

# Dairy Farm Operating Trends

December 31, 2015



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

*The following pages contain the Frazer, LLP's Dairy Farm Operating Trends for the year ended December 31, 2015.*

*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 7 billion pounds and more than 323,000 head of mature cows for the year ended December 31, 2015.*

*This report includes a comparison of the results in the regions listed above for the year ended December 31, 2015 both on a "per hundredweight of milk" basis and on a "per head" basis. Also included are selected financial ratios and other information for the year.*

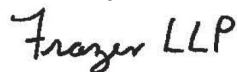
*This publication is designed as a reference tool and a management aid for dairy farm managers and advisors. Frazer, LLP believes the information to be reliable, but is not responsible for errors in reported source information.*

*Our publication continues to be recognized as the top industry source for relevant dairy statistics. This report is provided to and widely utilized by dairy farmers, lending institutions, universities, colleges and other agribusiness industries.*

*We appreciate all of your past and present support and thank you for your continued reliance on Frazer, LLP. If you have any comments or questions, please contact our Agribusiness partners, Ralph Lizardo, Tim Gulling or Sharon A. Davis at our Brea office at (714) 990-1040 and David Bekedam, Mike Edwards or Bob Matlick at our Visalia office at (559) 732-4135.*

*For more information regarding our firm, our Agribusiness department and our publication, please visit our website at [www.frazerllp.com](http://www.frazerllp.com).*

Sincerely,

A handwritten signature in black ink that reads "Frazer LLP". The signature is written in a cursive, flowing style.

FRAZER, LLP

Certified Public Accountants and Consultants

**May 2016**

TABLE OF CONTENTS

December 31, 2015

	PAGE
2015 Year in Review.....	1
Comparison by Area on a Per Head Basis .....	3
Comparison by Area on a Per Hundredweight of Milk Basis .....	5
Comparison by Area - Ratios .....	7
Southern California .....	9
San Joaquin Valley .....	17
Kern County.....	25
Arizona .....	33
Idaho .....	41
New Mexico .....	49
Panhandle.....	57
Pacific Northwest.....	65
Explanation of Income and Cost Factors .....	71
Our Firm and the Dairy Industry .....	72

Comparative Net Income By Region:

Milk prices that began to drop late in 2014 continued dropping throughout most of 2015, and even more dramatically through the first half of 2016, mainly due to rising domestic and global milk production, and increased domestic and global milk product inventories. Although milk production has dropped in California and New Mexico year over year, milk production has risen in our Arizona, Idaho and Pacific Northwest regions. And the highest growth in milk production is coming from the Midwest which is driving the overall domestic increase in production. While feed costs have been one bright spot, most other fixed and operating costs, such as labor have been climbing steadily. Domestic and international demand have slowed down in this past year and look to remain stagnant at best throughout 2016. Our nation's producers have also been hurt this past year by strength in the U.S. Dollar, which is not helping our export markets.

Net income (loss) per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2015	\$ (7)	\$ (208)	\$ (145)	\$ (27)	\$ 238	\$ (325)	\$ 68	\$ (30)
2014	\$ 1,202	\$ 1,166	\$ 1,115	\$ 1,261	\$ 1,378	\$ 744	\$ 1,252	\$ 999
Change	\$ (1,209)	\$ (1,374)	\$ (1,260)	\$ (1,288)	\$ (1,140)	\$ (1,069)	\$ (1,184)	\$ (1,029)

Comparative Feed Cost By Region:

Feed costs that began declining during 2014 have generally kept up the decline which has helped cushion the bottomline losses for milk producers in most regions. But again in 2015, just as in 2014, many high end feeds such as proteins and minerals remain expensive. Weather situations have somewhat improved for the west as there was more welcome rainfall this past winter, albeit enough never seems to be enough when it comes to our nations water supplies. The same issues mentioned above regarding International demand and the strengthening of the U.S. dollar also continues to pressure feed prices for farmers to move feed, both domestically and internationally as worldwide feed production is also improving. As we approach the second half of 2016, it appears corn, soybeans and wheat on the CME will be similar in price as it was in 2015, although it could be slightly higher. If milk prices continue to drop even further from what they are at the date of these reports, net losses will become the unfortunate norm, which is happening both here and abroad.

Feed cost per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2015	\$ 2,324	\$ 2,567	\$ 2,356	\$ 2,148	\$ 2,139	\$ 1,743	\$ 2,023	\$ 2,065
2014	\$ 2,633	\$ 2,692	\$ 2,568	\$ 2,350	\$ 2,584	\$ 2,173	\$ 2,313	\$ 2,477
Change	\$ (309)	\$ (125)	\$ (212)	\$ (202)	\$ (445)	\$ (430)	\$ (290)	\$ (412)

Comparative Production By Region:

The entire nation's milk production was up 1.3% in 2015 compared to 2014, and most of our regions in the West were up during the year with the exception of California and New Mexico. This is again a large increase year over year, with National production being dominated by the Midwest, which will not bode well for milk pricing and supplies.

Lbs. per milk cow per day:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2015	72.3	73.7	71.7	70.8	74.6	63.1	67.7	69.5
2014	73.1	76.1	72.5	71.6	76.4	65.9	68.9	70.4
Change	(0.8)	(2.4)	(0.8)	(0.8)	(1.8)	(2.8)	(1.2)	(0.9)

Herd Turnover Rate By Region:

Herd turnover rates were generally up, again in most regions during 2015. And beef prices were a tremendous benefit to producers at least until the 4th quarter of 2015, when they also plummeted. Beef prices were a large contributor towards retaining positive cashflow through most of 2015, but now beef prices have returned to previous years levels which is another factor hurting the bottomlines of producers during the last quarter of 2015 and now throughout 2016. Calf prices followed suit with beef pricing as normal, again not a helping factor for milk producers.

Herd turnover rate by region:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2015	39.5%	46.5%	40.3%	36.3%	42.3%	31.7%	37.2%	34.1%
2014	34.6%	45.2%	40.3%	34.0%	39.4%	35.5%	37.9%	36.9%
Change	4.9%	1.3%	0.0%	2.3%	2.9%	-3.8%	-0.7%	-2.8%

Average Cost of Replacement Per Head By Region:

The costs of replacement purchases which began to skyrocket during 2014, have remained relatively high for good quality milk cows and springers and even today, good animals are trading at high dollar amounts. Heifer replacements of all ages have dipped somewhat year over year, but good quality replacement programs still demand high dollar values. Again how the milk and feed markets react going forward, along with strength of dollar, prices, etc., will dictate all dairy pricing from milk to feed to animal pricing into the future..

Average cost of replacement per head by region:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2015	\$ 1,863	\$ 1,812	\$ 1,719	\$ 2,016	\$ 1,790	\$ 2,251	\$ 2,300	\$ 1,934
2014	\$ 1,714	\$ 1,906	\$ 1,672	\$ 1,920	\$ 1,770	\$ 1,942	\$ 2,549	\$ 1,962
Change	\$ 149	\$ (94)	\$ 47	\$ 96	\$ 20	\$ 309	\$ (249)	\$ (28)

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(BASED ON AVERAGE AMOUNTS PER HEAD)

