



How Do World Markets Impact My Dairy?

Presented by: Frazer, LLP; Commodities Plus; and High Ground Dairy Risk Management

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Holstein Dairy # 1
December 31, 200X and 200X
Financial Statements
And
Additional Information
With
Independent Accountants' Review Report

Independent Accountant's Review Report

Holstein Dairy #1
1000 Cattlemen Drive
Dairyville, U.S.A 90001

We have reviewed the accompanying balance sheets of Holstein Dairy #1 as of December 31, 200X and 200X, and the related statements of operations for the three months and year ended December 31, 200X and the year ended December 31, 200X, and the statements of partners' capital and cash flows for the year ended December 31, 200X. A review includes primarily applying analytical procedures to partners' financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, with the exception of the matters discussed in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United State of America.

The statements included herein do not present the statements of capital and cash flows for all periods presented in the statements of operations as required by generally accepted accounting principles. Generally accepted accounting principles require that these statements be included when financial statements purport to present financial position and results of operations. Additionally, under generally accepted accounting principles, all loans due within one year of the balance sheet date should be shown as current liabilities. At the request of the Company's management, debt amounting to \$6,918,000 is shown as long term, even though the loans are due within one year.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying Schedules 1, 2 and 3 is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Frazer, LLP

Certified Public Accountants
February 3, 200X

HOLSTEIN DAIRY #1

BALANCE SHEET AS OF DECEMBER 31, 200X AND 200X (See Independent Accountants' Review Report)

ASSETS

	<u>200X</u>	<u>200X</u>
CURRENT ASSETS:		
Accounts receivable, Best Dairy Association, (Note 1)	\$ 1,038,000	\$ 1,118,000
Inventories, pledged, (Note 1)	3,133,000	2,141,000
Investment in growing crops, (Note 1)	155,000	122,000
Employee advances	3,400	3,000
Prepaid expenses	5,000	8,000
Total current assets	<u>\$ 4,334,400</u>	<u>\$ 3,392,000</u>
DAIRY HERD, pledged, (Note 1)	\$ 6,606,000	\$ 6,229,000
Less accumulated depreciation	<u>653,000</u>	<u>702,000</u>
Dairy herd, net	<u>\$ 5,953,000</u>	<u>\$ 5,527,000</u>
IMPROVEMENTS AND EQUIPMENT, partially pledged, (Notes 1 and 5):		
Leasehold improvements	\$ 700,000	\$ 527,000
Dairy equipment	1,451,000	1,384,000
Autos and trucks	187,000	126,000
Totals	<u>\$ 2,338,000</u>	<u>\$ 2,037,000</u>
Less accumulated depreciation	<u>1,130,000</u>	<u>944,000</u>
Improvements and equipment, net	<u>\$ 1,208,000</u>	<u>\$ 1,093,000</u>
OTHER ASSETS:		
Investment in Best Dairy Association, at cost	\$ 588,000	\$ 455,000
Note receivable, Donald Trump, secured by travel trailer, payable \$300 monthly including interest	5,000	0
Pool quota, (Note 1)	726,000	726,000
Deferred loan fees	8,000	9,000
Total other assets	<u>\$ 1,327,000</u>	<u>\$ 1,190,000</u>
Total assets	<u>\$ 12,822,400</u>	<u>\$ 11,202,000</u>

