currently do not have financing and that we are just beginning meetings and discussions with the banks. We do not have a final budget, and are still in the pre-engineering stage without a solid budget developed. The incentives will play a critical role in allowing us to be successful as a business because as a commodity market, the profit margins are often very small, measured by three digits to the right of the decimal point, and our first estimate came in at \$47 million higher than we had originally anticipated.

Continental Dairy Facilities Southwest, LLC purchased the American Cotton Growers Denim Plant for \$3 million, slightly over 1% of the anticipated total project cost. If the cooperative does not get funding for the processing facility, the building will sit empty and will be utilized as storage for the various farming equipment. The building will also be utilized to rent out for storage, similarly to what the cooperative did for over 2 years in Coopersville while doing our due diligence as they are currently doing in Littlefield.

Supporting Information

**Additional information
located by the Comptroller**

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Select Milk Producers to convert Littlefield Denim Mill into milk processing plant

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Provided by Select Milk Producers

Please join dairy farmer leaders of Select Milk Producers, Inc. and other community leaders as they announce the acquisition of the former Littlefield Denim Mill for conversion into a state-of-the-industry milk processing plant.

When: Friday, October 30, 11:00 a.m.

Where: Littlefield Denim Mill 2801 Denim Road, Littlefield, TX 79339

What: News conference announcing that Select Milk Producers, Inc., has acquired the former American Cotton Growers Littlefield Denim Mill, which was closed in January 2015. Select will invest approximately \$250 million to convert the facility into a state-of-the-industry milk processing plant.

Who: Select Milk Producers, Inc., headquartered in Artesia, NM is a group of 99 member dairy farms located in Texas, New Mexico, Oklahoma, Indiana, Michigan, and Ohio, who produce and market over 6 billion lbs. of milk annually. Select Milk Producers' members not only produce milk -- they are redefining the dairy industry through their commitments to product innovation, quality, traceability, sustainability, and animal care.

Through Continental Dairy Facilities, LLC, Select Milk Producers already operates a state-of-the-industry milk powder and butter processing plant in Coopersville, MI. A companion facility in Coopersville, operated by fairlife, LLC (<http://fairlife.com/>) produces and distributes fairlife milk and Core Power (<http://www.corepower.com/>). Fairlife, LLC is a joint venture of Select Milk Producers, Inc. and the Coca-Cola Company.

Just last week, Dairy Foods publication named fairlife as their Processor of the Year. Here's the story: (<http://www.dairyfoods.com/articles/91424-dairy-pro-ducts-innovator-fairlife-is-the-2015-processor-of-the-year>).

Select is also a partner with Dairy Farmers of America, Inc. and Glanbia PLC in Southwest Cheese (SWC). Located in Clovis, NM, SWC is one of the largest and most successful cheese and whey protein manufacturers in the world.

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