

Dairy Farm Income and Costs

September 30, 2014



To Our Valued Clients and Other Friends in the Dairy Industry

The following pages contain the Frazer, LLP's Dairy Farm Income and Costs schedules for the nine months ended September 30, 2014.

The data is compiled from dairy operations in Southern California, the San Joaquin Valley, Kern County, Arizona, Idaho, New Mexico, Panhandle, and the Pacific Northwest, which consists of Washington and Oregon operating collectively, with a combined milk production of over 3.3 billion pounds and more than 200,000 head of mature cows for the nine months ended September 30, 2014.

This report includes results of income and costs in the regions listed above for the nine months ended September 30, 2014 both on a "per hundredweight of milk" basis and on a "per head" basis for financial reports that were completed and issued by our firm as of December 31st. Financial statement ratios and other data regarding balance sheet items will be reported on each June and December in our semi-annual Dairy Farm Operating Trends.

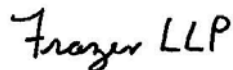
This report is designed as a reference tool and a management aid for dairy farm managers and advisors. Frazer, LLP believes the information to be reliable, but is not responsible for errors in reported source information.

Our publication continues to be recognized as the top industry source for relevant dairy statistics. This report is provided to and widely utilized by dairy farmers, lending institutions, universities, colleges and other agribusiness industries.

We appreciate all of your past and present support and thank you for your continued reliance on Frazer, LLP. If you have any comments or questions, please contact our Agribusiness partners, Ralph Lizardo, Tim Gulling or Sharon A. Davis at our Brea office at (714) 990-1040 and David Bekedam, Mike Edwards or Bob Matlick at our Visalia office at (559) 732-4135.

For more information regarding our firm, our Agribusiness department and our publication, please visit our website at www.frazerllp.com.

Sincerely,



FRAZER, LLP
Certified Public Accountants and Consultants

January 2015

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(BASED ON AVERAGE AMOUNTS PER HEAD)

	Southern California	San Joaquin Valley	Kern County
Income:			
Milk sales	\$ 3,979	\$ 4,287	\$ 3,902
Calves and other	137	101	79
Total income	\$ 4,116	\$ 4,388	\$ 3,981
Cost of operations:			
Feed:			
Grain	\$ 1,326	\$ 1,379	\$ 1,229
Hay and other	701	674	655
Total feed	\$ 2,027	\$ 2,053	\$ 1,884
Labor, (including fringe costs)	\$ 279	\$ 305	\$ 205
Herd replacement costs	\$ 172	\$ 112	\$ 146
Other costs:			
Milk hauling	\$ 64	\$ 56	\$ 60
State and association charges	32	36	32
Veterinary, breeding, testing, etc.	106	76	42
Supplies	40	114	79
Repairs and maintenance	145	97	90
Utilities	48	68	67
Occupancy costs	65	87	65
Depreciation - equipment	12	59	48
Interest	74	87	49
Miscellaneous	82	112	73
Total other costs	\$ 668	\$ 792	\$ 605
Total cost of operations	\$ 3,146	\$ 3,262	\$ 2,840
Net income (loss)	\$ 970	\$ 1,126	\$ 1,141
Average milk production per cow	72 lbs.	77 lbs.	74 lbs.

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTSCOMPARISON BY AREA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(BASED ON AVERAGE AMOUNTS PER HEAD)

	Arizona	Idaho	New Mexico
Income:			
Milk sales	\$ 4,008	\$ 4,399	\$ 2,973
Calves and other	203	34	21
Total income	\$ 4,211	\$ 4,433	\$ 2,994
Cost of operations:			
Feed:			
Grain	\$ 1,168	\$ 1,417	\$ 1,046
Hay and other	718	455	476
Total feed	\$ 1,886	\$ 1,872	\$ 1,522
Labor, (including fringe costs)	\$ 273	\$ 338	\$ 220
Herd replacement costs	\$ 143	\$ 68	\$ 99
Other costs:			
Milk hauling	\$ 74	\$ 58	\$ 137
State and association charges	52	36	41
Veterinary, breeding, testing, etc.	52	67	79
Supplies	102	182	45
Repairs and maintenance	79	144	80
Utilities	69	50	57
Occupancy costs	95	69	32
Depreciation - equipment	35	59	37
Interest	73	67	73
Miscellaneous	122	157	158
Total other costs	\$ 753	\$ 889	\$ 739
Total cost of operations	\$ 3,055	\$ 3,167	\$ 2,580
Net income (loss)	\$ 1,156	\$ 1,266	\$ 414
Average milk production per cow	71 lbs.	75 lbs.	66 lbs.

