

# Dairy Farm Operating Trends

June 30, 2017



## ***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, 2017.*

*The data is compiled from dairy operations in Southern California, the San Joaquin Valley, Kern County, Arizona, Idaho, New Mexico, the Texas Panhandle, and the Pacific Northwest, which consists of Washington and Oregon operating collectively, with a combined milk production of over 2.4 billion pounds and more than 208,000 head of mature cows for the six months ended June 30, 2017.*

*This report includes a comparison of the results in the regions listed above for the six months ended June 30, 2017, both on a "per hundredweight of milk" basis and on a "per head" basis. Also included are selected financial ratios and other statistical analysis for the year.*

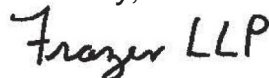
*This publication is designed as a reference tool and a management aid for dairy farm managers and advisors. Frazer, LLP believes the information to be reliable, but is not responsible for errors in reported source information.*

*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 Angela Blaylock, 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,

A handwritten signature in black ink that reads "Frazer LLP". The signature is stylized, with the 'F' being particularly large and the letters 'LLP' following in a cursive-like script.

FRAZER, LLP

Certified Public Accountants and Consultants

**September 2017**

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, 2017 (BASED ON AVERAGE AMOUNTS PER HEAD)		
	Southern California	San Joaquin Valley	Kern County
Income:			
Milk sales	\$ 1,945	\$ 1,996	\$ 1,926
Calves and other	20	69	25
Total income	\$ 1,965	\$ 2,065	\$ 1,951
Cost of operations:			
Feed:			
Grain	\$ 707	\$ 760	\$ 662
Hay and forages	305	267	339
Total feed	\$ 1,012	\$ 1,027	\$ 1,001
Labor, (including fringe costs)	\$ 263	\$ 211	\$ 158
Herd replacement costs	\$ 296	\$ 190	\$ 139
Other costs:			
Milk hauling	\$ 42	\$ 38	\$ 39
State and association charges	22	23	22
Veterinary, breeding, testing, etc.	75	57	37
Supplies	53	71	48
Repairs and maintenance	96	65	64
Utilities	22	29	32
Occupancy costs	31	77	44
Depreciation - equipment	17	42	28
Interest	40	55	36
Miscellaneous	67	78	61
Total other costs	\$ 465	\$ 535	\$ 411
Total cost of operations	\$ 2,036	\$ 1,963	\$ 1,709
Net income (loss)	\$ (71)	\$ 102	\$ 242

	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your June 30, 2017 Amounts
	\$ 2,117	\$ 2,000	\$ 1,784	\$ 1,938	\$ 2,015	\$
	63	18	34	28	11	
	\$ 2,180	\$ 2,018	\$ 1,818	\$ 1,966	\$ 2,026	\$
	\$ 755	\$ 668	\$ 682	\$ 515	\$ 656	\$
	395	287	262	292	291	
	\$ 1,150	\$ 955	\$ 944	\$ 807	\$ 947	\$
	\$ 237	\$ 227	\$ 209	\$ 212	\$ 254	\$
	\$ 190	\$ 192	\$ 136	\$ 164	\$ 177	\$
	\$ 59	\$ 39	\$ 77	\$ 71	\$ 58	\$
	32	24	53	30	33	
	58	62	35	67	70	
	85	80	81	77	58	
	71	98	90	76	85	
	37	22	27	18	17	
	70	45	41	57	88	
	34	46	33	42	29	
	67	50	46	36	37	
	110	81	28	70	78	
	\$ 623	\$ 547	\$ 511	\$ 544	\$ 553	\$
	\$ 2,200	\$ 1,921	\$ 1,800	\$ 1,727	\$ 1,931	\$
	\$ (20)	\$ 97	\$ 18	\$ 239	\$ 95	\$

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS				
	COMPARISON BY AREA FOR THE SIX MONTHS ENDED JUNE 30, 2017 (BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	Southern California	San Joaquin Valley	Kern County	
Income:				
Milk sales	\$ 17.31	\$ 16.34	\$ 16.67	
Calves and other	0.19	0.57	0.21	
Total income	\$ 17.50	\$ 16.91	\$ 16.88	
Cost of operations:				
Feed:				
Grain	\$ 6.29	\$ 6.26	\$ 5.73	
Hay and forages	2.71	2.21	2.94	
Total feed	\$ 9.00	\$ 8.47	\$ 8.67	
Labor, (including fringe costs)	\$ 2.34	\$ 1.74	\$ 1.36	
Herd replacement costs	\$ 2.63	\$ 1.56	\$ 1.21	
Other costs:				
Milk hauling	\$ 0.37	\$ 0.31	\$ 0.34	
State and association charges	0.19	0.19	0.19	
Veterinary, breeding, testing, etc.	0.67	0.47	0.32	
Supplies	0.47	0.59	0.42	
Repairs and maintenance	0.85	0.53	0.56	
Utilities	0.20	0.24	0.28	
Occupancy costs	0.27	0.64	0.38	
Depreciation - equipment	0.15	0.34	0.25	
Interest	0.35	0.45	0.31	
Miscellaneous	0.61	0.60	0.53	
Total other costs	\$ 4.13	\$ 4.36	\$ 3.58	
Total cost of operations	\$ 18.10	\$ 16.13	\$ 14.82	
Net income (loss)	\$ (0.60)	\$ 0.78	\$ 2.06	

