

# **Dairy Farm Operating Trends**

**December 31, 2013**



## **To Our Valued Clients and Other Friends in the Dairy Industry**

*The following pages contain the Frazer, LLP's Dairy Farm Operating Trends for the year ended December 31, 2013.*

*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 7.5 billion pounds and more than 345,000 head of mature cows for the year ended December 31, 2013.*

*This report includes a comparison of the results in the regions listed above for the year ended December 31, 2013 both on a "per hundredweight of milk" basis and on a "per head" basis. Also included are selected financial ratios and other information for the year.*

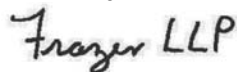
*This publication is designed as a reference tool and a management aid for dairy farm managers and advisors. Frazer, LLP believes the information to be reliable, but is not responsible for errors in reported source information.*

*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](http://www.frazerllp.com).*

Sincerely,



FRAZER, LLP

Certified Public Accountants and Consultants

**May 2014**

# DAIRY FARM OPERATING TRENDS

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**Comparative Net Income (Loss) By Region:**

Milk prices trended higher during all of 2013 compared to 2012 prices with the largest gains in the 4th quarter of the year. But major input costs during 2013 continued to rise again which tightened margins further. This trend is continuing during 2014 although net margins will be solid due to the higher milk prices through at least to the end of May. Domestic and international demand along with supply issues will dictate what producers will see in milk prices for the second half of 2014. Exports of our dairy products were strong all throughout 2013 and the forecasts remain solid for the remainder of 2014 for export markets. This will continue to be welcome news for our nations' producers.

Net income (loss) per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2013	\$ 104	\$ 35	\$ 100	\$ 207	\$ 330	\$ 33	\$ 90	\$ 202
2012	\$ (341)	\$ (287)	\$ (283)	\$ (55)	\$ 201	\$ (294)	\$ (12)	\$ 131
Change	\$ 445	\$ 322	\$ 383	\$ 262	\$ 129	\$ 327	\$ 102	\$ 71

**Comparative Feed Cost By Region:**

Feed costs rose yet again during 2013 in most regions. Although corn dropped dramatically in price during the 4th quarter of 2013, most other feeds rose in price which put a damper on more profitable bottomlines. All regions are still suffering the effects of the drought the entire nation is facing, which is in multiple years now and all regions have water shortage issues regardless of where they are. International demand and the strength or weakness of the U.S. dollar also continues to pressure feed prices for producers. The second half of 2014 appears as corn on the CME will be similar in price as it was at the end of 2013, but most other feeds remain expensive or are going up further, and if milk prices drop dramatically from what they are at the date of these reports, net profit margins will quickly evaporate.

Feed cost per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2013	\$ 2,638	\$ 2,737	\$ 2,664	\$ 2,527	\$ 2,520	\$ 2,391	\$ 2,620	\$ 2,555
2012	\$ 2,627	\$ 2,503	\$ 2,567	\$ 2,490	\$ 2,261	\$ 2,437	\$ 2,507	\$ 2,126
Change	\$ 11	\$ 234	\$ 97	\$ 37	\$ 259	\$ (46)	\$ 113	\$ 429

**Comparative Production By Region:**

The entire nation's milk production was up 0.3% in 2013 compared to 2012, and most of our regions in the West were up during the year. 2014 is already up dramatically as strong milk prices are promoting herd expansion not only in the West, but throughout the nation.

Lbs. per milk cow per day:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2013	71.7	75.0	70.5	68.0	72.9	67.8	66.3	69.8
2012	71.3	72.6	70.0	69.4	69.6	67.1	67.4	68.1
Change	0.4	2.4	0.5	(1.4)	3.3	0.7	(1.1)	1.7

**Herd Turnover Rate By Region:**

Herd turnover rates were up again in most regions during 2013. Beef prices continued to stay strong and marched higher during 2013, and the prices should remain strong for 2014 as good demand for beef continues both here and abroad. Higher milk prices which began last year and remain strong right now have slowed culling at this point for most producers. This trend was true in the West, and of most of the nation in general. The milk - feed cost ratio will dictate future culling levels as we move through the remainder of 2014.

Herd turnover rate by region:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2013	38.7%	45.3%	38.1%	38.0%	44.8%	41.1%	41.0%	32.9%
2012	39.6%	49.7%	37.1%	37.5%	37.4%	38.7%	39.6%	32.3%
Change	-0.9%	-4.4%	1.0%	0.5%	7.4%	2.4%	1.4%	0.6%

**Average Cost of Replacement Per Head By Region:**

The costs of replacement purchases trended lower or stayed mostly neutral in 2013 compared to 2012. But in 2014 the costs of replacement animals have skyrocketed due to strong milk and beef prices. Heifer replacements of all ages have also dramatically risen in prices that have not been seen in recent history. Again what the milk - feed cost ratio does going forward will affect replacement costs in this nation and abroad.

Average cost of replacement per head by region:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2013	\$ 1,367	\$ 1,252	\$ 1,251	\$ 1,493	\$ 1,367	\$ 1,335	\$ 1,442	\$ 1,322
2012	\$ 1,501	\$ 1,140	\$ 1,486	\$ 1,433	\$ 1,276	\$ 1,401	\$ 1,411	\$ 1,239
Change	\$ (134)	\$ 112	\$ (235)	\$ 60	\$ 91	\$ (66)	\$ 31	\$ 83

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(BASED ON AVERAGE AMOUNTS PER HEAD)

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2013 Amounts
Income:									
Milk sales	\$ 4,228	\$ 4,251	\$ 4,066	\$ 4,351	\$ 4,469	\$ 3,839	\$ 4,213	\$ 4,418	\$
Calves and other	60	72	50	80	98	85	87	73	
Total income	\$ 4,288	\$ 4,323	\$ 4,116	\$ 4,431	\$ 4,567	\$ 3,924	\$ 4,300	\$ 4,491	\$
Cost of operations:									
Feed:									
Grain	\$ 1,804	\$ 2,001	\$ 1,663	\$ 1,741	\$ 1,658	\$ 1,673	\$ 1,765	\$ 1,549	\$
Hay and other	834	736	1,001	786	862	718	855	1,006	
Total feed	\$ 2,638	\$ 2,737	\$ 2,664	\$ 2,527	\$ 2,520	\$ 2,391	\$ 2,620	\$ 2,555	\$
Labor, (including fringe costs)	\$ 382	\$ 323	\$ 276	\$ 408	\$ 382	\$ 318	\$ 335	\$ 373	\$
Herd replacement costs	\$ 290	\$ 262	\$ 254	\$ 221	\$ 258	\$ 162	\$ 236	\$ 248	\$
Other costs:									
Milk hauling	\$ 93	\$ 78	\$ 77	\$ 97	\$ 70	\$ 178	\$ 144	\$ 146	\$
State and association charges	44	43	40	55	46	73	61	65	
Veterinary, breeding, testing, etc.	105	101	59	52	93	97	91	128	
Supplies	72	111	105	140	184	88	117	124	
Repairs and maintenance	149	90	108	121	185	105	105	121	
Utilities	68	72	80	84	48	67	51	42	
Occupancy costs	99	127	89	97	98	71	133	182	
Depreciation - equipment	27	64	60	61	79	56	63	68	
Interest	95	110	86	148	92	92	85	85	
Miscellaneous	122	170	118	213	182	193	169	152	
Total other costs	\$ 874	\$ 966	\$ 822	\$ 1,068	\$ 1,077	\$ 1,020	\$ 1,019	\$ 1,113	\$
Total cost of operations	\$ 4,184	\$ 4,288	\$ 4,016	\$ 4,224	\$ 4,237	\$ 3,891	\$ 4,210	\$ 4,289	\$
Net income	\$ 104	\$ 35	\$ 100	\$ 207	\$ 330	\$ 33	\$ 90	\$ 202	\$

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(BASED ON AVERAGE AMOUNTS  
PER HUNDREDWEIGHT OF MILK)

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2013 Amounts
Income:									
Milk sales	\$ 18.90	\$ 18.86	\$ 19.13	\$ 20.10	\$ 19.05	\$ 19.53	\$ 20.65	\$ 20.48	\$
Calves and other	0.27	0.31	0.23	0.35	0.40	0.43	0.44	0.34	\$
Total income	\$ 19.17	\$ 19.17	\$ 19.36	\$ 20.45	\$ 19.45	\$ 19.96	\$ 21.09	\$ 20.82	\$
Cost of operations:									
Feed:									
Grain	\$ 8.07	\$ 8.87	\$ 7.82	\$ 8.05	\$ 7.06	\$ 8.51	\$ 8.66	\$ 7.18	\$
Hay and other	3.73	3.26	4.70	3.63	3.67	3.65	4.20	4.65	\$
Total feed	\$ 11.80	\$ 12.13	\$ 12.52	\$ 11.68	\$ 10.73	\$ 12.16	\$ 12.86	\$ 11.83	\$
Labor, (including fringe costs)	\$ 1.71	\$ 1.41	\$ 1.29	\$ 1.89	\$ 1.63	\$ 1.62	\$ 1.65	\$ 1.73	\$
Herd replacement costs	\$ 1.30	\$ 1.16	\$ 1.20	\$ 1.02	\$ 1.10	\$ 0.82	\$ 1.16	\$ 1.15	\$
Other costs:									
Milk hauling	\$ 0.41	\$ 0.34	\$ 0.36	\$ 0.45	\$ 0.30	\$ 0.91	\$ 0.71	\$ 0.68	\$
State and association charges	0.20	0.19	0.19	0.26	0.20	0.37	0.30	0.30	
Veterinary, breeding, testing, etc.	0.47	0.44	0.27	0.24	0.40	0.49	0.45	0.59	
Supplies	0.32	0.49	0.49	0.65	0.78	0.45	0.56	0.58	
Repairs and maintenance	0.67	0.39	0.51	0.56	0.79	0.53	0.51	0.56	
Utilities	0.30	0.31	0.38	0.39	0.21	0.34	0.25	0.19	
Occupancy costs	0.45	0.56	0.42	0.45	0.41	0.36	0.64	0.85	
Depreciation - equipment	0.12	0.28	0.28	0.28	0.34	0.29	0.31	0.32	
Interest	0.42	0.48	0.40	0.69	0.39	0.47	0.43	0.40	
Miscellaneous	0.54	0.64	0.55	0.99	0.77	0.99	0.85	0.70	
Total other costs	\$ 3.90	\$ 4.12	\$ 3.85	\$ 4.96	\$ 4.59	\$ 5.20	\$ 5.01	\$ 5.17	\$
Total cost of operations	\$ 18.71	\$ 18.82	\$ 18.86	\$ 19.55	\$ 18.05	\$ 19.80	\$ 20.68	\$ 19.88	\$
Net income	\$ 0.46	\$ 0.35	\$ 0.50	\$ 0.90	\$ 1.40	\$ 0.16	\$ 0.41	\$ 0.94	\$

## SUMMARY OF FINANCIAL STATISTICS

### COMPARISON BY AREA FOR THE YEAR ENDED DECEMBER 31, 2013

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2013 Results
1. Current Ratio	0.32 : 1	1.02 : 1	1.29 : 1	0.56 : 1	1.01 : 1	1.12 : 1	0.77 : 1	0.98 : 1	
2. Herd Line Debt Per Cow	\$ 1,048	\$ 1,025	\$ 841	\$ 1,102	\$ 603	\$ 749	\$ 848	\$ 786	\$
3. Total Debt Per Cow	\$ 2,648	\$ 3,175	\$ 3,001	\$ 3,271	\$ 2,468	\$ 2,493	\$ 2,757	\$ 2,791	\$
4. Debt to Equity Ratio	2.49 : 1	2.22 : 1	1.19 : 1	2.29 : 1	1.06 : 1	1.37 : 1	1.74 : 1	1.50 : 1	
5. Return on Total Assets	2.3%	0.5%	1.3%	3.0%	4.8%	0.5%	1.4%	3.1%	
6. Income (loss) per milking cow per month	\$ 9.54	\$ 20.13	\$ 36.88	\$ 25.32	\$ 40.28	\$ 23.28	\$ 17.31	\$ 32.97	\$

1. The current ratio represents current assets divided by current liabilities.
2. Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
4. Debt to equity ratio represents total debt divided by total equity.
5. The return on total assets represents the net income divided by the total assets, stated at cost.
6. Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2013 RESULTS	
	2013	2012	2011	2013	2012	2011	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 4,228	\$ 3,708	\$ 3,863	\$ 18.90	\$ 16.91	\$ 18.85	\$	\$
Calves and other	60	57	96	0.27	0.26	0.44		
Total income	\$ 4,288	\$ 3,765	\$ 3,959	\$ 19.17	\$ 17.17	\$ 19.29	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,804	\$ 1,785	\$ 1,487	\$ 8.07	\$ 8.14	\$ 7.26		
Hay and other	834	842	896	3.73	3.85	4.38		
Total feed	\$ 2,638	\$ 2,627	\$ 2,383	\$ 11.80	\$ 11.99	\$ 11.64	\$	\$
Labor, (including fringe costs)	\$ 382	\$ 366	\$ 352	\$ 1.71	\$ 1.67	\$ 1.72	\$	\$
Herd replacement costs	\$ 290	\$ 316	\$ 316	\$ 1.30	\$ 1.44	\$ 1.54	\$	\$
Other costs:								
Milk hauling	\$ 93	\$ 89	\$ 85	\$ 0.41	\$ 0.41	\$ 0.41	\$	\$
State and association charges	44	32	32	0.20	0.15	0.16		
Veterinary, breeding, testing, etc.	105	97	93	0.47	0.44	0.45		
Supplies	72	75	101	0.32	0.34	0.49		
Repairs and maintenance	149	141	159	0.67	0.65	0.78		
Utilities	68	57	59	0.30	0.26	0.29		
Occupancy costs	99	114	119	0.45	0.52	0.58		
Depreciation - equipment	27	26	29	0.12	0.12	0.14		
Interest	95	58	97	0.42	0.27	0.47		
Miscellaneous	122	108	128	0.54	0.49	0.62		
Total other costs	\$ 874	\$ 797	\$ 902	\$ 3.90	\$ 3.65	\$ 4.39	\$	\$
Total cost of operations	\$ 4,184	\$ 4,106	\$ 3,953	\$ 18.71	\$ 18.75	\$ 19.29	\$	\$
Net income (loss)	\$ 104	\$ (341)	\$ 6	\$ 0.46	\$ (1.58)	\$ 0.00	\$	\$



## SUMMARY OF FINANCIAL STATISTICS

### SOUTHERN CALIFORNIA

	December 31, 2013	December 31, 2012	December 31, 2011
1. Current Ratio	0.32 : 1	0.42 : 1	0.34 : 1
2. Herd Line Debt Per Cow	\$ 1,048	\$ 800	\$ 915
3. Total Debt Per Cow	\$ 2,648	\$ 1,994	\$ 2,098
4. Debt to Equity Ratio	2.49 : 1	1.58 : 1	2.09 : 1
5. Return on Total Assets	2.3%	-8.9%	0.2%
6. Income (loss) per milking cow per month	\$ 9.54	\$ (31.10)	\$ 0.24

- The current ratio represents current assets divided by current liabilities.
- Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Debt to equity represents the total debt divided by the total equity.
- The return on total assets represents the net income divided by the total assets, stated at cost.
- Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	2013	2012	2011
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	22,367	21,927	20,496
Daily pounds of milk, per milking cow	71.7	71.3	65.0
Butterfat test	3.50 %	3.47 %	3.49 %
Solids-non-fat test	8.86 %	8.83 %	8.78 %
Blend price per hundredweight	\$ 18.90	\$ 16.91	\$ 18.85
Milk receipts, per milking cow	\$ 4,288	\$ 3,766	\$ 3,863
<b>HERD INFORMATION:</b>			
Herd size - total	1,899	1,944	1,577
Percent of dry cows	14.5 %	15.7 %	13.6 %
Herd turnover rate	38.7 %	39.6 %	34.5 %
Composition of herd:			
Purchased cows	51 %	43 %	35 %
Self-raised cows	49 %	57 %	65 %
Cost of purchased cows	\$ 1,367	\$ 1,501	\$ 1,507
Beef price received	\$ 862	\$ 817	\$ 777
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	42.7 %	48.1 %	38.5 %
Hay and other	19.7 %	22.8 %	23.2 %
Totals	62.4 %	70.9 %	61.7 %

