

# **Dairy Farm Operating Trends**

**December 31, 2005**



**MOORE STEPHENS WURTH FRAZER AND TORBET, LLP**

Certified Public Accountants and Consultants

**Creating New Horizons By Building Relationships and Exceeding Expectations**

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

*The following pages contain the Moore Stephens Wurth Frazer and Torbet, LLP's Dairy Farm Operating Trends for the year ended December 31, 2005.*

*The data is compiled from dairy operations in Southern California, the San Joaquin Valley, Arizona, Idaho, and New Mexico with a combined milk production of over 3.3 billion pounds and more than 153,000 head of mature cows in the current year.*

*This report includes a comparison of the results in the regions listed above for the year ended December 31, 2005 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. Moore Stephens Wurth Frazer and Torbet, 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 Moore Stephens Wurth Frazer and Torbet, LLP. If you have any comments or questions, please contact Sharon A. Davis or Tim Gulling at our City of Industry office at (909) 594-2713 and Bob Matlick or Mike Edwards 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.mswft.com](http://www.mswft.com).*

*Sincerely,*

*Moore Stephens Wurth Frazer and Torbet LLP*

MOORE STEPHENS WURTH FRAZER AND TORBET, LLP  
Certified Public Accountants and Consultants

May 2006

# DAIRY FARM OPERATING TRENDS

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## 2005 IN REVIEW

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

2005 milk prices decreased from 2004 by 0.73/cwt to a high of 1.01/cwt in New Mexico. The milk price has continued to decline into 2006. In addition, feed prices, fuel prices, and interest rates increased all adding to the decrease in net income.

Net income per head:	Southern California	San Joaquin Valley	Arizona	Idaho	New Mexico
2005	\$ 205	\$ 325	\$ 254	\$ 458	\$ 214
2004	554	524	574	560	436
Change	\$ (349)	\$ (199)	\$ (320)	\$ (102)	\$ (222)

### Comparative Feed Cost By Region:

As expected, feed costs increased in 2005 for all regions. Southern California and Idaho saw the largest increases during the year. Increased fuel and hauling costs were contributing factors which continue to remain high in 2006.

Feed cost per head:	Southern California	San Joaquin Valley	Arizona	Idaho	New Mexico
2005	\$ 1,455	\$ 1,427	\$ 1,292	\$ 1,396	\$ 1,239
2004	1,360	1,399	1,262	1,329	1,202
Change	\$ 95	\$ 28	\$ 30	\$ 67	\$ 37

### Comparative Production By Region:

Milk production per cow per day was stable in all regions during 2005.

Lbs. per milk cow per day	Southern California	San Joaquin Valley	Arizona	Idaho	New Mexico
2005	66.8	68.8	65.2	72.5	64.9
2004	66.7	67.3	66.1	70.9	64.3
Change	0.1	1.5	(0.9)	1.6	0.6

### **Herd Turnover Rate By Region:**

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Herd turnover rates decreased in Idaho and New Mexico in 2005 while increasing in Southern California, San Joaquin Valley and Arizona during 2005.

	Southern California	San Joaquin Valley	Arizona	Idaho	New Mexico
2005	36.4%	34.9%	31.3%	30.4%	34.8%
2004	34.4%	30.3%	30.3%	37.9%	36.5%
Change	2.00%	4.60%	1.00%	-7.50%	-1.70%

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

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The cost of replacements continued to rise in 2005 for all regions, however replacement prices seem to be decreasing in 2006.

	Southern California	San Joaquin Valley	Arizona	Idaho	New Mexico
2005	\$ 1,948	\$ 1,747	\$ 1,845	\$ 1,867	\$ 1,793
2004	1,657	1,733	1,816	1,620	1,660
Change	\$ 291	\$ 14	\$ 29	\$ 247	\$ 133

# CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(BASED ON AVERAGE AMOUNTS PER HEAD)

	Southern California	San Joaquin Valley	Arizona
Income:			
Milk sales	\$ 3,046	\$ 3,106	\$ 3,027
Calves and other	86	53	100
Total income	\$ 3,132	\$ 3,159	\$ 3,127
Cost of operations:			
Feed:			
Grain	\$ 994	\$ 997	\$ 822
Hay and other	461	430	470
Total feed	\$ 1,455	\$ 1,427	\$ 1,292
Labor, (including fringe costs)	\$ 403	\$ 302	\$ 278
Herd replacement costs	\$ 233	\$ 214	\$ 325
Other costs:			
Milk hauling	\$ 71	\$ 59	\$ 106
State and association charges	41	43	72
Veterinary, breeding, testing, etc.	83	82	45
Supplies	97	122	121
Repairs and maintenance	145	119	99
Utilities	52	50	60
Occupancy costs	117	119	139
Depreciation - equipment	31	66	48
Interest	91	131	156
Miscellaneous	108	100	132
Total other costs	\$ 836	\$ 891	\$ 978
Total cost of operations	\$ 2,927	\$ 2,834	\$ 2,873
Net income	\$ 205	\$ 325	\$ 254

See accompanying explanation of income and cost factors.

		Your December 31, 2005 Amounts	
Idaho	New Mexico		
\$ 3,249 109	\$ 2,704 96	\$	
\$ 3,358	\$ 2,800	\$	
\$ 932 464	\$ 834 405	\$	
\$ 1,396	\$ 1,239	\$	
\$ 332	\$ 298	\$	
\$ 268	\$ 214	\$	
\$ 55 54 90 150 122 38 88 74 112 121	\$ 120 36 58 139 100 52 67 54 114 95	\$	
\$ 904	\$ 835	\$	
\$ 2,900	\$ 2,586	\$	
\$ 458	\$ 214	\$	

# CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(BASED ON AVERAGE AMOUNTS  
PER HUNDREDWEIGHT OF MILK)

	Southern California	San Joaquin Valley	Arizona
Income:			
Milk sales	\$ 14.75	\$ 14.45	\$ 15.25
Calves and other	0.42	0.25	0.50
Total income	\$ 15.17	\$ 14.70	\$ 15.75
Cost of operations:			
Feed:			
Grain	\$ 4.82	\$ 4.64	\$ 4.14
Hay and other	2.23	2.00	2.37
Total feed	\$ 7.05	\$ 6.64	\$ 6.51
Labor, (including fringe costs)	\$ 1.95	\$ 1.41	\$ 1.40
Herd replacement costs	\$ 1.13	\$ 1.00	\$ 1.64
Other costs:			
Milk hauling	\$ 0.34	\$ 0.27	\$ 0.54
State and association charges	0.20	0.20	0.36
Veterinary, breeding, testing, etc.	0.40	0.38	0.23
Supplies	0.47	0.57	0.61
Repairs and maintenance	0.70	0.56	0.50
Utilities	0.25	0.23	0.30
Occupancy costs	0.57	0.55	0.70
Depreciation - equipment	0.15	0.31	0.24
Interest	0.44	0.61	0.79
Miscellaneous	0.52	0.45	0.66
Total other costs	\$ 4.04	\$ 4.13	\$ 4.93
Total cost of operations	\$ 14.17	\$ 13.18	\$ 14.48
Net income	\$ 1.00	\$ 1.52	\$ 1.27

See accompanying explanation of income and cost factors.



Idaho		New Mexico		Your December 31, 2005 Amounts
\$	14.18 0.48	\$	13.78 0.49	\$
\$	14.66	\$	14.27	\$
\$	4.07 2.02	\$	4.25 2.06	\$
\$	6.09	\$	6.31	\$
\$	1.45	\$	1.52	\$
\$	1.17	\$	1.09	\$
\$	0.24 0.23 0.39 0.65 0.53 0.17 0.38 0.32 0.49 0.54	\$	0.61 0.18 0.29 0.71 0.51 0.27 0.35 0.28 0.58 0.48	\$
\$	3.94	\$	4.26	\$
\$	12.65	\$	13.18	\$
\$	2.01	\$	1.09	\$

## SUMMARY OF FINANCIAL STATISTICS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Southern California	San Joaquin Valley	Arizona
1. Current Ratio	1.27:1	1.34:1	.80:1
2. Debt Per Cow	\$ 1,012	\$ 1,396	\$ 2,062
3. Debt to Equity Ratio	1.24:1	1.18:1	2.63:1
4. Return on Total Assets	4.7%	5.3%	4.6%

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity ratio represents total debt divided by total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost.

Idaho	New Mexico	Your 2005 Results
1.40:1	1.07:1	
\$ 1,372	\$ 1,094	
1.13:1	1.19:1	
14.4%	4.7%	

# CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2005, 2004, AND 2003  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2005	2004	2003
Income:			
Milk sales	\$ 3,046	\$ 3,210	\$ 2,508
Calves and other	86	81	37
Total income	\$ 3,132	\$ 3,291	\$ 2,545
Cost of operations:			
Feed:			
Grain	\$ 994	\$ 939	\$ 847
Hay and other	461	421	411
Total feed	\$ 1,455	\$ 1,360	\$ 1,258
Labor, (including fringe costs)	\$ 403	\$ 379	\$ 341
Herd replacement costs	\$ 233	\$ 224	\$ 267
Other costs:			
Milk hauling	\$ 71	\$ 60	\$ 67
State and association charges	41	52	43
Veterinary, breeding, testing, etc.	83	71	68
Supplies	97	91	80
Repairs and maintenance	145	129	106
Utilities	52	47	46
Occupancy costs	117	131	133
Depreciation - equipment	31	32	29
Interest	91	77	67
Miscellaneous	108	84	65
Total other costs	\$ 836	\$ 774	\$ 704
Total cost of operations	\$ 2,927	\$ 2,737	\$ 2,570
Net income	\$ 205	\$ 554	\$ (25)

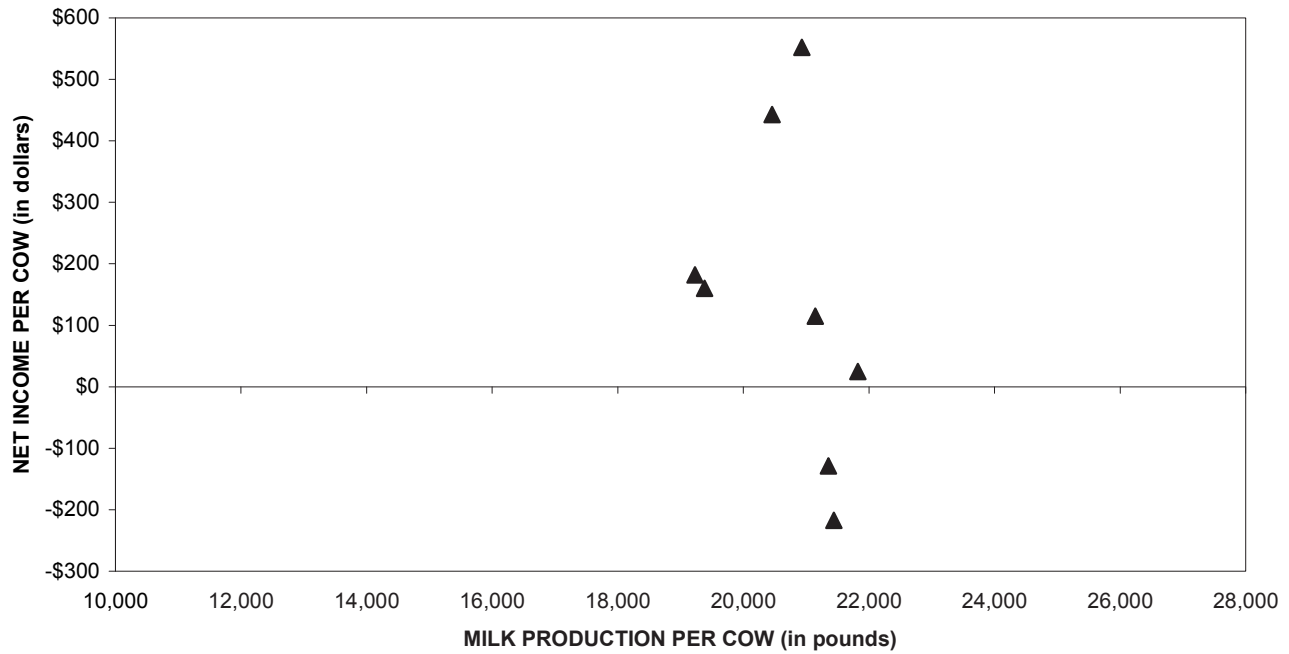
See accompanying explanation of income and cost factors.

