

Dairy Farm Operating Trends

June 30, 2014

 **FRAZER**, LLP
Certified Public Accountants and Consultants

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 six months ended June 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 3.4 billion pounds and more than 256,000 head of mature cows for the six months ended June 30, 2014.

This report includes a comparison of the results in the regions listed above for the six months ended June 30, 2014 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 period.

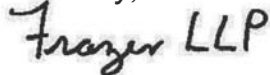
This publication is designed as a reference tool and a management aid for dairy farm managers and advisors. Frazer, LLP believes the information to be reliable, but is not responsible for errors in reported source information.

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.

Sincerely,



FRAZER, LLP

Certified Public Accountants and Consultants

November 2014

DAIRY FARM OPERATING TRENDS

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CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

	Southern California	San Joaquin Valley	Kern County
Income:			
Milk sales	\$ 2,812	\$ 2,695	\$ 2,649
Calves and other	38	44	29
Total income	\$ 2,850	\$ 2,739	\$ 2,678
Cost of operations:			
Feed:			
Grain	\$ 897	\$ 966	\$ 799
Hay and other	495	373	431
Total feed	\$ 1,392	\$ 1,339	\$ 1,230
Labor, (including fringe costs)	\$ 219	\$ 162	\$ 136
Herd replacement costs	\$ 103	\$ 81	\$ 103
Other costs:			
Milk hauling	\$ 50	\$ 44	\$ 40
State and association charges	22	23	22
Veterinary, breeding, testing, etc.	61	40	29
Supplies	38	54	55
Repairs and maintenance	111	52	59
Utilities	31	33	36
Occupancy costs	50	58	33
Depreciation - equipment	13	34	29
Interest	26	47	41
Miscellaneous	59	74	54
Total other costs	\$ 461	\$ 459	\$ 398
Total cost of operations	\$ 2,175	\$ 2,041	\$ 1,867
Net income	\$ 675	\$ 698	\$ 811

	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your June 30, 2014 Amounts
Income:						
Milk sales	\$ 2,900	\$ 2,847	\$ 2,223	\$ 2,662	\$ 2,760	\$
Calves and other	77	43	133	37	41	
Total income	\$ 2,977	\$ 2,890	\$ 2,356	\$ 2,699	\$ 2,801	\$
Cost of operations:						
Feed:						
Grain	\$ 809	\$ 870	\$ 744	\$ 829	\$ 775	\$
Hay and other	509	385	465	386	588	
Total feed	\$ 1,318	\$ 1,255	\$ 1,209	\$ 1,215	\$ 1,363	\$
Labor, (including fringe costs)	\$ 212	\$ 196	\$ 157	\$ 176	\$ 191	\$
Herd replacement costs	\$ 95	\$ 95	\$ 62	\$ 95	\$ 93	\$
Other costs:						
Milk hauling	\$ 61	\$ 37	\$ 93	\$ 81	\$ 76	\$
State and association charges	9	25	34	32	37	
Veterinary, breeding, testing, etc.	34	50	43	44	66	
Supplies	69	109	40	63	68	
Repairs and maintenance	67	88	57	48	65	
Utilities	37	23	31	23	19	
Occupancy costs	53	47	34	69	98	
Depreciation - equipment	29	39	27	30	31	
Interest	77	40	42	41	43	
Miscellaneous	91	88	89	96	82	
Total other costs	\$ 527	\$ 546	\$ 490	\$ 527	\$ 585	\$
Total cost of operations	\$ 2,152	\$ 2,092	\$ 1,918	\$ 2,013	\$ 2,232	\$
Net income	\$ 825	\$ 798	\$ 438	\$ 686	\$ 569	\$

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

	Southern California	San Joaquin Valley	Kern County
Income:			
Milk sales	\$ 23.44	\$ 23.05	\$ 23.47
Calves and other	0.32	0.38	0.26
Total income	\$ 23.76	\$ 23.43	\$ 23.73
Cost of operations:			
Feed:			
Grain	\$ 7.47	\$ 8.27	\$ 7.08
Hay and other	4.13	3.18	3.82
Total feed	\$ 11.60	\$ 11.45	\$ 10.90
Labor, (including fringe costs)	\$ 1.81	\$ 1.40	\$ 1.20
Herd replacement costs	\$ 0.86	\$ 0.69	\$ 0.91
Other costs:			
Milk hauling	\$ 0.42	\$ 0.38	\$ 0.36
State and association charges	0.19	0.20	0.19
Veterinary, breeding, testing, etc.	0.52	0.34	0.26
Supplies	0.32	0.46	0.49
Repairs and maintenance	0.92	0.45	0.52
Utilities	0.26	0.28	0.32
Occupancy costs	0.41	0.49	0.29
Depreciation - equipment	0.11	0.28	0.26
Interest	0.22	0.41	0.36
Miscellaneous	0.50	0.63	0.47
Total other costs	\$ 3.87	\$ 3.92	\$ 3.52
Total cost of operations	\$ 18.14	\$ 17.46	\$ 16.53
Net income	\$ 5.62	\$ 5.97	\$ 7.20