	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your June 30, 2017 Amounts
	\$ 17.07	\$ 16.75	\$ 16.20	\$ 17.74	\$ 19.38	\$
	0.51	0.16	0.30	0.24	0.09	
	\$ 17.58	\$ 16.91	\$ 16.50	\$ 17.98	\$ 19.47	\$
	\$ 6.09	\$ 5.60	\$ 6.20	\$ 4.71	\$ 6.31	\$
	3.19	2.40	2.38	2.68	2.80	
	\$ 9.28	\$ 8.00	\$ 8.58	\$ 7.39	\$ 9.11	\$
	\$ 1.91	\$ 1.90	\$ 1.90	\$ 1.93	\$ 2.44	\$
	\$ 1.53	\$ 1.61	\$ 1.24	\$ 1.50	\$ 1.70	\$
	\$ 0.48	\$ 0.32	\$ 0.70	\$ 0.65	\$ 0.56	\$
	0.26	0.20	0.48	0.28	0.32	
	0.47	0.52	0.31	0.62	0.67	
	0.69	0.67	0.74	0.70	0.56	
	0.57	0.83	0.82	0.70	0.82	
	0.30	0.19	0.24	0.17	0.17	
	0.56	0.37	0.37	0.52	0.85	
	0.27	0.38	0.30	0.38	0.28	
	0.54	0.42	0.42	0.33	0.35	
	0.87	0.69	0.25	0.64	0.75	
	\$ 5.01	\$ 4.59	\$ 4.63	\$ 4.99	\$ 5.33	\$
	\$ 17.73	\$ 16.10	\$ 16.35	\$ 15.81	\$ 18.58	\$
	\$ (0.15)	\$ 0.81	\$ 0.15	\$ 2.17	\$ 0.89	\$

SUMMARY OF FINANCIAL STATISTICS

COMPARISON BY AREA  
FOR THE SIX MONTHS ENDED JUNE 30, 2017

	Southern California	San Joaquin Valley	Kern County
1 Current Ratio	0.36 : 1	1.11 : 1	1.52 : 1
2 Herd Line Debt Per Cow	\$ 859	\$ 792	\$ 473
3 Total Debt Per Cow	\$ 2,085	\$ 2,646	\$ 1,853
4 Debt to Equity Ratio	0.81 : 1	1.16 : 1	0.54 : 1
5 Return on Total Assets	-1.1%	1.4%	3.2%
6 Income (loss) per milking cow per month	\$ (13.43)	\$ 19.50	\$ 48.83

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
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 (loss) per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by six

Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your June 30, 2017 Results
0.61 : 1	1.00 : 1	1.17 : 1	0.87 : 1	0.90 : 1	
\$ 1,091	\$ 528	\$ 320	\$ 203	\$ 799	\$
\$ 3,122	\$ 2,654	\$ 1,875	\$ 1,546	\$ 2,669	\$
2.10 : 1	0.99 : 1	0.72 : 1	0.72 : 1	1.75 : 1	
-0.3%	1.3%	0.3%	4.4%	1.6%	
\$ (3.27)	\$ 18.38	\$ 3.53	\$ 46.60	\$ 17.77	\$

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS		
	FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND YEAR ENDED DECEMBER 31, 2016 SOUTHERN CALIFORNIA (BASED ON PER HUNDREDWEIGHT OF MILK BASIS)	
	June 30, 2017	December 31, 2016
Income:		
Milk sales	\$ 17.31	\$ 15.91
Calves and other	0.19	0.54
Total income	\$ 17.50	\$ 16.45
Cost of operations:		
Feed:		
Grain	\$ 6.29	\$ 6.10
Hay and forages	2.71	2.92
Total feed	\$ 9.00	\$ 9.02
Labor, (including fringe costs)	\$ 2.34	\$ 2.16
Herd replacement costs	\$ 2.63	\$ 1.65
Other costs:		
Milk hauling	\$ 0.37	\$ 0.36
State and association charges	0.19	0.19
Veterinary, breeding, testing, etc.	0.67	0.66
Supplies	0.47	0.31
Repairs and maintenance	0.85	0.67
Utilities	0.20	0.22
Occupancy costs	0.27	0.38
Depreciation - equipment	0.15	0.13
Interest	0.35	0.40
Miscellaneous	0.61	0.47
Total other costs	\$ 4.13	\$ 3.79
Total cost of operations	\$ 18.10	\$ 16.62
Net loss	\$ (0.60)	\$ (0.17)