LIABILITIES AND CAPITAL

	<u>200X</u>	<u>200X</u>
CURRENT LIABILITIES:		
Overdraft, Agriculture Bank, (Note 1)	\$ 30,000	\$ 121,000
Accounts payable:		
Feed	245,000	278,000
Trade	8,000	0
Payroll taxes	6,000	4,000
Accrued expenses	80,000	68,000
Accrued wages	17,000	20,000
Note payable, Agriculture Bank, secured by feed inventories, variable monthly payments plus 3.50% interest	25,000	37,000
Estimated current portion of long-term debt	<u>1,129,000</u>	<u>1,129,000</u>
Total current liabilities	\$ <u>1,540,000</u>	\$ <u>1,657,000</u>
 LONG-TERM DEBT, (Note 2):		
Notes and loans payable:		
Agriculture Bank, secured by dairy herd, variable monthly payments plus 3.50% interest	\$ 6,918,000	\$ 5,427,000
The Jerry and Mary Holstein Trust, a related party, unsecured, principal due on demand, interest at 8.00%, (Note 6)	85,000	335,000
Less estimated current portion of long-term debt	<u>(1,129,000)</u>	<u>(1,129,000)</u>
Long-term debt, net	\$ <u>5,874,000</u>	\$ <u>4,633,000</u>
 HOLSTEIN DAIRY #1, PARTNERS' CAPITAL:		
Balances as of December 31, 200X and 200X, Exhibit C	\$ <u>5,408,400</u>	\$ <u>4,912,000</u>
 Total liabilities and capital	\$ <u><u>12,822,400</u></u>	\$ <u><u>11,202,000</u></u>

HOLSTEIN DAIRY #1

STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 200X AND 200X
(See Independent Accountants' Review Report)

	THREE MONTHS ENDED DECEMBER 31, 200X		TWELVE MONTHS ENDED DECEMBER 31, 200X		TWELVE MONTHS ENDED DECEMBER 31, 200X	
	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK
INCOME:						
Milk	\$ 2,855,000	\$ 16.09	\$ 11,372,000	\$ 16.48	\$ 12,005,000	\$ 17.75
Milk premiums	2,000	0.01	2,000	0.01	2,000	0.01
Patronage dividends	4,000	0.02	41,000	0.06	129,000	0.19
USDA dairy market loss	2,000	0.01	7,000	0.01	47,000	0.07
Calves	7,000	0.04	28,000	0.04	34,000	0.05
Other	11,000	0.06	35,000	0.05	0	0.00
Total income	<u>\$ 2,881,000</u>	<u>\$ 16.23</u>	<u>\$ 11,485,000</u>	<u>\$ 16.65</u>	<u>\$ 12,217,000</u>	<u>\$ 18.07</u>
EXPENSES:						
Feed:						
Hay	\$ 571,000	\$ 3.22	\$ 2,153,000	\$ 3.12	\$ 1,569,000	\$ 2.32
Grain	1,004,000	5.66	3,837,000	5.56	3,260,000	4.82
Silage	451,000	2.54	1,849,000	2.68	1,576,000	2.33
Heifer raising	85,000	0.48	290,000	0.42	298,000	0.44
Less allocation to heifer raising program	(511,000)	(2.88)	(1,967,000)	(2.85)	(1,792,000)	(2.65)
Total feed	<u>\$ 1,600,000</u>	<u>\$ 9.02</u>	<u>\$ 6,162,000</u>	<u>\$ 8.93</u>	<u>\$ 4,911,000</u>	<u>\$ 7.26</u>
Labor:						
Wages	\$ 147,000	\$ 0.83	\$ 573,000	\$ 0.83	\$ 561,000	\$ 0.83
Partners' salaries	18,000	0.10	69,000	0.10	61,000	0.09
Total labor	<u>\$ 165,000</u>	<u>\$ 0.93</u>	<u>\$ 642,000</u>	<u>\$ 0.93</u>	<u>\$ 622,000</u>	<u>\$ 0.92</u>
Herd replacement cost:						
Depreciation of dairy herd	\$ 122,000	\$ 0.69	\$ 524,000	\$ 0.76	\$ 514,000	\$ 0.76
Loss on sale of cows	115,000	0.65	386,000	0.56	291,000	0.43
Total herd replacement cost	<u>\$ 237,000</u>	<u>\$ 1.34</u>	<u>\$ 910,000</u>	<u>\$ 1.32</u>	<u>\$ 805,000</u>	<u>\$ 1.19</u>
Operating expenses, (Schedule 1)	<u>\$ 877,000</u>	<u>\$ 4.94</u>	<u>\$ 3,472,000</u>	<u>\$ 5.03</u>	<u>\$ 2,975,000</u>	<u>\$ 4.31</u>
Total expenses	<u>\$ 2,879,000</u>	<u>\$ 16.23</u>	<u>\$ 11,186,000</u>	<u>\$ 16.21</u>	<u>\$ 9,313,000</u>	<u>\$ 13.68</u>
Net income (loss) from dairy operations	<u>\$ 2,000</u>	<u>\$ 0.00</u>	<u>\$ 299,000</u>	<u>\$ 0.44</u>	<u>\$ 2,904,000</u>	<u>\$ 4.39</u>
OTHER INCOME (LOSS):						
Income (loss) from farming operations, (Schedule 2)	<u>\$ 99,300</u>	<u>\$ 0.56</u>	<u>\$ 345,400</u>	<u>\$ 0.50</u>	<u>\$ 307,000</u>	<u>\$ 0.45</u>
Net income (loss)	<u><u>\$ 101,300</u></u>	<u><u>\$ 0.56</u></u>	<u><u>\$ 644,400</u></u>	<u><u>\$ 0.94</u></u>	<u><u>\$ 3,211,000</u></u>	<u><u>\$ 4.84</u></u>