## INCOME AND COST OF OPERATIONS

### SOUTHERN CALIFORNIA

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

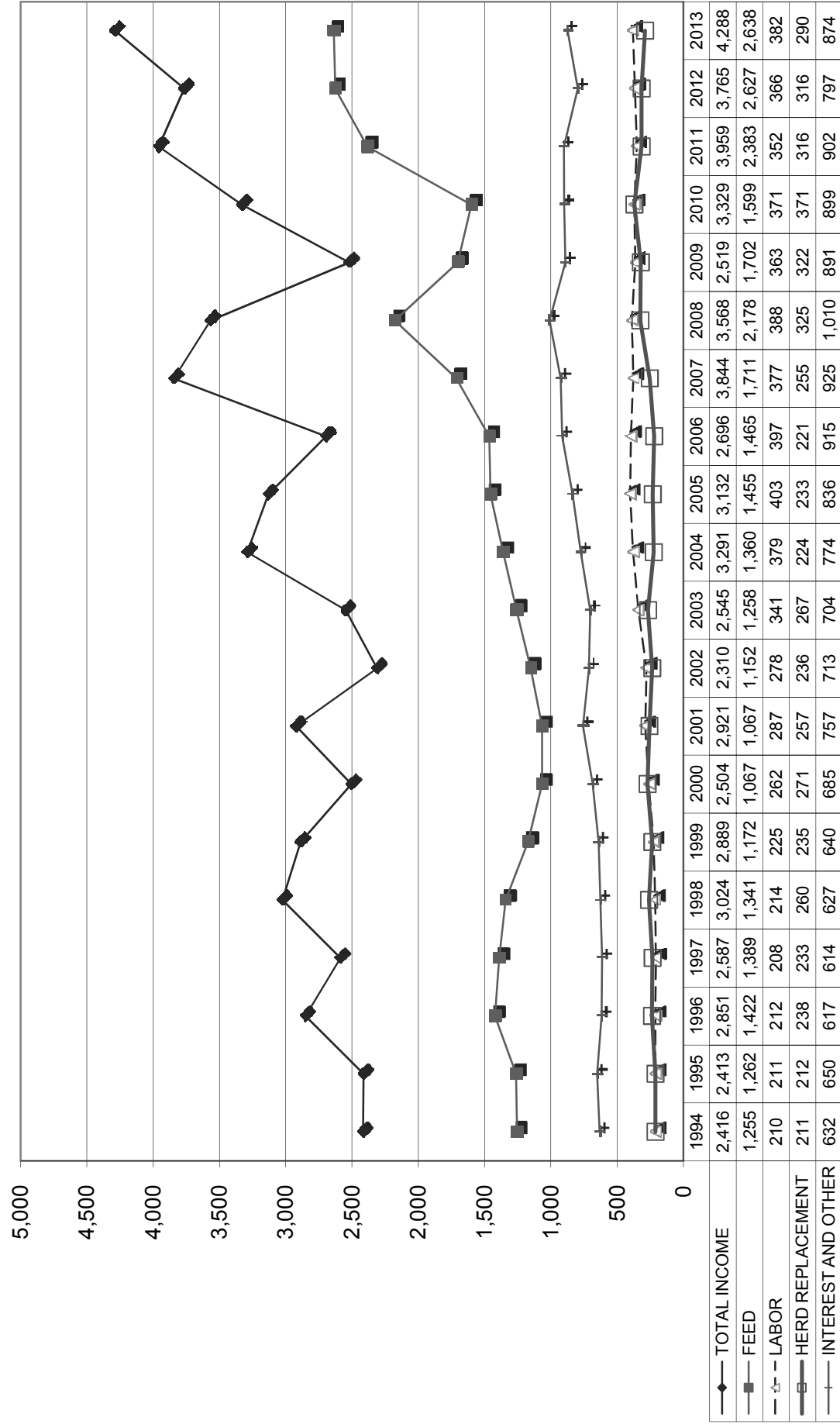
December 31, 2013      December 31, 2012      December 31, 2011

	December 31, 2013	December 31, 2012	December 31, 2011
Income:			
Milk Sales	\$ 18.90	\$ 16.91	\$ 18.85
Calves and other	0.27	0.26	0.44
<b>Total income</b>	<b>\$ 19.17</b>	<b>\$ 17.17</b>	<b>\$ 19.29</b>
Total cost of operations:			
Feed	\$ 11.80	\$ 11.99	\$ 11.64
Labor	1.71	1.67	1.72
Herd replacement costs	1.30	1.44	1.54
Other costs	3.90	3.65	4.39
<b>Total costs of operations</b>	<b>\$ 18.71</b>	<b>\$ 18.75</b>	<b>\$ 19.29</b>
<b>Net income (loss)</b>	<b>\$ 0.46</b>	<b>\$ (1.58)</b>	<b>\$ 0</b>
Cost of operations as a percentage of income	97.60%	109.20%	100.00%
Feed costs as a percentage of milk sales	62.43%	70.90%	61.75%
Net income (loss) per milking cow per month	\$ 9.54	\$ (31.10)	\$ 0.24
Cumulative net loss per cwt. from 2007 to 2013	\$ (3.53)		

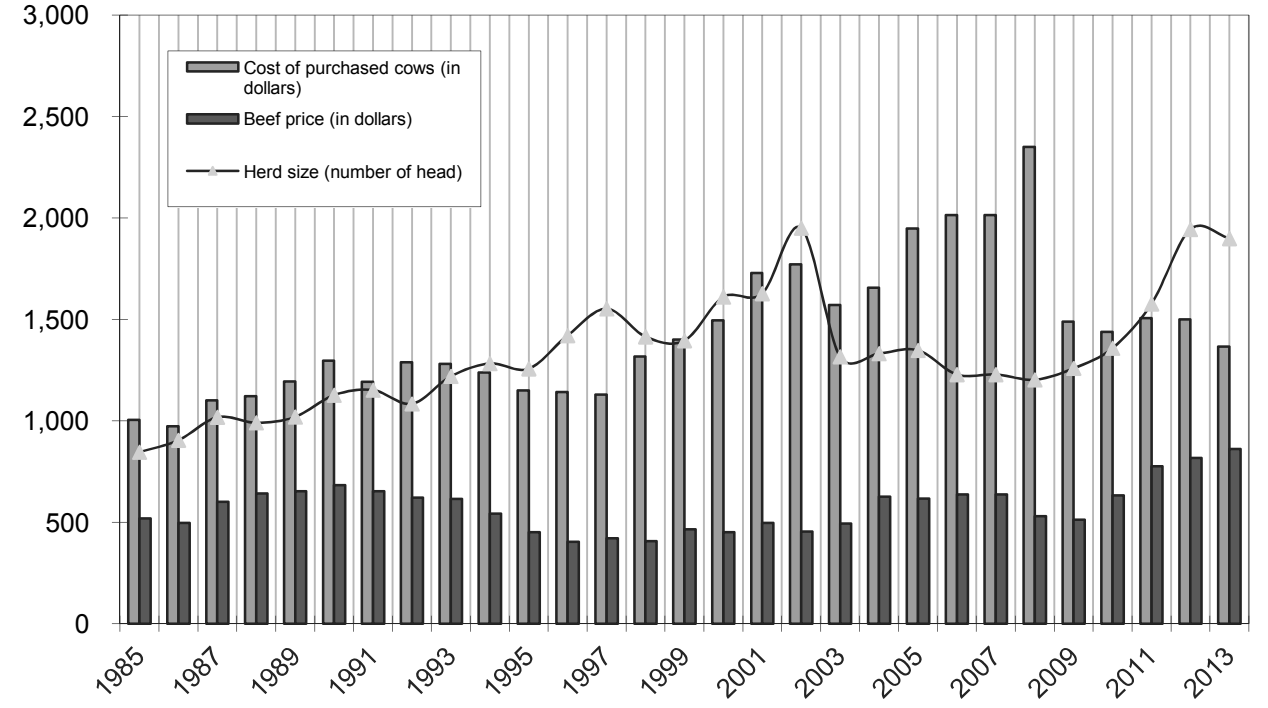
December 31, 2010      December 31, 2009      December 31, 2008      December 31, 2007

	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Income:				
Milk Sales	\$ 15.68	\$ 12.42	\$ 17.22	\$ 18.46
Calves and other	0.23	0.46	0.28	0.23
<b>Total income</b>	<b>\$ 15.91</b>	<b>\$ 12.88</b>	<b>\$ 17.50</b>	<b>\$ 18.69</b>
Total cost of operations:				
Feed	\$ 7.66	\$ 8.74	\$ 10.69	\$ 8.31
Labor	1.78	1.86	1.90	1.83
Herd replacement costs	1.78	1.65	1.60	1.24
Other costs	4.33	4.56	4.95	4.51
<b>Total costs of operations</b>	<b>\$ 15.55</b>	<b>\$ 16.81</b>	<b>\$ 19.14</b>	<b>\$ 15.89</b>
<b>Net income (loss)</b>	<b>\$ 0.36</b>	<b>\$ (3.93)</b>	<b>\$ (1.64)</b>	<b>\$ 2.80</b>
Cost of operations as a percentage of income	97.74%	130.51%	109.37%	85.02%
Feed costs as a percentage of milk sales	48.85%	70.37%	62.08%	45.02%
Net income (loss) per milking cow per month	\$ 9.87	\$ (74.43)	\$ (34.34)	\$ 53.99
Cumulative net loss per cwt. from 2007 to 2013				

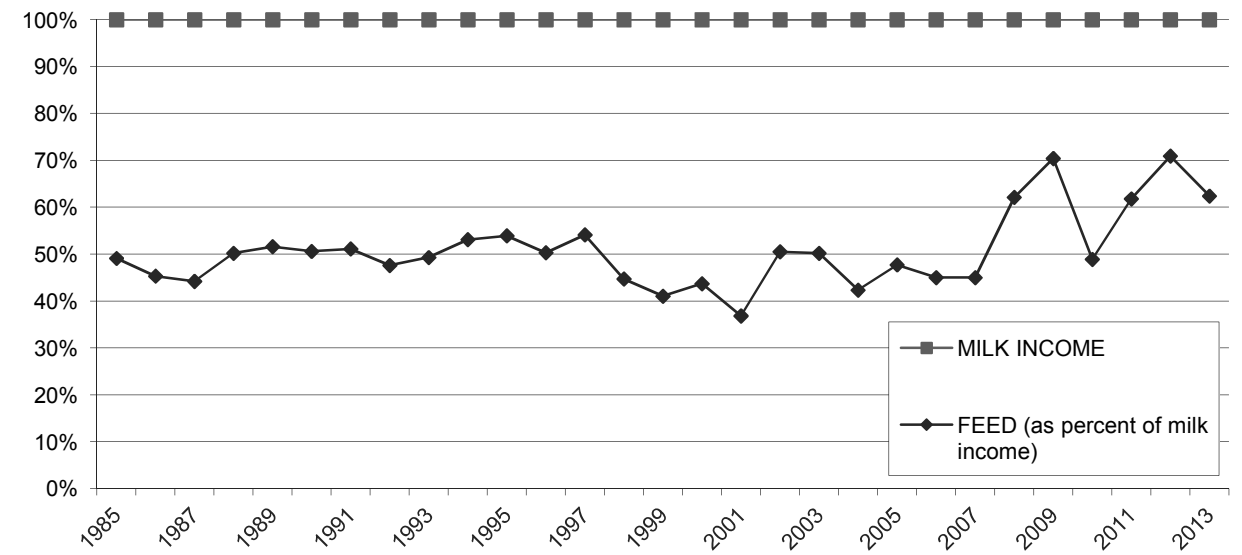
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
SOUTHERN CALIFORNIA  
INCOME AND OPERATING COSTS  
1994 - 2013**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND  
HERD SIZE  
SOUTHERN CALIFORNIA**



**FEED COST vs. MILK INCOME  
SOUTHERN CALIFORNIA**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
SAN JOAQUIN VALLEY  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2013 RESULTS	
	2013	2012	2011	2013	2012	2011	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 4,251	\$ 3,627	\$ 4,080	\$ 18.86	\$ 16.66	\$ 18.68	\$	\$
Calves and other	72	73	68	0.31	0.34	0.32		
Total income	\$ 4,323	\$ 3,700	\$ 4,148	\$ 19.17	\$ 17.00	\$ 19.00	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 2,001	\$ 1,826	\$ 1,660	\$ 8.87	\$ 8.39	\$ 7.60	\$	\$
Hay and other	736	677	606	3.26	3.11	2.77		
Total feed	\$ 2,737	\$ 2,503	\$ 2,266	\$ 12.13	\$ 11.50	\$ 10.37	\$	\$
Labor, (including fringe costs)	\$ 323	\$ 316	\$ 315	\$ 1.41	\$ 1.43	\$ 1.45	\$	\$
Herd replacement costs	\$ 262	\$ 250	\$ 259	\$ 1.16	\$ 1.15	\$ 1.18	\$	\$
Other costs:								
Milk hauling	\$ 78	\$ 72	\$ 74	\$ 0.34	\$ 0.33	\$ 0.34	\$	\$
State and association charges	43	46	43	0.19	0.20	0.20		
Veterinary, breeding, testing, etc.	101	96	98	0.44	0.43	0.45		
Supplies	111	102	109	0.49	0.46	0.50		
Repairs and maintenance	90	85	105	0.39	0.37	0.48		
Utilities	72	57	66	0.31	0.26	0.30		
Occupancy costs	127	110	122	0.56	0.50	0.55		
Depreciation - equipment	64	70	68	0.28	0.32	0.31		
Interest	110	127	132	0.48	0.58	0.61		
Miscellaneous	170	153	145	0.64	0.63	0.65		
Total other costs	\$ 966	\$ 918	\$ 962	\$ 4.12	\$ 4.08	\$ 4.39	\$	\$
Total cost of operations	\$ 4,288	\$ 3,987	\$ 3,802	\$ 18.82	\$ 18.16	\$ 17.39	\$	\$
Net income (loss)	\$ 35	\$ (287)	\$ 346	\$ 0.35	\$ (1.16)	\$ 1.61	\$	\$

See accompanying explanation of income and cost factors.

## SUMMARY OF FINANCIAL STATISTICS

### SAN JOAQUIN VALLEY

	December 31, 2013	December 31, 2012	December 31, 2011
1. Current Ratio	1.02 : 1	0.88 : 1	0.84 : 1
2. Herd Line Debt Per Cow	\$ 1,025	\$ 994	\$ 953
3. Total Debt Per Cow	\$ 3,175	\$ 3,192	\$ 3,047
4. Debt to Equity Ratio	2.22 : 1	2.45 : 1	2.02 : 1
5. Return on Total Assets	0.5%	-4.2%	5.0%
6. Income (loss) per milking cow per month	\$ 20.13	\$ (11.93)	\$ 59.07

- The current ratio represents current assets divided by current liabilities.
- Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Debt to equity represents the total debt divided by the total equity.
- The return on total assets represents the net income divided by the total assets, stated at cost.
- Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
SAN JOAQUIN VALLEY  
(BASED ON AVERAGE AMOUNTS)

	2013	2012	2011
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	22,526	21,765	21,848
Daily pounds of milk, per milking cow	75.0	72.6	72.7
Butterfat test	3.70 %	3.66 %	3.64 %
Solids-non-fat test	8.90 %	8.84 %	8.82 %
Blend price per hundredweight	\$ 18.86	\$ 16.66	\$ 18.68
Milk receipts, per milking cow	\$ 5,165	\$ 4,416	\$ 4,080
<b>HERD INFORMATION:</b>			
Herd size - total	3,493	3,587	3,686
Percent of dry cows	14.9 %	17.9 %	17.6 %
Herd turnover rate	45.3 %	49.7 %	41.3 %
Composition of herd:			
Purchased cows	8 %	11 %	12 %
Self-raised cows	92 %	89 %	88 %
Cost of purchased cows	\$ 1,252	\$ 1,140	\$ 1,378
Beef price received	\$ 863	\$ 814	\$ 838
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	47.0 %	50.4 %	40.7 %
Hay and other	17.3 %	18.7 %	14.8 %
Totals	64.3 %	69.0 %	55.5 %

## INCOME AND COST OF OPERATIONS

### SAN JOAQUIN VALLEY

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

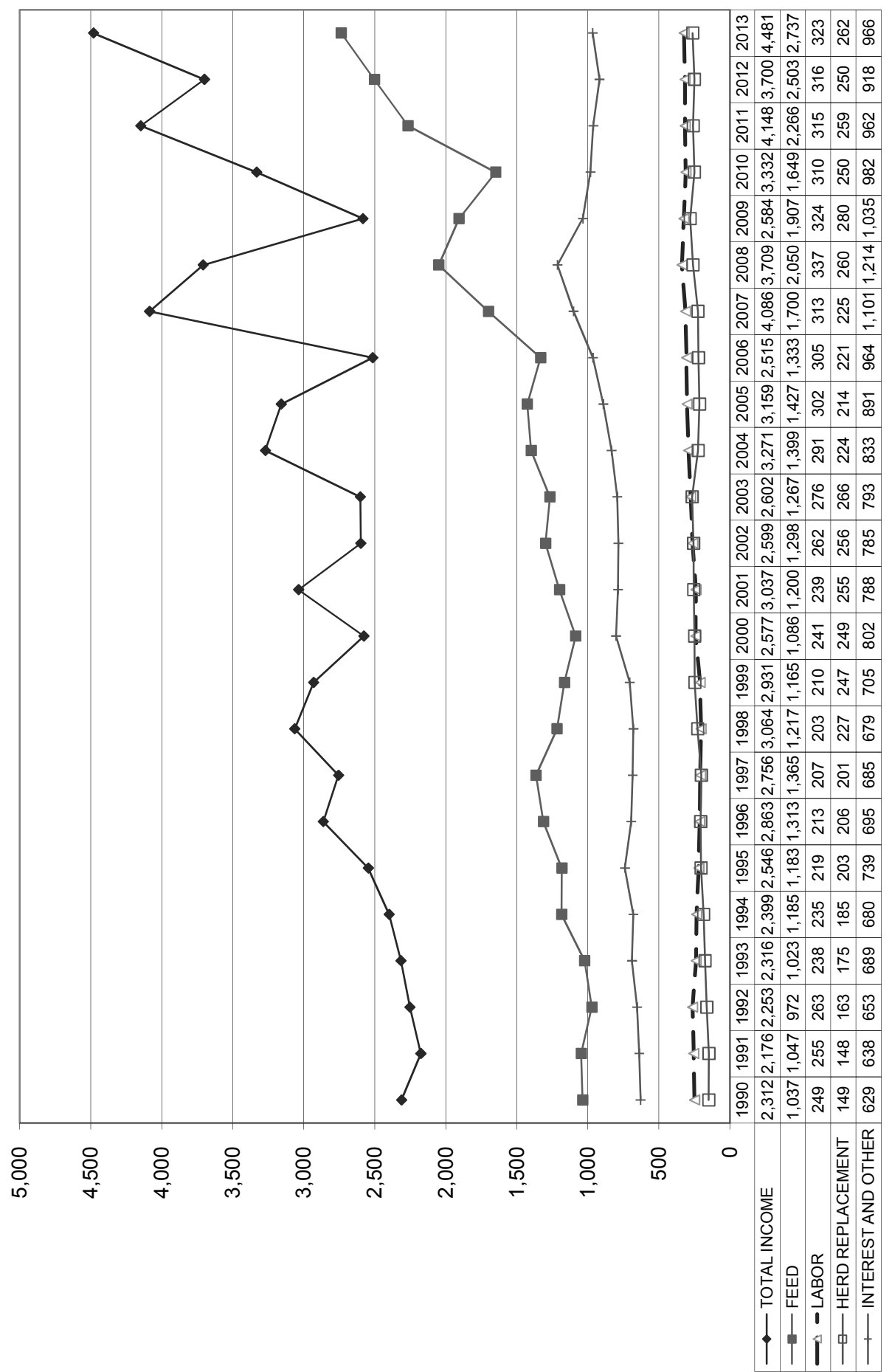
December 31, 2013      December 31, 2012      December 31, 2011