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2015 Amounts
Income:									
Milk sales	\$ 3,636	\$ 3,892	\$ 3,359	\$ 3,703	\$ 3,809	\$ 2,766	\$ 3,789	\$ 3,624	\$
Calves and other	246	184	147	203	190	126	146	88	
Total income	\$ 3,882	\$ 4,076	\$ 3,506	\$ 3,906	\$ 3,999	\$ 2,892	\$ 3,935	\$ 3,712	\$
Cost of operations:									
Feed:									
Grain	\$ 1,562	\$ 1,801	\$ 1,476	\$ 1,495	\$ 1,398	\$ 1,133	\$ 1,344	\$ 1,163	\$
Hay and other	762	766	880	653	741	610	679	902	
Total feed	\$ 2,324	\$ 2,567	\$ 2,356	\$ 2,148	\$ 2,139	\$ 1,743	\$ 2,023	\$ 2,065	\$
Labor, (including fringe costs)	\$ 434	\$ 424	\$ 297	\$ 450	\$ 381	\$ 344	\$ 420	\$ 402	\$
Herd replacement costs	\$ 227	\$ 172	\$ 170	\$ 198	\$ 261	\$ 159	\$ 215	\$ 148	\$
Other costs:									
Milk hauling	\$ 84	\$ 82	\$ 71	\$ 98	\$ 64	\$ 162	\$ 147	\$ 148	\$
State and association charges	43	46	41	75	47	64	65	69	
Veterinary, breeding, testing, etc.	138	131	61	60	108	100	125	126	
Supplies	62	131	114	183	132	98	186	137	
Repairs and maintenance	187	137	121	139	155	124	161	159	
Utilities	57	99	88	87	45	64	42	38	
Occupancy costs	102	148	94	57	148	70	115	162	
Depreciation - equipment	28	80	64	65	61	58	78	56	
Interest	87	112	66	104	60	77	87	70	
Miscellaneous	116	155	108	269	160	154	203	162	
Total other costs	\$ 904	\$ 1,121	\$ 828	\$ 1,137	\$ 980	\$ 971	\$ 1,209	\$ 1,127	\$
Total cost of operations	\$ 3,889	\$ 4,284	\$ 3,651	\$ 3,933	\$ 3,761	\$ 3,217	\$ 3,867	\$ 3,742	\$
Net income (loss)	\$ (7)	\$ (208)	\$ (145)	\$ (27)	\$ 238	\$ (325)	\$ 68	\$ (30)	\$



CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(BASED ON AVERAGE AMOUNTS  
PER HUNDREDWEIGHT OF MILK)

	Southern California	San Joaquin Valley	Kern County
Income:			
Milk sales	\$ 16.03	\$ 16.39	\$ 15.81
Calves and other	1.08	0.79	0.69
Total income	\$ 17.11	\$ 17.18	\$ 16.50
Cost of operations:			
Feed:			
Grain	\$ 6.89	\$ 7.63	\$ 6.95
Hay and other	3.36	3.24	4.14
Total feed	\$ 10.25	\$ 10.87	\$ 11.09
Labor, (including fringe costs)	\$ 1.92	\$ 1.80	\$ 1.40
Herd replacement costs	\$ 1.00	\$ 0.73	\$ 0.80
Other costs:			
Milk hauling	\$ 0.37	\$ 0.35	\$ 0.33
State and association charges	0.19	0.20	0.19
Veterinary, breeding, testing, etc.	0.61	0.56	0.29
Supplies	0.27	0.55	0.54
Repairs and maintenance	0.82	0.59	0.57
Utilities	0.25	0.42	0.41
Occupancy costs	0.45	0.62	0.45
Depreciation - equipment	0.13	0.34	0.30
Interest	0.38	0.47	0.31
Miscellaneous	0.51	0.65	0.50
Total other costs	\$ 3.98	\$ 4.75	\$ 3.89
Total cost of operations	\$ 17.15	\$ 18.15	\$ 17.18
Net income (loss)	\$ (0.04)	\$ (0.97)	\$ (0.68)

Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2015 Amounts
\$ 16.33	\$ 15.90	\$ 16.50	\$ 17.69	\$ 16.79	\$
0.87	0.79	0.75	0.68	0.40	
\$ 17.20	\$ 16.69	\$ 17.25	\$ 18.37	\$ 17.19	\$
\$ 6.61	\$ 5.84	\$ 6.75	\$ 6.28	\$ 5.39	\$
2.88	3.09	3.64	3.17	4.19	
\$ 9.49	\$ 8.93	\$ 10.39	\$ 9.45	\$ 9.58	\$
\$ 1.97	\$ 1.60	\$ \$2.05	\$ 1.95	\$ 1.85	\$
\$ 0.87	\$ 1.09	\$ 0.95	\$ 1.01	\$ 0.69	\$
\$ 0.43	\$ 0.27	\$ 0.97	\$ 0.69	\$ 0.68	\$
0.33	0.20	0.38	0.30	0.32	
0.27	0.45	0.60	0.58	0.58	
0.81	0.55	0.58	0.87	0.63	
0.61	0.65	0.74	0.75	0.74	
0.39	0.19	0.38	0.19	0.18	
0.25	0.62	0.42	0.54	0.76	
0.29	0.25	0.35	0.37	0.26	
0.46	0.25	0.46	0.41	0.32	
1.17	0.66	0.92	0.95	0.76	
\$ 5.01	\$ 4.09	\$ 5.80	\$ 5.65	\$ 5.23	\$
\$ 17.34	\$ 15.71	\$ 19.19	\$ 18.06	\$ 17.35	\$
\$ (0.14)	\$ 0.98	\$ (1.94)	\$ 0.31	\$ (0.16)	\$

SUMMARY OF FINANCIAL STATISTICS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Southern California	San Joaquin Valley	Kern County
1. Current Ratio	0.51 : 1	1.17 : 1	1.43 : 1
2. Herd Line Debt Per Cow	\$ 976	\$ 816	\$ 768
3. Total Debt Per Cow	\$ 2,943	\$ 3,259	\$ 3,404
4. Debt to Equity Ratio	1.42 : 1	1.46 : 1	0.97 : 1
5. Return on Total Assets	-0.1%	-2.5%	-1.5%
6. Income (loss) per milking cow per month	\$ (2.17)	\$ (13.20)	\$ (14.95)

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

Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2015 Results
0.73 : 1	1.04 : 1	0.85 : 1	1.35 : 1	1.23 : 1	
\$ 864	\$ 383	\$ 605	\$ 592	\$ 741	\$
\$ 3,097	\$ 2,427	\$ 2,227	\$ 2,320	\$ 2,157	\$
1.50 : 1	0.97 : 1	0.99 : 1	1.06 : 1	1.50 : 1	
-0.4%	3.5%	-5.2%	1.1%	-0.6%	
\$ (0.14)	\$ 27.14	\$ (14.91)	\$ 16.08	\$ (3.06)	\$

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2015, 2014, AND 2013  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

PER HEAD

2015 2014 2013

Income:			
Milk sales	\$ 3,636	\$ 5,237	\$ 4,228
Calves and other	246	211	60
Total income	\$ 3,882	\$ 5,448	\$ 4,288
Cost of operations:			
Feed:			
Grain	\$ 1,562	\$ 1,653	\$ 1,804
Hay and other	762	980	834
Total feed	\$ 2,324	\$ 2,633	\$ 2,638
Labor, (including fringe costs)	\$ 434	\$ 432	\$ 382
Herd replacement costs	\$ 227	\$ 213	\$ 290
Other costs:			
Milk hauling	\$ 84	\$ 91	\$ 93
State and association charges	43	43	44
Veterinary, breeding, testing, etc.	138	145	105
Supplies	62	64	72
Repairs and maintenance	187	194	149
Utilities	57	72	68
Occupancy costs	102	103	99
Depreciation - equipment	28	27	27
Interest	87	94	95
Miscellaneous	116	135	122
Total other costs	\$ 904	\$ 968	\$ 874
Total cost of operations	\$ 3,889	\$ 4,246	\$ 4,184
Net income (loss)	\$ (7)	\$ 1,202	\$ 104