	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your June 30, 2014 Amounts
Income:						
Milk sales	\$ 23.80	\$ 23.42	\$ 23.63	\$ 24.59	\$ 24.37	\$
Calves and other	0.64	0.35	1.42	0.34	0.36	
Total income	\$ 24.44	\$ 23.77	\$ 25.05	\$ 24.93	\$ 24.73	\$
Cost of operations:						
Feed:						
Grain	\$ 6.64	\$ 7.16	\$ 7.91	\$ 7.66	\$ 6.84	\$
Hay and other	4.16	3.17	4.94	3.57	5.18	
Total feed	\$ 10.80	\$ 10.33	\$ 12.85	\$ 11.23	\$ 12.02	\$
Labor, (including fringe costs)	\$ 1.74	\$ 1.61	\$ 1.67	\$ 1.63	\$ 1.68	\$
Herd replacement costs	\$ 0.78	\$ 0.78	\$ 0.66	\$ 0.88	\$ 0.82	\$
Other costs:						
Milk hauling	\$ 0.44	\$ 0.30	\$ 0.98	\$ 0.74	\$ 0.67	\$
State and association charges	0.25	0.20	0.36	0.29	0.33	
Veterinary, breeding, testing, etc.	0.28	0.41	0.46	0.41	0.58	
Supplies	0.56	0.89	0.42	0.58	0.60	
Repairs and maintenance	0.55	0.72	0.61	0.45	0.57	
Utilities	0.30	0.19	0.33	0.21	0.17	
Occupancy costs	0.43	0.38	0.36	0.64	0.86	
Depreciation - equipment	0.24	0.32	0.29	0.28	0.27	
Interest	0.63	0.33	0.44	0.39	0.38	
Miscellaneous	0.87	0.72	0.93	0.88	0.74	
Total other costs	\$ 4.55	\$ 4.47	\$ 5.18	\$ 4.87	\$ 5.17	\$
Total cost of operations	\$ 17.87	\$ 17.19	\$ 20.36	\$ 18.61	\$ 19.69	\$
Net income	\$ 6.57	\$ 6.58	\$ 4.69	\$ 6.32	\$ 5.04	\$

SUMMARY OF FINANCIAL STATISTICS

COMPARISON BY AREA FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your June 30, 2014 Results
1. Current Ratio	0.63 : 1	1.52 : 1	1.67 : 1	0.85 : 1	1.42 : 1	1.42 : 1	0.66 : 1	0.97 : 1	
2. Herd Line Debt Per Cow	\$ 783	\$ 800	\$ 785	\$ 724	\$ 463	\$ 715	\$ 488	\$ 765	\$
3. Total Debt Per Cow	\$ 1,522	\$ 2,658	\$ 2,047	\$ 2,606	\$ 2,008	\$ 2,186	\$ 1,915	\$ 2,892	\$
4. Debt to Equity Ratio	0.62 : 1	1.31 : 1	0.64 : 1	1.40 : 1	0.68 : 1	0.97 : 1	0.97 : 1	1.89 : 1	
5. Return on Total Assets	13.45%	5.08%	10.99%	5.7%	11.2%	3.4%	12.2%	9.1%	
6. Income per milking cow per month	\$ 127.79	\$ 150.31	\$ 189.84	\$ 152.84	\$ 150.62	\$ 99.77	\$ 134.00	\$ 112.57	\$

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 six.

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
AND YEAR ENDED DECEMBER 31, 2013
SOUTHERN CALIFORNIA
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

	June 30, 2014	December 31, 2013
Income:		
Milk sales	\$ 23.44	\$ 18.90
Calves and other	0.32	0.27
Total income	\$ 23.76	\$ 19.17
Cost of operations:		
Feed:		
Grain	\$ 7.47	\$ 8.07
Hay and other	4.13	3.73
Total feed	\$ 11.60	\$ 11.80
Labor, (including fringe costs)	\$ 1.81	\$ 1.71
Herd replacement costs	\$ 0.86	\$ 1.30
Other costs:		
Milk hauling	\$ 0.42	\$ 0.41
State and association charges	0.19	0.20
Veterinary, breeding, testing, etc.	0.52	0.47
Supplies	0.32	0.32
Repairs and maintenance	0.92	0.67
Utilities	0.26	0.30
Occupancy costs	0.41	0.45
Depreciation - equipment	0.11	0.12
Interest	0.22	0.42
Miscellaneous	0.50	0.54
Total other costs	\$ 3.87	\$ 3.90
Total cost of operations	\$ 18.14	\$ 18.71
Net income	\$ 5.62	\$ 0.46

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

SOUTHERN CALIFORNIA

	June 30, 2014	December 31, 2013
1. Current Ratio	0.63 : 1	0.32 : 1
2. Herd Line Debt Per Cow	\$ 783	\$ 1,048
3. Total Debt Per Cow	\$ 1,522	\$ 2,648
4. Debt to Equity Ratio	0.62 : 1	2.49 : 1
5. Return on Total Assets	13.45%	2.3%
6. Income per milking cow per month	\$ 127.79	\$ 9.54
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 represents the total debt divided by the 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 six.		