PER CWT. OF MILK			YOUR 2005 RESULTS	
2005	2004	2003	PER HEAD	PER CWT. OF MILK
\$ 14.75 0.42	\$ 15.48 0.38	\$ 12.17 0.17		
\$ 15.17	\$ 15.86	\$ 12.34		
\$ 4.82 2.23	\$ 4.53 2.03	\$ 4.11 2.00		
\$ 7.05	\$ 6.56	\$ 6.11		
\$ 1.95	\$ 1.83	\$ 1.66		
\$ 1.13	\$ 1.08	\$ 1.30		
\$ 0.34 0.20 0.40 0.47 0.70 0.25 0.57 0.15 0.44 0.52	\$ 0.29 0.25 0.34 0.44 0.62 0.23 0.64 0.16 0.37 0.41	\$ 0.32 0.21 0.33 0.39 0.52 0.22 0.65 0.14 0.33 0.30		
\$ 4.04	\$ 3.75	\$ 3.41		
\$ 14.17	\$ 13.22	\$ 12.48		
\$ 1.00	\$ 2.64	\$ (0.14)		

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

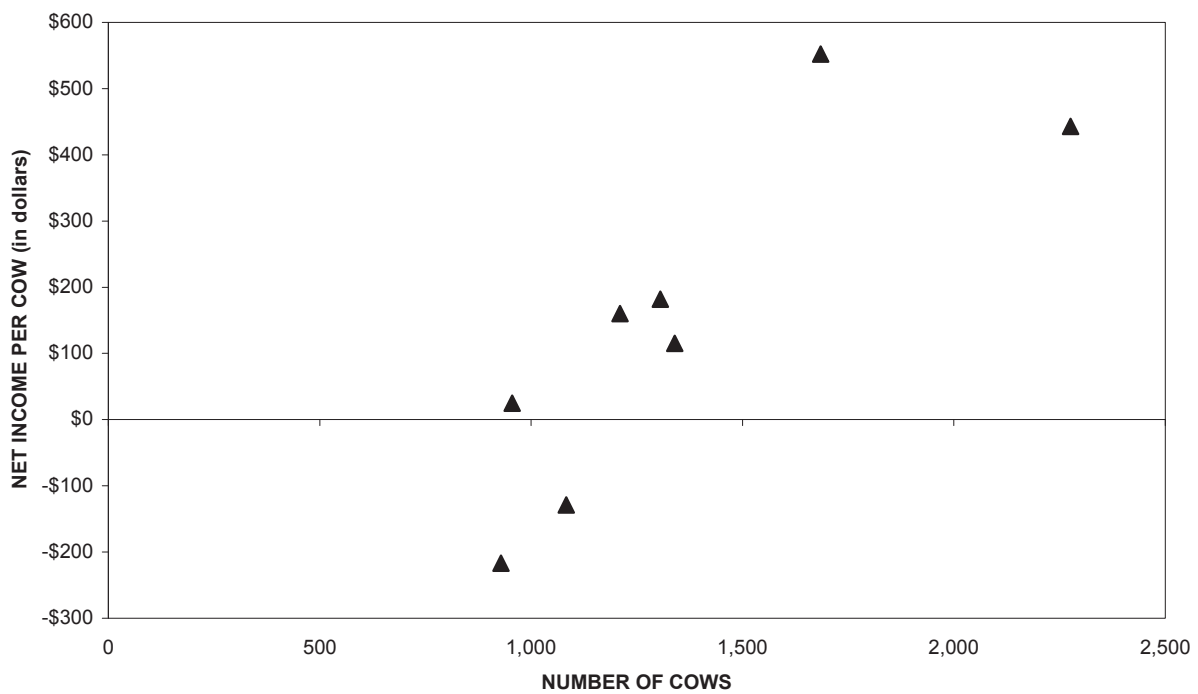
	2005	2004	2003
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	20,645	20,736	20,590
Daily pounds of milk, per milking cow	66.8	66.7	66.6
Butterfat test	3.58 %	3.58 %	3.57 %
Solids-non-fat test	8.74 %	8.72 %	8.63 %
Blend price per hundredweight	\$ 14.75	\$ 15.48	\$ 12.17
Milk receipts, per milking cow	\$ 3,595	\$ 3,770	\$ 2,961
<b>HERD INFORMATION:</b>			
Herd size - total	1,348	1,332	1,316
Percent of dry cows	15.3 %	14.8 %	15.3 %
Herd turnover rate	36.4 %	34.4 %	38.5 %
Composition of herd:			
Purchased cows	16 %	16 %	15 %
Self-raised cows	84 %	84 %	85 %
Cost of purchased cows	\$ 1,948	\$ 1,657	\$ 1,571
Beef price received	\$ 617	\$ 627	\$ 494
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	32.6 %	29.2 %	33.8 %
Hay and other	15.1 %	13.1 %	16.4 %
Totals	47.7 %	42.3 %	50.2 %

## PROFITABILITY BY MILK PRODUCTION PER COW Southern California

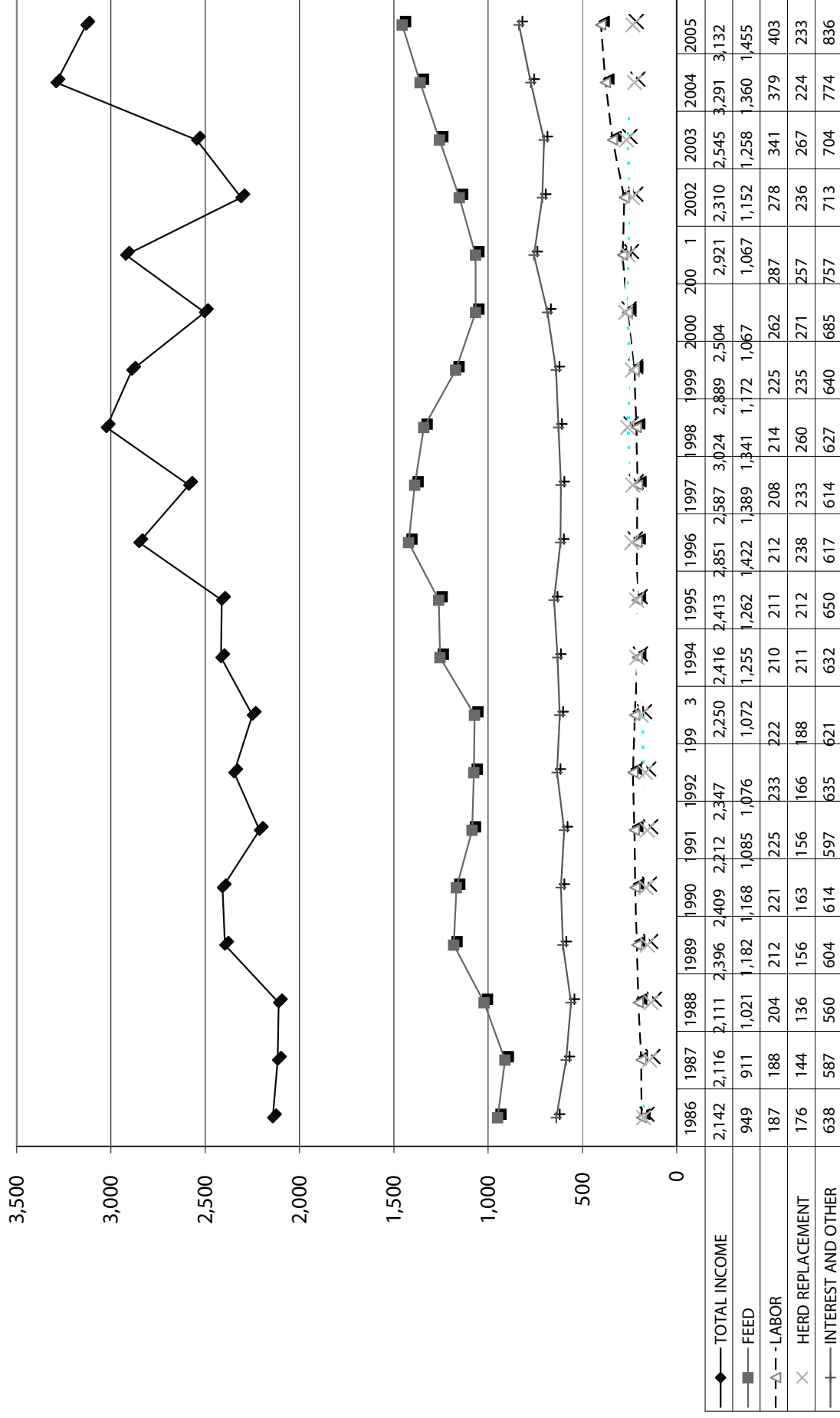


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

## PROFITABILITY BY HERD SIZE Southern California

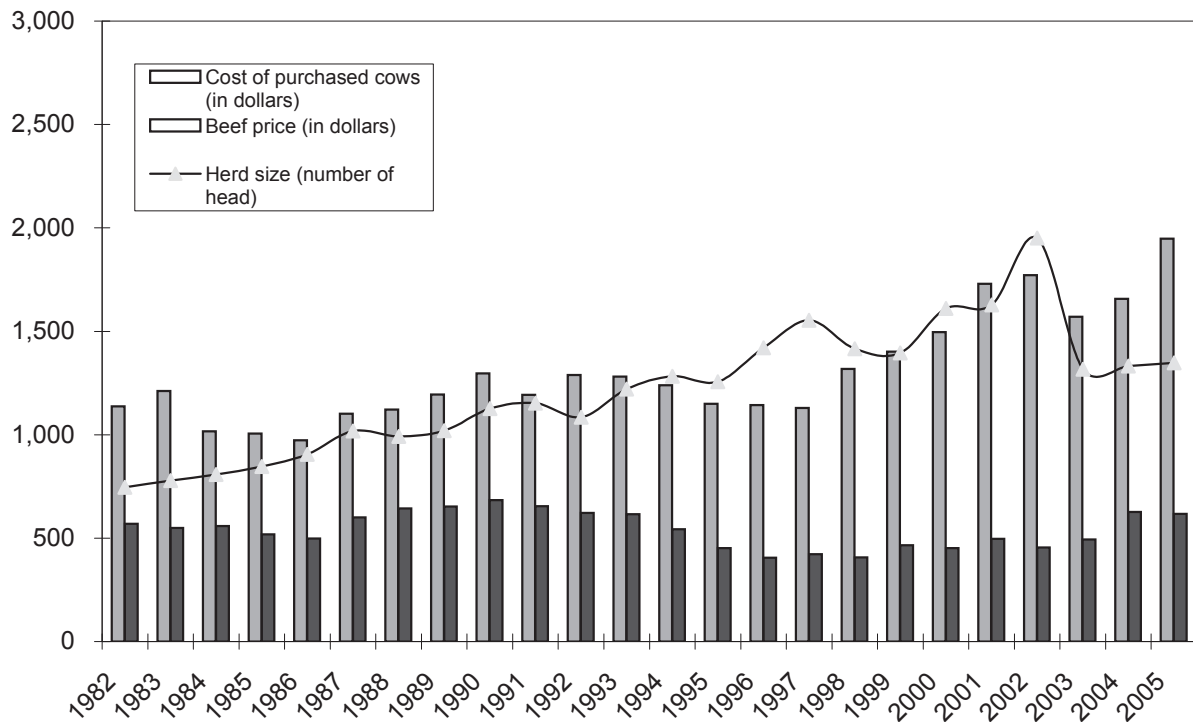


LONG-TERM TREND - ON A "PER HEAD" BASIS  
SOUTHERN CALIFORNIA  
INCOME AND OPERATING COSTS  
1986 - 2005

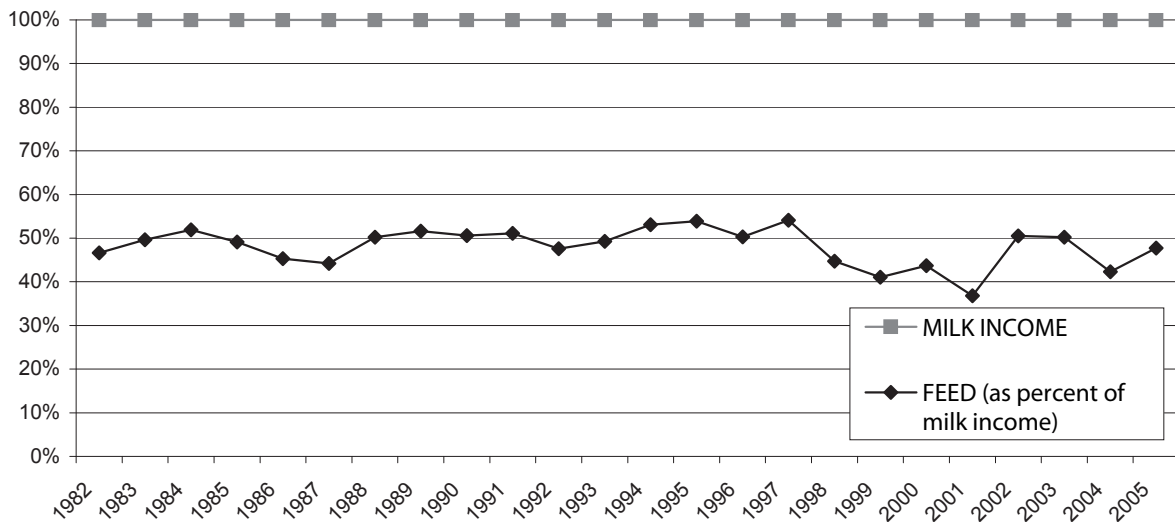




# **LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE SOUTHERN CALIFORNIA**



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



# CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2005, 2004, AND 2003  
SAN JOAQUIN VALLEY  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2005	2004	2003
Income:			
Milk sales	\$ 3,106	\$ 3,182	\$ 2,501
Calves and other	53	89	101
Total income	\$ 3,159	\$ 3,271	\$ 2,602
Cost of operations:			
Feed:			
Grain	\$ 997	\$ 943	\$ 912
Hay and other	430	456	355
Total feed	\$ 1,427	\$ 1,399	\$ 1,267
Labor, (including fringe costs)	\$ 302	\$ 291	\$ 276
Herd replacement costs	\$ 214	\$ 224	\$ 266
Other costs:			
Milk hauling	\$ 59	\$ 54	\$ 51
State and association charges	43	49	43
Veterinary, breeding, testing, etc.	82	73	76
Supplies	122	122	113
Repairs and maintenance	119	111	95
Utilities	50	59	61
Occupancy costs	119	111	105
Depreciation - equipment	66	64	69
Interest	131	99	102
Miscellaneous	100	91	78
Total other costs	\$ 891	\$ 833	\$ 793
Total cost of operations	\$ 2,834	\$ 2,747	\$ 2,602
Net income	\$ 325	\$ 524	\$ 0