PER CWT. OF MILK

2015 2014 2013

\$ 16.03	\$ 22.79	\$ 18.90	\$	\$
1.08	0.93	0.27		
\$ 17.11	\$ 23.72	\$ 19.17	\$	\$
\$ 6.89	\$ 7.19	\$ 8.07		
3.36	4.26	3.73		
\$ 10.25	\$ 11.45	\$ 11.80	\$	\$
\$ 1.92	\$ 1.87	\$ 1.71	\$	\$
\$ 1.00	\$ 0.93	\$ 1.30	\$	\$
\$ 0.37	\$ 0.40	\$ 0.41	\$	\$
0.19	0.19	0.20		
0.61	0.63	0.47		
0.27	0.28	0.32		
0.82	0.85	0.67		
0.25	0.32	0.30		
0.45	0.45	0.45		
0.13	0.11	0.12		
0.38	0.41	0.42		
0.51	0.59	0.54		
\$ 3.98	\$ 4.23	\$ 3.90	\$	\$
\$ 17.15	\$ 18.48	\$ 18.71	\$	\$
\$ (0.04)	\$ 5.24	\$ 0.46	\$	\$

YOUR 2015  
RESULTS

PER HEAD PER CWT.  
OF MILK



SUMMARY OF FINANCIAL STATISTICS

SOUTHERN CALIFORNIA

	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	0.51 : 1	0.49 : 1	0.32 : 1
2. Herd Line Debt Per Cow	\$ 976	\$ 884	\$ 1,048
3. Total Debt Per Cow	\$ 2,943	\$ 2,920	\$ 2,648
4. Debt to Equity Ratio	1.42 : 1	1.40 : 1	2.49 : 1
5. Return on Total Assets	-0.1%	20.2%	2.3%
6. Income (loss) per milking cow per month	\$ (2.17)	\$ 114.66	\$ 9.54
1. The current ratio represents current assets divided by current liabilities.			
2. Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.			
3. Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.			
4. Debt to equity represents the total debt divided by the total equity.			
5. The return on total assets represents the net income divided by the total assets, stated at cost.			
6. Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.			

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

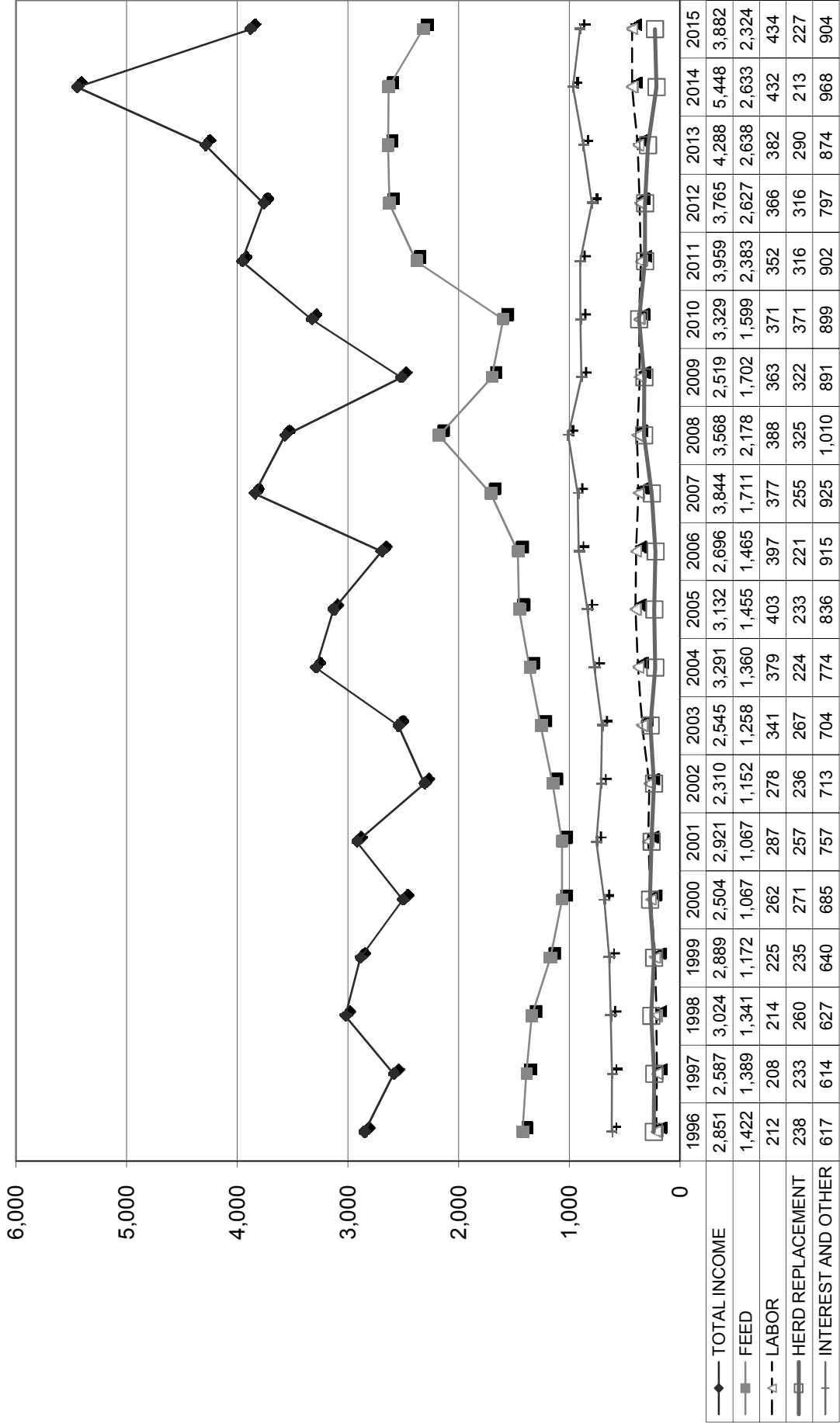
FOR THE YEARS ENDED  
DECEMBER 31, 2015, 2014, AND 2013  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	2015	2014	2013
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	22,679	22,976	22,367
Daily pounds of milk, per milking cow	72.3	73.1	71.7
Butterfat test	3.48 %	3.46 %	3.50 %
Solids-non-fat test	8.76 %	8.83 %	8.86 %
Blend price per hundredweight	\$ 16.03	\$ 22.79	\$ 18.90
Milk receipts, per milking cow	\$ 4,231	\$ 5,448	\$ 4,288
<b>HERD INFORMATION:</b>			
Herd size - total	2,414	2,336	1,899
Percent of dry cows	14.0 %	13.8 %	14.5 %
Herd turnover rate	39.5 %	34.6 %	38.7 %
Composition of herd:			
Purchased cows	59 %	61 %	51 %
Self-raised cows	41 %	39 %	49 %
Cost of purchased cows	\$ 1,863	\$ 1,714	\$ 1,367
Beef price received	\$ 1,120	\$ 1,194	\$ 862
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	43.0 %	31.5 %	42.7 %
Hay and other	21.0 %	18.7 %	19.7 %
Totals	64.0 %	50.2 %	62.4 %