	December 31, 2013	December 31, 2012	December 31, 2011
Income:			
Milk Sales	\$ 18.86	\$ 16.66	\$ 18.68
Calves and other	0.31	0.34	0.32
<b>Total income</b>	<b>\$ 19.17</b>	<b>\$ 17.00</b>	<b>\$ 19.00</b>
Total cost of operations:			
Feed	\$ 12.13	\$ 11.50	\$ 10.37
Labor	1.41	1.43	1.45
Herd replacement costs	1.16	1.15	1.18
Other costs	4.12	4.08	4.39
<b>Total costs of operations</b>	<b>\$ 18.82</b>	<b>\$ 18.16</b>	<b>\$ 17.39</b>
<b>Net income (loss)</b>	<b>\$ 0.35</b>	<b>\$ (1.16)</b>	<b>\$ 1.61</b>
Cost of operations as a percentage of income	98.17%	106.82%	91.53%
Feed costs as a percentage of milk sales	64.32%	69.03%	55.51%
<b>Net income (loss) per milking cow per month</b>	<b>\$ 20.13</b>	<b>\$ (11.93)</b>	<b>\$ 59.07</b>
<b>Cumulative net income per cwt. from 2007 to 2013</b>	<b>\$ (0.17)</b>		

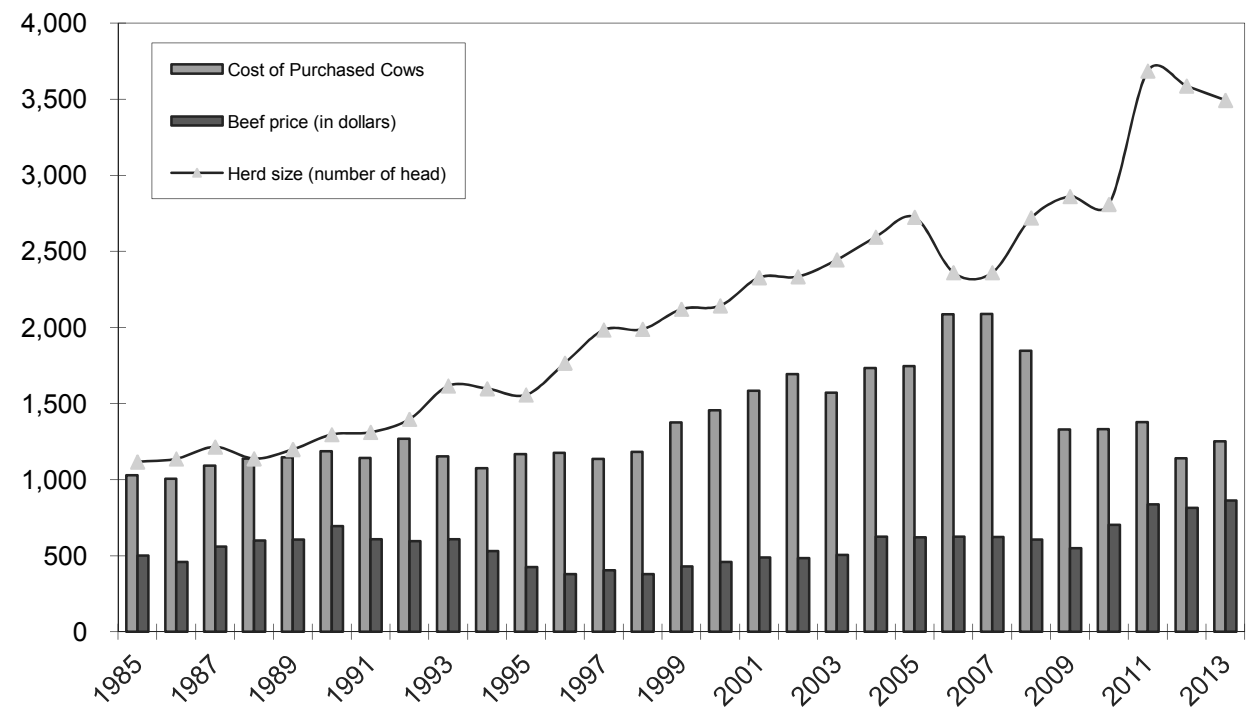
December 31, 2010      December 31, 2009      December 31, 2008      December 31, 2007

	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Income:				
Milk Sales	\$ 14.94	\$ 11.71	\$ 16.84	\$ 18.48
Calves and other	0.10	0.23	0.14	0.35
<b>Total income</b>	<b>\$ 15.04</b>	<b>\$ 11.94</b>	<b>\$ 16.98</b>	<b>\$ 18.83</b>
Total cost of operations:				
Feed	\$ 7.46	\$ 8.81	\$ 9.38	\$ 7.84
Labor	1.40	1.48	1.54	1.44
Herd replacement costs	1.13	1.30	1.19	1.04
Other costs	4.42	4.78	5.52	5.03
<b>Total costs of operations</b>	<b>\$ 14.41</b>	<b>\$ 16.37</b>	<b>\$ 17.63</b>	<b>\$ 15.35</b>
<b>Net income (loss)</b>	<b>\$ 0.63</b>	<b>\$ (4.43)</b>	<b>\$ (0.65)</b>	<b>\$ 3.48</b>
Cost of operations as a percentage of income	95.81%	137.10%	103.83%	81.52%
Feed costs as a percentage of milk sales	49.93%	75.23%	55.70%	42.42%
<b>Net income (loss) per milking cow per month</b>	<b>\$ 20.60</b>	<b>\$ (91.89)</b>	<b>\$ (1.40)</b>	<b>\$ 88.56</b>
<b>Cumulative net income per cwt. from 2007 to 2013</b>				

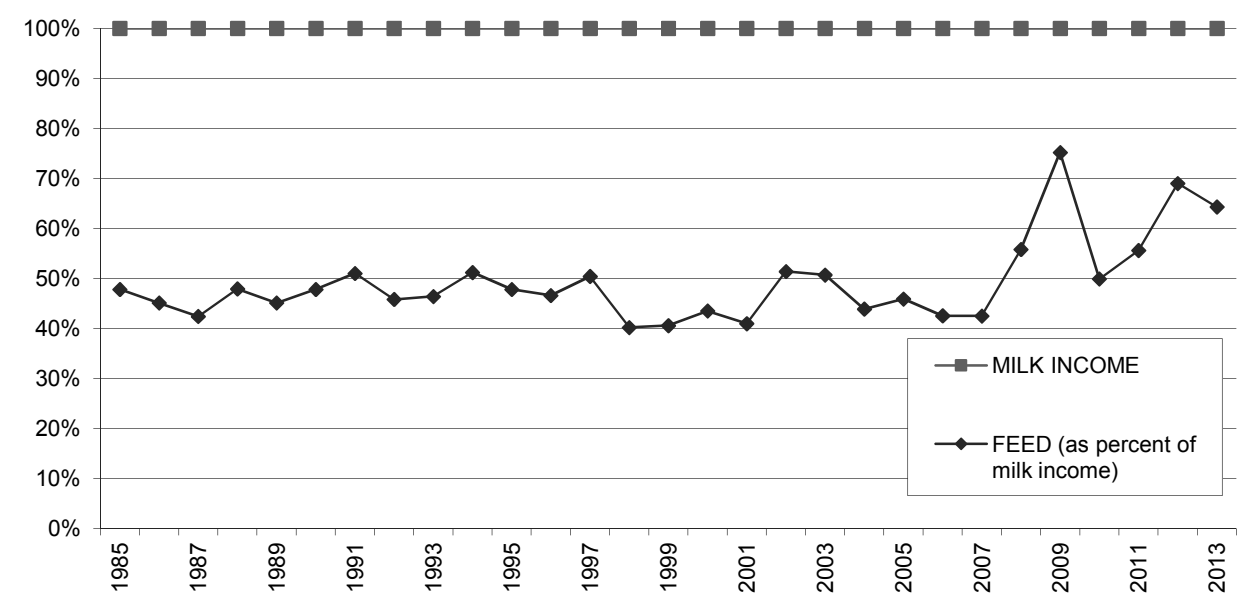
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
SAN JOAQUIN VALLEY  
INCOME AND OPERATING COSTS  
1990 - 2013**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE  
SAN JOAQUIN VALLEY**



**FEED COST vs. MILK INCOME  
SAN JOAQUIN VALLEY**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2013 RESULTS	
	2013	2012	2011	2013	2012	2011	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 4,066	\$ 3,585	\$ 3,966	\$ 19.13	\$ 16.97	\$ 19.02	\$	\$
Calves and other	50	51	38	0.23	0.25	0.19		
Total income	\$ 4,116	\$ 3,636	\$ 4,004	\$ 19.36	\$ 17.22	\$ 19.21	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,663	\$ 1,647	\$ 1,483	\$ 7.82	\$ 7.80	\$ 7.11	\$	\$
Hay and other	1,001	920	557	4.70	4.35	2.67		
Total feed	\$ 2,664	\$ 2,567	\$ 2,040	\$ 12.52	\$ 12.15	\$ 9.78	\$	\$
Labor, (including fringe costs)	\$ 276	\$ 265	\$ 272	\$ 1.29	\$ 1.25	\$ 1.31	\$	\$
Herd replacement costs	\$ 254	\$ 253	\$ 259	\$ 1.20	\$ 1.20	\$ 1.24	\$	\$
Other costs:								
Milk hauling	\$ 77	\$ 74	\$ 72	\$ 0.36	\$ 0.35	\$ 0.34	\$	\$
State and association charges	40	40	39	0.19	0.19	0.19		
Veterinary, breeding, testing, etc.	59	65	60	0.27	0.30	0.29		
Supplies	105	93	97	0.49	0.44	0.47		
Repairs and maintenance	108	95	92	0.51	0.45	0.44		
Utilities	80	76	74	0.38	0.36	0.35		
Occupancy costs	89	111	104	0.42	0.52	0.51		
Depreciation - equipment	60	65	59	0.28	0.31	0.28		
Interest	86	95	103	0.40	0.45	0.49		
Miscellaneous	118	120	106	0.55	0.55	0.50		
Total other costs	\$ 822	\$ 834	\$ 806	\$ 3.85	\$ 3.92	\$ 3.86	\$	\$
Total cost of operations	\$ 4,016	\$ 3,919	\$ 3,377	\$ 18.86	\$ 18.52	\$ 16.19	\$	\$
Net income (loss)	\$ 100	\$ (283)	\$ 627	\$ 0.50	\$ (1.30)	\$ 3.02	\$	\$

See accompanying explanation of income and cost factors.



## SUMMARY OF FINANCIAL STATISTICS

### KERN COUNTY

	December 31, 2013	December 31, 2012	December 31, 2011
1. Current Ratio	1.29 : 1	1.15 : 1	0.15 : 1
2. Herd Line Debt Per Cow	\$ 841	\$ 1,005	\$ 1,124
3. Total Debt Per Cow	\$ 3,001	\$ 3,029	\$ 3,225
4. Debt to Equity Ratio	1.19 : 1	1.26 : 1	1.28 : 1
5. Return on Total Assets	1.3%	-3.6%	7.7%
6. Income (loss) per milking cow per month	\$ 36.88	\$ (8.21)	\$ 82.44

- The current ratio represents current assets divided by current liabilities.
- Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Debt to equity represents the total debt divided by the total equity.
- The return on total assets represents the net income divided by the total assets, stated at cost.
- Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

	2013	2012	2011
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,264	21,120	20,855
Daily pounds of milk, per milking cow	70.5	70.0	71.3
Butterfat test	3.73 %	3.57 %	3.65 %
Solids-non-fat test	8.88 %	8.80 %	8.80 %
Blend price per hundredweight	\$ 19.13	\$ 16.97	\$ 19.02
Milk receipts, per milking cow	\$ 4,920	\$ 3,585	\$ 3,966
<b>HERD INFORMATION:</b>			
Herd size - total	3,413	3,355	3,498
Percent of dry cows	17.4 %	17.3 %	19.9 %
Herd turnover rate	38.1 %	37.1 %	34.4 %
Composition of herd:			
Purchased cows	4 %	2 %	6 %
Self-raised cows	96 %	98 %	94 %
Cost of purchased cows	\$ 1,251	\$ 1,486	\$ 1,495
Beef price received	\$ 808	\$ 797	\$ 750
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	40.9 %	46.0 %	37.4 %
Hay and other	24.6 %	25.6 %	14.0 %
Totals	65.5 %	71.6 %	51.4 %

## INCOME AND COST OF OPERATIONS

KERN COUNTY  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

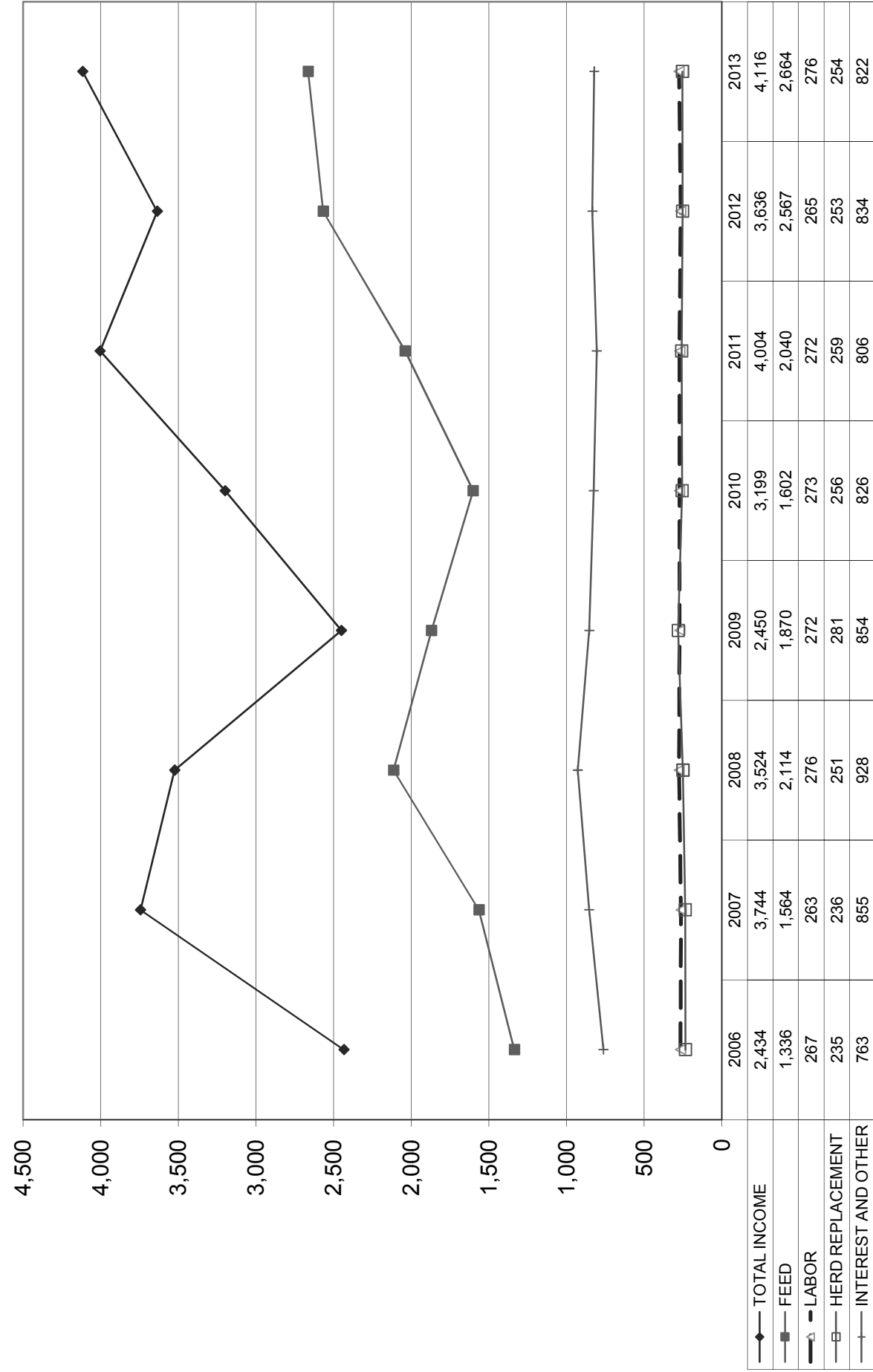
December 31, 2013      December 31, 2012      December 31, 2011