INCOME AND COST OF OPERATIONS

SOUTHERN CALIFORNIA

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

June 30,
2014 December 31,
2013 December 31,
2012

	June 30, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 23.44	\$ 18.90	\$ 16.91
Calves and other	0.32	0.27	0.26
Total income	\$ 23.76	\$ 19.17	\$ 17.17
Total cost of operations:			
Feed	\$ 11.60	\$ 11.80	\$ 11.99
Labor	1.81	1.71	1.67
Herd replacement costs	0.86	1.30	1.44
Other costs	3.87	3.90	3.65
Total costs of operations	\$ 18.14	\$ 18.71	\$ 18.75
Net income (loss)	\$ 5.62	\$ 0.46	\$ (1.58)
Cost of operations as a percentage of income	76.35%	97.60%	109.20%
Feed costs as a percentage of milk sales	49.49%	62.43%	70.90%
Net income (loss) per milking cow per month	\$ 127.79	\$ 9.54	\$ (31.10)

December 31,
2011 December 31,
2010 December 31,
2009 December 31,
2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 18.85	\$ 15.68	\$ 12.42	\$ 17.22
Calves and other	0.44	0.23	0.46	0.28
Total income	\$ 19.29	\$ 15.91	\$ 12.88	\$ 17.50
Total cost of operations:				
Feed	\$ 11.64	\$ 7.66	\$ 8.74	\$ 10.69
Labor	1.72	1.78	1.86	1.90
Herd replacement costs	1.54	1.78	1.65	1.60
Other costs	4.39	4.33	4.56	4.95
Total costs of operations	\$ 19.29	\$ 15.55	\$ 16.81	\$ 19.14
Net income (loss)	\$ 0	\$ 0.36	\$ (3.93)	\$ (1.64)
Cost of operations as a percentage of income	100.00%	97.74%	130.51%	109.37%
Feed costs as a percentage of milk sales	61.75%	48.85%	70.37%	62.08%
Net income (loss) per milking cow per month	\$ 0.24	\$ 9.87	\$ (74.43)	\$ (34.34)

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
AND YEAR ENDED DECEMBER 31, 2013
SAN JOAQUIN VALLEY
(BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	June 30, 2014	December 31, 2013
Income:		
Milk sales	\$ 23.05	\$ 18.86
Calves and other	0.38	0.31
Total income	\$ 23.43	\$ 19.17
Cost of operations:		
Feed:		
Grain	\$ 8.27	\$ 8.87
Hay and other	3.18	3.26
Total feed	\$ 11.45	\$ 12.13
Labor, (including fringe costs)	\$ 1.40	\$ 1.41
Herd replacement costs	\$ 0.69	\$ 1.16
Other costs:		
Milk hauling	\$ 0.38	\$ 0.34
State and association charges	0.20	0.19
Veterinary, breeding, testing, etc.	0.34	0.44
Supplies	0.46	0.49
Repairs and maintenance	0.45	0.39
Utilities	0.28	0.31
Occupancy costs	0.49	0.56
Depreciation - equipment	0.28	0.28
Interest	0.41	0.48
Miscellaneous	0.63	0.64
Total other costs	\$ 3.92	\$ 4.12
Total cost of operations	\$ 17.46	\$ 18.82
Net income	\$ 5.97	\$ 0.35

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

SAN JOAQUIN VALLEY

	June 30, 2014	December 31, 2013
1. Current Ratio	1.52 : 1	1.02 : 1
2. Herd Line Debt Per Cow	\$ 800	\$ 1,025
3. Total Debt Per Cow	\$ 2,658	\$ 3,175
4. Debt to Equity Ratio	1.31 : 1	2.22 : 1
5. Return on Total Assets	5.08%	0.5%
6. Income per milking cow per month	\$ 150.31	\$ 20.13

- 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 six.