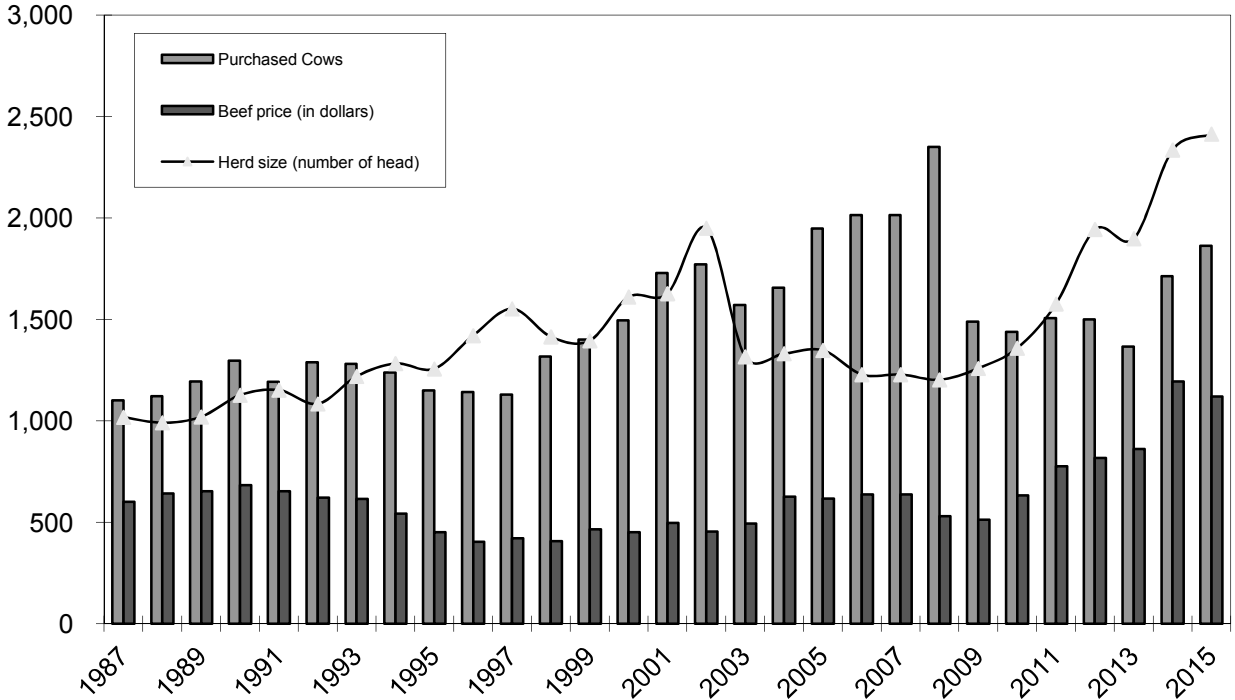
INCOME AND COST OF OPERATIONS				
	SOUTHERN CALIFORNIA			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	December 31, 2015	December 31, 2014	December 31, 2013	
Income:				
Milk Sales	\$ 16.03	\$ 22.79	\$ 18.90	
Calves and other	1.08	0.93	0.27	
Total income	\$ 17.11	\$ 23.72	\$ 19.17	
Total cost of operations:				
Feed	\$ 10.25	\$ 11.45	\$ 11.80	
Labor	1.92	1.87	1.71	
Herd replacement costs	1.00	0.93	1.30	
Other costs	3.98	4.23	3.90	
Total costs of operations	\$ 17.15	\$ 18.48	\$ 18.71	
Net income (loss)	\$ (0.04)	\$ 5.24	\$ 0.46	
Cost of operations as a percentage of income	100.23%	77.91%	97.60%	
Feed costs as a percentage of milk sales	63.94%	50.24%	62.43%	
Net income (loss) per milking cow per month	\$ (2.17)	\$ 114.66	\$ 9.54	
Cumulative net income per cwt. from 2009 to 2015	\$ 0.51			

December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
\$ 16.91	\$ 18.85	\$ 15.68	\$ 12.42
0.26	0.44	0.23	0.46
\$ 17.17	\$ 19.29	\$ 15.91	\$ 12.88
\$ 11.99	\$ 11.64	\$ 7.66	\$ 8.74
1.67	1.72	1.78	1.86
1.44	1.54	1.78	1.65
3.65	4.39	4.33	4.56
\$ 18.75	\$ 19.29	\$ 15.55	\$ 16.81
\$ (1.58)	\$ 0.00	\$ 0.36	\$ (3.93)
109.20%	100.00%	97.74%	130.51%
70.90%	61.75%	48.85%	70.37%
\$ (31.10)	\$ 0.24	\$ 9.87	\$ (74.43)

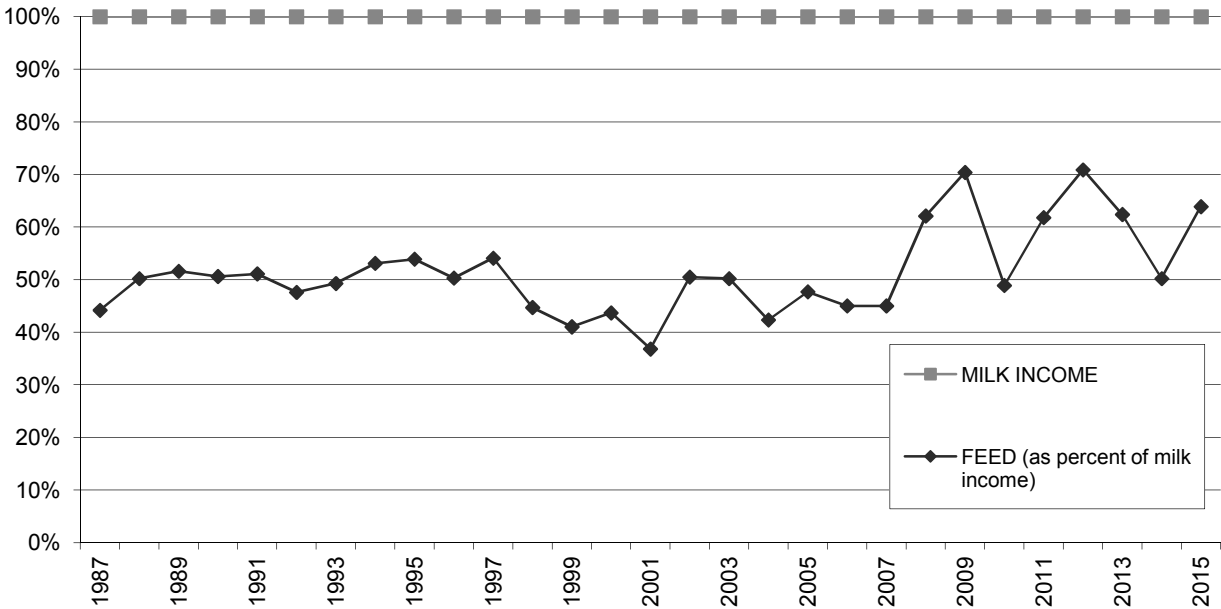
LONG-TERM TREND - ON A "PER HEAD" BASIS  
SOUTHERN CALIFORNIA  
INCOME AND OPERATING COSTS  
1996 - 2015



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, 2015, 2014, AND 2013  
SAN JOAQUIN VALLEY  
(BASED ON AVERAGE AMOUNTS)

PER HEAD

2015 2014 2013

Income:			
Milk sales	\$ 3,892	\$ 5,208	\$ 4,251
Calves and other	184	151	72
Total income	\$ 4,076	\$ 5,359	\$ 4,323
Cost of operations:			
Feed:			
Grain	\$ 1,801	\$ 1,914	\$ 2,001
Hay and other	766	778	736
Total feed	\$ 2,567	\$ 2,692	\$ 2,737
Labor, (including fringe costs)	\$ 424	\$ 337	\$ 323
Herd replacement costs	\$ 172	\$ 152	\$ 262
Other costs:			
Milk hauling	\$ 82	\$ 81	\$ 78
State and association charges	46	46	43
Veterinary, breeding, testing, etc.	131	99	101
Supplies	131	112	111
Repairs and maintenance	137	118	90
Utilities	99	85	72
Occupancy costs	148	135	127
Depreciation - equipment	80	65	64
Interest	112	96	110
Miscellaneous	155	175	170
Total other costs	\$ 1,121	\$ 1,012	\$ 966
Total cost of operations	\$ 4,284	\$ 4,193	\$ 4,288
Net income (loss)	\$ (208)	\$ 1,166	\$ 35

PER CWT. OF MILK

2015 2014 2013

\$ 16.39	\$ 22.29	\$ 18.86		
0.79	0.63	0.31		
\$ 17.18	\$ 22.92	\$ 19.17		
\$ 7.63	\$ 8.21	\$ 8.87		
3.24	3.33	3.26		
\$ 10.87	\$ 11.54	\$ 12.13		
\$ 1.80	\$ 1.45	\$ 1.41		
\$ 0.73	\$ 0.65	\$ 1.16		
\$ 0.35	\$ 0.35	\$ 0.34		
0.20	0.20	0.19		
0.56	0.42	0.44		
0.55	0.48	0.49		
0.59	0.50	0.39		
0.42	0.36	0.31		
0.62	0.58	0.56		
0.34	0.28	0.28		
0.47	0.41	0.48		
0.65	0.72	0.64		
\$ 4.75	\$ 4.30	\$ 4.12		
\$ 18.15	\$ 17.94	\$ 18.82		
\$ (0.97)	\$ 4.98	\$ 0.35		

YOUR 2015  
RESULTS

PER HEAD PER CWT.  
OF MILK

SUMMARY OF FINANCIAL STATISTICS

SAN JOAQUIN VALLEY

	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	1.17 : 1	1.82 : 1	1.02 : 1
2. Herd Line Debt Per Cow	\$ 816	\$ 763	\$ 1,025
3. Total Debt Per Cow	\$ 3,259	\$ 2,682	\$ 3,175
4. Debt to Equity Ratio	1.46 : 1	1.11 : 1	2.22 : 1
5. Return on Total Assets	-2.5%	15.7%	0.5%
6. Income (loss) per milking cow per month	\$ (13.20)	\$ 128.26	\$ 20.13
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 twelve.			