The accompanying notes are an integral part of this statement.

HOLSTEIN DAIRY #1

STATEMENT OF PARTNERS' CAPITAL ACCOUNTS
 FOR THE YEAR ENDED DECEMBER 31, 200X
 (See Independent Accountants' Review Report)

	<u>TOTAL</u>	<u>HOLSTEIN MARITAL TRUST C</u>	<u>MICHAEL HOLSTEIN</u>	<u>FRED HOLSTEIN</u>
Balances as of January 1, 200X	\$ 4,912,000	\$ 2,412,000	\$ 1,275,000	\$ 1,225,000
Capital contribution	5,000	5,000	0	0
Net income, Exhibit B, allocated as follows:	644,400			
Interest on excess capital		15,000	8,000	0
Distribution of remainder		62,940	63,640	494,820
Totals	\$ 5,561,400	\$ 2,494,940	\$ 1,346,640	\$ 1,719,820
Deduct withdrawals:				
Donations	\$ 14,000	\$ 3,000	\$ 7,000	\$ 4,000
Medical	41,000	9,000	14,000	18,000
Personal	98,000	21,000	37,000	40,000
Total withdrawals	\$ 153,000	\$ 33,000	\$ 58,000	\$ 62,000
Balances as of December 31, 200X	\$ <u>5,408,400</u>	\$ <u>2,461,940</u>	\$ <u>1,288,640</u>	\$ <u>1,657,820</u>

HOLSTEIN DAIRY #1

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 200X
(See Independent Accountants' Review Report)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 644,400
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	710,000
Loss on sale of cows	386,000
Amortization	1,000
(Increase) decrease in assets:	
Accounts receivable and prepaid expenses	86,000
Employee advances and notes receivable	(5,400)
Inventories and investment in growing crops	(1,025,000)
Increase (decrease) in liabilities:	
Accrued expenses and accounts payable	(13,000)
Payroll tax liability and accrued wages	(1,000)
Net cash provided by operating activities	<u>\$ 783,000</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of cows	\$ 658,000
Purchase of cows	(9,000)
Purchase of bulls	(21,000)
Purchase of equipment	(67,000)
Purchase of leasehold improvements	(173,000)
Purchase of autos and trucks	(61,000)
Increase in value of self-raised animals	(1,967,000)
Increased investment in Best Dairy Association	(133,000)
Net cash used in investing activities	<u>\$ (1,773,000)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Decrease in short-term debt, net	\$ (12,000)
Repayment of long-term debt	(6,471,000)
Borrowings of long-term debt	7,712,000
Capital contribution	5,000
Personal withdrawals	(153,000)
Decrease in bank overdraft	(91,000)
Net cash provided by financing activities	<u>\$ 990,000</u>

NET CHANGE IN CASH FOR THE PERIOD

\$ 0

CASH, January 1, 200X

0

CASH, December 31, 200X

\$ 0

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid	<u>\$ 255,000</u>
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The accompanying notes are an integral part of this statement.