	December 31, 2013	December 31, 2012	December 31, 2011
Income:			
Milk Sales	\$ 19.13	\$ 16.97	\$ 19.02
Calves and other	0.23	0.25	0.19
<b>Total income</b>	<b>\$ 19.36</b>	<b>\$ 17.22</b>	<b>\$ 19.21</b>
Total cost of operations:			
Feed	\$ 12.52	\$ 12.15	\$ 9.78
Labor	1.29	1.25	1.31
Herd replacement costs	1.20	1.20	1.24
Other costs	3.85	3.92	3.86
<b>Total costs of operations</b>	<b>\$ 18.86</b>	<b>\$ 18.52</b>	<b>\$ 16.19</b>
<b>Net income (loss)</b>	<b>\$ 0.50</b>	<b>\$ (1.30)</b>	<b>\$ 3.02</b>
Cost of operations as a percentage of income	97.42%	107.55%	84.28%
Feed costs as a percentage of milk sales	65.45%	71.60%	51.42%
Net income (loss) per milking cow per month	\$ 36.88	\$ (8.21)	\$ 82.44
Cumulative net income per cwt. from 2007 to 2013	\$ 3.17		

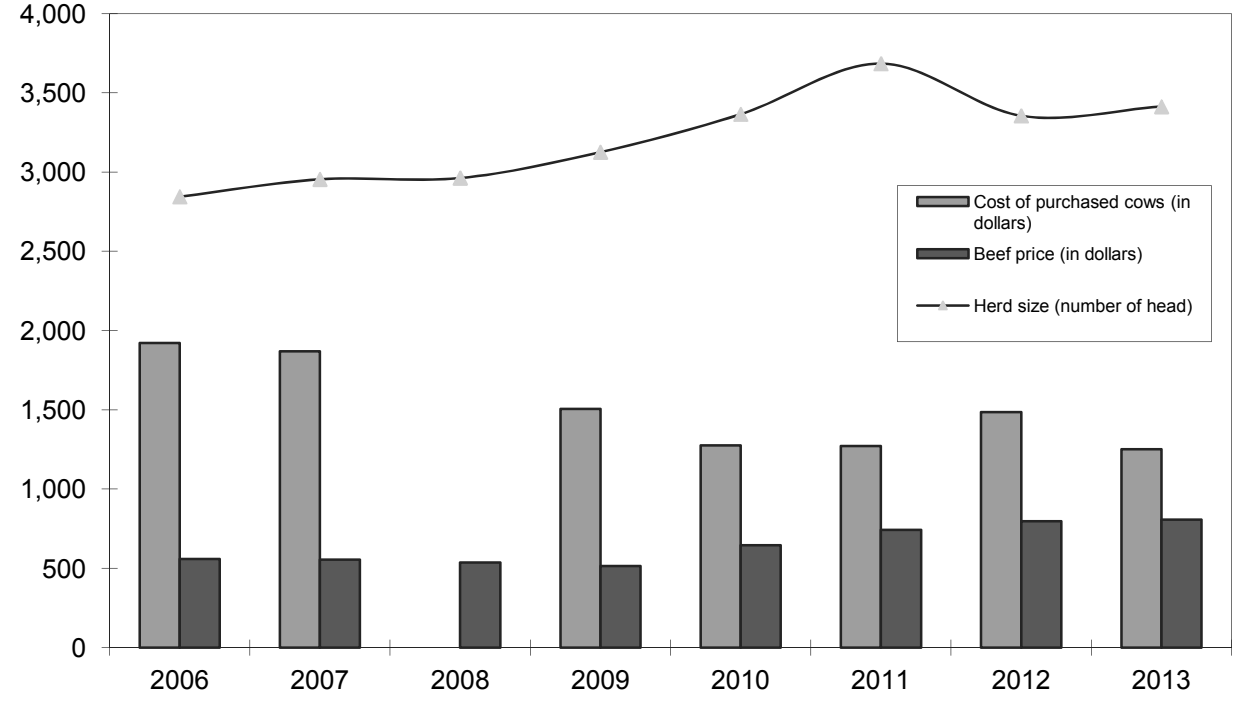
December 31, 2010      December 31, 2009      December 31, 2008      December 31, 2007

	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Income:				
Milk Sales	\$ 15.31	\$ 12.27	\$ 17.37	\$ 18.53
Calves and other	0.15	0.10	0.14	0.35
<b>Total income</b>	<b>\$ 15.46</b>	<b>\$ 12.37</b>	<b>\$ 17.51</b>	<b>\$ 18.88</b>
Total cost of operations:				
Feed	\$ 7.75	\$ 9.45	\$ 10.50	\$ 7.89
Labor	1.31	1.38	1.36	1.33
Herd replacement costs	1.24	1.42	1.25	1.19
Other costs	3.97	4.32	4.60	4.31
<b>Total costs of operations</b>	<b>\$ 14.27</b>	<b>\$ 16.57</b>	<b>\$ 17.71</b>	<b>\$ 14.72</b>
<b>Net income (loss)</b>	<b>\$ 1.19</b>	<b>\$ (4.20)</b>	<b>\$ (0.20)</b>	<b>\$ 4.16</b>
Cost of operations as a percentage of income	92.30%	133.95%	101.14%	77.97%
Feed costs as a percentage of milk sales	50.62%	77.02%	60.45%	42.58%
Net income (loss) per milking cow per month	\$ 20.47	\$ (88.01)	\$ (1.22)	\$ 84.69
Cumulative net income per cwt. from 2007 to 2013				

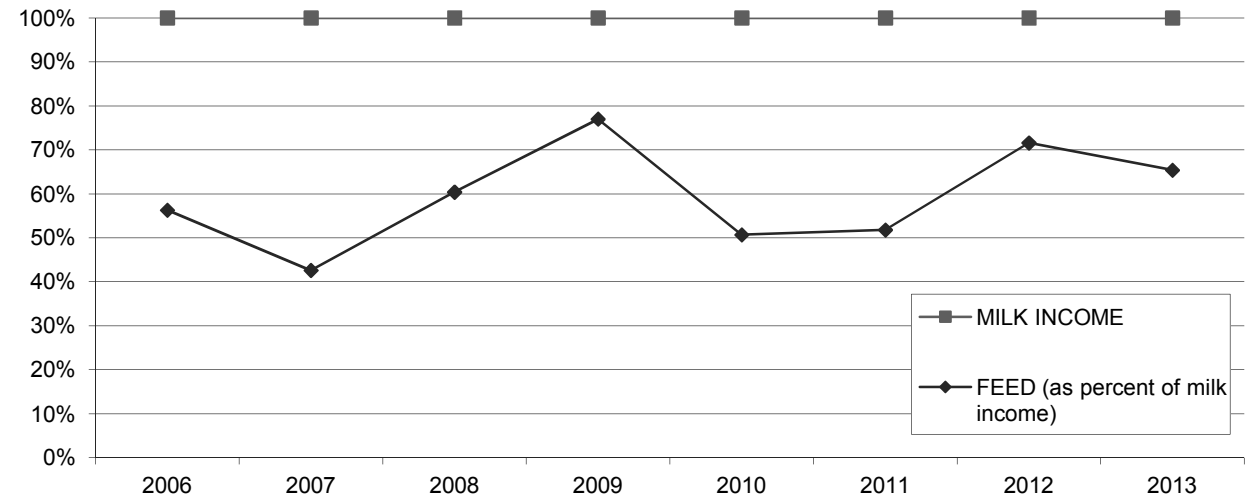
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
KERN COUNTY  
INCOME AND OPERATING COSTS  
2006 - 2013**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE  
KERN COUNTY**



**FEED COST vs. MILK INCOME  
KERN COUNTY**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2013	2012	2011
Income:			
Milk sales	\$ 4,351	\$ 4,001	\$ 4,253
Calves and other	80	67	54
<b>Total income</b>	<b>\$ 4,431</b>	<b>\$ 4,068</b>	<b>\$ 4,307</b>
Cost of operations:			
Feed:			
Grain	\$ 1,741	\$ 1,734	\$ 1,462
Hay and other	786	756	718
<b>Total feed</b>	<b>\$ 2,527</b>	<b>\$ 2,490</b>	<b>\$ 2,180</b>
Labor, (including fringe costs)	\$ 408	\$ 411	\$ 343
Herd replacement costs	\$ 221	\$ 221	\$ 265
Other costs:			
Milk hauling	\$ 97	\$ 93	\$ 100
State and association charges	55	55	53
Veterinary, breeding, testing, etc.	52	55	95
Supplies	140	140	134
Repairs and maintenance	121	117	118
Utilities	84	83	86
Occupancy costs	97	95	124
Depreciation - equipment	61	50	48
Interest	148	124	175
Miscellaneous	213	189	165
<b>Total other costs</b>	<b>\$ 1,068</b>	<b>\$ 1,001</b>	<b>\$ 1,098</b>
<b>Total cost of operations</b>	<b>\$ 4,224</b>	<b>\$ 4,123</b>	<b>\$ 3,886</b>
<b>Net income (loss)</b>	<b>\$ 207</b>	<b>\$ (55)</b>	<b>\$ 421</b>

See accompanying explanation of income and cost factors.

	PER CWT. OF MILK			YOUR 2013 RESULTS	
	2013	2012	2011	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 20.10	\$ 18.48	\$ 20.74	\$	\$
Calves and other	0.35	0.32	0.28		
<b>Total income</b>	<b>\$ 20.45</b>	<b>\$ 18.80</b>	<b>\$ 21.02</b>	<b>\$</b>	<b>\$</b>
Cost of operations:					
Feed:					
Grain	\$ 8.05	\$ 8.01	\$ 7.13	\$	\$
Hay and other	3.63	3.48	3.48		
<b>Total feed</b>	<b>\$ 11.68</b>	<b>\$ 11.49</b>	<b>\$ 10.61</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 1.89	\$ 1.89	\$ 1.67	\$	\$
Herd replacement costs	\$ 1.02	\$ 1.02	\$ 1.29	\$	\$
Other costs:					
Milk hauling	\$ 0.45	\$ 0.43	\$ 0.49	\$	\$
State and association charges	0.26	0.26	0.26		
Veterinary, breeding, testing, etc.	0.24	0.26	0.47		
Supplies	0.65	0.65	0.66		
Repairs and maintenance	0.56	0.54	0.58		
Utilities	0.39	0.38	0.42		
Occupancy costs	0.45	0.44	0.61		
Depreciation - equipment	0.28	0.23	0.23		
Interest	0.69	0.57	0.85		
Miscellaneous	0.99	0.88	0.82		
<b>Total other costs</b>	<b>\$ 4.96</b>	<b>\$ 4.64</b>	<b>\$ 5.39</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 19.55</b>	<b>\$ 19.04</b>	<b>\$ 18.96</b>	<b>\$</b>	<b>\$</b>
<b>Net income (loss)</b>	<b>\$ 0.90</b>	<b>\$ (0.24)</b>	<b>\$ 2.06</b>	<b>\$</b>	<b>\$</b>

## SUMMARY OF FINANCIAL STATISTICS

### ARIZONA

	December 31, 2013	December 31, 2012	December 31, 2011
1. Current Ratio	0.56 : 1	0.46 : 1	0.50 : 1
2. Herd Line Debt Per Cow	\$ 1,102	\$ 987	\$ 1,074
3. Total Debt Per Cow	\$ 3,271	\$ 3,272	\$ 3,370
4. Debt to Equity Ratio	2.29 : 1	2.40 : 1	2.87 : 1
5. Return on Total Assets	3.0%	-0.8%	6.6%
6. Income (loss) per milking cow per month	\$ 25.32	\$ (4.28)	\$ 42.84

- The current ratio represents current assets divided by current liabilities.
- Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Debt to equity represents the total debt divided by the total equity.
- The return on total assets represents the net income divided by the total assets, stated at cost.
- Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

	2013	2012	2011
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,648	21,639	20,504
Daily pounds of milk, per milking cow	68.0	69.4	66.4
Butterfat test	3.37 %	3.40 %	3.43 %
Blend price per hundredweight	\$ 20.10	\$ 18.48	\$ 20.74
Milk receipts, per milking cow	\$ 4,990	\$ 4,001	\$ 4,307
<b>HERD INFORMATION:</b>			
Herd size - total	3,980	4,059	3,818
Percent of dry cows	12.8 %	14.5 %	15.3 %
Herd turnover rate	38.0 %	37.5 %	31.3 %
Composition of herd:			
Purchased cows	26 %	22 %	47 %
Self-raised cows	74 %	78 %	53 %
Cost of purchased cows	\$ 1,493	\$ 1,433	\$ 1,486
Beef price received	\$ 868	\$ 824	\$ 754
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	40.0 %	43.3 %	34.4 %
Hay and other	18.1 %	18.8 %	16.8 %
Totals	58.1 %	62.1 %	51.2 %

## INCOME AND COST OF OPERATIONS

ARIZONA  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

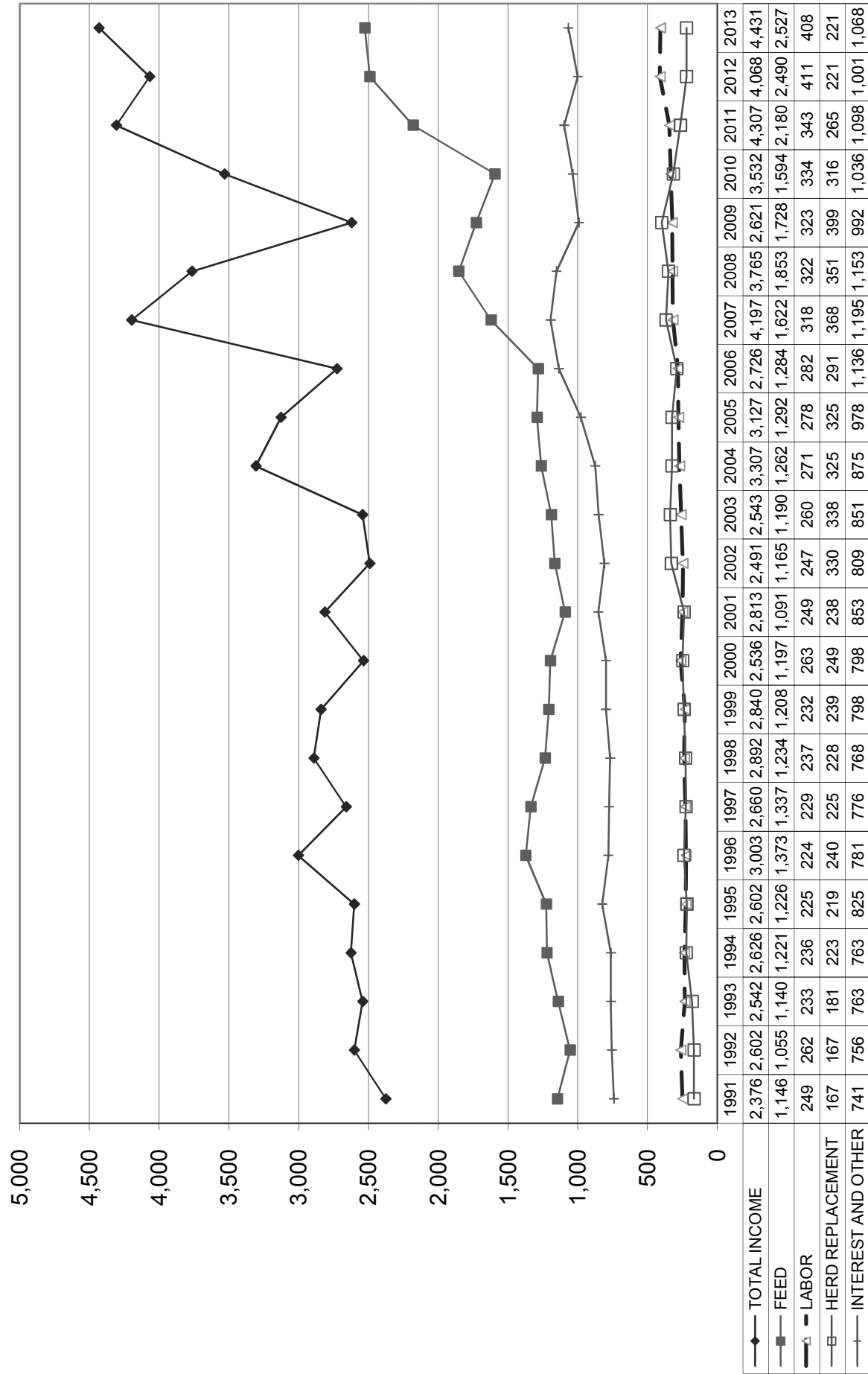
December 31, 2013    December 31, 2012    December 31, 2011