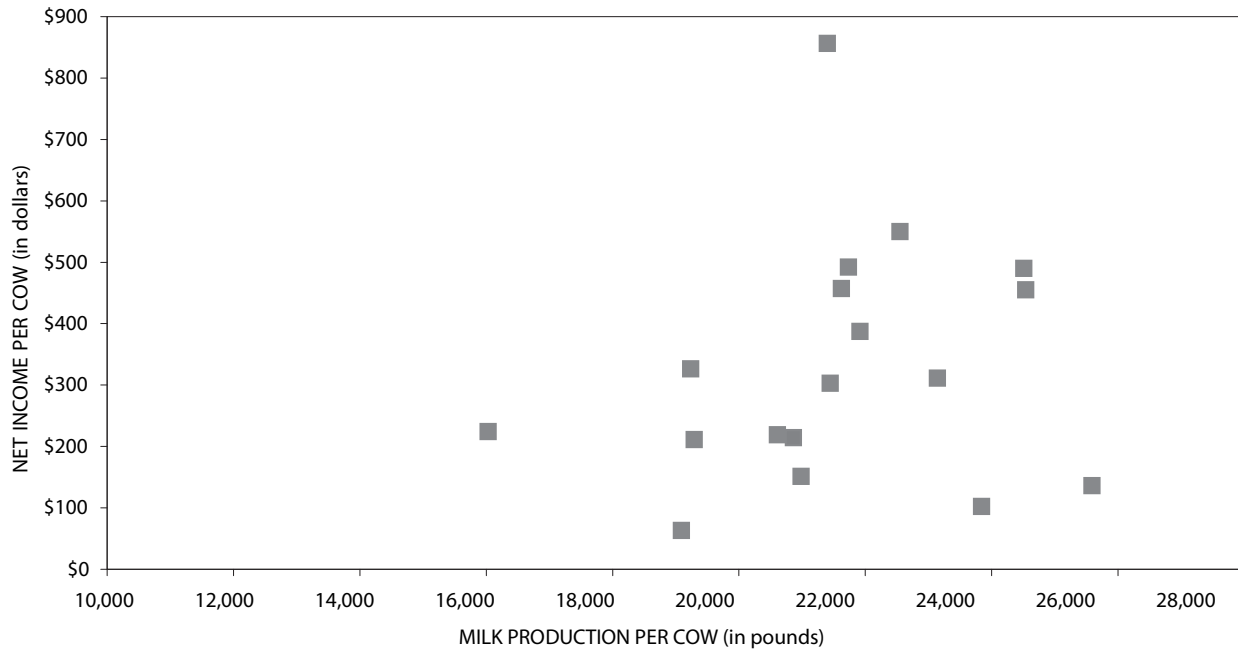
See accompanying explanation of income and cost factors.

PER CWT. OF MILK			YOUR 2005 RESULTS	
2005	2004	2003	PER HEAD	PER CWT. OF MILK
\$ 14.45 0.25	\$ 15.30 0.42	\$ 11.97 0.48		
\$ 14.70	\$ 15.72	\$ 12.45		
\$ 4.64 2.00	\$ 4.53 2.19	\$ 4.37 1.68		
\$ 6.64	\$ 6.72	\$ 6.05		
\$ 1.41	\$ 1.40	\$ 1.32		
\$ 1.00	\$ 1.08	\$ 1.27		
\$ 0.27 0.20 0.38 0.57 0.56 0.23 0.55 0.31 0.61 0.45	\$ 0.26 0.24 0.35 0.59 0.53 0.28 0.53 0.31 0.48 0.43	\$ 0.24 0.20 0.36 0.54 0.45 0.29 0.50 0.33 0.49 0.39		
\$ 4.13	\$ 4.00	\$ 3.79		
\$ 13.18	\$ 13.20	\$ 12.43		
\$ 1.52	\$ 2.52	\$ 0.02		

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

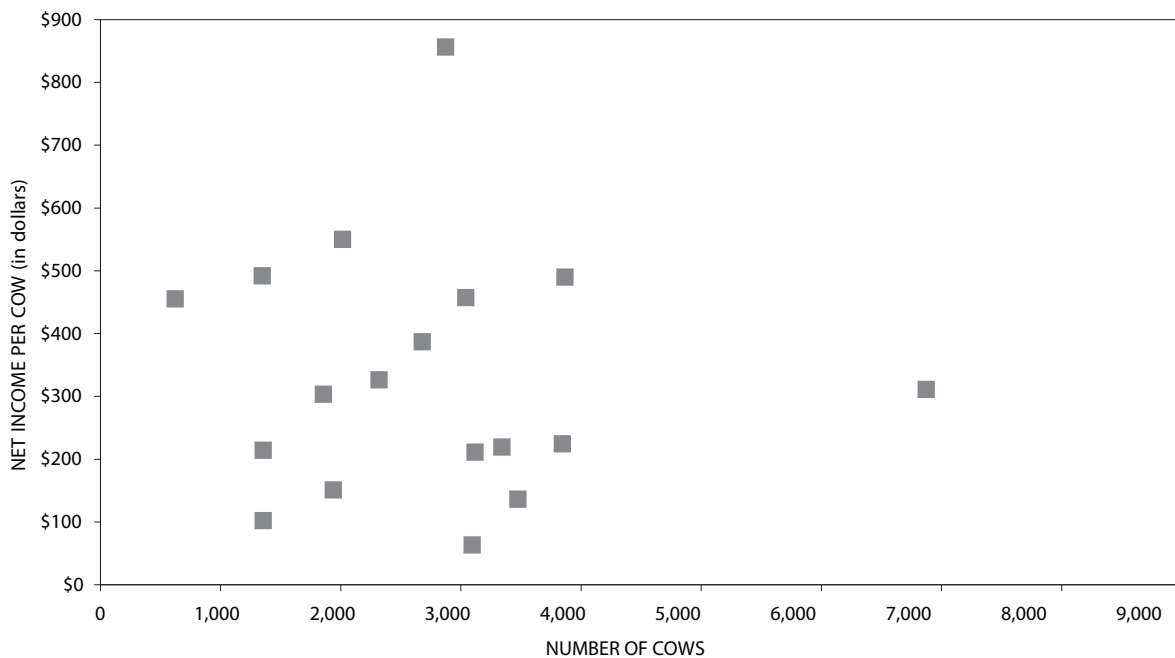
	2005	2004	2003
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,507	20,804	20,888
Daily pounds of milk, per milking cow	68.8	67.3	67.3
Butterfat test	3.65 %	3.67 %	3.66 %
Solids-non-fat test	8.74 %	8.76 %	8.70 %
Blend price per hundredweight	\$ 14.45	\$ 15.30	\$ 11.97
Milk receipts, per milking cow	\$ 3,627	\$ 3,759	\$ 2,943
<b>HERD INFORMATION:</b>			
Herd size - total	2,724	2,595	2,445
Percent of dry cows	14.4 %	15.4 %	15.0 %
Herd turnover rate	34.9 %	30.3 %	35.5 %
Composition of herd:			
Purchased cows	15 %	18 %	21 %
Self-raised cows	85 %	82 %	79 %
Cost of purchased cows	\$ 1,747	\$ 1,733	\$ 1,572
Beef price received	\$ 620	\$ 626	\$ 506
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	32.1 %	29.6 %	36.5 %
Hay and other	13.8 %	14.3 %	14.2 %
Totals	45.9 %	43.9 %	50.7 %