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTSCOMPARISON BY AREA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(BASED ON AVERAGE AMOUNTS PER HEAD)

	Panhandle	Pacific Northwest	Your 9/30/2014 Amounts
Income:			
Milk sales	\$ 3,968	\$ 4,077	\$
Calves and other	9	54	
Total income	\$ 3,977	\$ 4,131	\$
Cost of operations:			
Feed:			
Grain	\$ 1,230	\$ 1,266	\$
Hay and other	564	725	
Total feed	\$ 1,794	\$ 1,991	\$
Labor, (including fringe costs)	\$ 299	\$ 311	\$
Herd replacement costs	\$ 146	\$ 128	\$
Other costs:			
Milk hauling	\$ 98	\$ 97	\$
State and association charges	47	60	
Veterinary, breeding, testing, etc.	88	95	
Supplies	117	75	
Repairs and maintenance	97	69	
Utilities	45	16	
Occupancy costs	78	157	
Depreciation - equipment	51	39	
Interest	73	62	
Miscellaneous	176	110	
Total other costs	\$ 870	\$ 780	\$
Total cost of operations	\$ 3,109	\$ 3,210	\$
Net income (loss)	\$ 868	\$ 921	\$
Average milk production per cow	67 lbs.	69 lbs.	

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(BASED ON AVERAGE AMOUNTS
PER HUNDREDWEIGHT OF MILK)

	Southern California	San Joaquin Valley	Kern County
Income:			
Milk sales	\$ 23.32	\$ 23.55	\$ 23.37
Calves and other	0.79	0.55	0.46
Total income	\$ 24.11	\$ 24.10	\$ 23.83
Cost of operations:			
Feed:			
Grain	\$ 7.77	\$ 7.57	\$ 7.36
Hay and other	4.11	3.71	3.92
Total feed	\$ 11.88	\$ 11.28	\$ 11.28
Labor, (including fringe costs)	\$ 1.63	\$ 1.67	\$ 1.22
Herd replacement costs	\$ 1.01	\$ 0.62	\$ 0.88
Other costs:			
Milk hauling	\$ 0.38	\$ 0.31	\$ 0.36
State and association charges	0.19	0.20	0.19
Veterinary, breeding, testing, etc.	0.63	0.42	0.25
Supplies	0.24	0.63	0.48
Repairs and maintenance	0.85	0.53	0.53
Utilities	0.28	0.38	0.40
Occupancy costs	0.38	0.47	0.38
Depreciation - equipment	0.07	0.32	0.29
Interest	0.43	0.48	0.29
Miscellaneous	0.48	0.59	0.43
Total other costs	\$ 3.93	\$ 4.33	\$ 3.60
Total cost of operations	\$ 18.45	\$ 17.90	\$ 16.98
Net income (loss)	\$ 5.66	\$ 6.20	\$ 6.85

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(BASED ON AVERAGE AMOUNTS
PER HUNDREDWEIGHT OF MILK)

	Arizona	Idaho	New Mexico
Income:			
Milk sales	\$ 23.83	\$ 23.26	\$ 23.66
Calves and other	1.22	0.18	0.15
Total income	\$ 25.05	\$ 23.44	\$ 23.81
Cost of operations:			
Feed:			
Grain	\$ 6.94	\$ 7.50	\$ 8.32
Hay and other	4.26	2.40	3.79
Total feed	\$ 11.20	\$ 9.90	\$ 12.11
Labor, (including fringe costs)	\$ 1.62	\$ 1.78	\$ 1.75
Herd replacement costs	\$ 0.85	\$ 0.36	\$ 0.79
Other costs:			
Milk hauling	\$ 0.44	\$ 0.31	\$ 1.09
State and association charges	0.31	0.19	0.32
Veterinary, breeding, testing, etc.	0.31	0.36	0.63
Supplies	0.61	0.96	0.36
Repairs and maintenance	0.47	0.76	0.64
Utilities	0.41	0.27	0.45
Occupancy costs	0.56	0.36	0.25
Depreciation - equipment	0.21	0.31	0.29
Interest	0.44	0.36	0.58
Miscellaneous	0.74	0.82	1.25
Total other costs	\$ 4.50	\$ 4.70	\$ 5.86
Total cost of operations	\$ 18.17	\$ 16.74	\$ 20.51
Net income (loss)	\$ 6.88	\$ 6.70	\$ 3.30

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(BASED ON AVERAGE AMOUNTS
PER HUNDREDWEIGHT OF MILK)

	Panhandle	Pacific Northwest	Your 9/30/2014 Amounts
Income:			
Milk sales	\$ 25.36	\$ 25.03	\$
Calves and other	0.05	0.34	
Total income	\$ 25.41	\$ 25.37	\$
Cost of operations:			
Feed:			
Grain	\$ 7.86	\$ 7.78	\$
Hay and other	3.61	4.45	
Total feed	\$ 11.47	\$ 12.23	\$
Labor, (including fringe costs)	\$ 1.92	\$ 1.91	\$
Herd replacement costs	\$ 0.94	\$ 0.79	\$
Other costs:			
Milk hauling	\$ 0.62	\$ 0.60	\$
State and association charges	0.30	0.37	
Veterinary, breeding, testing, etc.	0.56	0.58	
Supplies	0.75	0.46	
Repairs and maintenance	0.61	0.43	
Utilities	0.29	0.10	
Occupancy costs	0.50	0.97	
Depreciation - equipment	0.33	0.24	
Interest	0.47	0.38	
Miscellaneous	1.13	0.67	
Total other costs	\$ 5.56	\$ 4.80	\$
Total cost of operations	\$ 19.89	\$ 19.73	\$
Net income (loss)	\$ 5.52	\$ 5.64	\$