	December 31, 2013	December 31, 2012	December 31, 2011
Income:			
Milk Sales	\$ 20.10	\$ 18.48	\$ 20.74
Calves and other	0.35	0.32	0.28
<b>Total income</b>	<b>\$ 20.45</b>	<b>\$ 18.80</b>	<b>\$ 21.02</b>
Total cost of operations:			
Feed	\$ 11.68	\$ 11.49	\$ 10.61
Labor	1.89	1.89	1.67
Herd replacement costs	1.02	1.02	1.29
Other costs	4.96	4.64	5.39
<b>Total costs of operations</b>	<b>\$ 19.55</b>	<b>\$ 19.04</b>	<b>\$ 18.96</b>
<b>Net income (loss)</b>	<b>\$ 0.90</b>	<b>\$ (0.24)</b>	<b>\$ 2.06</b>
Cost of operations as a percentage of income	95.60%	101.28%	90.20%
Feed costs as a percentage of milk sales	58.11%	62.18%	51.16%
Net income (loss) per milking cow per month	\$ 25.32	\$ (4.28)	\$ 42.84
Cumulative net income per cwt. from 2007 to 2013	\$ 3.56		

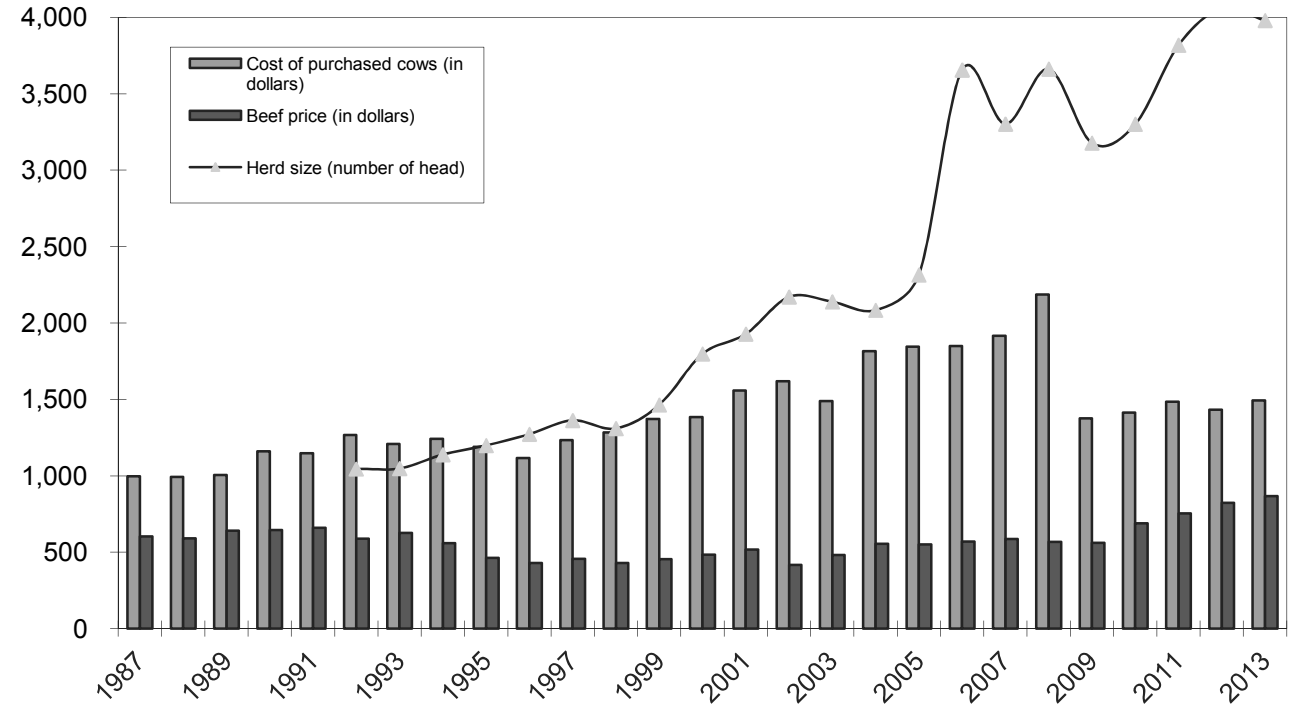
December 31, 2010    December 31, 2009    December 31, 2008    December 31, 2007

	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Income:				
Milk Sales	\$ 16.47	\$ 12.58	\$ 18.11	\$ 19.87
Calves and other	0.11	0.25	0.30	0.40
<b>Total income</b>	<b>\$ 16.58</b>	<b>\$ 12.83</b>	<b>\$ 18.41</b>	<b>\$ 20.27</b>
Total cost of operations:				
Feed	\$ 7.49	\$ 8.46	\$ 9.07	\$ 7.85
Labor	1.58	1.60	1.59	1.54
Herd replacement costs	1.49	1.95	1.72	1.78
Other costs	4.88	4.88	5.64	5.73
<b>Total costs of operations</b>	<b>\$ 15.44</b>	<b>\$ 16.89</b>	<b>\$ 18.02</b>	<b>\$ 16.90</b>
<b>Net income (loss)</b>	<b>\$ 1.14</b>	<b>\$ (4.06)</b>	<b>\$ 0.39</b>	<b>\$ 3.37</b>
Cost of operations as a percentage of income	93.12%	131.64%	97.88%	83.37%
Feed costs as a percentage of milk sales	45.48%	67.25%	50.08%	39.51%
Net income (loss) per milking cow per month	\$ 28.71	\$ (84.26)	\$ 5.99	\$ 64.56
Cumulative net income per cwt. from 2007 to 2013				

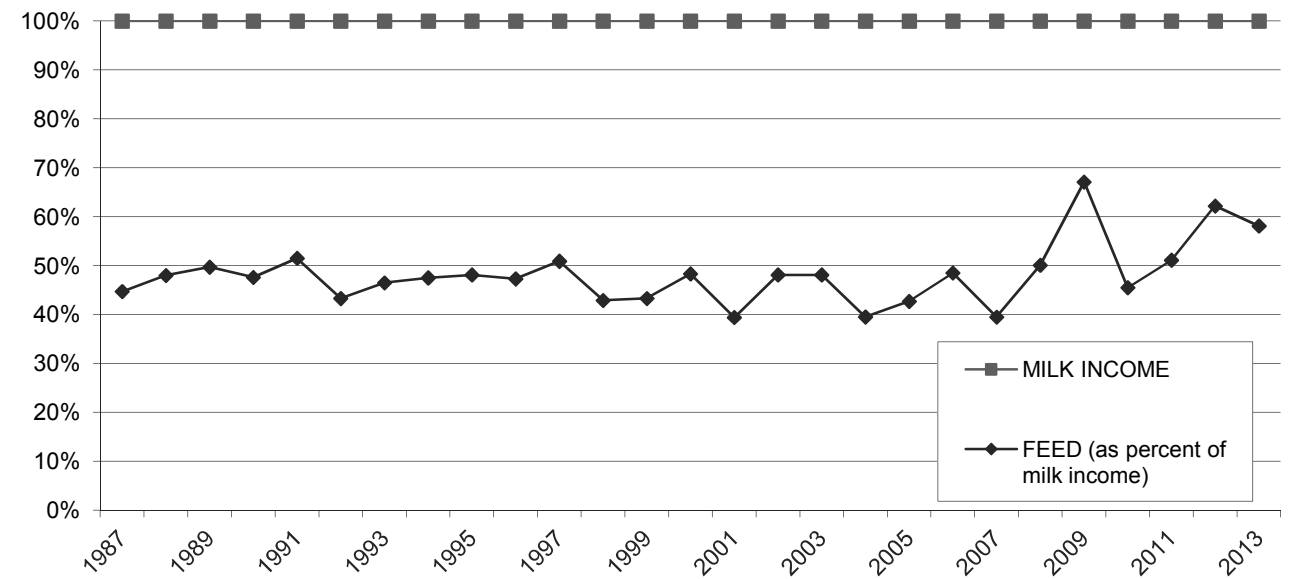
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
ARIZONA  
INCOME AND OPERATING COSTS  
1991 - 2013**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE  
ARIZONA**



**FEED COST vs. MILK INCOME  
ARIZONA**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
IDAHO  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2013	2012	2011
Income:			
Milk sales	\$ 4,469	\$ 3,976	\$ 4,185
Calves and other	98	93	44
<b>Total income</b>	<b>\$ 4,567</b>	<b>\$ 4,069</b>	<b>\$ 4,229</b>
Cost of operations:			
Feed:			
Grain	\$ 1,658	\$ 1,572	\$ 1,468
Hay and other	862	689	699
<b>Total feed</b>	<b>\$ 2,520</b>	<b>\$ 2,261</b>	<b>\$ 2,167</b>
Labor, (including fringe costs)	\$ 382	\$ 360	\$ 361
Herd replacement costs	\$ 258	\$ 220	\$ 226
Other costs:			
Milk hauling	\$ 70	\$ 69	\$ 67
State and association charges	46	46	45
Veterinary, breeding, testing, etc.	93	74	73
Supplies	184	214	203
Repairs and maintenance	185	135	157
Utilities	48	49	47
Occupancy costs	98	79	91
Depreciation - equipment	79	82	82
Interest	92	99	118
Miscellaneous	182	180	184
<b>Total other costs</b>	<b>\$ 1,077</b>	<b>\$ 1,027</b>	<b>\$ 1,067</b>
<b>Total cost of operations</b>	<b>\$ 4,237</b>	<b>\$ 3,868</b>	<b>\$ 3,821</b>
<b>Net income</b>	<b>\$ 330</b>	<b>\$ 201</b>	<b>\$ 408</b>

	PER CWT. OF MILK			YOUR 2013 RESULTS	
	2013	2012	2011	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 19.05	\$ 18.07	\$ 18.88	\$	\$
Calves and other	0.40	0.43	0.20		
<b>Total income</b>	<b>\$ 19.45</b>	<b>\$ 18.50</b>	<b>\$ 19.08</b>	<b>\$</b>	<b>\$</b>
Cost of operations:					
Feed:					
Grain	\$ 7.06	\$ 7.15	\$ 6.62	\$	\$
Hay and other	3.67	3.14	3.16		
<b>Total feed</b>	<b>\$ 10.73</b>	<b>\$ 10.29</b>	<b>\$ 9.78</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 1.63	\$ 1.64	\$ 1.63	\$	\$
Herd replacement costs	\$ 1.10	\$ 1.00	\$ 1.02	\$	\$
Other costs:					
Milk hauling	\$ 0.30	\$ 0.32	\$ 0.30	\$	\$
State and association charges	0.20	0.21	0.20		
Veterinary, breeding, testing, etc.	0.40	0.34	0.33		
Supplies	0.78	0.97	0.91		
Repairs and maintenance	0.79	0.62	0.70		
Utilities	0.21	0.22	0.21		
Occupancy costs	0.41	0.36	0.40		
Depreciation - equipment	0.34	0.37	0.37		
Interest	0.39	0.45	0.53		
Miscellaneous	0.77	0.81	0.82		
<b>Total other costs</b>	<b>\$ 4.59</b>	<b>\$ 4.67</b>	<b>\$ 4.77</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 18.05</b>	<b>\$ 17.60</b>	<b>\$ 17.20</b>	<b>\$</b>	<b>\$</b>
<b>Net income</b>	<b>\$ 1.40</b>	<b>\$ 0.90</b>	<b>\$ 1.88</b>	<b>\$</b>	<b>\$</b>



## SUMMARY OF FINANCIAL STATISTICS

	IDAHO		
	December 31, 2013	December 31, 2012	December 31, 2011
1. Current Ratio	1.01 : 1	0.68 : 1	0.83 : 1
2. Herd Line Debt Per Cow	\$ 603	\$ 586	\$ 657
3. Total Debt Per Cow	\$ 2,468	\$ 2,487	\$ 2,568
4. Debt to Equity Ratio	1.06 : 1	1.38 : 1	1.56 : 1
5. Return on Total Assets	4.8%	3.2%	6.7%
6. Income (loss) per milking cow per month	\$ 40.28	\$ 32.95	\$ 56.87

- The current ratio represents current assets divided by current liabilities.
- Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Debt to equity represents the total debt divided by the total equity.
- The return on total assets represents the net income divided by the total assets, stated at cost.
- Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

	FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011 IDAHO (BASED ON AVERAGE AMOUNTS)		
	2013	2012	2011
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	23,462	21,992	22,174
Daily pounds of milk, per milking cow	72.9	69.6	70.0
Butterfat test	3.72 %	3.65 %	3.59 %
Blend price per hundredweight	\$ 19.05	\$ 18.07	\$ 18.88
Milk receipts, per milking cow	\$ 5,067	\$ 3,976	\$ 4,185
<b>HERD INFORMATION:</b>			
Herd size - total	3,929	4,050	3,684
Percent of dry cows	11.8 %	13.4 %	13.2 %
Herd turnover rate	44.8 %	37.4 %	37.3 %
Composition of herd:			
Purchased cows	4 %	6 %	6 %
Self-raised cows	96 %	94 %	94 %
Cost of purchased cows	\$ 1,367	\$ 1,276	\$ 1,271
Beef price received	\$ 783	\$ 805	\$ 743
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	37.1 %	39.6 %	35.1 %
Hay and other	19.3 %	17.4 %	16.7 %
Totals	56.4 %	57.0 %	51.8 %

## INCOME AND COST OF OPERATIONS

IDAHO  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

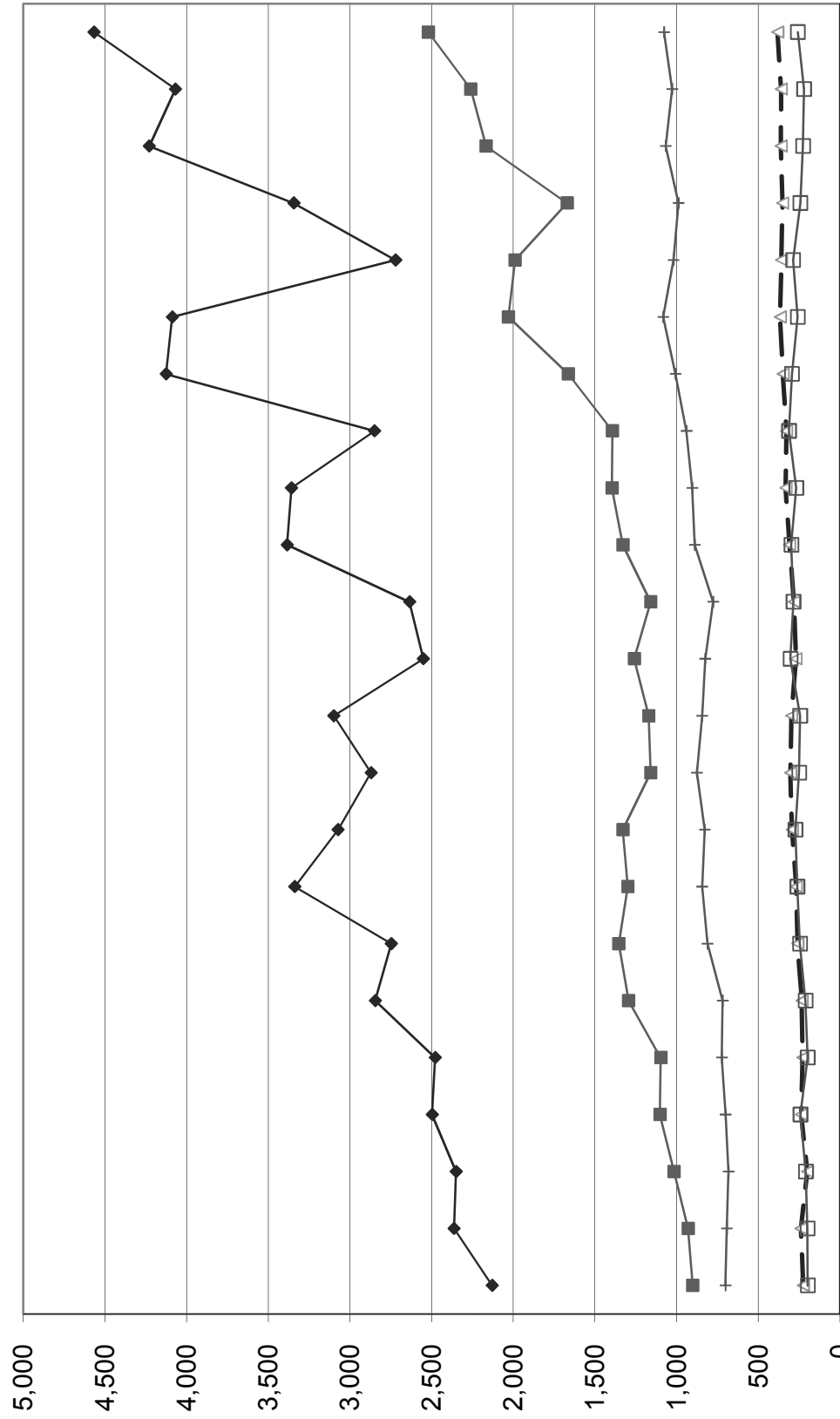
December 31, 2013    December 31, 2012    December 31, 2011

	December 31, 2013	December 31, 2012	December 31, 2011
Income:			
Milk Sales	\$ 19.05	\$ 18.07	\$ 18.88
Calves and other	0.40	0.43	0.20
<b>Total income</b>	<b>\$ 19.45</b>	<b>\$ 18.50</b>	<b>\$ 19.08</b>
Total cost of operations:			
Feed	\$ 10.73	\$ 10.29	\$ 9.78
Labor	1.63	1.64	1.63
Herd replacement costs	1.10	1.00	1.02
Other costs	4.59	4.67	4.77
<b>Total costs of operations</b>	<b>\$ 18.05</b>	<b>\$ 17.60</b>	<b>\$ 17.20</b>
<b>Net income (loss)</b>	<b>\$ 1.40</b>	<b>\$ 0.90</b>	<b>\$ 1.88</b>
Cost of operations as a percentage of income	92.80%	95.14%	90.15%
Feed costs as a percentage of milk sales	56.33%	56.95%	51.80%
Net income (loss) per milking cow per month	\$ 40.28	\$ 32.95	\$ 56.87
Cumulative net income per cwt. from 2007 to 2013	\$ 5.70		