### PROFITABILITY BY MILK PRODUCTION PER COW San Joaquin Valley

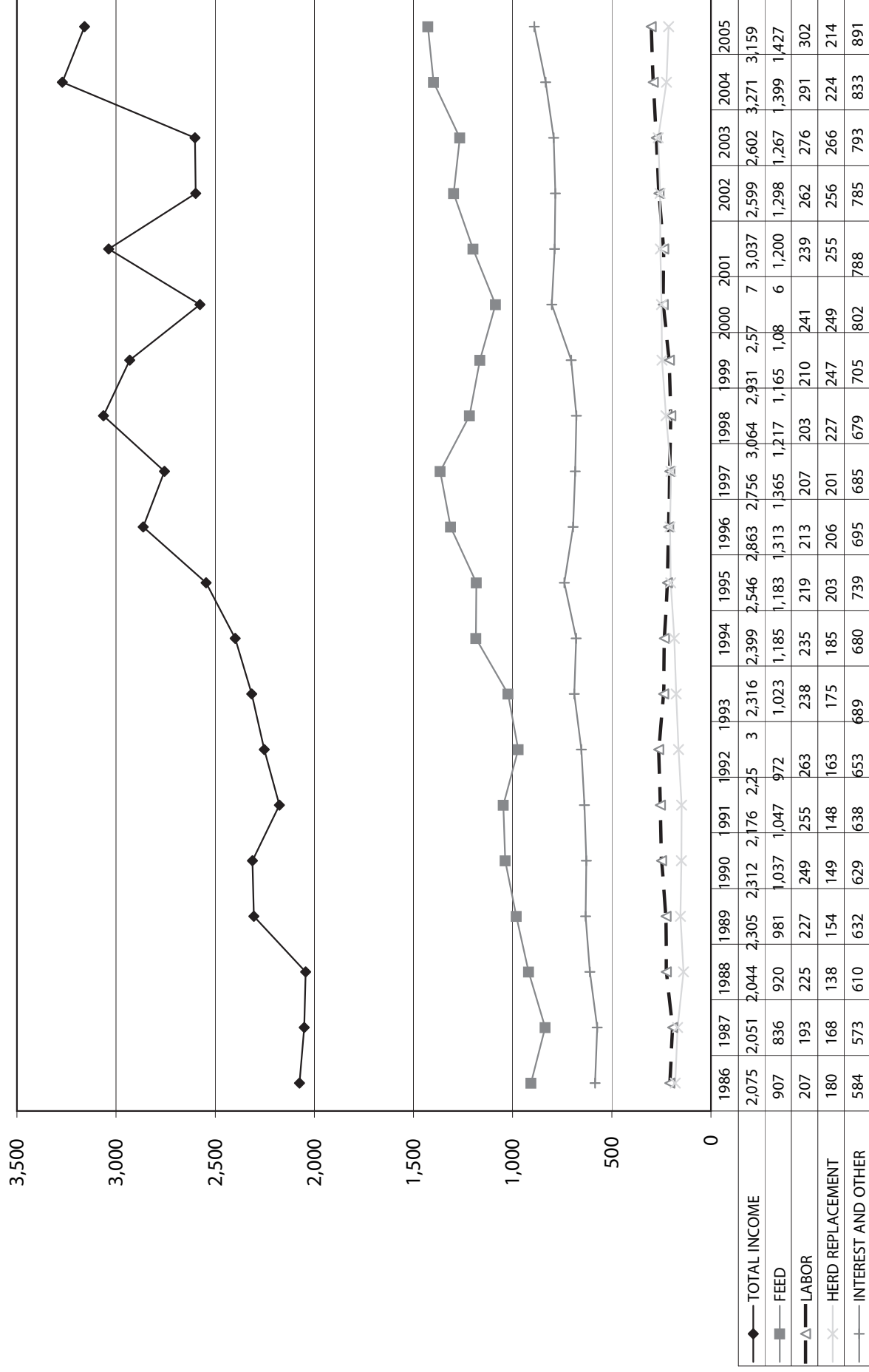


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

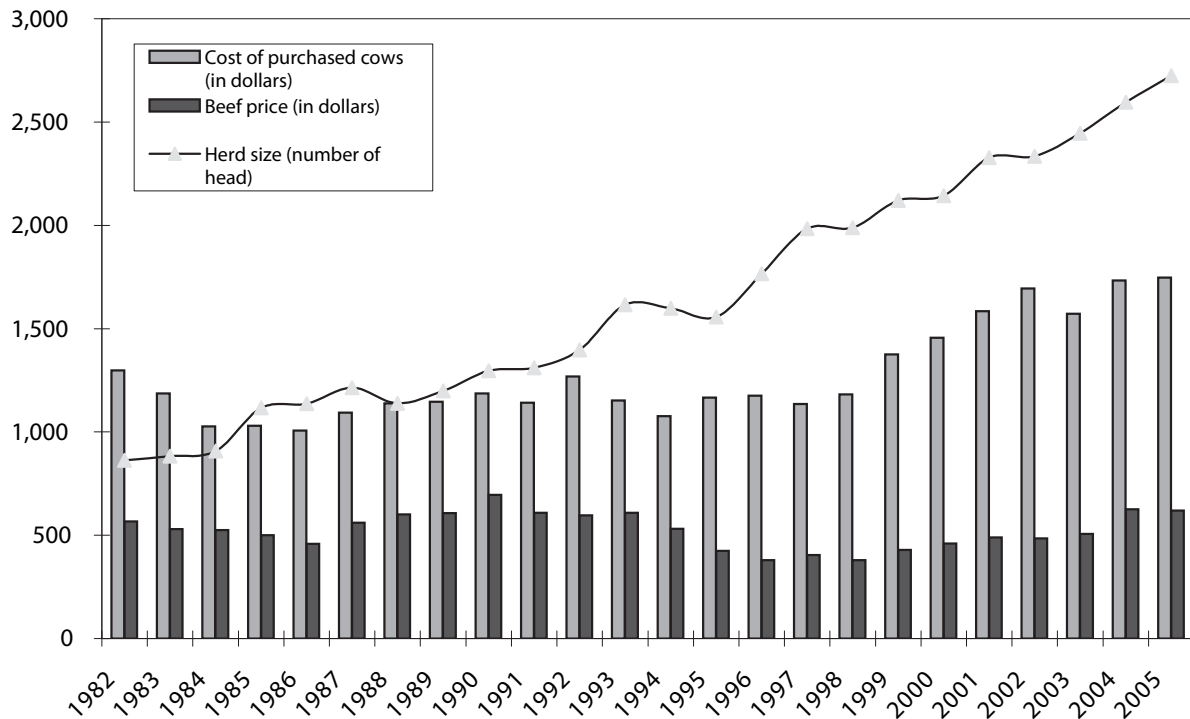
### PROFITABILITY BY HERD SIZE San Joaquin Valley



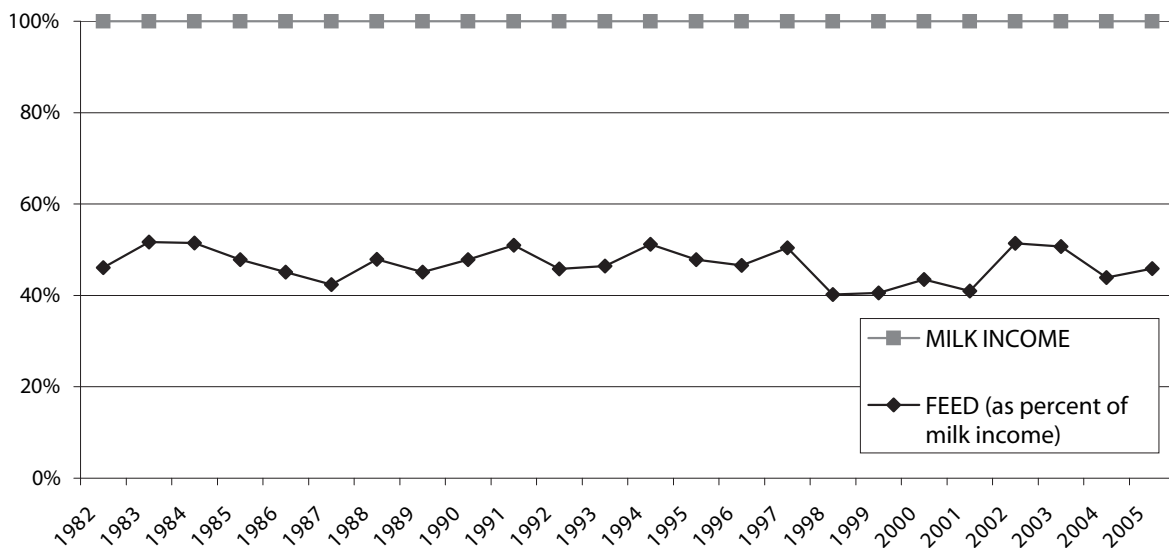
LONG-TERM TREND - ON A "PER HEAD" BASIS  
SAN JOAQUIN VALLEY  
INCOME AND OPERATING COSTS  
1986 - 2005



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



## FEED COST vs. MILK INCOME SAN JOAQUIN VALLEY



# CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2005, 2004, AND 2003  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2005	2004	2003
Income:			
Milk sales	\$ 3,027	\$ 3,195	\$ 2,478
Calves and other	100	112	65
Total income	\$ 3,127	\$ 3,307	\$ 2,543
Cost of operations:			
Feed:			
Grain	\$ 822	\$ 787	\$ 745
Hay and other	470	475	445
Total feed	\$ 1,292	\$ 1,262	\$ 1,190
Labor, (including fringe costs)	\$ 278	\$ 271	\$ 260
Herd replacement costs	\$ 325	\$ 325	\$ 338
Other costs:			
Milk hauling	\$ 106	\$ 104	\$ 103
State and association charges	72	69	65
Veterinary, breeding, testing, etc.	45	45	49
Supplies	121	110	103
Repairs and maintenance	99	81	77
Utilities	60	56	52
Occupancy costs	139	131	129
Depreciation - equipment	48	43	44
Interest	156	125	128
Miscellaneous	132	111	101
Total other costs	\$ 978	\$ 875	\$ 851
Total cost of operations	\$ 2,873	\$ 2,733	\$ 2,639
Net income (loss)	\$ 254	\$ 574	\$ (96)

See accompanying explanation of income and cost factors.



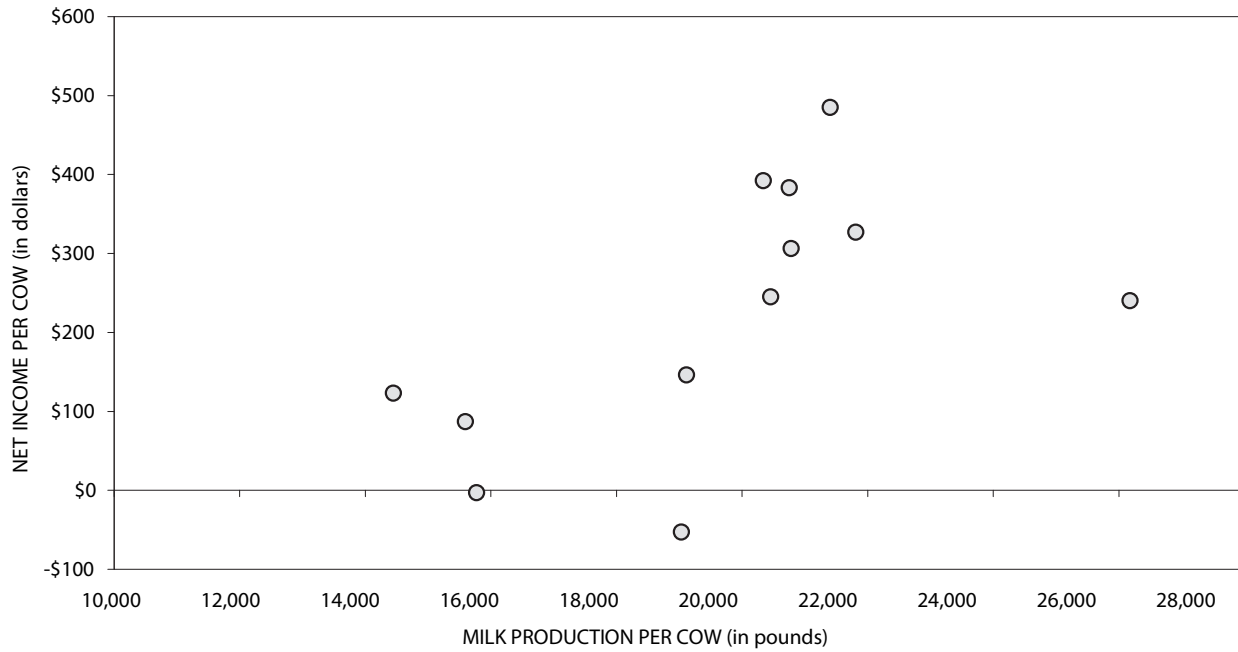
PER CWT. OF MILK			YOUR 2005 RESULTS	
2005	2004	2003	PER HEAD	PER CWT. OF MILK
\$ 15.25 0.50	\$ 16.06 0.55	\$ 12.30 0.33		
\$ 15.75	\$ 16.61	\$ 12.63		
\$ 4.14 2.37	\$ 3.96 2.39	\$ 3.70 2.21		
\$ 6.51	\$ 6.35	\$ 5.91		
\$ 1.40	\$ 1.36	\$ 1.29		
\$ 1.64	\$ 1.63	\$ 1.68		
\$ 0.54 0.36 0.23 0.61 0.50 0.30 0.70 0.24 0.79 0.66	\$ 0.52 0.34 0.22 0.55 0.41 0.28 0.66 0.22 0.63 0.58	\$ 0.51 0.33 0.25 0.51 0.38 0.26 0.65 0.22 0.63 0.50		
\$ 4.93	\$ 4.41	\$ 4.24		
\$ 14.48	\$ 13.75	\$ 13.12		
\$ 1.27	\$ 2.86	\$ (0.49)		

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2005, 2004, AND 2003  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

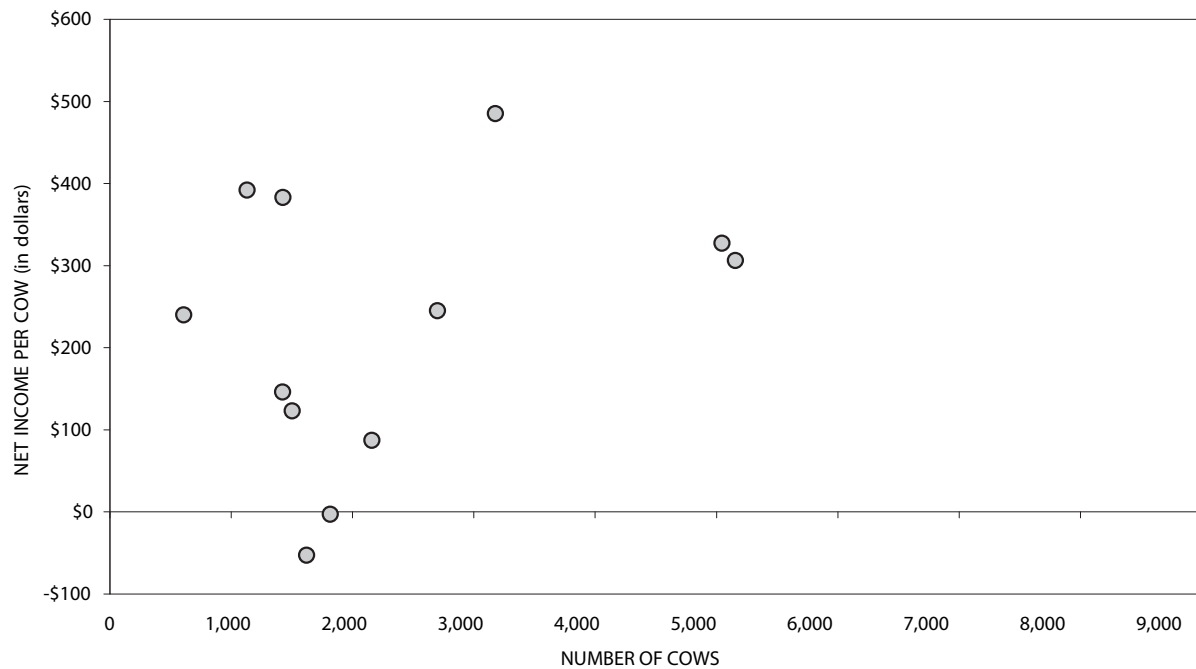
	2005	2004	2003
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	19,847	19,898	20,145
Daily pounds of milk, per milking cow	65.2	66.1	66.6
Butterfat test	3.60 %	3.59 %	3.54 %
Blend price per hundredweight	\$ 15.25	\$ 16.06	\$ 12.30
Milk receipts, per milking cow	\$ 3,631	\$ 3,873	\$ 2,989
<b>HERD INFORMATION:</b>			
Herd size - total	2,315	2,084	2,139
Percent of dry cows	16.6 %	17.5 %	17.1 %
Herd turnover rate	31.3 %	30.3 %	33.6 %
Composition of herd:			
Purchased cows	57 %	62 %	66 %
Self-raised cows	43 %	38 %	34 %
Cost of purchased cows	\$ 1,845	\$ 1,816	\$ 1,490
Beef price received	\$ 551	\$ 556	\$ 483
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	27.2 %	24.6 %	30.1 %
Hay and other	15.5 %	14.9 %	18.0 %
Totals	42.7 %	39.5 %	48.1 %