HOLSTEIN DAIRY #1

NOTES TO THE FINANCIAL STATEMENTS (See Independent Accountants' Review Report)

Note 1 - Summary of significant accounting policies

Nature of operations

Holstein Dairy #1 is a partnership operating a dairy farm located in Dairyville, U.S.A. The Dairy produces milk for sale to a cooperative. The Dairy raises its own replacement animals, which takes approximately 24 - 27 months to reach maturity and be placed in the milking herd. The primary cost of the production of milk is the hay and grain fed to the cows. Fluctuations of price, availability and quality in these commodities can greatly affect profitability.

Accounting method and income taxes

The Dairy's books and records are maintained on the cash receipts and disbursements method of accounting and items of income and expense are so reported for income tax purposes. The accompanying financial statements have been prepared on the accrual basis and, accordingly, reflect accounts receivable, inventories, self-raised dairy animals, unpaid trade payables and accrued expenses where these amounts are material.

Federal and State income taxes have not been provided for as each partner is individually obligated for income taxes on his share of partnership income.

Financial instruments

The accounting standards regarding fair value of financial instruments and related fair value measurements define financial instruments, define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement, and enhance disclosure requirements for fair value measures. The Dairy's financial instruments are cash and cash equivalents, accounts receivable, accounts payable, notes payable and long-term debt. Management believes the carrying amount for cash and cash equivalents, accounts receivable, and accounts payable approximate their fair value based on their short-term nature. The recorded values of notes payable and long-term debt approximate their fair values, as interest approximates market rates.

Revenue recognition

The Dairy follows the accounting standard regarding revenue recognition which specifies that revenue should be realized or realizable and earned when four criteria are met: persuasive evidence of an arrangement exists; product is shipped or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectability of payment is reasonably assured.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Cash in bank

The Dairy periodically throughout the year has maintained balances in its various operating and money market accounts in excess of federally insured limits. The Dairy has not experienced any losses in such accounts. The Dairy believes it is not exposed to any significant risks on cash in bank deposit accounts.

HOLSTEIN DAIRY #1

NOTES TO THE FINANCIAL STATEMENTS (See Independent Accountants' Review Report)

Note 1 - Summary of significant accounting policies, (continued)

Cash and cash equivalents

For purposes of the statement of cash flows, the Dairy considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Marketable securities

The Dairy does not own marketable debt or equity securities.

Accounts receivable

All of the Dairy's receivables from milk are from one customer, Best Dairy Association. The receivable is due within 30 days. The Dairy believes the risk of loss on this receivable is very small and, accordingly, no allowance for doubtful accounts has been included.

Inventories

Inventories as of December 31, 200X and 200X are carried at the lower of cost or market (first-in, first-out method) and are based upon estimated quantities. They consisted of the following:

	<u>200X</u>				<u>200X</u>		
	<u>TONS</u>	<u>PER TON</u>	<u>AMOUNT</u>	<u>TONS</u>	<u>PER TON</u>	<u>AMOUNT</u>	
Hay	4,280	\$ 230	\$ 983,000	3,510	\$ 167	\$ 586,000	
Grain	400	215	86,000	250	156	39,000	
Silage	45,200	45	2,034,000	36,650	40	1,466,000	
Bedding	1,000	30	30,000			0	
Grain, at dealers			0			50,000	
Totals			<u>\$ 3,133,000</u>			<u>\$ 2,141,000</u>	

Dairy herd

The dairy herd as of December 31, 200X and 200X consisted of the following:

	<u>200X</u>				<u>200X</u>		
	<u>NUMBER OF HEAD</u>	<u>PER TON</u>	<u>AMOUNT</u>	<u>NUMBER OF HEAD</u>	<u>PER TON</u>	<u>AMOUNT</u>	
Purchased cows	260	\$ 1,215	\$ 316,000	690	\$ 1,458	\$ 1,006,000	
Self-raised cows	3,090	1,080	3,337,000	2,730	1,101	3,005,000	
Self-raised heifers	3,170	932	2,953,000	3,390	654	2,218,000	
Totals			<u>\$ 6,606,000</u>			<u>\$ 6,229,000</u>	

HOLSTEIN DAIRY #1

NOTES TO THE FINANCIAL STATEMENTS (See Independent Accountants' Review Report)

Note 1 - Summary of significant accounting policies, (continued)

Dairy herd, (continued)

The purchased cows are carried at cost. The self-raised animals are carried at a value which is based upon the estimated cost to raise them to their respective age up to approximately \$1,300 per milking cow. For accounting purposes, the dairy cows are retired on a first-in, first-out basis and the resultant gain or loss on cows sold or otherwise disposed of is reflected in income. Depreciation is computed at the rate of 14.3% per year.