INCOME AND COST OF OPERATIONS

SAN JOAQUIN VALLEY
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

June 30, 2014 December 31, 2013 December 31, 2012

Income:			
Milk Sales	\$ 23.05	\$ 18.86	\$ 16.66
Calves and other	0.38	0.31	0.34
Total income	\$ 23.43	\$ 19.17	\$ 17.00
Total cost of operations:			
Feed	\$ 11.45	\$ 12.13	\$ 11.50
Labor	1.40	1.41	1.43
Herd replacement costs	0.69	1.16	1.15
Other costs	3.92	4.12	4.08
Total costs of operations	\$ 17.46	\$ 18.82	\$ 18.16
Net income (loss)	\$ 5.97	\$ 0.35	\$ (1.16)
Cost of operations as a percentage of income	74.52%	98.17%	106.82%
Feed costs as a percentage of milk sales	49.67%	64.32%	69.03%
Net income (loss) per milking cow per month	\$ 150.31	\$ 20.13	\$ (11.93)

December 31, 2011 December 31, 2010 December 31, 2009 December 31, 2008

\$ 18.68	\$ 14.94	\$ 11.71	\$ 16.84
0.32	0.10	0.23	0.14
\$ 19.00	\$ 15.04	\$ 11.94	\$ 16.98
\$ 10.37	\$ 7.46	\$ 8.81	\$ 9.38
1.45	1.40	1.48	1.54
1.18	1.13	1.30	1.19
4.39	4.42	4.78	5.52
\$ 17.39	\$ 14.41	\$ 16.37	\$ 17.63
\$ 1.61	\$ 0.63	\$ (4.43)	\$ (0.65)
91.53%	95.81%	137.10%	103.83%
55.51%	49.93%	75.23%	55.70%
\$ 59.07	\$ 20.60	\$ (91.89)	\$ (1.40)

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
AND YEAR ENDED DECEMBER 31, 2013
KERN COUNTY
(BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	June 30, 2014	December 31, 2013
Income:		
Milk sales	\$ 23.47	\$ 19.13
Calves and other	0.26	0.23
Total income	\$ 23.73	\$ 19.36
Cost of operations:		
Feed:		
Grain	\$ 7.08	\$ 7.82
Hay and other	3.82	4.70
Total feed	\$ 10.90	\$ 12.52
Labor, (including fringe costs)	\$ 1.20	\$ 1.29
Herd replacement costs	\$ 0.91	\$ 1.20
Other costs:		
Milk hauling	\$ 0.36	\$ 0.36
State and association charges	0.19	0.19
Veterinary, breeding, testing, etc.	0.26	0.27
Supplies	0.49	0.49
Repairs and maintenance	0.52	0.51
Utilities	0.32	0.38
Occupancy costs	0.29	0.42
Depreciation - equipment	0.26	0.28
Interest	0.36	0.40
Miscellaneous	0.47	0.55
Total other costs	\$ 3.52	\$ 3.85
Total cost of operations	\$ 16.53	\$ 18.86
Net income	\$ 7.20	\$ 0.50

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

KERN COUNTY

	June 30, 2014	December 31, 2013
1. Current Ratio	1.67 : 1	1.29 : 1
2. Herd Line Debt Per Cow	\$ 785	\$ 841
3. Total Debt Per Cow	\$ 2,047	\$ 3,001
4. Debt to Equity Ratio	0.64 : 1	1.19 : 1
5. Return on Total Assets	10.99%	1.3%
6. Income per milking cow per month	\$ 189.84	\$ 36.88

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 represents the total debt divided by the 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 six.

INCOME AND COST OF OPERATIONS

KERN COUNTY
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

June 30, 2014 December 31, 2013 December 31, 2012

	June 30, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 23.47	\$ 19.13	\$ 16.97
Calves and other	0.26	0.23	0.25
Total income	\$ 23.73	\$ 19.36	\$ 17.22
Total cost of operations:			
Feed	\$ 10.90	\$ 12.52	\$ 12.15
Labor	1.20	1.29	1.25
Herd replacement costs	0.91	1.20	1.20
Other costs	3.52	3.85	3.92
Total costs of operations	\$ 16.53	\$ 18.86	\$ 18.52
Net income (loss)	\$ 7.20	\$ 0.50	\$ (1.30)
Cost of operations as a percentage of income	69.66%	97.42%	107.55%
Feed costs as a percentage of milk sales	46.44%	65.45%	71.60%
Net income (loss) per milking cow per month	\$ 189.84	\$ 36.88	\$ (8.21)

December 31, 2011 December 31, 2010 December 31, 2009 December 31, 2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 19.02	\$ 15.31	\$ 12.27	\$ 17.37
Calves and other	0.19	0.15	0.10	0.14
Total income	\$ 19.21	\$ 15.46	\$ 12.37	\$ 17.51
Total cost of operations:				
Feed	\$ 9.78	\$ 7.75	\$ 9.45	\$ 10.50
Labor	1.31	1.31	1.38	1.36
Herd replacement costs	1.24	1.24	1.42	1.25
Other costs	3.86	3.97	4.32	4.60
Total costs of operations	\$ 16.19	\$ 14.27	\$ 16.57	\$ 17.71
Net income (loss)	\$ 3.02	\$ 1.19	\$ (4.20)	\$ (0.20)
Cost of operations as a percentage of income	84.28%	92.30%	133.95%	101.14%
Feed costs as a percentage of milk sales	51.42%	50.62%	77.02%	60.45%
Net income (loss) per milking cow per month	\$ 82.44	\$ 20.47	\$ (88.01)	\$ (1.22)