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2015, 2014, AND 2013  
SAN JOAQUIN VALLEY  
(BASED ON AVERAGE AMOUNTS)

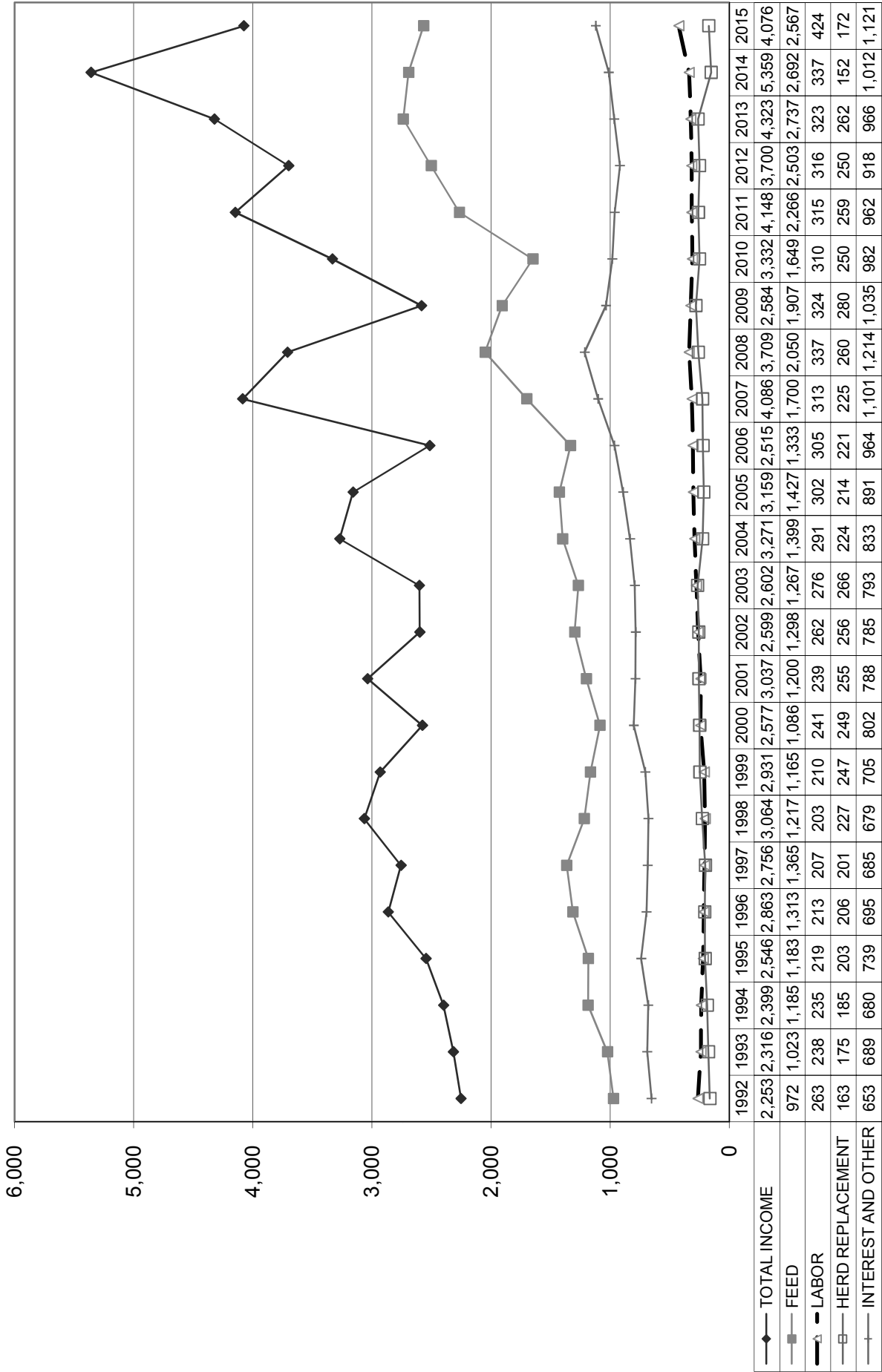
	2015	2014	2013
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	23,614	23,321	22,526
Daily pounds of milk, per milking cow	73.7	76.1	75.0
Butterfat test	3.59 %	3.60 %	3.70 %
Solids-non-fat test	8.84 %	8.92 %	8.90 %
Blend price per hundredweight	\$ 16.39	\$ 22.29	\$ 18.86
Milk receipts, per milking cow	\$ 4,432	\$ 6,386	\$ 5,165
<b>HERD INFORMATION:</b>			
Herd size - total	3,625	3,771	3,493
Percent of dry cows	13.9 %	16.1 %	14.9 %
Herd turnover rate	46.5 %	45.2 %	45.3 %
Composition of herd:			
Purchased cows	4 %	5 %	8 %
Self-raised cows	96 %	95 %	92 %
Cost of purchased cows	\$ 1,812	\$ 1,906	\$ 1,252
Beef price received	\$ 1,176	\$ 1,160	\$ 863
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	46.6 %	36.8 %	47.0 %
Hay and other	19.8 %	14.9 %	17.3 %
Totals	66.4 %	51.7 %	64.3 %

INCOME AND COST OF OPERATIONS				
	SAN JOAQUIN VALLEY			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	December 31, 2015	December 31, 2014	December 31, 2013	
Income:				
Milk Sales	\$ 16.39	\$ 22.29	\$ 18.86	
Calves and other	0.79	0.63	0.31	
Total income	\$ 17.18	\$ 22.92	\$ 19.17	
Total cost of operations:				
Feed	\$ 10.87	\$ 11.54	\$ 12.13	
Labor	1.80	1.45	1.41	
Herd replacement costs	0.73	0.65	1.16	
Other costs	4.75	4.30	4.12	
Total costs of operations	\$ 18.15	\$ 17.94	\$ 18.82	
Net income (loss)	\$ (0.97)	\$ 4.98	\$ 0.35	
Cost of operations as a percentage of income	105.65%	78.27%	98.17%	
Feed costs as a percentage of milk sales	66.32%	51.77%	64.32%	
Net income (loss) per milking cow per month	\$ (13.20)	\$ 128.26	\$ 20.13	
Cumulative net income per cwt. from 2009 to 2015	\$ 1.01			