## PROFITABILITY BY MILK PRODUCTION PER COW Arizona

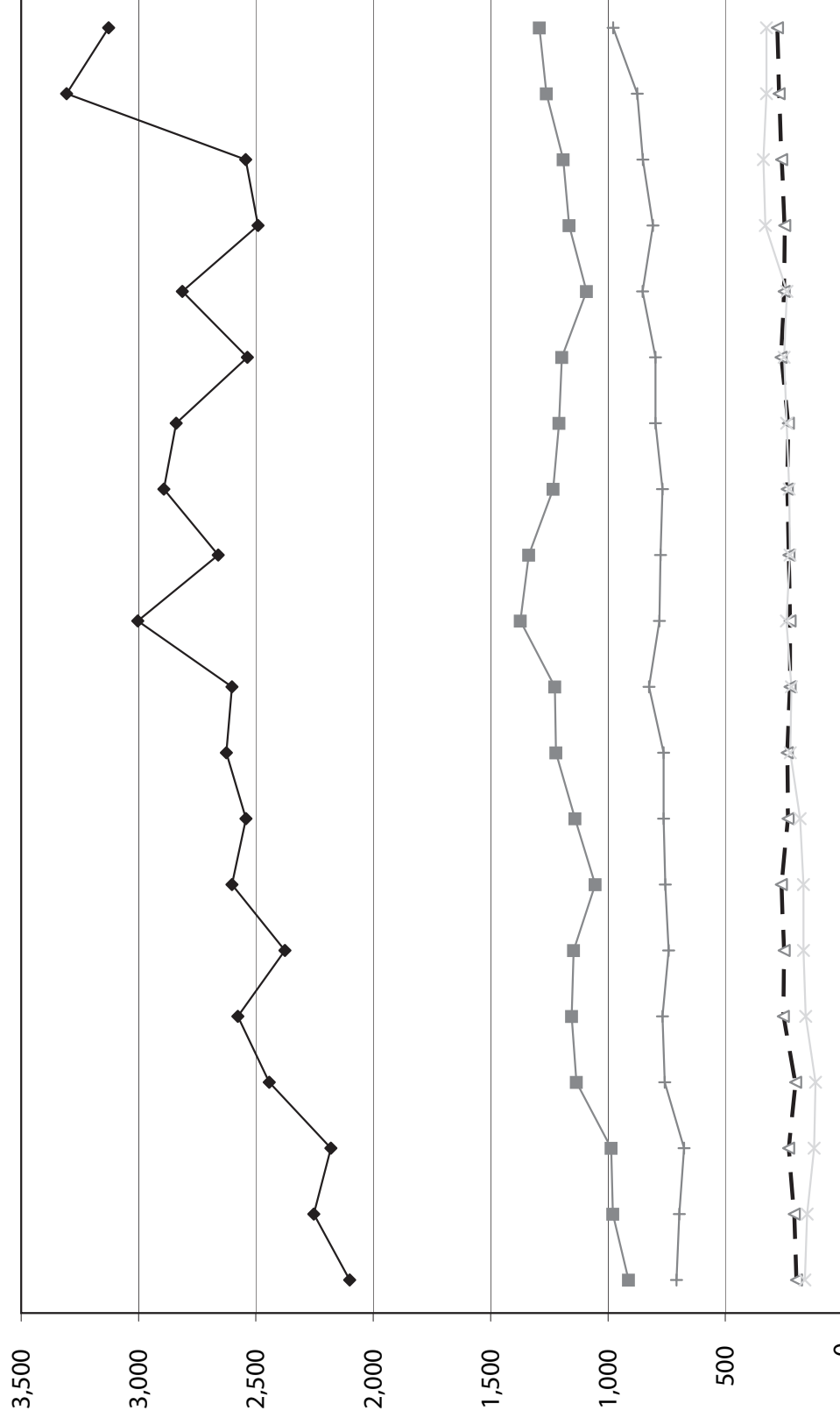


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

## PROFITABILITY BY HERD SIZE Arizona

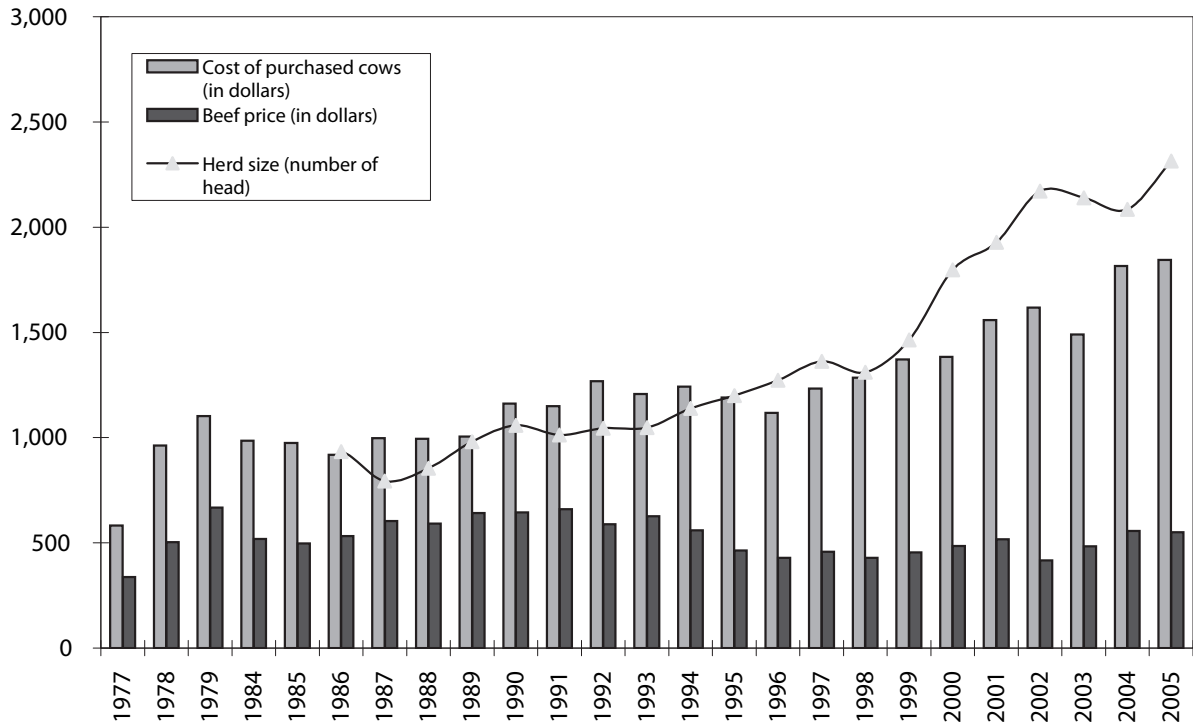


LONG-TERM TREND - ON A "PER HEAD" BASIS  
ARIZONA  
INCOME AND OPERATING COSTS  
1986 - 2005

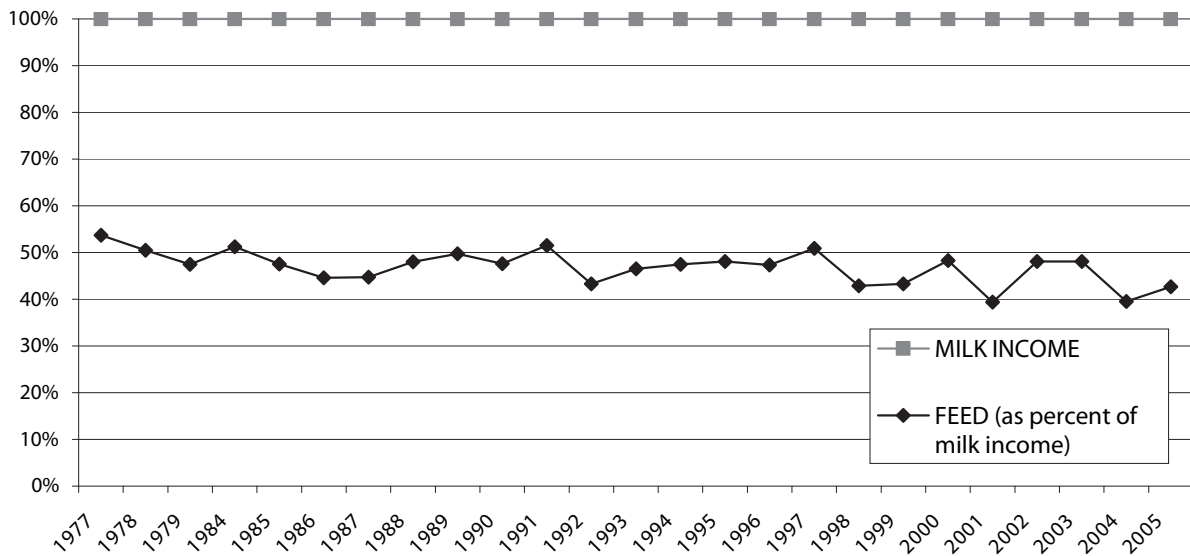


		1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
TOTAL INCOME		2,101	2,253	2,180	2,443	2,577	2,376	2,60	2,542	2,626	2,602	3,003	2,660	2,892	2,840	2,53	6	2,813	2,491	2,543	3,307	3,127
FEED		912	979	986	1,135	1,155	1,146	1,05	1,140	1,221	1,226	1,373	1,337	1,234	1,208	1,19	7	1,091	1,165	1,190	1,262	1,292
LABOR		197	206	231	201	253	249	262	233	236	225	224	229	237	232	263	249	247	260	271	278	
HERD REPLACEMENT		161	152	122	116	158	167	167	181	223	219	240	225	228	239	249	238	330	338	325	325	
INTEREST AND OTHER		708	696	676	758	768	741	756	763	763	825	781	776	768	798	798	853	809	851	875	978	

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



## FEED COST vs. MILK INCOME ARIZONA



# CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2005, 2004, AND 2003  
IDAHO  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2005	2004	2003
Income:			
Milk sales	\$ 3,249	\$ 3,335	\$ 2,594
Calves and other	109	50	41
Total income	\$ 3,358	\$ 3,385	\$ 2,635
Cost of operations:			
Feed:			
Grain	\$ 932	\$ 869	\$ 761
Hay and other	464	460	398
Total feed	\$ 1,396	\$ 1,329	\$ 1,159
Labor, (including fringe costs)	\$ 332	\$ 309	\$ 281
Herd replacement costs	\$ 268	\$ 298	\$ 285
Other costs:			
Milk hauling	\$ 55	\$ 51	\$ 50
State and association charges	54	52	53
Veterinary, breeding, testing, etc.	90	87	71
Supplies	150	163	147
Repairs and maintenance	122	133	92
Utilities	38	39	40
Occupancy costs	88	79	75
Depreciation - equipment	74	74	67
Interest	112	94	98
Miscellaneous	121	117	83
Total other costs	\$ 904	\$ 889	\$ 776
Total cost of operations	\$ 2,900	\$ 2,825	\$ 2,501
Net income	\$ 458	\$ 560	\$ 134

See accompanying explanations of income and cost factors.