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
AND YEAR ENDED DECEMBER 31, 2013
ARIZONA
(BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	June 30, 2014	December 31, 2013
Income:		
Milk sales	\$ 23.80	\$ 20.10
Calves and other	0.64	0.35
Total income	\$ 24.44	\$ 20.45
Cost of operations:		
Feed:		
Grain	\$ 6.64	\$ 8.05
Hay and other	4.16	3.63
Total feed	\$ 10.80	\$ 11.68
Labor, (including fringe costs)	\$ 1.74	\$ 1.89
Herd replacement costs	\$ 0.78	\$ 1.02
Other costs:		
Milk hauling	\$ 0.44	\$ 0.45
State and association charges	0.25	0.26
Veterinary, breeding, testing, etc.	0.28	0.24
Supplies	0.56	0.65
Repairs and maintenance	0.55	0.56
Utilities	0.30	0.39
Occupancy costs	0.43	0.45
Depreciation - equipment	0.24	0.28
Interest	0.63	0.69
Miscellaneous	0.87	0.99
Total other costs	\$ 4.55	\$ 4.96
Total cost of operations	\$ 17.87	\$ 19.55
Net income	\$ 6.57	\$ 0.90

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

ARIZONA

	June 30, 2014	December 31, 2013
1. Current Ratio	0.85 : 1	0.56 : 1
2. Herd Line Debt Per Cow	\$ 724	\$ 1,102
3. Total Debt Per Cow	\$ 2,606	\$ 3,271
4. Debt to Equity Ratio	1.40 : 1	2.29 : 1
5. Return on Total Assets	5.7%	3.0%
6. Income per milking cow per month	\$ 152.84	\$ 25.32

- 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 six.

INCOME AND COST OF OPERATIONS

ARIZONA
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

June 30,
2014

December 31,
2013

December 31,
2012

	June 30, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 23.80	\$ 20.10	\$ 18.48
Calves and other	0.64	0.35	0.32
Total income	\$ 24.44	\$ 20.45	\$ 18.80
Total cost of operations:			
Feed	\$ 10.80	\$ 11.68	\$ 11.49
Labor	1.74	1.89	1.89
Herd replacement costs	0.78	1.02	1.02
Other costs	4.55	4.96	4.64
Total costs of operations	\$ 17.87	\$ 19.55	\$ 19.04
Net income (loss)	\$ 6.57	\$ 0.90	\$ (0.24)
Cost of operations as a percentage of income	73.12%	95.60%	101.28%
Feed costs as a percentage of milk sales	45.38%	58.11%	62.18%
Net income (loss) per milking cow per month	\$ 152.84	\$ 25.32	\$ (4.28)

December 31,
2011

December 31,
2010

December 31,
2009

December 31,
2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 20.74	\$ 16.47	\$ 12.58	\$ 18.11
Calves and other	0.28	0.11	0.25	0.30
Total income	\$ 21.02	\$ 16.58	\$ 12.83	\$ 18.41
Total cost of operations:				
Feed	\$ 10.61	\$ 7.49	\$ 8.46	\$ 9.07
Labor	1.67	1.58	1.60	1.59
Herd replacement costs	1.29	1.49	1.95	1.72
Other costs	5.39	4.88	4.88	5.64
Total costs of operations	\$ 18.96	\$ 15.44	\$ 16.89	\$ 18.02
Net income (loss)	\$ 2.06	\$ 1.14	\$ (4.06)	\$ 0.39
Cost of operations as a percentage of income	90.20%	93.12%	131.64%	97.88%
Feed costs as a percentage of milk sales	51.16%	45.48%	67.25%	50.08%
Net income (loss) per milking cow per month	\$ 42.84	\$ 28.71	\$ (84.26)	\$ 5.99

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
AND YEAR ENDED DECEMBER 31, 2013
IDAHO
(BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	June 30, 2014	December 31, 2013
Income:		
Milk sales	\$ 23.42	\$ 19.05
Calves and other	0.35	0.40
Total income	\$ 23.77	\$ 19.45
Cost of operations:		
Feed:		
Grain	\$ 7.16	\$ 7.06
Hay and other	3.17	3.67
Total feed	\$ 10.33	\$ 10.73
Labor, (including fringe costs)	\$ 1.61	\$ 1.63
Herd replacement costs	\$ 0.78	\$ 1.10
Other costs:		
Milk hauling	\$ 0.30	\$ 0.30
State and association charges	0.20	0.20
Veterinary, breeding, testing, etc.	0.41	0.40
Supplies	0.89	0.78
Repairs and maintenance	0.72	0.79
Utilities	0.19	0.21
Occupancy costs	0.38	0.41
Depreciation - equipment	0.32	0.34
Interest	0.33	0.39
Miscellaneous	0.72	0.77
Total other costs	\$ 4.47	\$ 4.59
Total cost of operations	\$ 17.19	\$ 18.05
Net income	\$ 6.58	\$ 1.40

See accompanying explanations of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

	IDAHO	
	June 30, 2014	December 31, 2013
1. Current Ratio	1.42 : 1	1.01 : 1
2. Herd Line Debt Per Cow	\$ 463	\$ 603
3. Total Debt Per Cow	\$ 2,008	\$ 2,468
4. Debt to Equity Ratio	0.68 : 1	1.06 : 1
5. Return on Total Assets	11.2%	4.8%
6. Income per milking cow per month	\$ 150.62	\$ 40.28
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 represents the total debt divided by the 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 six.		