Depreciation expenses for the years ended December 31, 200X and 200X amounted to \$524,000 and \$514,000, respectively.

Improvements and equipment

Long-term assets of the Dairy are reviewed annually as to whether their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations. Management also re-evaluates the periods of amortization to determine whether subsequent events and circumstances warrant revised estimates of useful lives. As of December 31, 200X, management expects these assets to be fully recoverable.

Improvements and equipment are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of 15 to 20 years for improvements and 5 to 12 years for equipment.

Depreciation expenses for the years ended December 31, 200X and 200X amounted to \$186,000 and \$179,000, respectively.

Pool quota

Pool quota represents the right to ship 800 pounds of butterfat and 1,900 pounds of solids-non-fat daily under the state's Milk Pooling Plan. This right entitles the shipper to a higher price for milk shipped under the certificate. Pool quota has an undeterminable useful life and is transferable at established market values.

Investment in growing crops

The investment in growing crops represents the estimated farming costs incurred to date that are applicable to crops to be harvested in the future. The costs will be charged to operations in the period that the related crops are taken into income.

Subsequent event

The Dairy has performed an evaluation of subsequent events through February 3, 200X, the date the financial statements were available to be issued. Management believes that no events occurred subsequent to December 31, 200X that is required to be recorded or disclosed in the financial statements.

HOLSTEIN DAIRY #1

NOTES TO THE FINANCIAL STATEMENTS (See Independent Accountants' Review Report)

Note 2 - Long-term debt

The bank debt which is secured by the dairy herd is renewed annually as this is the common bank industry practice relating to these types of loans. Renewal of these loans is expected and has regularly occurred. Therefore, the loans are classified as long-term and match the character of the underlying security.

Estimated principal repayment requirements of long-term debt based on existing terms as of December 31, 200X for the next five years are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>PRINCIPAL REPAYMENT</u>
200X	\$ 1,129,000
200X	1,096,000
200X	1,079,000
200X	1,080,000
200X	1,080,000
Thereafter	1,539,000

Note 3 - Milk production

The average daily milk production per milking cow for the year ended December 31, 200X was 65 pounds of milk based on an average milking herd of 2,922 cows compared to 65 pounds of milk based on an average milking herd of 2,847 cows for the corresponding period of the previous year as summarized:

	<u>200X</u>		<u>200X</u>
	<u>AVERAGE NUMBER OF MILKING COWS</u>	<u>POUNDS OF MILK PER DAY</u>	<u>AVERAGE NUMBER OF MILKING COWS</u>
			<u>POUNDS OF MILK PER DAY</u>
First quarter	2,929	67	2,759
Second quarter	2,927	63	2,845
Third quarter	2,909	63	2,903
Fourth quarter	2,922	66	2,913

Note 4 - Lease obligations

Holstein Dairy #1 is obligated to Jerseys "R" Us for rental of its dairy facility on a month-to-month basis. The rental is based upon a fee of \$20 per milking cow per month.

Rental expenses for the years ended December 31, 200X and 200X amounted to \$697,000 and \$711,000, respectively.

HOLSTEIN DAIRY #1

NOTES TO THE FINANCIAL STATEMENTS (See Independent Accountants' Review Report)

Note 5 - Capital lease obligations

Holstein Dairy #1 leases feed trucks and tractors under non-cancelable capital leases. The amount included in equipment in these financial statements consisted of the following as of December 31, 200X and 200X:

	<u>200X</u>	<u>200X</u>
Dairy equipment	\$ 428,000	\$ 428,000
Less accumulated depreciation	<u>(298,000)</u>	<u>(223,000)</u>
Totals	\$ <u>130,000</u>	\$ <u>205,000</u>

SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 200X AND 200X
(See Independent Accountants' Review Report)