SUMMARY OF FINANCIAL STATISTICS		
	SOUTHERN CALIFORNIA	
	June 30, 2017	December 31, 2016
1 Current Ratio	0.36 : 1	0.43 : 1
2 Herd Line Debt Per Cow	\$ 859	\$ 1,271
3 Total Debt Per Cow	\$ 2,085	\$ 2,898
4 Debt to Equity Ratio	0.81 : 1	1.28 : 1
5 Return on Total Assets	-1.1%	-0.6%
6 Loss per milking cow per month	\$ (13.43)	\$ (4.26)
	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 months.	

INCOME AND COST OF OPERATIONS				
	SOUTHERN CALIFORNIA			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	June 30, 2017	December 31, 2016	December 31, 2015	
Income:				
Milk sales	\$ 17.31	\$ 15.91	\$ 16.03	
Calves and other	0.19	0.54	1.08	
Total income	\$ 17.50	\$ 16.45	\$ 17.11	
Total cost of operations:				
Feed	\$ 9.00	\$ 9.02	\$ 10.25	
Labor	2.34	2.16	1.92	
Herd replacement costs	2.63	1.65	1.00	
Other costs	4.13	3.79	3.98	
Total costs of operations	\$ 18.10	\$ 16.62	\$ 17.15	
Net income (loss)	\$ (0.60)	\$ (0.17)	\$ (0.04)	
Cost of operations as a percentage of income	103.43%	101.03%	100.23%	
Feed costs as a percentage of milk sales	51.99%	56.69%	63.94%	
Net income (loss) per milking cow per month	\$ (13.43)	\$ (4.26)	\$ (2.17)	

	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
	\$ 22.79	\$ 18.90	\$ 16.91	\$ 18.85
	0.93	0.27	0.26	0.44
	\$ 23.72	\$ 19.17	\$ 17.17	\$ 19.29
	\$ 11.45	\$ 11.80	\$ 11.99	\$ 11.64
	1.87	1.71	1.67	1.72
	0.93	1.30	1.44	1.54
	4.23	3.90	3.65	4.39
	\$ 18.48	\$ 18.71	\$ 18.75	\$ 19.29
	\$ 5.24	\$ 0.46	\$ (1.58)	\$ 0.00
	77.91%	97.60%	109.20%	100.00%
	50.24%	62.43%	70.90%	61.75%
	\$ 114.66	\$ 9.54	\$ (31.10)	\$ 0.24



CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS		
	FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND YEAR ENDED DECEMBER 31, 2016 SAN JOAQUIN VALLEY (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)	
	June 30, 2017	December 31, 2016
Income:		
Milk sales	\$ 16.34	\$ 15.34
Calves and other	0.57	0.34
Total income	\$ 16.91	\$ 15.68
Cost of operations:		
Feed:		
Grain	\$ 6.26	\$ 6.25
Hay and forages	2.21	3.67
Total feed	\$ 8.47	\$ 9.92
Labor, (including fringe costs)	\$ 1.74	\$ 1.48
Herd replacement costs	\$ 1.56	\$ 1.22
Other costs:		
Milk hauling	\$ 0.31	\$ 0.32
State and association charges	0.19	0.19
Veterinary, breeding, testing, etc.	0.47	0.30
Supplies	0.59	0.54
Repairs and maintenance	0.53	0.67
Utilities	0.24	0.49
Occupancy costs	0.64	0.46
Depreciation - equipment	0.34	0.27
Interest	0.45	0.40
Miscellaneous	0.60	0.47
Total other costs	\$ 4.36	\$ 4.11
Total cost of operations	\$ 16.13	\$ 16.73
Net income (loss)	\$ 0.78	\$ (1.05)

SUMMARY OF FINANCIAL STATISTICS		
	SAN JOAQUIN VALLEY	
	June 30, 2017	December 31, 2016
1 Current Ratio	1.11 : 1	0.89 : 1
2 Herd Line Debt Per Cow	\$ 792	\$ 1,080
3 Total Debt Per Cow	\$ 2,646	\$ 3,235
4 Debt to Equity Ratio	1.16 : 1	1.85 : 1
5 Return on Total Assets	1.4%	-3.5%
6 Income (loss) per milking cow per month	\$ 19.50	\$ (23.12)

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 months.