PER CWT. OF MILK			YOUR 2005 RESULTS	
2005	2004	2003	PER HEAD	PER CWT. OF MILK
\$ 14.18 0.48	\$ 15.09 0.22	\$ 12.04 0.18		
\$ 14.66	\$ 15.31	\$ 12.22		
\$ 4.07 2.02	\$ 3.93 2.08	\$ 3.53 1.85		
\$ 6.09	\$ 6.01	\$ 5.38		
\$ 1.45	\$ 1.40	\$ 1.30		
\$ 1.17	\$ 1.35	\$ 1.32		
\$ 0.24 0.23 0.39 0.65 0.53 0.17 0.38 0.32 0.49 0.54	\$ 0.23 0.24 0.39 0.74 0.60 0.18 0.36 0.34 0.43 0.54	\$ 0.23 0.25 0.33 0.68 0.42 0.18 0.35 0.31 0.46 0.37		
\$ 3.94	\$ 4.05	\$ 3.58		
\$ 12.65	\$ 12.81	\$ 11.58		
\$ 2.01	\$ 2.50	\$ 0.64		

# SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2005, 2004, AND 2003  
IDAHO  
(BASED ON AVERAGE AMOUNTS)

2005 2004 2003

## PRODUCTION AND PRICE INFORMATION:

Annual pounds of milk, per cow (including dry cows)	22,909	22,102	21,549
Daily pounds of milk, per milking cow	72.5	70.9	70.1
Butterfat test	3.51 %	3.56 %	3.54 %
Blend price per hundredweight	\$ 14.18	\$ 15.09	\$ 12.04
Milk receipts, per milking cow	\$ 3,752	\$ 3,902	\$ 3,078

## HERD INFORMATION:

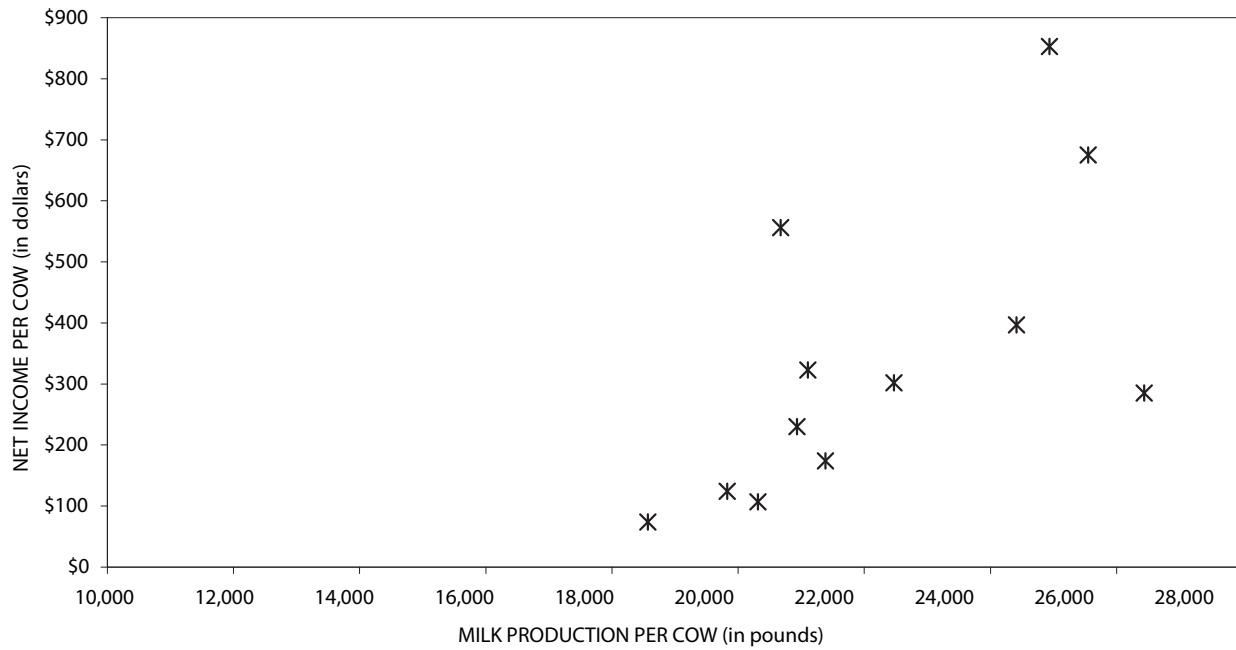
Herd size - total	2,557	2,302	2,233
Percent of dry cows	13.4 %	14.5 %	15.7 %
Herd turnover rate	30.4 %	37.9 %	31.4 %
Composition of herd:			
Purchased cows	34 %	48 %	54 %
Self-raised cows	66 %	52 %	46 %
Cost of purchased cows	\$ 1,867	\$ 1,620	\$ 1,354
Beef price received	\$ 613	\$ 578	\$ 500

## FEED INFORMATION:

Cost of feed as a percent of milk income:			
Grain	28.7 %	26.1 %	29.3 %
Hay and other	14.3 %	13.8 %	15.3 %
Totals	43.0 %	39.9 %	44.6 %