	THREE MONTHS ENDED <u>DECEMBER 31, 200X</u>		TWELVE MONTHS ENDED <u>DECEMBER 31, 200X</u>		TWELVE MONTHS ENDED <u>DECEMBER 31, 200X</u>	
	<u>AMOUNT</u>	<u>PER CWT OF MILK</u>	<u>AMOUNT</u>	<u>PER CWT OF MILK</u>	<u>AMOUNT</u>	<u>PER CWT OF MILK</u>
Rent, (Note 4)	\$ 176,000	\$ 0.99	\$ 697,000	\$ 1.01	\$ 711,000	\$ 1.03
Depreciation - other	50,000	0.28	186,000	0.27	179,000	0.26
Milk hauling	60,000	0.34	235,000	0.34	214,000	0.31
State and association charges	53,000	0.30	207,000	0.30	193,000	0.28
Operating fees	44,000	0.25	173,000	0.25	0	0.00
Base production fee	21,000	0.12	28,000	0.04	0	0.00
Supplies	105,000	0.59	407,000	0.59	262,000	0.38
Repairs and maintenance	105,000	0.59	400,000	0.58	269,000	0.39
Utilities	50,000	0.28	179,000	0.26	179,000	0.26
Payroll taxes	14,000	0.08	55,000	0.08	48,000	0.07
Insurance:						
General	2,000	0.01	21,000	0.03	28,000	0.04
Workers' compensation	12,000	0.07	48,000	0.07	35,000	0.05
Gas and oil	37,000	0.21	166,000	0.24	104,000	0.15
Legal and accounting	11,000	0.06	55,000	0.08	41,000	0.06
Interest	44,000	0.25	207,000	0.30	345,000	0.50
Veterinary and breeding	37,000	0.21	166,000	0.24	221,000	0.32
Hauling	4,000	0.02	14,000	0.02	14,000	0.02
Bedding	12,000	0.07	48,000	0.07	21,000	0.03
Testing and trimming	34,000	0.19	138,000	0.20	83,000	0.12
Water quality reporting	4,000	0.02	7,000	0.01	7,000	0.01
Taxes and license	0	0.00	14,000	0.02	14,000	0.02
Miscellaneous	2,000	0.01	21,000	0.03	7,000	0.01
Total operating expenses	\$ <u>877,000</u>	\$ <u>4.94</u>	\$ <u>3,472,000</u>	\$ <u>5.03</u>	\$ <u>2,975,000</u>	\$ <u>4.31</u>

SCHEDULE OF FARMING OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 200X AND 200X
(See Independent Accountants' Review Report)

	THREE MONTHS ENDED DECEMBER 31, 200X	TWELVE MONTHS ENDED DECEMBER 31, 200X	TWELVE MONTHS ENDED DECEMBER 31, 200X
INCOME:			
Crop	\$ 310,000	\$ 1,050,000	\$ 823,000
USDA Program payments	29,000	37,000	44,000
Other	<u>0</u>	<u>1,000</u>	<u>1,000</u>
Total income	\$ <u>339,000</u>	\$ <u>1,088,000</u>	\$ <u>868,000</u>
EXPENSES:			
Investment in growing crops, beginning of period	\$ 92,000	\$ 122,000	\$ 34,000
Rent	7,200	29,000	29,000
Custom farming	45,000	165,000	156,000
Custom hire	4,000	14,000	14,000
Seed	43,000	55,000	18,000
Chemicals and fertilizers	50,000	120,000	100,000
Gas and oil	45,000	120,000	112,000
Insurance, general	7,000	10,000	7,000
Repairs and maintenance	9,000	41,000	33,000
Supplies	2,000	6,600	6,000
Utilities	42,000	103,000	83,000
Water	500	2,000	0
Equipment lease	17,000	22,000	0
Interest	29,000	79,000	82,000
Legal and accounting	2,000	8,000	8,000
Miscellaneous	0	1,000	1,000
Investment in growing crops, end of period	<u>(155,000)</u>	<u>(155,000)</u>	<u>(122,000)</u>
Total expenses	\$ <u>239,700</u>	\$ <u>742,600</u>	\$ <u>561,000</u>
Total farming income	\$ <u><u>99,300</u></u>	\$ <u><u>345,400</u></u>	\$ <u><u>307,000</u></u>