INCOME AND COST OF OPERATIONS				
	SAN JOAQUIN VALLEY			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	June 30, 2017	December 31, 2016	December 31, 2015	
Income:				
Milk sales	\$ 16.34	\$ 14.86	\$ 16.39	
Calves and other	0.57	0.30	0.79	
Total income	\$ 16.91	\$ 15.16	\$ 17.18	
Total cost of operations:				
Feed	\$ 8.47	\$ 8.68	\$ 10.87	
Labor	1.74	1.72	1.80	
Herd replacement costs	1.56	1.49	0.73	
Other costs	4.36	4.45	4.75	
Total costs of operations	\$ 16.13	\$ 16.34	\$ 18.15	
Net income (loss)	\$ 0.78	\$ (1.18)	\$ (0.97)	
Cost of operations as a percentage of income	95.39%	107.78%	105.65%	
Feed costs as a percentage of milk sales	51.84%	58.41%	66.32%	
Net income (loss) per milking cow per month	\$ 19.50	\$ (23.12)	\$ (13.20)	

	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
	\$ 22.29	\$ 18.86	\$ 16.66	\$ 18.68
	0.63	0.31	0.34	0.32
	\$ 22.92	\$ 19.17	\$ 17.00	\$ 19.00
	\$ 11.54	\$ 12.13	\$ 11.50	\$ 10.37
	1.45	1.41	1.43	1.45
	0.65	1.16	1.15	1.18
	4.30	4.12	4.08	4.39
	\$ 17.94	\$ 18.82	\$ 18.16	\$ 17.39
	\$ 4.98	\$ 0.35	\$ (1.16)	\$ 1.61
	78.27%	98.17%	106.82%	91.53%
	51.77%	64.32%	69.03%	55.51%
	\$ 128.26	\$ 20.13	\$ (11.93)	\$ 59.07

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS		
	FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND YEAR ENDED DECEMBER 31, 2016 KERN COUNTY (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)	
	June 30, 2017	December 31, 2016
Income:		
Milk sales	\$ 16.67	\$ 15.34
Calves and other	0.21	0.34
Total income	\$ 16.88	\$ 15.68
Cost of operations:		
Feed:		
Grain	\$ 5.73	\$ 6.25
Hay and forages	2.94	3.67
Total feed	\$ 8.67	\$ 9.92
Labor, (including fringe costs)	\$ 1.36	\$ 1.48
Herd replacement costs	\$ 1.21	\$ 1.22
Other costs:		
Milk hauling	\$ 0.34	\$ 0.32
State and association charges	0.19	0.19
Veterinary, breeding, testing, etc.	0.32	0.30
Supplies	0.42	0.54
Repairs and maintenance	0.56	0.67
Utilities	0.28	0.49
Occupancy costs	0.38	0.46
Depreciation - equipment	0.25	0.27
Interest	0.31	0.40
Miscellaneous	0.53	0.47
Total other costs	\$ 3.58	\$ 4.11
Total cost of operations	\$ 14.82	\$ 16.73
Net income (loss)	\$ 2.06	\$ (1.05)

SUMMARY OF FINANCIAL STATISTICS		
	KERN COUNTY	
	June 30, 2017	December 31, 2016
1 Current Ratio	1.52 : 1	1.37 : 1
2 Herd Line Debt Per Cow	\$ 473	\$ 892
3 Total Debt Per Cow	\$ 1,853	\$ 3,335
4 Debt to Equity Ratio	0.54 : 1	1.05 : 1
5 Return on Total Assets	3.2%	-2.5%
6 Income (loss) per milking cow per month	\$ 48.83	\$ (23.52)
	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 months.	

INCOME AND COST OF OPERATIONS				
	KERN COUNTY			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	June 30, 2017	December 31, 2016	December 31, 2015	
Income:				
Milk sales	\$ 16.67	\$ 15.34	\$ 15.81	
Calves and other	0.21	0.34	0.69	
Total income	\$ 16.88	\$ 15.68	\$ 16.50	
Total cost of operations:				
Feed	\$ 8.67	\$ 9.92	\$ 11.09	
Labor	1.36	1.48	1.40	
Herd replacement costs	1.21	1.22	0.80	
Other costs	3.58	4.11	3.89	
Total costs of operations	\$ 14.82	\$ 16.73	\$ 17.18	
Net income (loss)	\$ 2.06	\$ (1.05)	\$ (0.68)	
Cost of operations as a percentage of income	87.80%	106.70%	104.12%	
Feed costs as a percentage of milk sales	52.01%	64.67%	70.15%	
Net income (loss) per milking cow per month	\$ 48.83	\$ (23.52)	\$ (14.95)	

	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
	\$ 22.46	\$ 19.13	\$ 16.97	\$ 19.02
	0.45	0.23	0.25	0.19
	\$ 22.91	\$ 19.36	\$ 17.22	\$ 19.21
	\$ 11.77	\$ 12.52	\$ 12.15	\$ 9.78
	1.28	1.29	1.25	1.31
	0.77	1.20	1.20	1.24
	4.00	3.85	3.92	3.86
	\$ 17.82	\$ 18.86	\$ 18.52	\$ 16.19
	\$ 5.09	\$ 0.50	\$ (1.30)	\$ 3.02
	77.78%	97.42%	107.55%	84.28%
	52.40%	65.45%	71.60%	51.42%
	\$ 149.10	\$ 36.88	\$ (8.21)	\$ 82.44