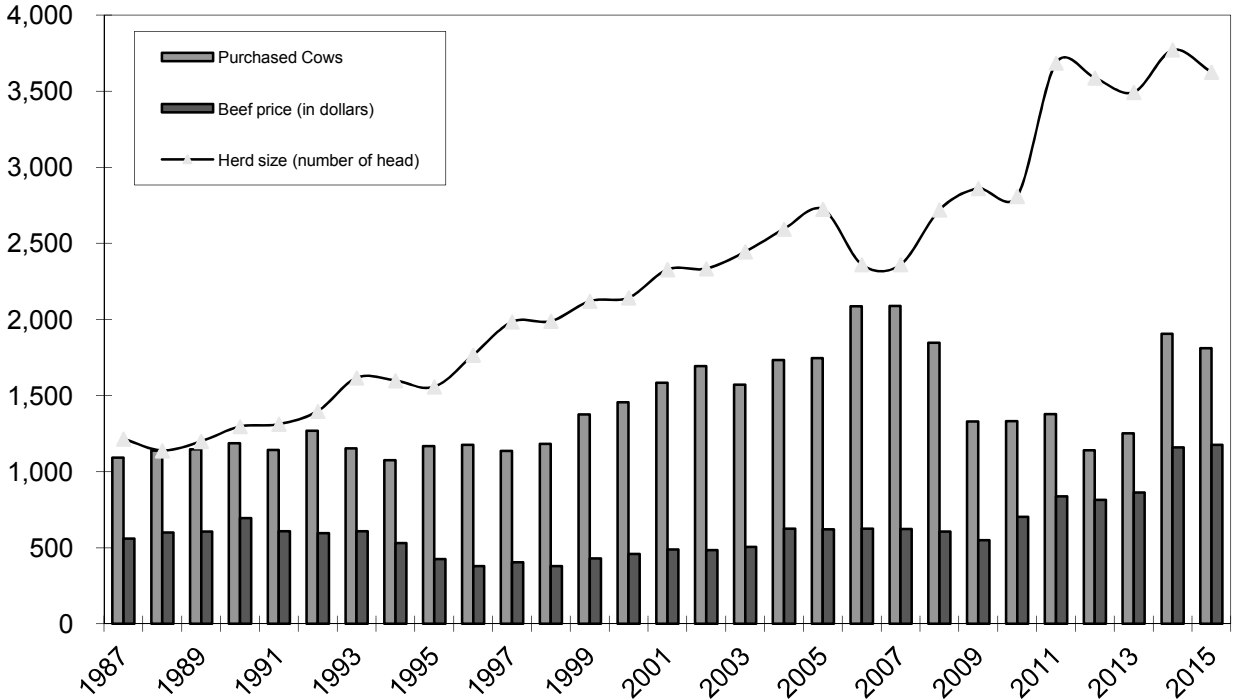
December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
\$ 16.66	\$ 18.68	\$ 14.94	\$ 11.71
0.34	0.32	0.10	0.23
\$ 17.00	\$ 19.00	\$ 15.04	\$ 11.94
\$ 11.50	\$ 10.37	\$ 7.46	\$ 8.81
1.43	1.45	1.40	1.48
1.15	1.18	1.13	1.30
4.08	4.39	4.42	4.78
\$ 18.16	\$ 17.39	\$ 14.41	\$ 16.37
\$ (1.16)	\$ 1.61	\$ 0.63	\$ (4.43)
106.82%	91.53%	95.81%	137.10%
69.03%	55.51%	49.93%	75.23%
\$ (11.93)	\$ 59.07	\$ 20.60	\$ (91.89)



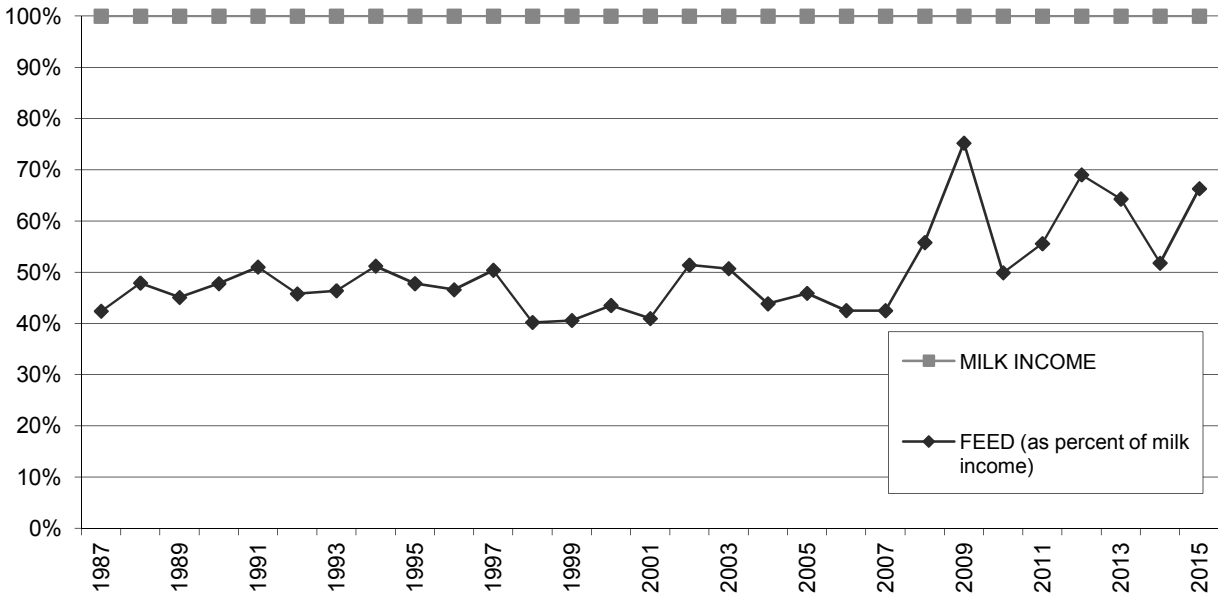
LONG-TERM TREND - ON A "PER HEAD" BASIS  
SAN JOAQUIN VALLEY  
INCOME AND OPERATING COSTS  
1992 - 2015



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, 2015, 2014, AND 2013  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

PER HEAD

2015 2014 2013

Income:			
Milk sales	\$ 3,359	\$ 4,903	\$ 4,066
Calves and other	147	102	50
Total income	\$ 3,506	\$ 5,005	\$ 4,116
Cost of operations:			
Feed:			
Grain	\$ 1,476	\$ 1,608	\$ 1,663
Hay and other	880	960	1,001
Total feed	\$ 2,356	\$ 2,568	\$ 2,664
Labor, (including fringe costs)	\$ 297	\$ 279	\$ 276
Herd replacement costs	\$ 170	\$ 169	\$ 254
Other costs:			
Milk hauling	\$ 71	\$ 78	\$ 77
State and association charges	41	40	40
Veterinary, breeding, testing, etc.	61	66	59
Supplies	114	119	105
Repairs and maintenance	121	118	108
Utilities	88	104	80
Occupancy costs	94	91	89
Depreciation - equipment	64	59	60
Interest	66	73	86
Miscellaneous	108	126	118
Total other costs	\$ 828	\$ 874	\$ 822
Total cost of operations	\$ 3,651	\$ 3,890	\$ 4,016
Net income (loss)	\$ (145)	\$ 1,115	\$ 100

See accompanying explanation of income and cost factors.

PER CWT. OF MILK

2015 2014 2013

\$ 15.81	\$ 22.46	\$ 19.13		
0.69	0.45	0.23		
\$ 16.50	\$ 22.91	\$ 19.36		
\$ 6.95	\$ 7.37	\$ 7.82		
4.14	4.40	4.70		
\$ 11.09	\$ 11.77	\$ 12.52		
\$ 1.40	\$ 1.28	\$ 1.29		
\$ 0.80	\$ 0.77	\$ 1.20		
\$ 0.33	\$ 0.36	\$ 0.36		
0.19	0.19	0.19		
0.29	0.30	0.27		
0.54	0.54	0.49		
0.57	0.54	0.51		
0.41	0.48	0.38		
0.45	0.42	0.42		
0.30	0.27	0.28		
0.31	0.34	0.40		
0.50	0.56	0.55		
\$ 3.89	\$ 4.00	\$ 3.85		
\$ 17.18	\$ 17.82	\$ 18.86		
\$ (0.68)	\$ 5.09	\$ 0.50		

YOUR 2015  
RESULTS

PER HEAD PER CWT.  
OF MILK

SUMMARY OF FINANCIAL STATISTICS

KERN COUNTY

December 31, 2015      December 31, 2014      December 31, 2013

1. Current Ratio	1.43 : 1	1.68 : 1	1.29 : 1
2. Herd Line Debt Per Cow	\$ 768	\$ 649	\$ 841
3. Total Debt Per Cow	\$ 3,404	\$ 2,929	\$ 3,001
4. Debt to Equity Ratio	0.97 : 1	0.84 : 1	1.19 : 1
5. Return on Total Assets	-1.50%	12.2%	1.3%
6. Income (loss) per milking cow per month	\$ (14.95)	\$ 149.10	\$ 36.88
1. The current ratio represents current assets divided by current liabilities.			
2. Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.			
3. Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.			
4. Debt to equity represents the total debt divided by the total equity.			
5. The return on total assets represents the net income divided by the total assets, stated at cost.			
6. Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.			