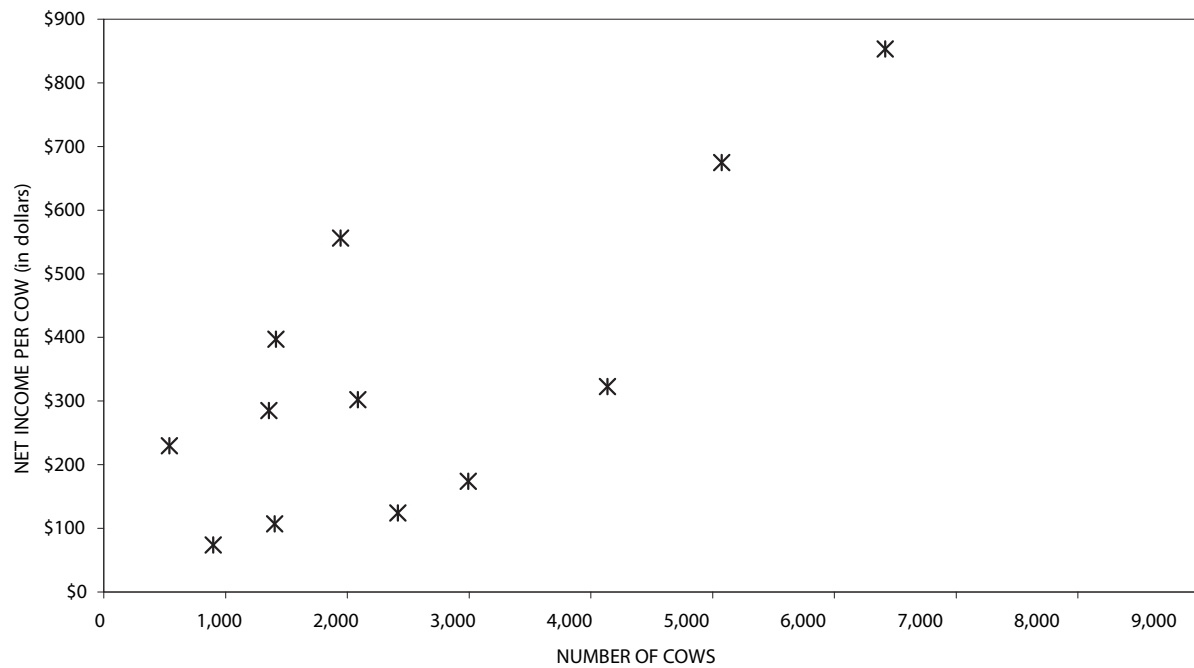


## PROFITABILITY BY MILK PRODUCTION PER COW Idaho

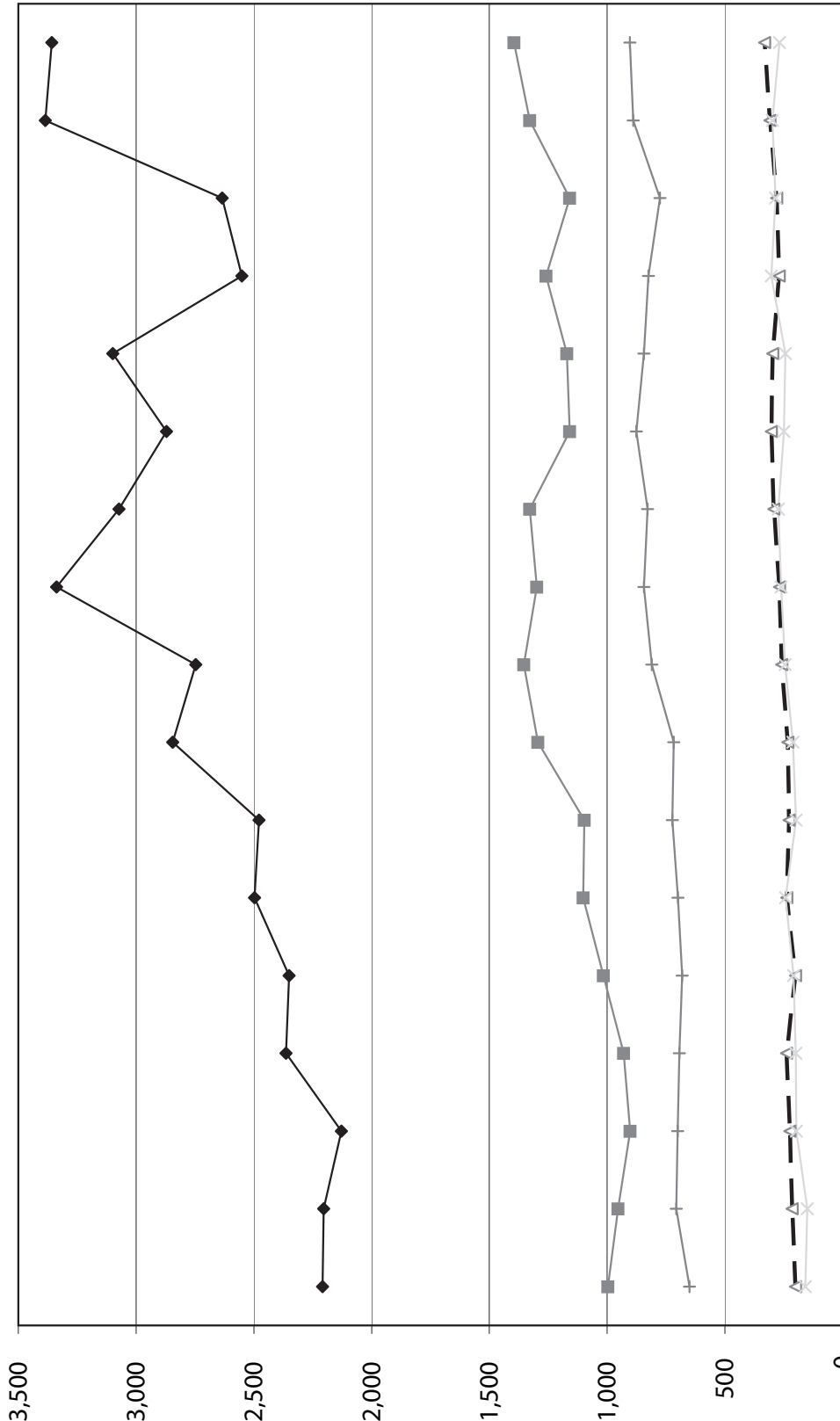


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

## PROFITABILITY BY HERD SIZE Idaho

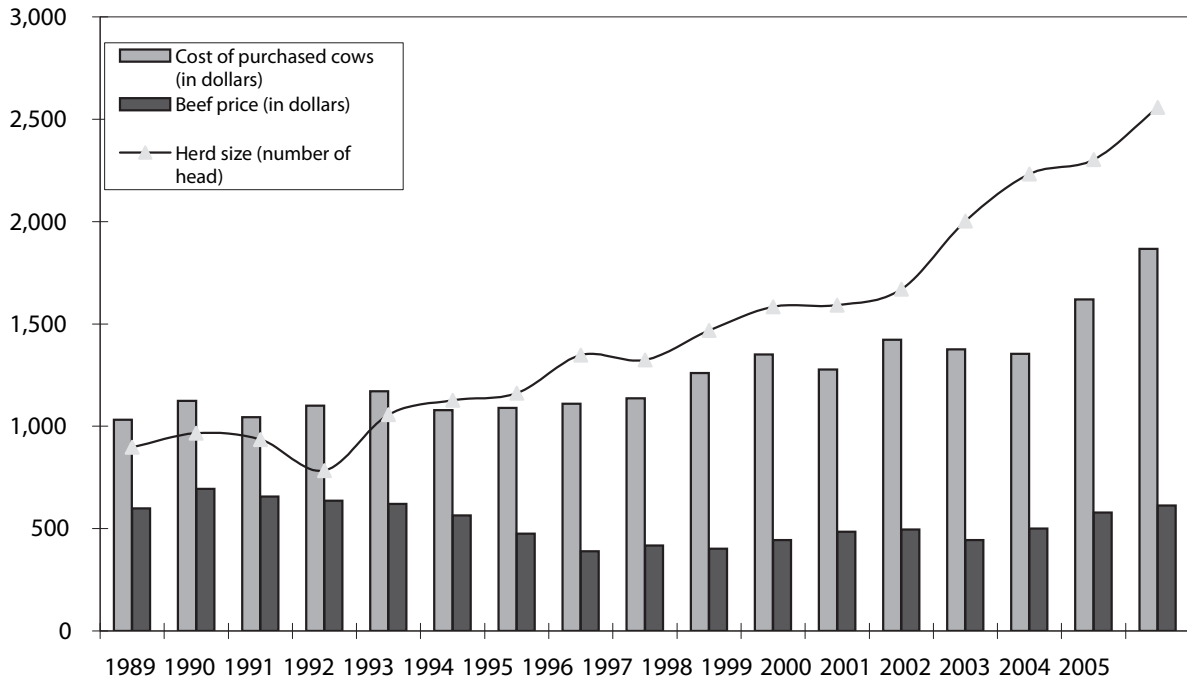


LONG-TERM TREND - ON A "PER HEAD" BASIS  
IDAHO  
INCOME AND OPERATING COSTS  
1989 - 2005

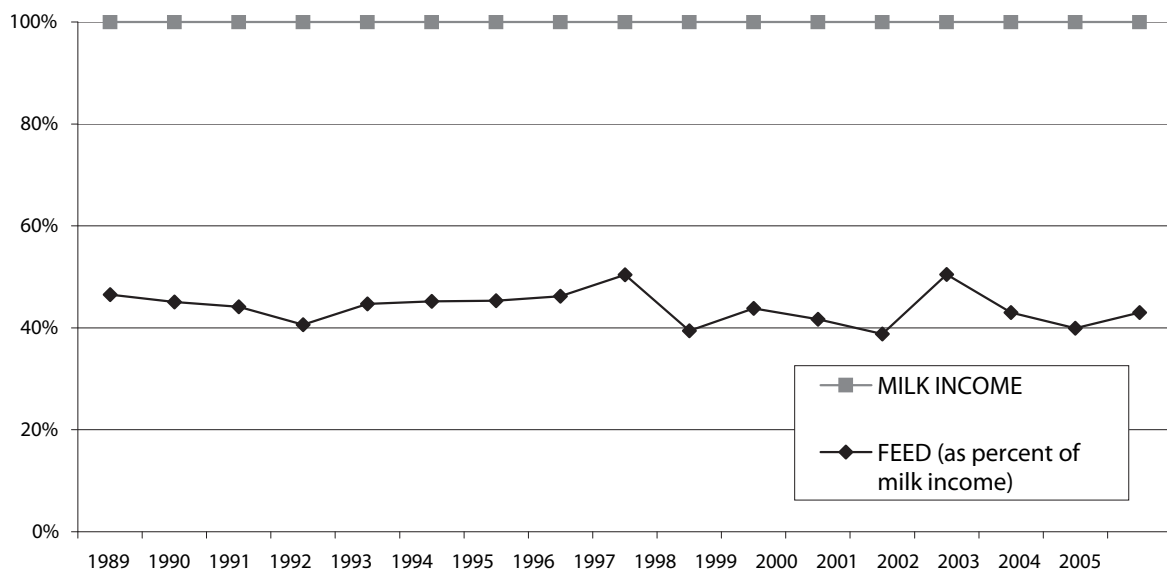


	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
—◆— TOTAL INCOME	2,208	2,204	2,129	2,363	2,350	2,497	2,478	2,845	2,747	3,338	3,073	2,871	3,099	2,551	2,635	3,385	3,358
—■— FEED	997	954	902	930	1,016	1,102	1,097	1,294	1,354	1,299	1,329	1,159	1,171	1,259	1,159	1,329	1,396
—△— LABOR	201	215	225	239	200	237	228	233	259	268	293	303	297	270	281	309	332
—x— HERD REPLACEMENT	159	151	197	199	209	242	198	211	245	261	273	250	244	303	285	298	268
—+— INTEREST AND OTHER	650	707	701	693	682	700	723	718	811	844	828	876	844	825	776	889	904

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



## FEED COST vs. MILK INCOME IDAHO



# CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2005, 2004, AND 2003  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2005	2004	2003
Income:			
Milk sales	\$ 2,704	\$ 2,813	\$ 2,209
Calves and other	96	75	76
Total income	\$ 2,800	\$ 2,888	\$ 2,285
Cost of operations:			
Feed:			
Grain	\$ 834	\$ 846	\$ 774
Hay and other	405	356	328
Total feed	\$ 1,239	\$ 1,202	\$ 1,102
Labor, (including fringe costs)	\$ 298	\$ 284	\$ 271
Herd replacement costs	\$ 214	\$ 260	\$ 285
Other costs:			
Milk hauling	\$ 120	\$ 104	\$ 96
State and association charges	36	38	37
Veterinary, breeding, testing, etc.	58	60	49
Supplies	139	118	101
Repairs and maintenance	100	71	60
Utilities	52	47	41
Occupancy costs	67	57	54
Depreciation - equipment	54	50	49
Interest	114	90	92
Miscellaneous	95	71	60
Total other costs	\$ 835	\$ 706	\$ 639
Total cost of operations	\$ 2,586	\$ 2,452	\$ 2,297
Net income (loss)	\$ 214	\$ 436	\$ (12)

See accompanying explanation of income and cost factors.

PER CWT. OF MILK			YOUR 2005 RESULTS	
2005	2004	2003	PER HEAD	PER CWT. OF MILK
\$ 13.78 0.49	\$ 14.79 0.40	\$ 11.79 0.39		
\$ 14.27	\$ 15.19	\$ 12.18		
\$ 4.25 2.06	\$ 4.45 1.87	\$ 4.13 1.76		
\$ 6.31	\$ 6.32	\$ 5.89		
\$ 1.52	\$ 1.50	\$ 1.46		
\$ 1.09	\$ 1.37	\$ 1.53		
\$ 0.61 0.18 0.29 0.71 0.51 0.27 0.35 0.28 0.58 0.48	\$ 0.54 0.20 0.32 0.62 0.37 0.24 0.29 0.26 0.47 0.38	\$ 0.51 0.20 0.26 0.54 0.32 0.22 0.29 0.26 0.49 0.32		
\$ 4.26	\$ 3.69	\$ 3.41		
\$ 13.18	\$ 12.88	\$ 12.29		
\$ 1.09	\$ 2.31	\$ (0.11)		

# SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2005, 2004, AND 2003  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

2005 2004 2003

## PRODUCTION AND PRICE INFORMATION:

Annual pounds of milk, per cow  
(including dry cows) 19,611 19,018 18,721

Daily pounds of milk, per milking cow 64.9 64.3 63.5

Butterfat test 3.47 % 3.48 % 3.46 %

Blend price per hundredweight \$ 13.78 \$ 14.79 \$ 11.79

Milk receipts, per milking cow \$ 3,264 \$ 2,766 \$ 2,685

## HERD INFORMATION:

Herd size - total 3,203 3,108 3,060

Percent of dry cows 17.2 % 18.9 % 19.2 %

Herd turnover rate 34.8 % 36.5 % 35.5 %

Composition of herd:  
Purchased cows 30 % 15 % 38 %  
Self-raised cows 70 % 85 % 62 %

Cost of purchased cows \$ 1,793 \$ 1,660 \$ 1,430

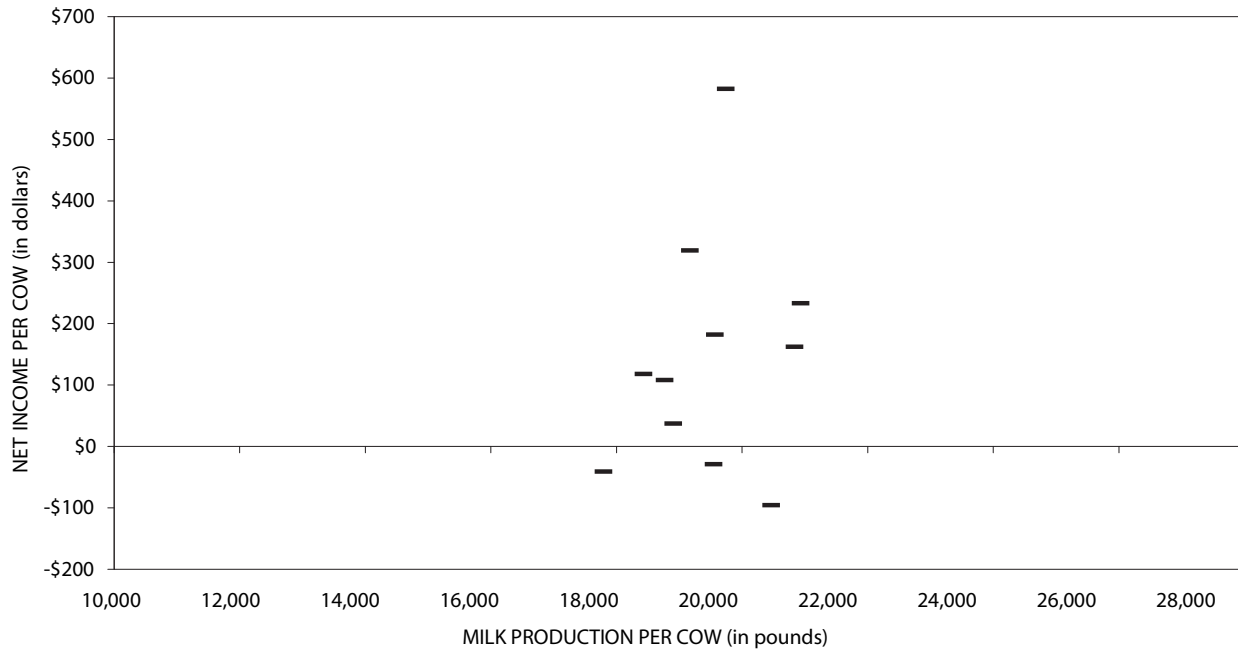
Beef price received \$ 653 \$ 535 \$ 444

## FEED INFORMATION:

Cost of feed as a percent of milk  
income:  
Grain 30.8 % 30.1 % 35.0 %  
Hay and other 15.0 % 12.6 % 14.9 %