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS		
	FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND YEAR ENDED DECEMBER 31, 2016 ARIZONA (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)	
	June 30, 2017	December 31, 2016
Income:		
Milk sales	\$ 17.07	\$ 15.56
Calves and other	0.51	0.57
Total income	\$ 17.58	\$ 16.13
Cost of operations:		
Feed:		
Grain	\$ 6.09	\$ 6.24
Hay and forages	3.19	2.39
Total feed	\$ 9.28	\$ 8.63
Labor, (including fringe costs)	\$ 1.91	\$ 2.03
Herd replacement costs	\$ 1.53	\$ 1.33
Other costs:		
Milk hauling	\$ 0.48	\$ 0.49
State and association charges	0.26	0.33
Veterinary, breeding, testing, etc.	0.47	0.29
Supplies	0.69	0.78
Repairs and maintenance	0.57	0.56
Utilities	0.30	0.37
Occupancy costs	0.56	0.27
Depreciation - equipment	0.27	0.29
Interest	0.54	0.54
Miscellaneous	0.87	1.11
Total other costs	\$ 5.01	\$ 5.03
Total cost of operations	\$ 17.73	\$ 17.02
Net loss	\$ (0.15)	\$ (0.89)

SUMMARY OF FINANCIAL STATISTICS		
	ARIZONA	
	June 30, 2017	December 31, 2016
1 Current Ratio	0.61 : 1	0.63 : 1
2 Herd Line Debt Per Cow	\$ 1,091	\$ 1,234
3 Total Debt Per Cow	\$ 3,122	\$ 3,447
4 Debt to Equity Ratio	2.10 : 1	2.16 : 1
5 Return on Total Assets	-0.3%	-2.8%
6 Loss per milking cow per month	\$ (3.27)	\$ (20.02)
	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 months.	

INCOME AND COST OF OPERATIONS				
	ARIZONA			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	June 30, 2017	December 31, 2016	December 31, 2015	
Income:				
Milk sales	\$ 17.07	\$ 15.56	\$ 16.33	
Calves and other	0.51	0.57	0.87	
Total income	\$ 17.58	\$ 16.13	\$ 17.20	
Total cost of operations:				
Feed	\$ 9.28	\$ 8.63	\$ 9.49	
Labor	1.91	2.03	1.97	
Herd replacement costs	1.53	1.33	0.87	
Other costs	5.01	5.03	5.01	
Total costs of operations	\$ 17.73	\$ 17.02	\$ 17.34	
Net income (loss)	\$ (0.15)	\$ (0.89)	\$ (0.14)	
Cost of operations as a percentage of income	100.85%	105.52%	100.81%	
Feed costs as a percentage of milk sales	54.36%	55.46%	58.11%	
Net income (loss) per milking cow per month	\$ (3.27)	\$ (20.02)	\$ (0.14)	

	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
\$	23.35	\$ 20.10	\$ 18.48	\$ 20.74
	1.20	0.35	0.32	0.28
\$	24.55	\$ 20.45	\$ 18.80	\$ 21.02
\$	10.74	\$ 11.68	\$ 11.49	\$ 10.61
	2.06	1.89	1.89	1.67
	0.69	1.02	1.02	1.29
	5.30	4.96	4.64	5.39
\$	18.79	\$ 19.55	\$ 19.04	\$ 18.96
\$	5.76	\$ 0.90	\$ (0.24)	\$ 2.06
	76.54%	95.60%	101.28%	90.20%
	46.00%	58.11%	62.18%	51.16%
\$	124.79	\$ 25.32	\$ (4.28)	\$ 42.84

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS		
	FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND YEAR ENDED DECEMBER 31, 2016 IDAHO (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)	
	June 30, 2017	December 31, 2016
Income:		
Milk sales	\$ 16.75	\$ 15.52
Calves and other	0.16	0.23
Total income	\$ 16.91	\$ 15.75
Cost of operations:		
Feed:		
Grain	\$ 5.60	\$ 5.50
Hay and forages	2.40	2.94
Total feed	\$ 8.00	\$ 8.44
Labor, (including fringe costs)	\$ 1.90	\$ 1.70
Herd replacement costs	\$ 1.61	\$ 1.79
Other costs:		
Milk hauling	\$ 0.32	\$ 0.28
State and association charges	0.20	0.24
Veterinary, breeding, testing, etc.	0.52	0.48
Supplies	0.67	0.57
Repairs and maintenance	0.83	0.63
Utilities	0.19	0.19
Occupancy costs	0.37	0.53
Depreciation - equipment	0.38	0.29
Interest	0.42	0.33
Miscellaneous	0.69	0.65
Total other costs	\$ 4.59	\$ 4.19
Total cost of operations	\$ 16.10	\$ 16.12
Net income (loss)	\$ 0.81	\$ (0.37)