INCOME AND COST OF OPERATIONS

IDAHO
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

June 30,
2014

December 31,
2013

December 31,
2012

	June 30, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 23.42	\$ 19.05	\$ 18.07
Calves and other	0.35	0.40	0.43
Total income	\$ 23.77	\$ 19.45	\$ 18.50
Total cost of operations:			
Feed	\$ 10.33	\$ 10.73	\$ 10.29
Labor	1.61	1.63	1.64
Herd replacement costs	0.78	1.10	1.00
Other costs	4.47	4.59	4.67
Total costs of operations	\$ 17.19	\$ 18.05	\$ 17.60
Net income (loss)	\$ 6.58	\$ 1.40	\$ 0.90
Cost of operations as a percentage of income	72.32%	92.80%	95.14%
Feed costs as a percentage of milk sales	44.11%	56.33%	56.95%
Net income (loss) per milking cow per month	\$ 150.62	\$ 40.28	\$ 32.95

December 31,
2011

December 31,
2010

December 31,
2009

December 31,
2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 18.88	\$ 15.15	\$ 12.27	\$ 18.15
Calves and other	0.20	0.16	0.25	0.18
Total income	\$ 19.08	\$ 15.31	\$ 12.52	\$ 18.33
Total cost of operations:				
Feed	\$ 9.78	\$ 7.66	\$ 9.14	\$ 9.09
Labor	1.63	1.62	1.65	1.65
Herd replacement costs	1.02	1.12	1.32	1.16
Other costs	4.77	4.49	4.70	4.85
Total costs of operations	\$ 17.20	\$ 14.89	\$ 16.81	\$ 16.75
Net income (loss)	\$ 1.88	\$ 0.42	\$ (4.29)	\$ 1.58
Cost of operations as a percentage of income	90.15%	97.26%	134.27%	91.38%
Feed costs as a percentage of milk sales	51.80%	50.56%	74.49%	50.08%
Net income (loss) per milking cow per month	\$ 56.87	\$ 18.16	\$ (81.62)	\$ 42.46

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
AND YEAR ENDED DECEMBER 31, 2013
NEW MEXICO
(BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	June 30, 2014	December 31, 2013
Income:		
Milk sales	\$ 23.63	\$ 19.53
Calves and other	1.42	0.43
Total income	\$ 25.05	\$ 19.96
Cost of operations:		
Feed:		
Grain	\$ 7.91	\$ 8.51
Hay and other	4.94	3.65
Total feed	\$ 12.85	\$ 12.16
Labor, (including fringe costs)	\$ 1.67	\$ 1.62
Herd replacement costs	\$ 0.66	\$ 0.82
Other costs:		
Milk hauling	\$ 0.98	\$ 0.91
State and association charges	0.36	0.37
Veterinary, breeding, testing, etc.	0.46	0.49
Supplies	0.42	0.45
Repairs and maintenance	0.61	0.53
Utilities	0.33	0.34
Occupancy costs	0.36	0.36
Depreciation - equipment	0.29	0.29
Interest	0.44	0.47
Miscellaneous	0.93	0.99
Total other costs	\$ 5.18	\$ 5.20
Total cost of operations	\$ 20.36	\$ 19.80
Net income	\$ 4.69	\$ 0.16

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

NEW MEXICO

	June 30, 2014	December 31, 2013
1. Current Ratio	1.42 : 1	1.12 : 1
2. Herd Line Debt Per Cow	\$ 715	\$ 749
3. Total Debt Per Cow	\$ 2,186	\$ 2,493
4. Debt to Equity Ratio	0.97 : 1	1.37 : 1
5. Return on Total Assets	3.4%	0.5%
6. Income per milking cow per month	\$ 99.77	\$ 23.28

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 represents the total debt divided by the 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 six.