December 31, 2010    December 31, 2009    December 31, 2008    December 31, 2007

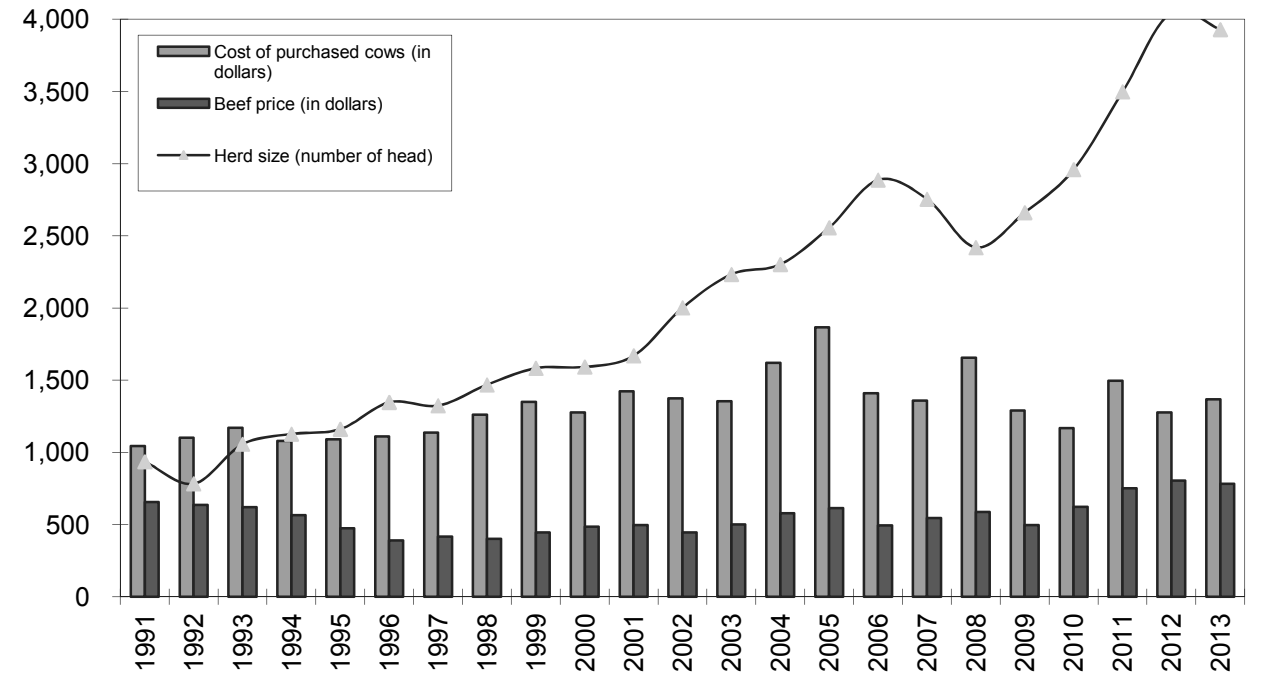
	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Income:				
Milk Sales	\$ 15.15	\$ 12.27	\$ 18.15	\$ 18.07
Calves and other	0.16	0.25	0.18	0.43
<b>Total income</b>	<b>\$ 15.31</b>	<b>\$ 12.52</b>	<b>\$ 18.33</b>	<b>\$ 18.50</b>
Total cost of operations:				
Feed	\$ 7.66	\$ 9.14	\$ 9.09	\$ 7.37
Labor	1.62	1.65	1.65	1.55
Herd replacement costs	1.12	1.32	1.16	1.31
Other costs	4.49	4.70	4.85	4.46
<b>Total costs of operations</b>	<b>\$ 14.89</b>	<b>\$ 16.81</b>	<b>\$ 16.75</b>	<b>\$ 14.69</b>
<b>Net income (loss)</b>	<b>\$ 0.42</b>	<b>\$ (4.29)</b>	<b>\$ 1.58</b>	<b>\$ 3.81</b>
Cost of operations as a percentage of income	97.26%	134.27%	91.38%	79.41%
Feed costs as a percentage of milk sales	50.56%	74.49%	50.08%	40.79%
Net income (loss) per milking cow per month	\$ 18.16	\$ (81.62)	\$ 42.46	\$ 95.04
Cumulative net income per cwt. from 2007 to 2013				

**LONG-TERM TREND - ON A "PER HEAD" BASIS  
IDAHO  
INCOME AND OPERATING COSTS  
1991 - 2013**

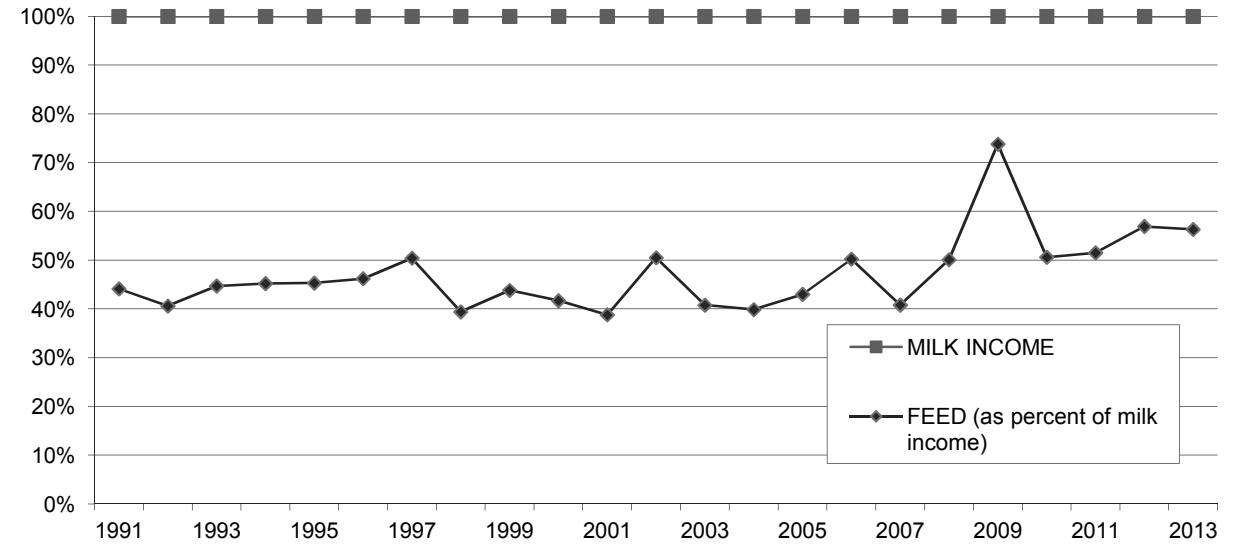


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
TOTAL INCOME	2,129	2,363	2,350	2,497	2,478	2,845	2,747	3,338	3,073	2,871	3,099	2,551	2,635	3,385	3,358	2,850	4,126	4,088	2,721	3,344	4,229	4,069	4,567
FEED	902	930	1,016	1,102	1,097	1,294	1,354	1,299	1,329	1,159	1,171	1,259	1,159	1,329	1,396	1,393	1,663	2,030	1,989	1,671	2,167	2,261	2,520
LABOR	225	239	200	237	228	233	259	268	293	303	297	270	281	309	332	328	349	366	359	352	361	360	382
HERD REPLACEMENT	197	199	209	242	198	211	245	261	273	250	244	303	285	298	268	312	294	259	287	243	226	220	258
INTEREST AND OTHER	701	693	682	700	723	718	811	844	828	876	844	825	776	889	904	940	1,007	1,082	1,019	988	1,067	1,027	1,077

**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE,  
AND HERD SIZE  
IDAHO**



**FEED COST vs. MILK INCOME  
IDAHO**



**CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS**

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2013	2012	2011
Income:			
Milk sales	\$ 3,839	\$ 3,560	\$ 3,948
Calves and other	85	80	60
<b>Total income</b>	<b>\$ 3,924</b>	<b>\$ 3,640</b>	<b>\$ 4,008</b>
Cost of operations:			
Feed:			
Grain	\$ 1,673	\$ 1,723	\$ 1,443
Hay and other	718	714	663
<b>Total feed</b>	<b>\$ 2,391</b>	<b>\$ 2,437</b>	<b>\$ 2,106</b>
Labor, (including fringe costs)	\$ 318	\$ 328	\$ 319
Herd replacement costs	\$ 162	\$ 159	\$ 222
Other costs:			
Milk hauling	\$ 178	\$ 170	\$ 152
State and association charges	73	70	77
Veterinary, breeding, testing, etc.	97	102	80
Supplies	88	100	108
Repairs and maintenance	105	100	99
Utilities	67	64	70
Occupancy costs	71	83	83
Depreciation - equipment	56	57	58
Interest	92	95	110
Miscellaneous	193	169	160
<b>Total other costs</b>	<b>\$ 1,020</b>	<b>\$ 1,010</b>	<b>\$ 997</b>
<b>Total cost of operations</b>	<b>\$ 3,891</b>	<b>\$ 3,934</b>	<b>\$ 3,644</b>
<b>Net income (loss)</b>	<b>\$ 33</b>	<b>\$ (294)</b>	<b>\$ 364</b>

	PER CWT. OF MILK			YOUR 2013 RESULTS	
	2013	2012	2011	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 19.53	\$ 18.31	\$ 19.89	\$	\$
Calves and other	0.43	0.39	0.29		
<b>Total income</b>	<b>\$ 19.96</b>	<b>\$ 18.70</b>	<b>\$ 20.18</b>	<b>\$</b>	<b>\$</b>
Cost of operations:					
Feed:					
Grain	\$ 8.51	\$ 8.86	\$ 7.27	\$	\$
Hay and other	3.65	3.68	3.35		
<b>Total feed</b>	<b>\$ 12.16</b>	<b>\$ 12.54</b>	<b>\$ 10.62</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 1.62	\$ 1.70	\$ 1.62	\$	\$
Herd replacement costs	\$ 0.82	\$ 0.82	\$ 1.12	\$	\$
Other costs:					
Milk hauling	\$ 0.91	\$ 0.87	\$ 0.77	\$	\$
State and association charges	0.37	0.36	0.39		
Veterinary, breeding, testing, etc.	0.49	0.52	0.39		
Supplies	0.45	0.51	0.55		
Repairs and maintenance	0.53	0.52	0.50		
Utilities	0.34	0.33	0.35		
Occupancy costs	0.36	0.43	0.42		
Depreciation - equipment	0.29	0.29	0.29		
Interest	0.47	0.49	0.56		
Miscellaneous	0.99	0.88	0.81		
<b>Total other costs</b>	<b>\$ 5.20</b>	<b>\$ 5.20</b>	<b>\$ 5.03</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 19.80</b>	<b>\$ 20.26</b>	<b>\$ 18.39</b>	<b>\$</b>	<b>\$</b>
<b>Net income (loss)</b>	<b>\$ 0.16</b>	<b>\$ (1.56)</b>	<b>\$ 1.79</b>	<b>\$</b>	<b>\$</b>

See accompanying explanation of income and cost factors.

## SUMMARY OF FINANCIAL STATISTICS

### NEW MEXICO

	December 31, 2013	December 31, 2012	December 31, 2011
1. Current Ratio	1.12 : 1	0.61 : 1	0.86 : 1
2. Herd Line Debt Per Cow	\$ 749	\$ 728	\$ 774
3. Total Debt Per Cow	\$ 2,493	\$ 2,414	\$ 2,273
4. Debt to Equity Ratio	1.37 : 1	1.72 : 1	1.63 : 1
5. Return on Total Assets	0.5%	-5.5%	6.8%
6. Income (loss) per milking cow per month	\$ 23.28	\$ (15.48)	\$ 49.14

- The current ratio represents current assets divided by current liabilities.
- Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Debt to equity represents the total debt divided by the total equity.
- The return on total assets represents the net income divided by the total assets, stated at cost.
- Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

	2013	2012	2011
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	19,652	19,452	19,855
Daily pounds of milk, per milking cow	67.8	67.1	67.8
Butterfat test	3.52 %	3.55 %	3.51 %
Blend price per hundredweight	\$ 19.53	\$ 18.31	\$ 19.89
Milk receipts, per milking cow	\$ 4,833	\$ 3,560	\$ 4,920
<b>HERD INFORMATION:</b>			
Herd size - total	5,186	3,716	3,801
Percent of dry cows	20.6 %	20.5 %	19.8 %
Herd turnover rate	41.1 %	38.7 %	34.3 %
Composition of herd:			
Purchased cows	19 %	18 %	13 %
Self-raised cows	81 %	82 %	87 %
Cost of purchased cows	\$ 1,335	\$ 1,401	\$ 1,643
Beef price received	\$ 926	\$ 897	\$ 749
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	43.6 %	48.4 %	36.6 %
Hay and other	18.7 %	20.1 %	16.8 %
Totals	62.3 %	68.5 %	53.4 %

## INCOME AND COST OF OPERATIONS

### NEW MEXICO

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

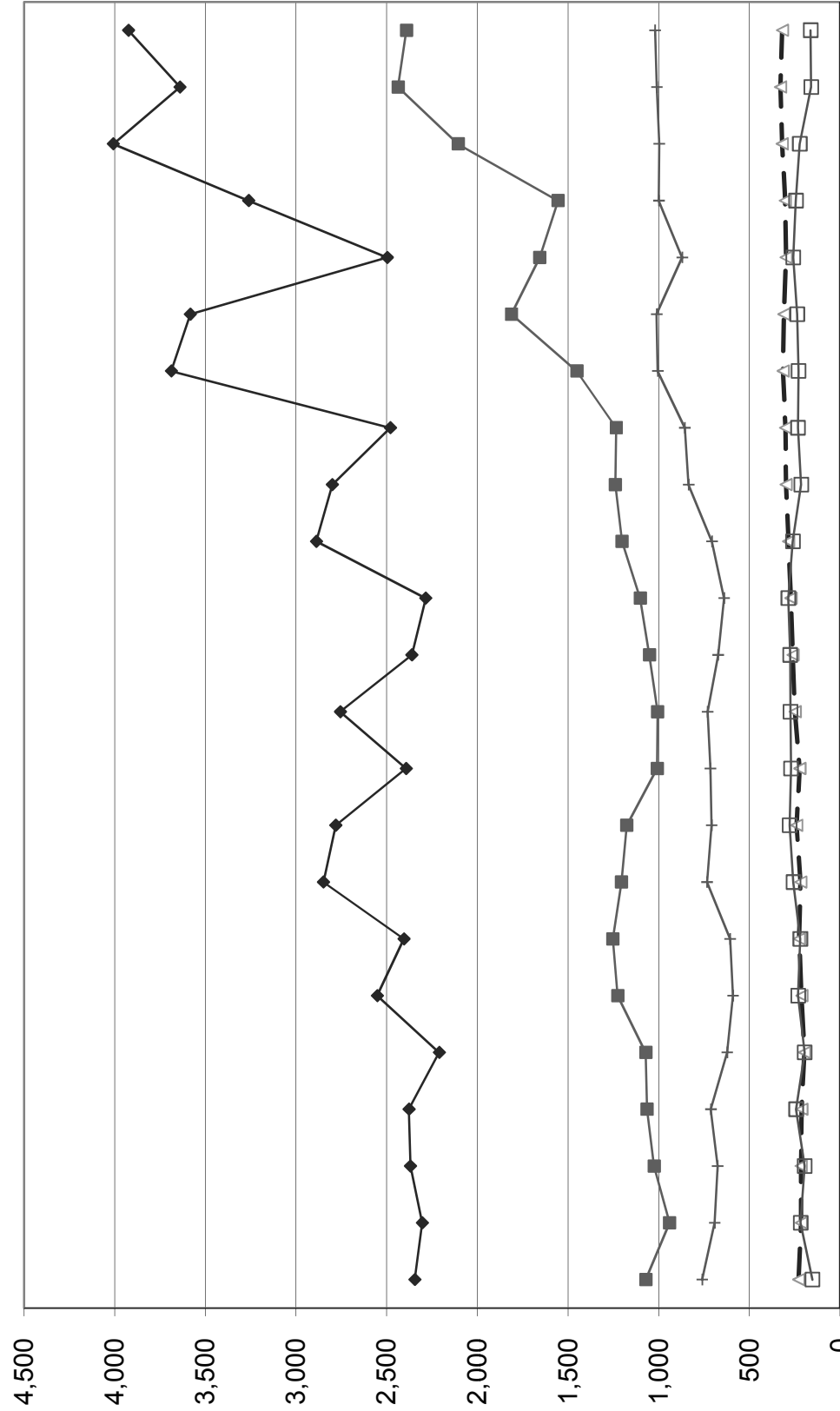
December 31, 2013      December 31, 2012      December 31, 2011