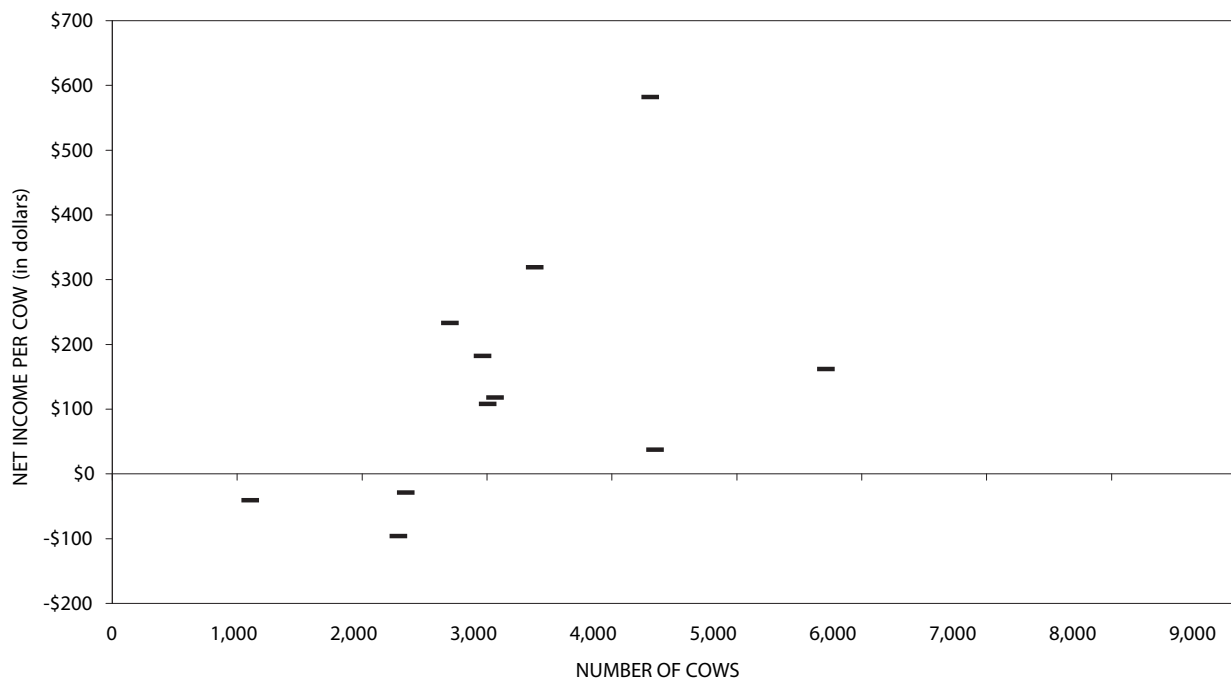
Totals 45.8 % 42.7 % 49.9 %

## PROFITABILITY BY MILK PRODUCTION PER COW New Mexico

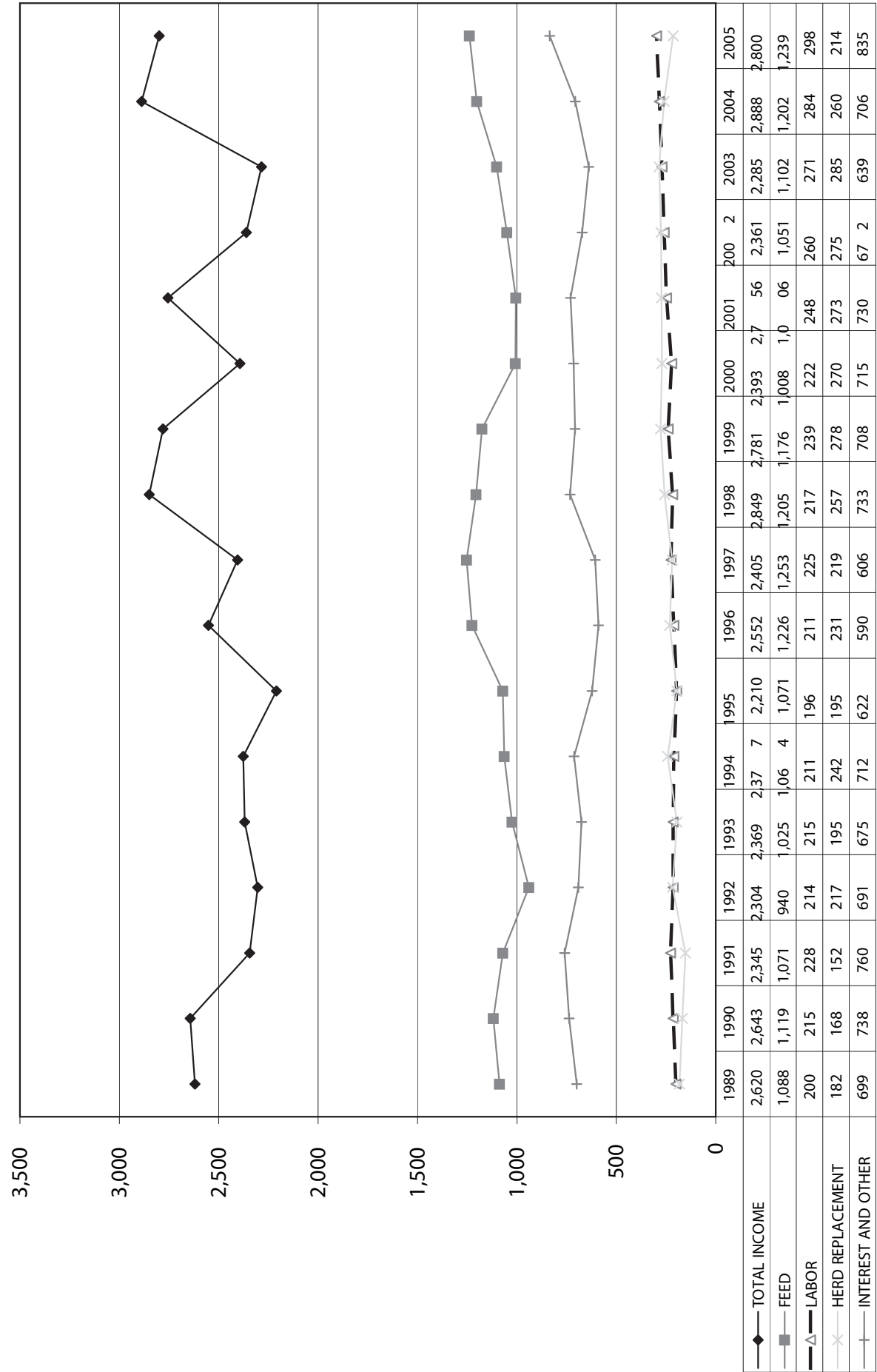


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

## PROFITABILITY BY HERD SIZE New Mexico

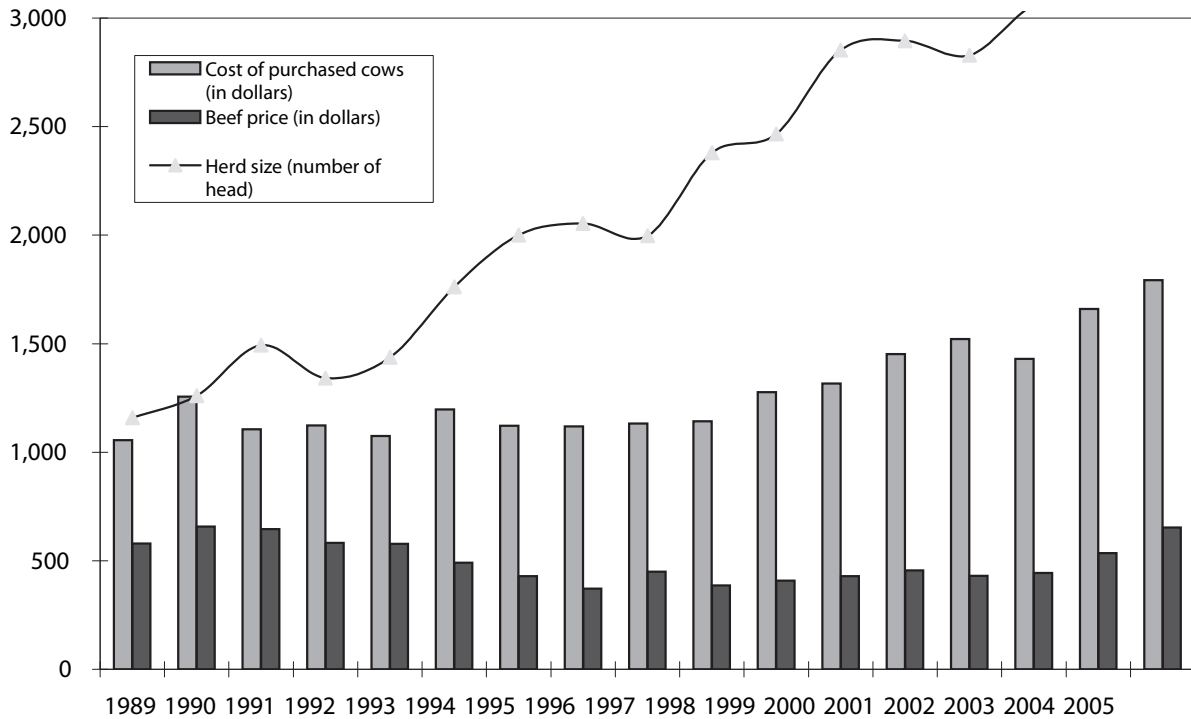


LONG-TERM TREND - ON A "PER HEAD" BASIS  
NEW MEXICO  
INCOME AND OPERATING COSTS  
1989 - 2005

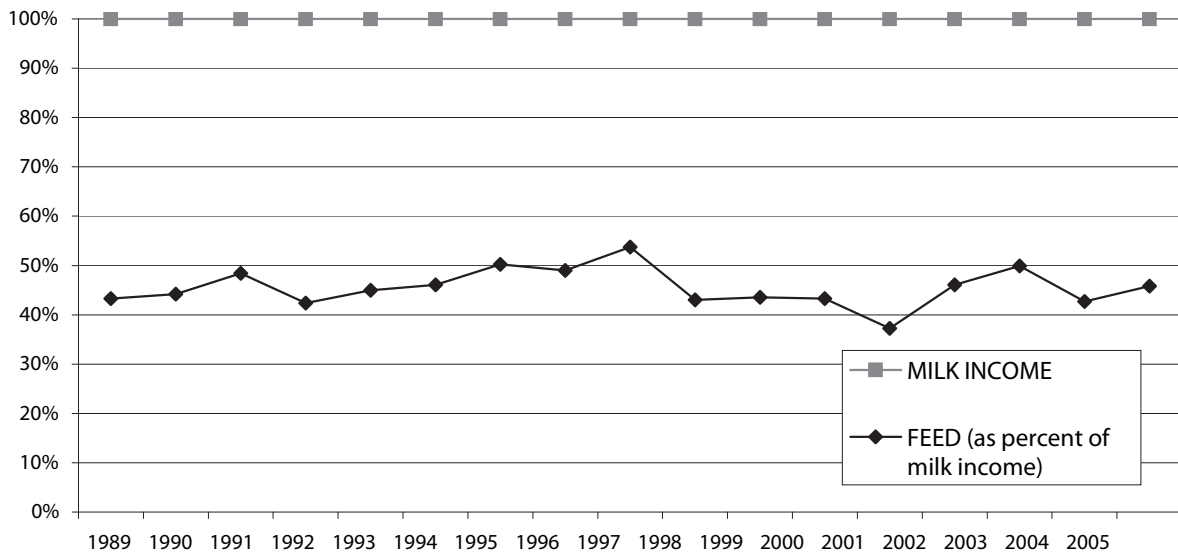




# LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE NEW MEXICO



## FEED COST vs. MILK INCOME NEW MEXICO



## EXPLANATION OF INCOME AND COST FACTORS

<b>Basis of presentation</b>	Information is included both on a "per head" basis and a "per hundredweight of milk" basis. The "per head" statistics are based on the total average number of milking and dry cows in a herd for the period.
<b>Milk sales</b>	Includes milk income, quality and production bonuses, patronage dividends, and USDA program payments.
<b>Calves and other income</b>	This is primarily composed of the sale of calves, heifers, other livestock and equipment, and net crop income.
<b>Feed</b>	Grain includes all minerals and BST expense.
<b>Labor</b>	Includes wages and fringe costs such as payroll taxes, workers' compensation insurance, medical insurance, union benefits, etc. Compensation to owner-employees or partners is not included.
<b>Herd replacement cost</b>	Represents the difference between the actual price paid for purchased cows (or estimated cost of self-raised cows) at the time the cows were added to the milking herd less the sales price received for cows disposed of. This difference is amortized over the productive life of the cows.
<b>Occupancy cost</b>	Includes property taxes and depreciation of buildings on owner occupied facilities, rent paid and depreciation of improvements on leased facilities. It does not include interest paid on real property.
<b>Miscellaneous cost</b>	Includes auto and truck expenses, insurance, professional fees, quality penalties and other dairy expenses not otherwise classified.
<b>Net income</b>	Is stated before a provision for income taxes or a return on the dairy owner's investment.

## OUR FIRM AND THE DAIRY INDUSTRY

Moore Stephens Wurth Frazer and Torbet, 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.

Moore Stephens Wurth Frazer and Torbet, 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 Western states. Many families we work with 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, Moore Stephens Wurth Frazer and Torbet, LLP has clients in California, Arizona, Texas, New Mexico, Colorado, Idaho, Oregon, Washington, Nevada, and Kansas. Also, we actively consult with many dairies throughout the United States.

As we look to the future, the trend to larger more efficient dairies will continue. Along with this trend, the dairy industry is facing continued challenges in its 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 and the environmentalists.

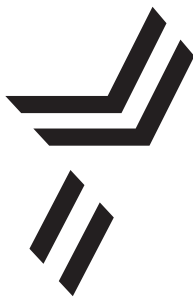
The environmental issues are extremely important and the dairies need to monitor and control the impact on the surrounding community including air quality, water quality, and odor issues. The regulatory controls and enforcement will increase in impact to the dairies in 2006.

As we are aware the dairy industry faces volatility in both milk prices received and costs incurred. All producers work to deal with these market fluctuations which are inevitable. Following the 2002 and 2003 years which produced some of the lowest milk prices combined with increasing costs, the 2004 and 2005 years provided welcome and much needed relief of our industry through sustained high milk prices. Costs in 2005 were generally on the rise especially fuel and insurance but these were more than offset by higher milk prices. The 2006 year appears to be another year of challenges as milk prices decline and costs increase.

All of these factors culminate in a substantial amount of capital required to maintain a dairy farm and will put increasing pressure on dairy operators to make critical financial decisions. Moore Stephens Wurth Frazer and Torbet, LLP will be instrumental in providing the assistance needed to make these decisions.

We are proud of our dairy clients' social, political, and charitable contributions to their communities.





## MOORE STEPHENS WURTH FRAZER AND TORBET, LLP

Certified Public Accountants and Consultants

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