SUMMARY OF FINANCIAL STATISTICS		
	IDAHO	
	June 30, 2017	December 31, 2016
1 Current Ratio	1.00 : 1	0.94 : 1
2 Herd Line Debt Per Cow	\$ 528	\$ 503
3 Total Debt Per Cow	\$ 2,654	\$ 2,440
4 Debt to Equity Ratio	0.99 : 1	1.08 : 1
5 Return on Total Assets	1.3%	-1.2%
6 Income (loss) per milking cow per month	\$ 18.38	\$ (1.69)
	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 months.	

INCOME AND COST OF OPERATIONS				
	IDAHO			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	June 30, 2017	December 31, 2016	December 31, 2015	
Income:				
Milk sales	\$ 16.75	\$ 15.52	\$ 15.90	
Calves and other	0.16	0.23	0.79	
Total income	\$ 16.91	\$ 15.75	\$ 16.69	
Total cost of operations:				
Feed	\$ 8.00	\$ 8.44	\$ 8.93	
Labor	1.90	1.70	1.60	
Herd replacement costs	1.61	1.79	1.09	
Other costs	4.59	4.19	4.09	
Total costs of operations	\$ 16.10	\$ 16.12	\$ 15.71	
Net income (loss)	\$ 0.81	\$ (0.37)	\$ 0.98	
Cost of operations as a percentage of income	95.21%	102.35%	94.13%	
Feed costs as a percentage of milk sales	47.76%	54.38%	56.16%	
Net income (loss) per milking cow per month	\$ 18.38	\$ (1.69)	\$ 27.14	

	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
\$ 22.55	\$ 19.05	\$ 18.07	\$ 18.88	
0.62	0.40	0.43	0.20	
\$ 23.17	\$ 19.45	\$ 18.50	\$ 19.08	
\$ 10.48	\$ 10.73	\$ 10.29	\$ 9.78	
1.75	1.63	1.64	1.63	
0.66	1.10	1.00	1.02	
4.69	4.59	4.67	4.77	
\$ 17.58	\$ 18.05	\$ 17.60	\$ 17.20	
\$ 5.59	\$ 1.40	\$ 0.90	\$ 1.88	
75.87%	92.80%	95.14%	90.15%	
46.47%	56.33%	56.95%	51.80%	
\$ 138.34	\$ 40.28	\$ 32.95	\$ 56.87	



CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS		
	FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND YEAR ENDED DECEMBER 31, 2016 NEW MEXICO (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)	
	June 30, 2017	December 31, 2016
Income:		
Milk sales	\$ 16.20	\$ 15.84
Calves and other	0.30	0.37
Total income	\$ 16.50	\$ 16.21
Cost of operations:		
Feed:		
Grain	\$ 6.20	\$ 6.20
Hay and forages	2.38	2.98
Total feed	\$ 8.58	\$ 9.18
Labor, (including fringe costs)	\$ 1.90	\$ 2.09
Herd replacement costs	\$ 1.24	\$ 1.38
Other costs:		
Milk hauling	\$ 0.70	\$ 0.98
State and association charges	0.48	0.39
Veterinary, breeding, testing, etc.	0.31	0.53
Supplies	0.74	0.51
Repairs and maintenance	0.82	0.67
Utilities	0.24	0.37
Occupancy costs	0.37	0.41
Depreciation - equipment	0.30	0.34
Interest	0.42	0.54
Miscellaneous	0.25	0.81
Total other costs	\$ 4.63	\$ 5.55
Total cost of operations	\$ 16.35	\$ 18.20
Net income (loss)	\$ 0.15	\$ (1.99)

SUMMARY OF FINANCIAL STATISTICS		
	NEW MEXICO	
	June 30, 2017	December 31, 2016
1 Current Ratio	1.17 : 1	0.84 : 1
2 Herd Line Debt Per Cow	\$ 320	\$ 652
3 Total Debt Per Cow	\$ 1,875	\$ 2,616
4 Debt to Equity Ratio	0.72 : 1	1.35 : 1
5 Return on Total Assets	0.3%	-5.4%
6 Income (loss) per milking cow per month	\$ 3.53	\$ (36.35)
	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 months.	