	December 31, 2013	December 31, 2012	December 31, 2011
Income:			
Milk Sales	\$ 19.53	\$ 18.31	\$ 19.89
Calves and other	0.43	0.39	0.29
<b>Total income</b>	<b>\$ 19.96</b>	<b>\$ 18.70</b>	<b>\$ 20.18</b>
Total cost of operations:			
Feed	\$ 12.16	\$ 12.54	\$ 10.62
Labor	1.62	1.70	1.62
Herd replacement costs	0.82	0.82	1.12
Other costs	5.20	5.20	5.03
<b>Total costs of operations</b>	<b>\$ 19.80</b>	<b>\$ 20.26</b>	<b>\$ 18.39</b>
<b>Net income (loss)</b>	<b>\$ 0.16</b>	<b>\$ (1.56)</b>	<b>\$ 1.79</b>
Cost of operations as a percentage of income	99.20%	108.34%	91.13%
Feed costs as a percentage of milk sales	62.26%	68.49%	53.39%
Net income (loss) per milking cow per month	\$ 23.28	\$ (15.48)	\$ 49.14
Cumulative net income per cwt. from 2007 to 2013	\$ 2.95		

December 31, 2010      December 31, 2009      December 31, 2008      December 31, 2007

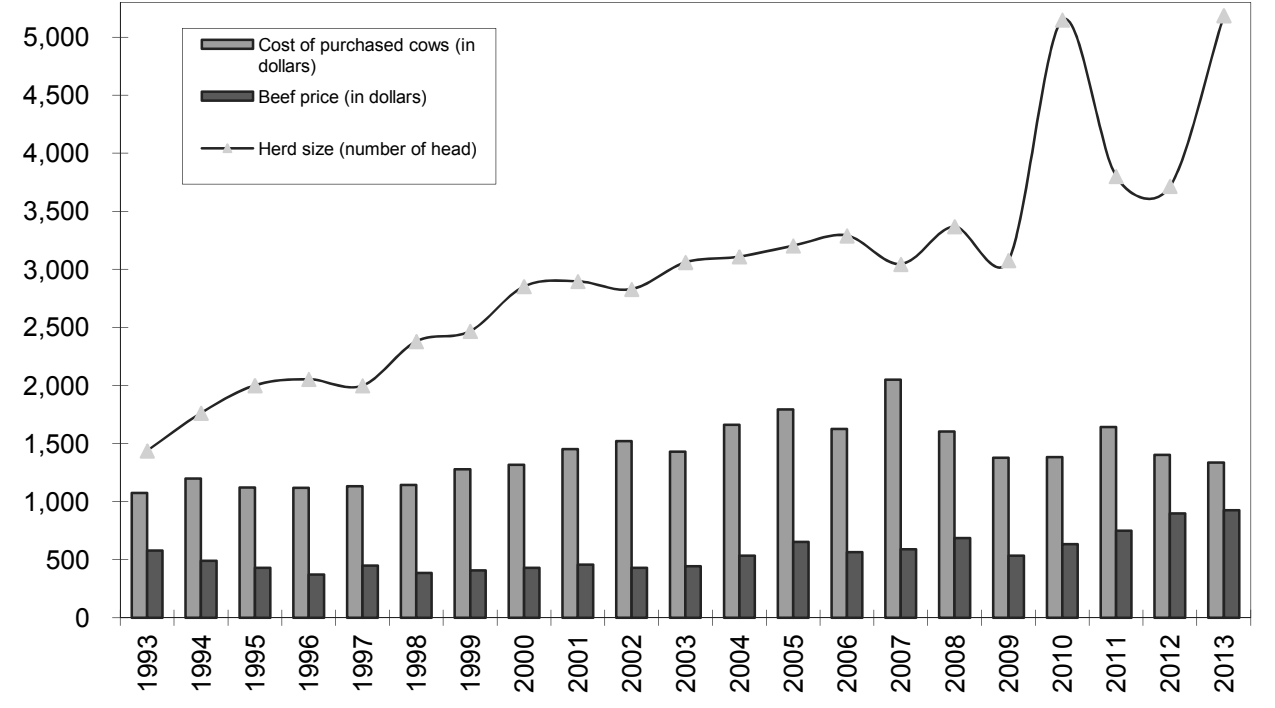
	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Income:				
Milk Sales	\$ 17.02	\$ 12.83	\$ 17.92	\$ 18.62
Calves and other	0.18	0.25	0.29	0.60
<b>Total income</b>	<b>\$ 17.20</b>	<b>\$ 13.08</b>	<b>\$ 18.21</b>	<b>\$ 19.22</b>
Total cost of operations:				
Feed	\$ 8.23	\$ 8.68	\$ 9.22	\$ 7.57
Labor	1.60	1.56	1.58	1.63
Herd replacement costs	1.28	1.35	1.20	1.19
Other costs	5.22	4.53	5.11	5.20
<b>Total costs of operations</b>	<b>\$ 16.33</b>	<b>\$ 16.12</b>	<b>\$ 17.11</b>	<b>\$ 15.59</b>
<b>Net income (loss)</b>	<b>\$ 0.87</b>	<b>\$ (3.04)</b>	<b>\$ 1.10</b>	<b>\$ 3.63</b>
Cost of operations as a percentage of income	94.94%	123.24%	93.96%	81.11%
Feed costs as a percentage of milk sales	48.35%	67.65%	51.45%	40.66%
Net income (loss) per milking cow per month	\$ 27.80	\$ (55.60)	\$ 41.90	\$ 93.36
Cumulative net income per cwt. from 2007 to 2013				

**LONG-TERM TREND - ON A "PER HEAD" BASIS  
NEW MEXICO  
INCOME AND OPERATING COSTS  
1991 - 2013**

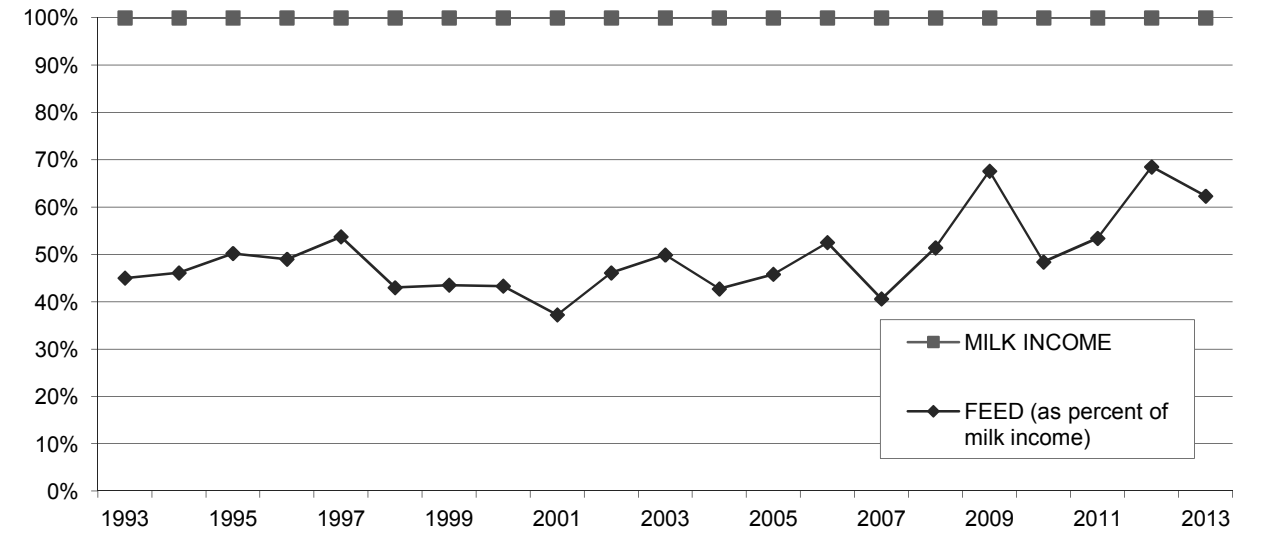


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
TOTAL INCOME	2,345	2,304	2,369	2,377	2,210	2,552	2,405	2,849	2,781	2,393	2,756	2,361	2,285	2,888	2,800	2,480	3,688	3,583	2,497	3,261	4,008	3,640	3,924
FEED	1,071	940	1,025	1,064	1,071	1,226	1,253	1,205	1,176	1,008	1,006	1,051	1,102	1,202	1,239	1,234	1,451	1,812	1,656	1,555	2,106	2,437	2,391
LABOR	228	214	215	211	196	211	225	217	239	222	248	260	271	284	298	301	314	310	298	302	319	328	318
HERD REPLACEMENT	152	217	195	242	195	231	219	257	278	270	273	275	285	260	214	232	229	236	258	243	222	159	162
INTEREST AND OTHER	760	691	675	712	622	590	606	733	708	715	730	672	639	706	835	856	1,005	1,011	870	999	1,010	1,020	1,020

**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND  
HERD SIZE  
NEW MEXICO**



**FEED COST vs. MILK INCOME  
NEW MEXICO**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012 AND 2011  
PANHANDLE  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2013 RESULTS	
	2013	2012	2011	2013	2012	2011	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 4,213	\$ 3,943	\$ 4,116	\$ 20.65	\$ 19.05	\$ 20.57	\$	\$
Calves and other	87	100	51	0.44	0.49	0.26		
Total income	\$ 4,300	\$ 4,043	\$ 4,167	\$ 21.09	\$ 19.54	\$ 20.83	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,765	\$ 1,729	\$ 1,370	\$ 8.66	\$ 8.36	\$ 6.85	\$	\$
Hay and other	855	778	650	4.20	3.76	3.25		
Total feed	\$ 2,620	\$ 2,507	\$ 2,020	\$ 12.86	\$ 12.12	\$ 10.10	\$	\$
Labor, (including fringe costs)	\$ 335	\$ 341	\$ 354	\$ 1.65	\$ 1.65	\$ 1.76	\$	\$
Herd replacement costs	\$ 236	\$ 230	\$ 269	\$ 1.16	\$ 1.11	\$ 1.35	\$	\$
Other costs:								
Milk hauling	\$ 144	\$ 135	\$ 136	\$ 0.71	\$ 0.65	\$ 0.68	\$	\$
State and association charges	61	62	50	0.30	0.30	0.25		
Veterinary, breeding, testing, etc.	91	91	86	0.45	0.44	0.43		
Supplies	117	134	118	0.56	0.65	0.59		
Repairs and maintenance	105	86	80	0.51	0.42	0.40		
Utilities	51	43	48	0.25	0.21	0.24		
Occupancy costs	133	131	126	0.64	0.64	0.64		
Depreciation - equipment	63	57	54	0.31	0.28	0.27		
Interest	85	81	101	0.43	0.40	0.51		
Miscellaneous	169	157	159	0.85	0.76	0.80		
Total other costs	\$ 1,019	\$ 977	\$ 958	\$ 5.01	\$ 4.75	\$ 4.81	\$	\$
Total cost of operations	\$ 4,210	\$ 4,055	\$ 3,601	\$ 20.68	\$ 19.63	\$ 18.02	\$	\$
Net income (loss)	\$ 90	\$ (12)	\$ 566	\$ 0.41	\$ (0.09)	\$ 2.81	\$	\$

See accompanying explanation of income and cost factors.



## SUMMARY OF FINANCIAL STATISTICS

	PANHANDLE		
	December 31, 2013	December 31, 2012	December 31, 2011
1. Current Ratio	0.77 : 1	0.68 : 1	0.67 : 1
2. Herd Line Debt Per Cow	\$ 848	\$ 729	\$ 875
3. Total Debt Per Cow	\$ 2,757	\$ 2,604	\$ 2,355
4. Debt to Equity Ratio	1.74 : 1	1.88 : 1	1.99 : 1
5. Return on Total Assets	1.4%	-0.2%	10.7%
6. Income (loss) per milking cow per month	\$ 17.31	\$ (1.12)	\$ 53.28

- The current ratio represents current assets divided by current liabilities.
- Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Debt to equity represents the total debt divided by the total equity.
- The return on total assets represents the net income divided by the total assets, stated at cost.
- Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

	FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011 PANHANDLE (BASED ON AVERAGE AMOUNTS)		
	2013	2012	2011
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	20,388	20,677	20,005
Daily pounds of milk, per milking cow	66.3	67.4	65.1
Butterfat test	3.82 %	3.73 %	3.83 %
Blend price per hundredweight	\$ 20.65	\$ 19.05	\$ 20.57
Milk receipts, per milking cow	\$ 4,998	\$ 3,943	\$ 4,887
<b>HERD INFORMATION:</b>			
Herd size - total	2,930	3,181	3,988
Percent of dry cows	15.7 %	15.9 %	15.8 %
Herd turnover rate	41.0 %	39.6 %	33.4 %
Composition of herd:			
Purchased cows	11 %	8 %	8 %
Self-raised cows	89 %	92 %	92 %
Cost of purchased cows	\$ 1,442	\$ 1,411	\$ 1,384
Beef price received	\$ 835	\$ 832	\$ 719
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	41.9 %	43.9 %	33.3 %
Hay and other	20.3 %	19.7 %	15.8 %
Totals	62.2 %	63.6 %	49.1 %

## INCOME AND COST OF OPERATIONS

PANHANDLE  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

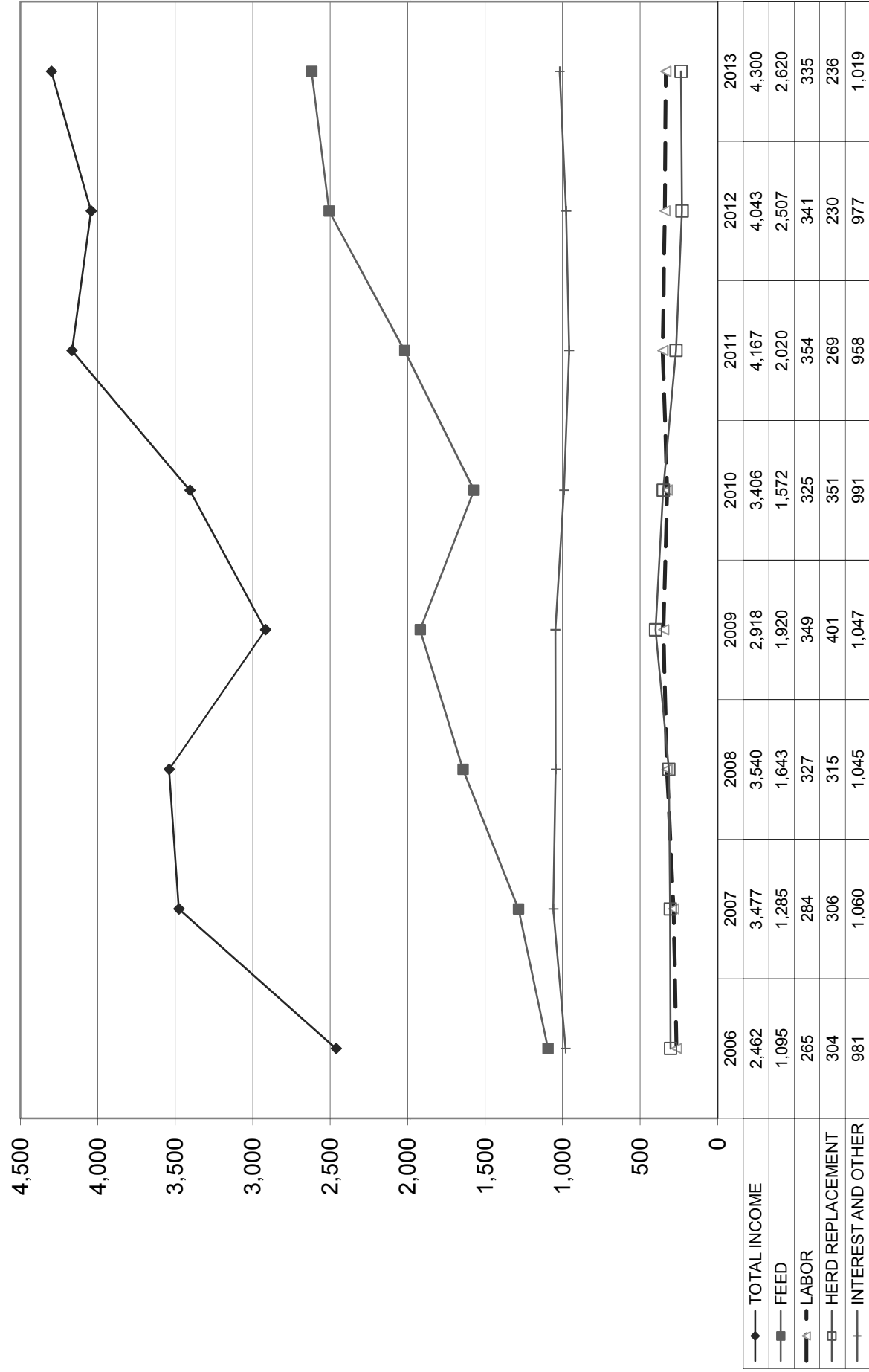
December 31, 2013      December 31, 2012      December 31, 2011

	December 31, 2013	December 31, 2012	December 31, 2011
Income:			
Milk Sales	\$ 20.65	\$ 19.05	\$ 20.57
Calves and other	0.44	0.49	0.26
<b>Total income</b>	<b>\$ 21.09</b>	<b>\$ 19.54</b>	<b>\$ 20.83</b>
Total cost of operations:			
Feed	\$ 12.86	\$ 12.12	\$ 10.10
Labor	1.65	1.65	1.76
Herd replacement costs	1.16	1.11	1.35
Other costs	5.01	4.75	4.81
<b>Total costs of operations</b>	<b>\$ 20.68</b>	<b>\$ 19.63</b>	<b>\$ 18.02</b>
<b>Net income (loss)</b>	<b>\$ 0.41</b>	<b>\$ (0.09)</b>	<b>\$ 2.81</b>
Cost of operations as a percentage of income	98.06%	100.46%	86.51%
Feed costs as a percentage of milk sales	62.28%	63.62%	49.10%
Net income (loss) per milking cow per month	\$ 17.31	\$ (1.12)	\$ 53.28
Cumulative net income per cwt. from 2007 to 2013	\$ 4.56		