INCOME AND COST OF OPERATIONS

NEW MEXICO
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

June 30,
2014

December 31,
2013

December 31,
2012

	June 30, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 23.63	\$ 19.53	\$ 18.31
Calves and other	1.42	0.43	0.39
Total income	\$ 25.05	\$ 19.96	\$ 18.70
Total cost of operations:			
Feed	\$ 12.85	\$ 12.16	\$ 12.54
Labor	1.67	1.62	1.70
Herd replacement costs	0.66	0.82	0.82
Other costs	5.18	5.20	5.20
Total costs of operations	\$ 20.36	\$ 19.80	\$ 20.26
Net income (loss)	\$ 4.69	\$ 0.16	\$ (1.56)
Cost of operations as a percentage of income	81.28%	99.20%	108.34%
Feed costs as a percentage of milk sales	54.38%	62.26%	68.49%
Net income (loss) per milking cow per month	\$ 99.77	\$ 23.28	\$ (15.48)

December 31,
2011

December 31,
2010

December 31,
2009

December 31,
2008

December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
\$ 19.89	\$ 17.02	\$ 12.83	\$ 17.92
0.29	0.18	0.25	0.29
\$ 20.18	\$ 17.20	\$ 13.08	\$ 18.21
\$ 10.62	\$ 8.23	\$ 8.68	\$ 9.22
1.62	1.60	1.56	1.58
1.12	1.28	1.35	1.20
5.03	5.22	4.53	5.11
\$ 18.39	\$ 16.33	\$ 16.12	\$ 17.11
\$ 1.79	\$ 0.87	\$ (3.04)	\$ 1.10
91.13%	94.94%	123.24%	93.96%
53.39%	48.35%	67.65%	51.45%
\$ 49.14	\$ 27.80	\$ (55.60)	\$ 41.90

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
AND YEAR ENDED DECEMBER 31, 2013
PANHANDLE
(BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	June 30, 2014	December 31, 2013
Income:		
Milk sales	\$ 24.59	\$ 20.65
Calves and other	0.34	0.44
Total income	\$ 24.93	\$ 21.09
Cost of operations:		
Feed:		
Grain	\$ 7.66	\$ 8.66
Hay and other	3.57	4.20
Total feed	\$ 11.23	\$ 12.86
Labor, (including fringe costs)	\$ 1.63	\$ 1.65
Herd replacement costs	\$ 0.88	\$ 1.16
Other costs:		
Milk hauling	\$ 0.74	\$ 0.71
State and association charges	0.29	0.30
Veterinary, breeding, testing, etc.	0.41	0.45
Supplies	0.58	0.56
Repairs and maintenance	0.45	0.51
Utilities	0.21	0.25
Occupancy costs	0.64	0.64
Depreciation - equipment	0.28	0.31
Interest	0.39	0.43
Miscellaneous	0.88	0.85
Total other costs	\$ 4.87	\$ 5.01
Total cost of operations	\$ 18.61	\$ 20.68
Net income	\$ 6.32	\$ 0.41

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

PANHANDLE

	June 30, 2014	December 31, 2013
1. Current Ratio	0.66 : 1	0.77 : 1
2. Herd Line Debt Per Cow	\$ 488	\$ 848
3. Total Debt Per Cow	\$ 1,915	\$ 2,757
4. Debt to Equity Ratio	0.97 : 1	1.74 : 1
5. Return on Total Assets	12.20%	1.4%
6. Income per milking cow per month	\$ 134.00	\$ 17.31

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 represents the total debt divided by the 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 six.

INCOME AND COST OF OPERATIONS

PANHANDLE
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

June 30,
2014 December 31,
2013 December 31,
2012

	June 30, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 24.59	\$ 20.65	\$ 19.05
Calves and other	0.34	0.44	0.49
Total income	\$ 24.93	\$ 21.09	\$ 19.54
Total cost of operations:			
Feed	\$ 11.23	\$ 12.86	\$ 12.12
Labor	1.63	1.65	1.65
Herd replacement costs	0.88	1.16	1.11
Other costs	4.87	5.01	4.75
Total costs of operations	\$ 18.61	\$ 20.68	\$ 19.63
Net income (loss)	\$ 6.32	\$ 0.41	\$ (0.09)
Cost of operations as a percentage of income	74.65%	98.06%	100.46%
Feed costs as a percentage of milk sales	45.67%	62.28%	63.62%
Net income (loss) per milking cow per month	\$ 134.00	\$ 17.31	\$ (1.12)

December 31,
2011 December 31,
2010 December 31,
2009 December 31,
2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 20.57	\$ 16.89	\$ 13.63	\$ 19.11
Calves and other	0.26	0.14	0.20	0.09
Total income	\$ 20.83	\$ 17.03	\$ 13.83	\$ 19.20
Total cost of operations:				
Feed	\$ 10.10	\$ 7.85	\$ 9.09	\$ 8.91
Labor	1.76	1.62	1.65	1.77
Herd replacement costs	1.35	1.75	1.90	1.71
Other costs	4.81	4.92	4.92	5.69
Total costs of operations	\$ 18.02	\$ 16.14	\$ 17.56	\$ 18.08
Net income (loss)	\$ 2.81	\$ 0.89	\$ (3.73)	\$ 1.12
Cost of operations as a percentage of income	86.51%	94.77%	126.97%	94.17%
Feed costs as a percentage of milk sales	49.10%	46.48%	66.69%	46.62%
Net income (loss) per milking cow per month	\$ 53.28	\$ 17.85	\$ (61.10)	\$ 19.04