INCOME AND COST OF OPERATIONS				
	NEW MEXICO			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	June 30, 2017	December 31, 2016	December 31, 2015	
Income:				
Milk sales	\$ 16.20	\$ 15.84	\$ 16.50	
Calves and other	0.30	0.37	0.75	
Total income	\$ 16.50	\$ 16.21	\$ 17.25	
Total cost of operations:				
Feed	\$ 8.58	\$ 9.18	\$ 10.39	
Labor	1.90	2.09	2.05	
Herd replacement costs	1.24	1.38	0.95	
Other costs	4.63	5.55	5.80	
Total costs of operations	\$ 16.35	\$ 18.20	\$ 19.19	
Net income (loss)	\$ 0.15	\$ (1.99)	\$ (1.94)	
Cost of operations as a percentage of income	99.09%	112.28%	111.25%	
Feed costs as a percentage of milk sales	52.96%	57.95%	62.97%	
Net income (loss) per milking cow per month	\$ 3.53	\$ (36.35)	\$ (14.91)	

	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
\$	23.46	\$ 19.53	\$ 18.31	\$ 19.89
	1.03	0.43	0.39	0.29
\$	24.49	\$ 19.96	\$ 18.70	\$ 20.18
\$	11.98	\$ 12.16	\$ 12.54	\$ 10.62
	1.81	1.62	1.70	1.62
	0.57	0.82	0.82	1.12
	6.03	5.20	5.20	5.03
\$	20.39	\$ 19.80	\$ 20.26	\$ 18.39
\$	4.10	\$ 0.16	\$ (1.56)	\$ 1.79
	83.26%	99.20%	108.34%	91.13%
	51.07%	62.26%	68.49%	53.39%
\$	99.60	\$ 23.28	\$ (15.48)	\$ 49.14

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS		
	FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND YEAR ENDED DECEMBER 31, 2016 PANHANDLE (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)	
	June 30, 2017	December 31, 2016
Income:		
Milk sales	\$ 17.74	\$ 17.41
Calves and other	0.24	0.25
Total income	\$ 17.98	\$ 17.66
Cost of operations:		
Feed:		
Grain	\$ 4.71	\$ 5.47
Hay and forages	2.68	2.78
Total feed	\$ 7.39	\$ 8.25
Labor, (including fringe costs)	\$ 1.93	\$ 2.18
Herd replacement costs	\$ 1.50	\$ 1.56
Other costs:		
Milk hauling	\$ 0.65	\$ 0.69
State and association charges	0.28	0.26
Veterinary, breeding, testing, etc.	0.62	0.73
Supplies	0.70	0.76
Repairs and maintenance	0.70	0.81
Utilities	0.17	0.20
Occupancy costs	0.52	0.59
Depreciation - equipment	0.38	0.46
Interest	0.33	0.40
Miscellaneous	0.64	0.89
Total other costs	\$ 4.99	\$ 5.79
Total cost of operations	\$ 15.81	\$ 17.78
Net income (loss)	\$ 2.17	\$ (0.12)

SUMMARY OF FINANCIAL STATISTICS		
	PANHANDLE	
	June 30, 2017	December 31, 2016
1 Current Ratio	0.87 : 1	0.80 : 1
2 Herd Line Debt Per Cow	\$ 203	\$ 481
3 Total Debt Per Cow	\$ 1,546	\$ 2,275
4 Debt to Equity Ratio	0.72 : 1	1.13 : 1
5 Return on Total Assets	4.4%	-0.4%
6 Income (loss) per milking cow per month	\$ 46.60	\$ (1.46)
	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 months.	

INCOME AND COST OF OPERATIONS				
	PANHANDLE			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	June 30, 2017	December 31, 2016	December 31, 2015	
Income:				
Milk sales	\$ 17.74	\$ 17.41	\$ 17.69	
Calves and other	0.24	0.25	0.68	
Total income	\$ 17.98	\$ 17.66	\$ 18.37	
Total cost of operations:				
Feed	\$ 7.39	\$ 8.25	\$ 9.45	
Labor	1.93	2.18	1.95	
Herd replacement costs	1.50	1.56	1.01	
Other costs	4.99	5.79	5.65	
Total costs of operations	\$ 15.81	\$ 17.78	\$ 18.06	
Net income (loss)	\$ 2.17	\$ (0.12)	\$ 0.31	
Cost of operations as a percentage of income	87.93%	100.68%	98.31%	
Feed costs as a percentage of milk sales	41.66%	47.39%	53.42%	
Net income (loss) per milking cow per month	\$ 46.60	\$ (1.46)	\$ 16.08	

December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
\$ 23.85	\$ 20.65	\$ 19.05	\$ 20.57
0.46	0.44	0.49	0.26
\$ 24.31	\$ 21.09	\$ 19.54	\$ 20.83
\$ 10.79	\$ 12.86	\$ 12.12	\$ 10.10
1.65	1.65	1.65	1.76
0.67	1.16	1.11	1.35
5.37	5.01	4.75	4.81
\$ 18.48	\$ 20.68	\$ 19.63	\$ 18.02
\$ 5.83	\$ 0.41	\$ (0.09)	\$ 2.81
76.02%	98.06%	100.46%	86.51%
45.24%	62.28%	63.62%	49.10%
\$ 129.99	\$ 17.31	\$ (1.12)	\$ 53.28