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2015, 2014, AND 2013  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

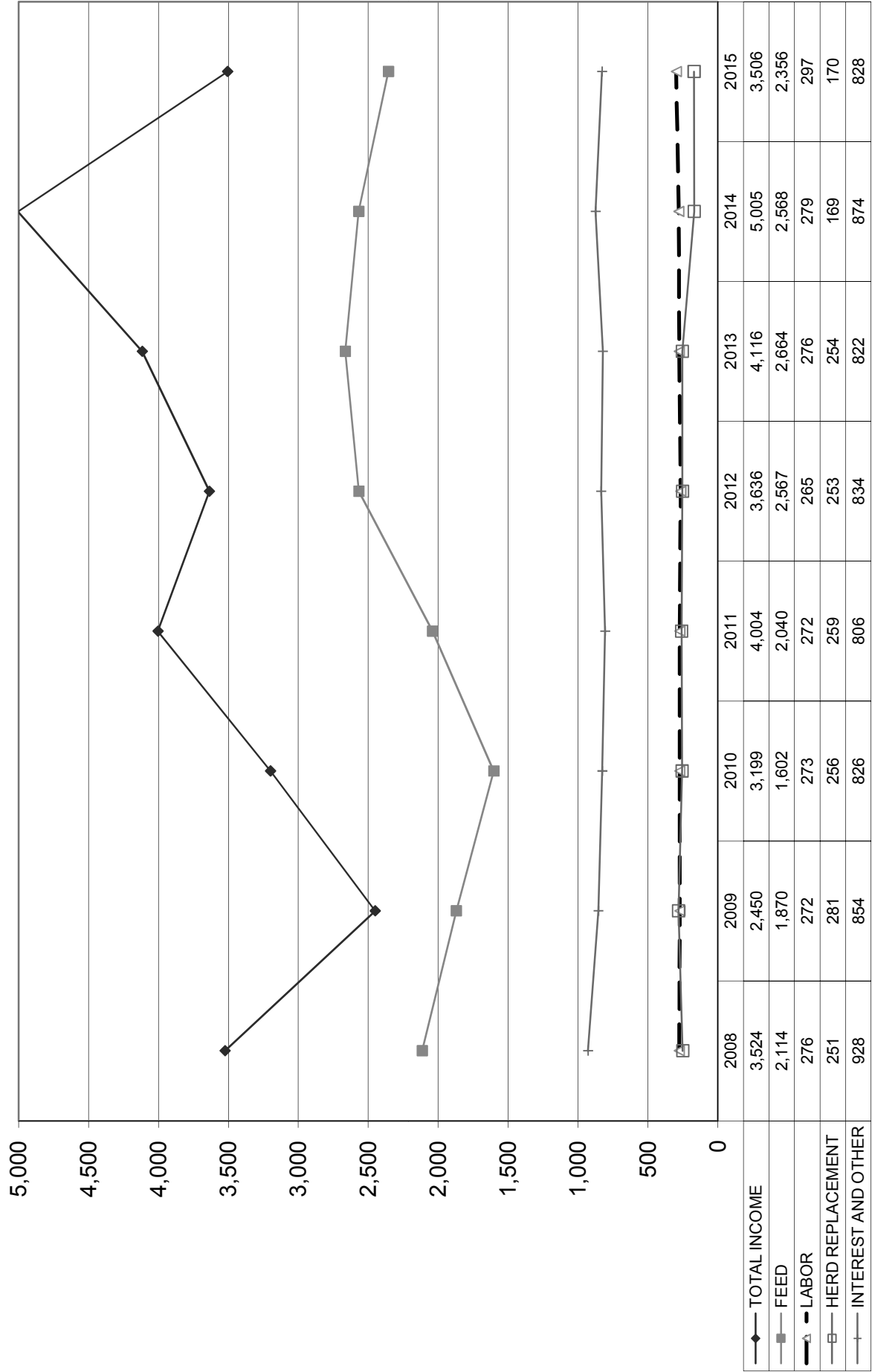
2015      2014      2013

PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	21,247	21,827	21,264
Daily pounds of milk, per milking cow	71.7	72.5	70.5
Butterfat test	3.65 %	3.64 %	3.73 %
Solids-non-fat test	8.89 %	8.88 %	8.88 %
Blend price per hundredweight	\$ 15.81	\$ 22.46	\$ 19.13
Milk receipts, per milking cow	\$ 4,137	\$ 6,063	\$ 4,920
HERD INFORMATION:			
Herd size - total	3,086	3,502	3,413
Percent of dry cows	18.8 %	17.5 %	17.4 %
Herd turnover rate	40.3 %	40.3 %	38.1 %
Composition of herd:			
Purchased cows	3 %	5 %	4 %
Self-raised cows	97 %	95 %	96 %
Cost of purchased cows	\$ 1,719	\$ 1,672	\$ 1,251
Beef price received	\$ 1,049	\$ 1,066	\$ 808
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	44.0 %	32.8 %	40.9 %
Hay and other	26.2 %	19.6 %	24.6 %
Totals	70.2 %	52.4 %	65.5 %

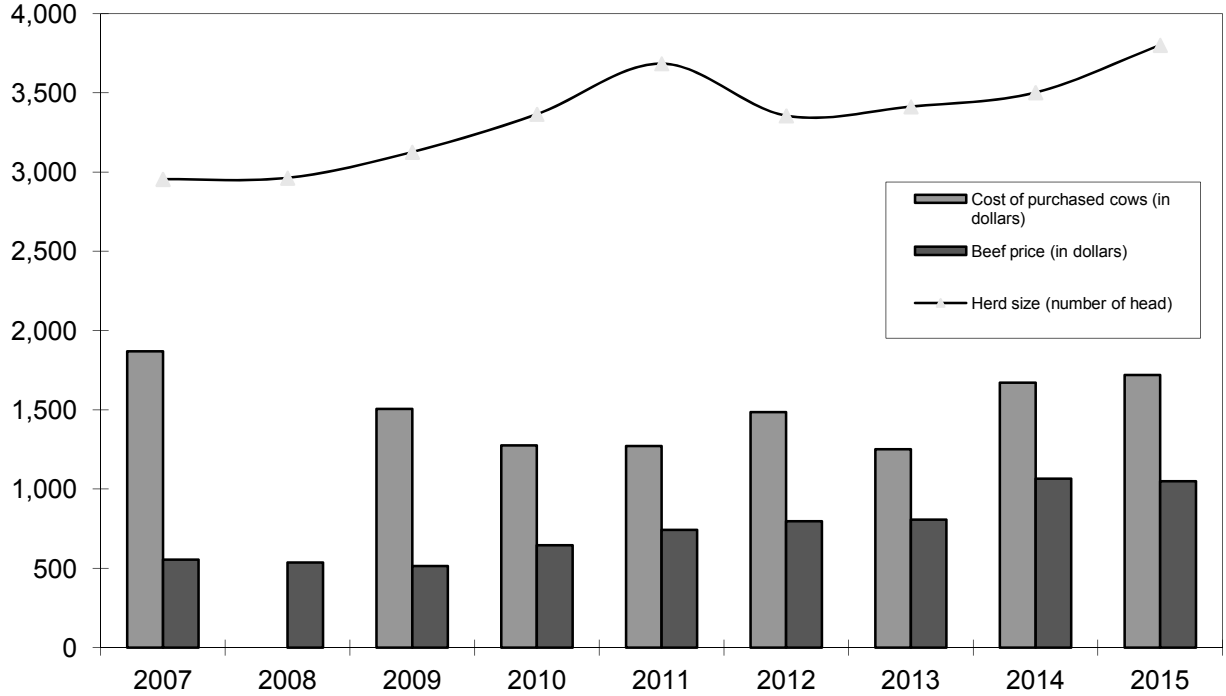
INCOME AND COST OF OPERATIONS				
	KERN COUNTY			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	December 31, 2015	December 31, 2014	December 31, 2013	
Income:				
Milk Sales	\$ 15.81	\$ 22.46	\$ 19.13	
Calves and other	0.69	0.45	0.23	
Total income	\$ 16.50	\$ 22.91	\$ 19.36	
Total cost of operations:				
Feed	\$ 11.09	\$ 11.77	\$ 12.52	
Labor	1.40	1.28	1.29	
Herd replacement costs	0.80	0.77	1.20	
Other costs	3.89	4.00	3.85	
Total costs of operations	\$ 17.18	\$ 17.82	\$ 18.86	
Net income (loss)	\$ (0.68)	\$ 5.09	\$ 0.50	
Cost of operations as a percentage of income	104.12%	77.78%	97.42%	
Feed costs as a percentage of milk sales	70.15%	52.40%	65.45%	
Net income (loss) per milking cow per month	\$ (14.95)	\$ 149.10	\$ 36.88	
Cumulative net income per cwt. from 2009 to 2015	\$ 3.62			