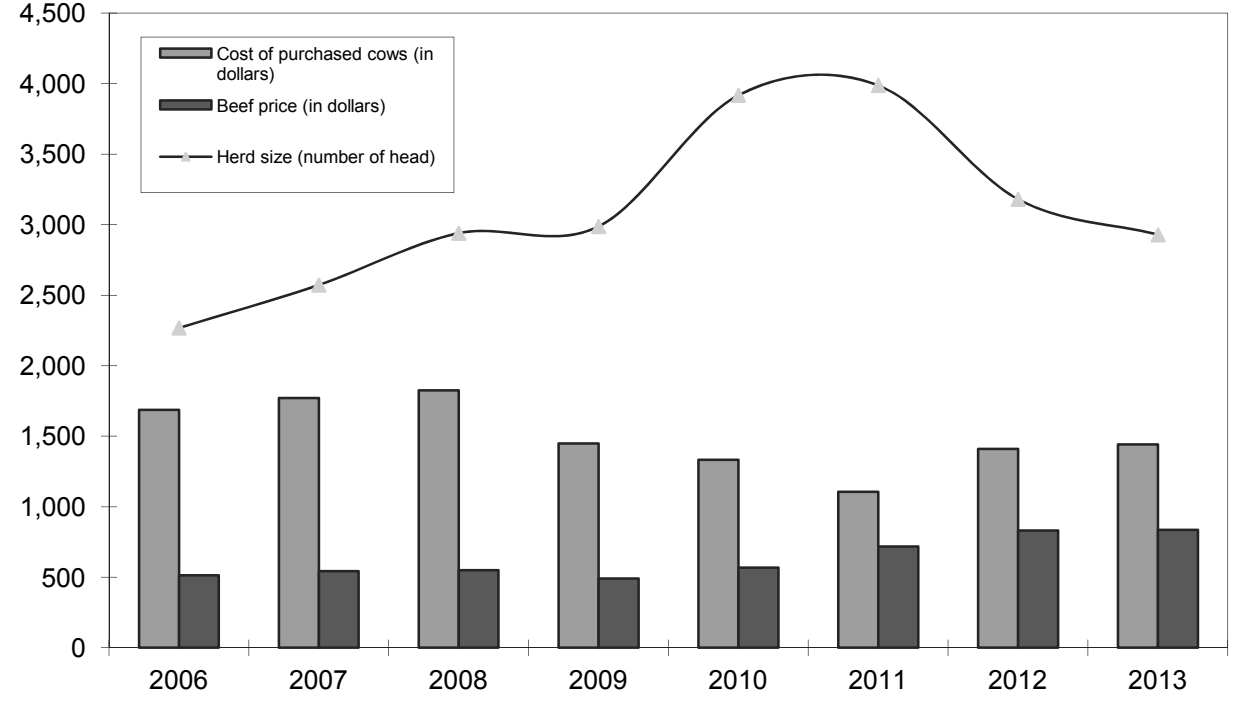
December 31, 2010      December 31, 2009      December 31, 2008      December 31, 2007

	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Income:				
Milk Sales	\$ 16.89	\$ 13.63	\$ 19.11	\$ 20.01
Calves and other	0.14	0.20	0.09	0.27
<b>Total income</b>	<b>\$ 17.03</b>	<b>\$ 13.83</b>	<b>\$ 19.20</b>	<b>\$ 20.28</b>
Total cost of operations:				
Feed	\$ 7.85	\$ 9.09	\$ 8.91	\$ 7.50
Labor	1.62	1.65	1.77	1.66
Herd replacement costs	1.75	1.90	1.71	1.79
Other costs	4.92	4.92	5.69	6.18
<b>Total costs of operations</b>	<b>\$ 16.14</b>	<b>\$ 17.56</b>	<b>\$ 18.08</b>	<b>\$ 17.13</b>
<b>Net income (loss)</b>	<b>\$ 0.89</b>	<b>\$ (3.73)</b>	<b>\$ 1.12</b>	<b>\$ 3.15</b>
Cost of operations as a percentage of income	94.77%	126.97%	94.17%	84.47%
Feed costs as a percentage of milk sales	46.48%	66.69%	46.62%	37.48%
Net income (loss) per milking cow per month	\$ 17.85	\$ (61.10)	\$ 19.04	\$ 82.81
Cumulative net income per cwt. from 2007 to 2013				

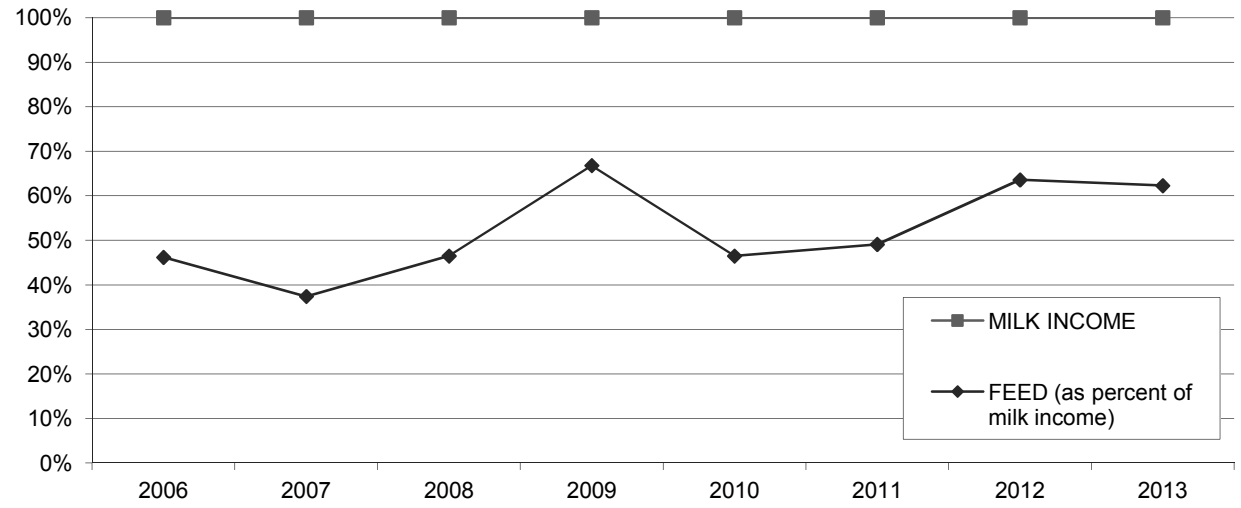
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
PANHANDLE  
INCOME AND OPERATING COSTS  
2006 - 2013**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE  
THE PANHANDLE**



**FEED COST vs. MILK INCOME  
THE PANHANDLE**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
PACIFIC NORTHWEST  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2013 RESULTS	
	2013	2012	2011	2013	2012	2011	PER HEAD	PER CWT. OF MILK
<b>Income:</b>								
Milk sales	\$ 4,418	\$ 3,746	\$ 4,397	\$ 20.48	\$ 18.56	\$ 20.58	\$	\$
Calves and other	73	166	119	0.34	0.83	0.57		
<b>Total income</b>	<b>\$ 4,491</b>	<b>\$ 3,912</b>	<b>\$ 4,516</b>	<b>\$ 20.82</b>	<b>\$ 19.39</b>	<b>\$ 21.15</b>	<b>\$</b>	<b>\$</b>
<b>Cost of operations:</b>								
<b>Feed:</b>								
Grain	\$ 1,549	\$ 1,444	\$ 1,410	\$ 7.18	\$ 7.15	\$ 6.60	\$	\$
Hay and other	1,006	682	692	4.65	3.38	3.27		
<b>Total feed</b>	<b>\$ 2,555</b>	<b>\$ 2,126</b>	<b>\$ 2,102</b>	<b>\$ 11.83</b>	<b>\$ 10.53</b>	<b>\$ 9.87</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 373	\$ 345	\$ 368	\$ 1.73	\$ 1.70	\$ 1.71	\$	\$
Herd replacement costs	\$ 248	\$ 260	\$ 291	\$ 1.15	\$ 1.29	\$ 1.36	\$	\$
<b>Other costs:</b>								
Milk hauling	\$ 146	\$ 133	\$ 145	\$ 0.68	\$ 0.66	\$ 0.68	\$	\$
State and association charges	65	59	60	0.30	0.29	0.28		
Veterinary, breeding, testing, etc.	128	127	122	0.59	0.63	0.57		
Supplies	124	111	104	0.58	0.55	0.49		
Repairs and maintenance	121	104	134	0.56	0.52	0.63		
Utilities	42	42	40	0.19	0.21	0.19		
Occupancy costs	182	142	185	0.85	0.70	0.87		
Depreciation - equipment	68	70	65	0.32	0.35	0.31		
Interest	85	95	110	0.40	0.47	0.53		
Miscellaneous	152	167	146	0.70	0.80	0.67		
<b>Total other costs</b>	<b>\$ 1,113</b>	<b>\$ 1,050</b>	<b>\$ 1,111</b>	<b>\$ 5.17</b>	<b>\$ 5.18</b>	<b>\$ 5.22</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 4,289</b>	<b>\$ 3,781</b>	<b>\$ 3,872</b>	<b>\$ 19.88</b>	<b>\$ 18.70</b>	<b>\$ 18.16</b>	<b>\$</b>	<b>\$</b>
<b>Net income</b>	<b>\$ 202</b>	<b>\$ 131</b>	<b>\$ 644</b>	<b>\$ 0.94</b>	<b>\$ 0.69</b>	<b>\$ 2.99</b>	<b>\$</b>	<b>\$</b>

## SUMMARY OF FINANCIAL STATISTICS

### PACIFIC NORTHWEST

	December 31, 2013	December 31, 2012	December 31, 2011
1. Current Ratio	0.98 : 1	0.95 : 1	0.82 : 1
2. Herd Line Debt Per Cow	\$ 786	\$ 793	\$ 737
3. Total Debt Per Cow	\$ 2,791	\$ 2,594	\$ 2,229
4. Debt to Equity Ratio	1.50 : 1	1.50 : 1	1.19 : 1
5. Return on Total Assets	3.1%	2.2%	11.1%
6. Income per milking cow per month	\$ 32.97	\$ 19.67	\$ 74.13

- The current ratio represents current assets divided by current liabilities.
- Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
- Debt to equity represents the total debt divided by the total equity.
- The return on total assets represents the net income divided by the total assets, stated at cost.
- Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2013, 2012, AND 2011  
PACIFIC NORTHWEST  
(BASED ON AVERAGE AMOUNTS)

	2013	2012	2011
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,578	20,182	21,361
Daily pounds of milk, per milking cow	69.8	68.1	69.1
Butterfat test	3.80 %	3.75 %	3.75 %
Blend price per hundredweight	\$ 20.48	\$ 18.56	\$ 20.58
Milk receipts, per milking cow	\$ 5,214	\$ 3,746	\$ 4,397
<b>HERD INFORMATION:</b>			
Herd size - total	2,938	2,918	3,378
Percent of dry cows	15.2 %	18.8 %	15.4 %
Herd turnover rate	32.9 %	32.3 %	33.2 %
Composition of herd:			
Purchased cows	12 %	15 %	13 %
Self-raised cows	88 %	85 %	87 %
Cost of purchased cows	\$ 1,322	\$ 1,239	\$ 1,345
Beef price received	\$ 749	\$ 767	\$ 709
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	35.1 %	38.5 %	32.1 %
Hay and other	22.7 %	18.2 %	15.9 %
Totals	57.8 %	56.7 %	48.0 %

## INCOME AND COST OF OPERATIONS

### PACIFIC NORTHWEST

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2013      December 31, 2012      December 31, 2011      December 31, 2010

Income:				
Milk Sales	\$ 20.48	\$ 18.56	\$ 20.58	\$ 16.59
Calves and other	0.34	0.83	0.57	0.27
<b>Total income</b>	<b>\$ 20.82</b>	<b>\$ 19.39</b>	<b>\$ 21.15</b>	<b>\$ 16.86</b>
Total cost of operations:				
Feed	\$ 11.83	\$ 10.53	\$ 9.87	\$ 8.15
Labor	1.73	1.70	1.71	1.44
Herd replacement costs	1.15	1.29	1.36	1.68
Other costs	5.17	5.18	5.22	5.14
<b>Total costs of operations</b>	<b>\$ 19.88</b>	<b>\$ 18.70</b>	<b>\$ 18.16</b>	<b>\$ 16.41</b>
<b>Net income</b>	<b>\$ 0.94</b>	<b>\$ 0.69</b>	<b>\$ 2.99</b>	<b>\$ 0.45</b>
Cost of operations as a percentage of income	95.46%	96.44%	85.86%	97.33%
Feed costs as a percentage of milk sales	57.76%	56.73%	47.96%	49.13%
Net income per milking cow per month	\$ 32.97	\$ 19.67	\$ 74.13	\$ 16.80
Cumulative net income per cwt. from 2010 to 2013	\$ 5.07			

## EXPLANATION OF INCOME AND COST FACTORS

<b>Basis of presentation</b>	Information is included both on a "per head" basis and a "per hundredweight of milk" basis. The "per head" statistics are based on the total average number of milking and dry cows in a herd for the period. The Panhandle region includes the triangle from Clovis, New Mexico, up to Amarillo Texas and down to Lubbock, Texas. The Pacific Northwest region includes the states of Washington and Oregon.
<b>Milk sales</b>	Includes milk income, quality and production bonuses, patronage dividends, USDA program payments, and gains and losses on milk futures.
<b>Calves and other income</b>	This is primarily composed of the sale of calves, heifers, other livestock and equipment, and miscellaneous other income.
<b>Feed</b>	Grain includes all minerals and supplements while "Hay and Other" represents alfalfa and all forage costs.
<b>Labor</b>	Includes wages and fringe costs such as payroll taxes, workers' compensation insurance, medical insurance, union benefits, etc. Compensation to owner-employees or partners is not included.
<b>Herd replacement cost</b>	Represents the difference between the actual price paid for purchased cows (or estimated cost of self-raised cows) at the time the cows were added to the milking herd less the sales price received for cows disposed of. This difference is amortized over the productive life of the cows.
<b>Occupancy cost</b>	Includes property taxes and depreciation of buildings on owner occupied facilities, rent paid and depreciation of improvements on leased facilities. It does not include interest paid on real property.
<b>Miscellaneous cost</b>	Includes auto, truck and fuel expenses, insurance, professional fees, quality penalties and other dairy expenses not specifically classified in another category.
<b>Net income</b>	Is stated before a provision for income taxes or a return on the dairy owner's investment.

## OUR FIRM AND THE DAIRY INDUSTRY

Frazer, LLP has been associated with the dairy industry since the early 1950's. At that time, many immigrants from Europe were arriving in California's "Dairy Valley" and establishing their farming operations. These early dairies averaged 50 cows and the families provided most of the labor. Frazer, LLP's partners, situated in "Dairy Valley," were instrumental in the creation of federal and state laws to help dairymen. We have consistently supported pro-agricultural organizations in their efforts to help shape policy and better the living and working environments for dairy families.

As development expanded in the dairy farming area, our firm helped many dairies relocate throughout California, and other states throughout the West and Mid-West. Many families we are servicing now have their third generation stepping into the operation's management. We have grown with these families into their multiple operations, often totaling 10,000 cows or more. Today, Frazer, LLP has clients in California, Arizona, Texas, New Mexico, Colorado, Idaho, Nevada, Oregon, Washington, Nebraska, Kansas, Wisconsin, Iowa, and South Dakota. Also, we actively consult with many dairies throughout the United States.

As we look to the future, the trend towards efficiently operated dairies will continue. Along with this trend, the dairy industry is facing continued challenges in its operations, efficiency building efforts which are continuous, expansion and relocation activities including the ability to construct new dairies. The dairy industry brings many jobs to an area and allows associated businesses to grow and flourish. This creates further conflict between the local communities, governments and the environmentalists. Dairy producers face volatility in many facets of their business. Milk pricing and feed market updates can be monitored daily by producers via the CME website boards. Making the correct market decision with respect to milk and feed pricing are crucial to the successful operations of any facility. These decisions to contract any pricing of commodities often carry substantial risk/reward to the producers operation.

As we are well through 2014, bottom line results have improved when compared to 2013, but major issues loom for most producers in the nation. Milk and feed futures continue to react with volatility, and obtaining future credit has become increasingly difficult. Current borrowing base valuations have been reduced by most banks throughout the industry to comply with tougher lending standards. Milk production continues to rise and heifers are coming on line with incredible numbers as the impact of improved breeding, and continuous beefing of lower end producing cows, which started several years ago now translates into exploding heifer programs and first calf herds. All of these factors require that producers do as much as they can to conserve resources, reduce costs, improve efficiencies, and make the right decisions day to day for their operations in order to insure a viable future.

Frazer, LLP will be instrumental in providing the assistance needed to make these decisions.







135 South State College Blvd.  
Suite 300  
Brea, CA 92821  
(714) 990-1040

2250 W. Main Street  
Suite B  
Visalia, CA 93291  
(559) 732-4135

[www.frazerllp.com](http://www.frazerllp.com)

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