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS		
	FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND YEAR ENDED DECEMBER 31, 2016 PACIFIC NORTHWEST (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)	
	June 30, 2017	December 31, 2016
Income:		
Milk sales	\$ 19.38	\$ 17.21
Calves and other	0.09	0.22
Total income	\$ 19.47	\$ 17.43
Cost of operations:		
Feed:		
Grain	\$ 6.31	\$ 5.62
Hay and forages	2.80	3.65
Total feed	\$ 9.11	\$ 9.27
Labor, (including fringe costs)	\$ 2.44	\$ 2.07
Herd replacement costs	\$ 1.70	\$ 1.27
Other costs:		
Milk hauling	\$ 0.56	\$ 0.62
State and association charges	0.32	0.29
Veterinary, breeding, testing, etc.	0.67	0.56
Supplies	0.56	0.51
Repairs and maintenance	0.82	0.70
Utilities	0.17	0.20
Occupancy costs	0.85	0.83
Depreciation - equipment	0.28	0.35
Interest	0.35	0.30
Miscellaneous	0.75	0.60
Total other costs	\$ 5.33	\$ 4.96
Total cost of operations	\$ 18.58	\$ 17.57
Net income (loss)	\$ 0.89	\$ (0.14)

SUMMARY OF FINANCIAL STATISTICS		
	PACIFIC NORTHWEST	
	June 30, 2017	December 31, 2016
1 Current Ratio	0.90 : 1	1.33 : 1
2 Herd Line Debt Per Cow	\$ 799	\$ 625
3 Total Debt Per Cow	\$ 2,669	\$ 2,873
4 Debt to Equity Ratio	1.75 : 1	1.02 : 1
5 Return on Total Assets	1.6%	-0.5%
6 Income (loss) per milking cow per month	\$ 17.77	\$ (3.90)
	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 months.	

INCOME AND COST OF OPERATIONS				
	PACIFIC NORTHWEST			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	June 30, 2017	December 31, 2016	December 31, 2015	
Income:				
Milk sales	\$ 19.38	\$ 17.21	\$ 16.79	
Calves and other	0.09	0.22	0.40	
Total income	\$ 19.47	\$ 17.43	\$ 17.19	
Total cost of operations:				
Feed	\$ 9.11	\$ 9.27	\$ 9.58	
Labor	2.44	2.07	1.85	
Herd replacement costs	1.70	1.27	0.69	
Other costs	5.33	4.96	5.23	
Total costs of operations	\$ 18.58	\$ 17.57	\$ 17.35	
Net income (loss)	\$ 0.89	\$ (0.14)	\$ (0.16)	
Cost of operations as a percentage of income	95.43%	100.80%	100.93%	
Feed costs as a percentage of milk sales	47.01%	53.86%	57.06%	
Net income (loss) per milking cow per month	\$ 17.77	\$ (3.90)	\$ (3.06)	

	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
\$ 23.19	\$ 20.48	\$ 18.56	\$ 20.58	
0.43	0.34	0.83	0.57	
\$ 23.62	\$ 20.82	\$ 19.39	\$ 21.15	
\$ 11.18	\$ 11.83	\$ 10.53	\$ 9.87	
1.83	1.73	1.70	1.71	
0.72	1.15	1.29	1.36	
5.36	5.17	5.18	5.22	
\$ 19.09	\$ 19.88	\$ 18.70	\$ 18.16	
\$ 4.53	\$ 0.94	\$ 0.69	\$ 2.99	
80.80%	95.46%	96.44%	85.86%	
48.21%	57.76%	56.73%	47.96%	
\$ 110.56	\$ 32.97	\$ 19.67	\$ 74.13	

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, up to Amarillo, Texas and down 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 gains and losses on 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 and supplements while "Hay and Other" represents alfalfa and all forage costs
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, Utah, 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. And finding and keeping quality labor remains a constant challenge.

As we are well through 2017, milk prices which began to slowly rise at the end of 2016 have continued to rise through the date of these reports. Major issues looming for producers in the nation are domestic and global demand, and worldwide competition. Sources of quality labor is getting more competitive while there is increased demand on higher wages and benefits that are putting additional strains on producers. Milk and feed futures continue to react with volatility, and obtaining future credit has become increasingly difficult as lending regulations remain strenuous at best. Milk production continues to rise and heifer inventories are rising dramatically as the impact of improved breeding, sexed semen, 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, 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.





## Services Provided to the Dairy Industry:

### 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

### 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

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