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
AND YEAR ENDED DECEMBER 31, 2013
PACIFIC NORTHWEST
(BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	June 30, 2014	December 31, 2013
Income:		
Milk sales	\$ 24.37	\$ 20.48
Calves and other	0.36	0.34
Total income	\$ 24.73	\$ 20.82
Cost of operations:		
Feed:		
Grain	\$ 6.84	\$ 7.18
Hay and other	5.18	4.65
Total feed	\$ 12.02	\$ 11.83
Labor, (including fringe costs)	\$ 1.68	\$ 1.73
Herd replacement costs	\$ 0.82	\$ 1.15
Other costs:		
Milk hauling	\$ 0.67	\$ 0.68
State and association charges	0.33	0.30
Veterinary, breeding, testing, etc.	0.58	0.59
Supplies	0.60	0.58
Repairs and maintenance	0.57	0.56
Utilities	0.17	0.19
Occupancy costs	0.86	0.85
Depreciation - equipment	0.27	0.32
Interest	0.38	0.40
Miscellaneous	0.74	0.70
Total other costs	\$ 5.17	\$ 5.17
Total cost of operations	\$ 19.69	\$ 19.88
Net income	\$ 5.04	\$ 0.94

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

PACIFIC NORTHWEST

	June 30, 2014	December 31, 2013
1. Current Ratio	0.97 : 1	0.98 : 1
2. Herd Line Debt Per Cow	\$ 765	\$ 786
3. Total Debt Per Cow	\$ 2,892	\$ 2,791
4. Debt to Equity Ratio	1.89 : 1	1.50 : 1
5. Return on Total Assets	9.1%	3.1%
6. Income per milking cow per month	\$ 112.57	\$ 32.97

- 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 six.

INCOME AND COST OF OPERATIONS

PACIFIC NORTHWEST
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

June 30,
2014

December 31,
2013

December 31,
2012

December 31,
2011

December 31,
2010

	June 30, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income:					
Milk Sales	\$ 24.37	\$ 20.48	\$ 18.56	\$ 20.58	\$ 16.59
Calves and other	0.36	0.34	0.83	0.57	0.27
Total income	\$ 24.73	\$ 20.82	\$ 19.39	\$ 21.15	\$ 16.86
Total cost of operations:					
Feed	\$ 12.02	\$ 11.83	\$ 10.53	\$ 9.87	\$ 8.15
Labor	1.68	1.73	1.70	1.71	1.44
Herd replacement costs	0.82	1.15	1.29	1.36	1.68
Other costs	5.17	5.17	5.18	5.22	5.14
Total costs of operations	\$ 19.69	\$ 19.88	\$ 18.70	\$ 18.16	\$ 16.41
Net income	\$ 5.04	\$ 0.94	\$ 0.69	\$ 2.99	\$ 0.45
Cost of operations as a percentage of income	79.62%	95.49%	96.44%	85.86%	97.33%
Feed costs as a percentage of milk sales	49.32%	57.76%	56.73%	47.96%	49.13%
Net income per milking cow per month	\$ 112.57	\$ 32.97	\$ 19.67	\$ 74.13	\$ 16.80

EXPLANATION OF INCOME AND COST FACTORS

Basis of presentation	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 to Amarillo, Texas to Lubbock, Texas. The Pacific Northwest region includes the states of Washington and Oregon.
Milk sales	Includes milk income, quality and production bonuses, patronage dividends, USDA program payments, and milk futures.
Calves and other income	This is primarily composed of the sale of calves, heifers, other livestock and equipment, and miscellaneous other income.
Feed	Grain includes all minerals, supplements, and vitamins.
Labor	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.
Herd replacement cost	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.
Occupancy cost	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.
Miscellaneous cost	Includes auto, truck and fuel expenses, insurance, professional fees, quality penalties and other dairy expenses not specifically classified in another category.
Net income	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, 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, milk prices have been strong all year, but milk futures looking into 2015 are softening for producers, so hopefully feed costs will continue to decrease to keep the milk and feed ratio at decent profit levels for all regions. Milk production is again rising on a per cow basis throughout each dairy region in the nation in 2014, and throughout the major dairy centers internationally. This is putting a strain on the milk futures, and the strength of the U.S. Dollar is putting further strain on international buyers for our exports. Major issues still loom for most producers in the nation. Obtaining and securing future credit is still difficult. Although current and long-term bank ratios have improved somewhat during this year, tough banking regulations loom which does not provide stability to the producers and their financing relationships. Also there is no current Immigration Bill passed by Congress which also leads to uncertainty for labor in the dairy industry. All of these factors require that producers must do as much as they can to conserve resources 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.



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