HOLSTEIN DAIRY #1

STATISTICAL DATA
FOR THE YEARS ENDED DECEMBER 31, 200X AND 200X
(See Independent Accountants' Review Report)

SALES AND PRODUCTION OF WHOLE MILK

	200X			200X		
	<u>POUNDS OF WHOLE MILK</u>	<u>SALES OF WHOLE MILK</u>	<u>PER CWT OF MILK</u>	<u>POUNDS OF WHOLE MILK</u>	<u>SALES OF WHOLE MILK</u>	<u>PER CWT OF MILK</u>
1st quarter	<u>17,559,732</u>	<u>\$2,976,000</u>	<u>\$16.95</u>	<u>16,704,211</u>	<u>\$2,215,000</u>	<u>\$13.26</u>
2nd quarter	<u>16,862,202</u>	<u>\$2,790,000</u>	<u>\$16.54</u>	<u>17,012,618</u>	<u>\$2,906,000</u>	<u>\$17.08</u>
3rd quarter	<u>16,844,639</u>	<u>\$2,751,000</u>	<u>\$16.33</u>	<u>16,884,432</u>	<u>\$3,433,000</u>	<u>\$20.33</u>
October	<u>5,791,072</u>	<u>\$945,000</u>	<u>\$16.32</u>	<u>5,712,867</u>	<u>\$1,153,000</u>	<u>\$20.18</u>
November	<u>5,841,814</u>	<u>\$948,000</u>	<u>\$16.23</u>	<u>5,459,950</u>	<u>\$1,138,000</u>	<u>\$20.85</u>
December	<u>6,107,981</u>	<u>\$962,000</u>	<u>\$15.75</u>	<u>5,858,375</u>	<u>\$1,160,000</u>	<u>\$19.80</u>
4th quarter	<u>17,740,867</u>	<u>\$2,855,000</u>	<u>\$16.09</u>	<u>17,031,192</u>	<u>\$3,451,000</u>	<u>\$20.26</u>
Totals	<u>69,007,440</u>	<u>\$11,372,000</u>	<u>\$16.48</u>	<u>67,632,453</u>	<u>\$12,005,000</u>	<u>\$17.75</u>

AVERAGE SALES PRICE AND TEST

	<u>200X</u>	<u>200X</u>
Per cwt of milk	\$16.48	\$17.75
Per pound of butterfat	\$1.53	\$1.44
Average butterfat test	3.70	3.63
Average solids-non-fat test	8.71	8.79

COW PURCHASES, SALES AND HERD TURNOVER

	<u>AMOUNT</u>	<u>NUMBER OF HEAD</u>	<u>AVERAGE PER HEAD</u>
Cow purchases			
200X	\$9,000	7	\$1,286
200X	\$55,000	51	\$1,078
Cow sales (excluding dead cows)			
200X	\$658,000	1,123	\$586
200X	\$601,000	962	\$625
Dead cows		<u>200X</u> 236	<u>200X</u> 208
Herd turnover:			
Average herd		3,392	3,329
% Turnover		40.1%	35.1%



Dairy Farm Operating Trends

December 31, 2015



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Frazer, LLP's Dairy Practice

<http://frazerllp.com/industries/dairy/>

Services for Dairies

Assurance and Accounting:

- ✓ Audits, reviews, and compilations
- ✓ Budgeting and cash flow management
- ✓ Fair market value financial statements
- ✓ Payroll
- ✓ Preparation of cash or accrual basis financial statements
- ✓ QuickBooks and payroll services

Tax Planning and Compliance:

- ✓ Estate tax and gifting strategies
- ✓ Optimizing tax strategies
- ✓ Research tax credits
- ✓ Strategic planning for ownership changes
- ✓ Tax return preparation

Consulting and Business Advisory Services:

- ✓ Asset purchase consulting
- ✓ Entity selection
- ✓ Lease or buy consulting
- ✓ Loan packaging and debt restructuring
- ✓ Tax deferred exchanges