December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
\$ 16.97	\$ 19.02	\$ 15.31	\$ 12.27
0.25	0.19	0.15	0.10
\$ 17.22	\$ 19.21	\$ 15.46	\$ 12.37
\$ 12.15	\$ 9.78	\$ 7.75	\$ 9.45
1.25	1.31	1.31	1.38
1.20	1.24	1.24	1.42
3.92	3.86	3.97	4.32
\$ 18.52	\$ 16.19	\$ 14.27	\$ 16.57
\$ (1.30)	\$ 3.02	\$ 1.19	\$ (4.20)
107.55%	84.28%	92.30%	133.95%
71.60%	51.42%	50.62%	77.02%
\$ (8.21)	\$ 82.44	\$ 20.47	\$ (88.01)

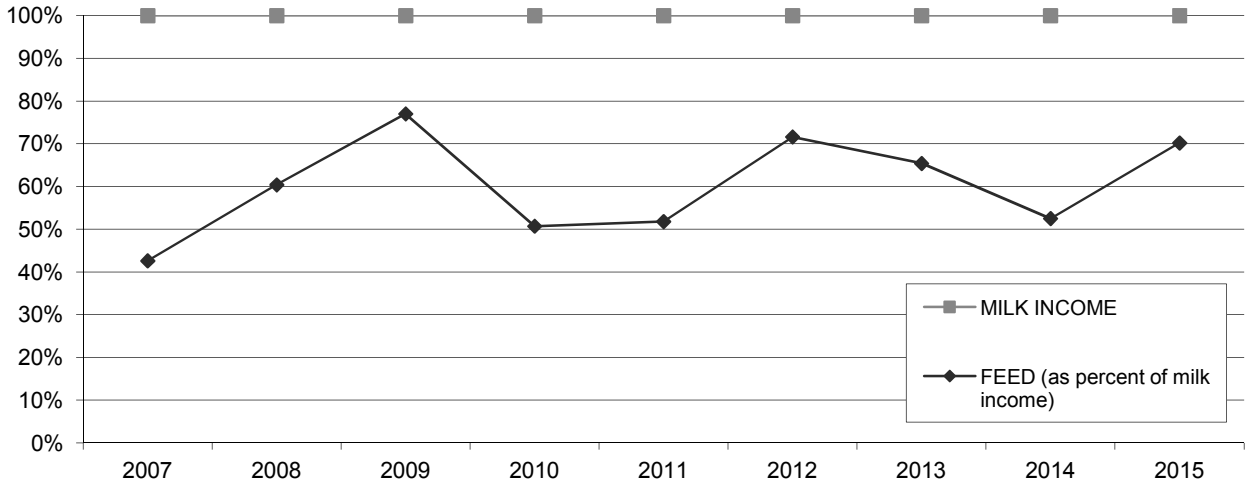
LONG-TERM TREND - ON A "PER HEAD" BASIS  
KERN COUNTY  
INCOME AND OPERATING COSTS  
2008 - 2015



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



FEED COST vs. MILK INCOME  
KERN COUNTY



CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2015, 2014, AND 2013  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

PER HEAD

201520142013

Income:			
Milk sales	\$ 3,703	\$ 5,113	\$ 4,351
Calves and other	203	263	80
Total income	\$ 3,906	\$ 5,376	\$ 4,431
Cost of operations:			
Feed:			
Grain	\$ 1,495	\$ 1,544	\$ 1,741
Hay and other	653	806	786
Total feed	\$ 2,148	\$ 2,350	\$ 2,527
Labor, (including fringe costs)	\$ 450	\$ 451	\$ 408
Herd replacement costs	\$ 198	\$ 151	\$ 221
Other costs:			
Milk hauling	\$ 98	\$ 92	\$ 97
State and association charges	75	97	55
Veterinary, breeding, testing, etc.	60	56	52
Supplies	183	162	140
Repairs and maintenance	139	155	121
Utilities	87	81	84
Occupancy costs	57	60	97
Depreciation - equipment	65	66	61
Interest	104	138	148
Miscellaneous	269	256	213
Total other costs	\$ 1,137	\$ 1,163	\$ 1,068
Total cost of operations	\$ 3,933	\$ 4,115	\$ 4,224
Net income (loss)	\$ (27)	\$ 1,261	\$ 207

See accompanying explanation of income and cost factors.

PER CWT. OF MILK

201520142013

YOUR 2015  
RESULTS

PER HEADPER CWT.  
OF MILK

\$ 16.33	\$ 23.35	\$ 20.10	\$	\$
0.87	1.20	0.35		
\$ 17.20	\$ 24.55	\$ 20.45	\$	\$
\$ 6.61	\$ 7.05	\$ 8.05	\$	\$
2.88	3.69	3.63		
\$ 9.49	\$ 10.74	\$ 11.68	\$	\$
\$ 1.97	\$ 2.06	\$ 1.89	\$	\$
\$ 0.87	\$ 0.69	\$ 1.02	\$	\$
\$ 0.43	\$ 0.42	\$ 0.45	\$	\$
0.33	0.45	0.26		
0.27	0.25	0.24		
0.81	0.74	0.65		
0.61	0.71	0.56		
0.39	0.37	0.39		
0.25	0.27	0.45		
0.29	0.30	0.28		
0.46	0.63	0.69		
1.17	1.16	0.99		
\$ 5.01	\$ 5.30	\$ 4.96	\$	\$
\$ 17.34	\$ 18.79	\$ 19.55	\$	\$
\$ (0.14)	\$ 5.76	\$ 0.90	\$	\$



SUMMARY OF FINANCIAL STATISTICS

ARIZONA			
	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	0.73 : 1	0.98 : 1	0.56 : 1
2. Herd Line Debt Per Cow	\$ 864	\$ 838	\$ 1,102
3. Total Debt Per Cow	\$ 3,097	\$ 3,072	\$ 3,271
4. Debt to Equity Ratio	1.50 : 1	1.36 : 1	2.29 : 1
5. Return on Total Assets	-0.4%	16.7%	3.0%
6. Income (loss) per milking cow per month	\$ (0.14)	\$ 124.79	\$ 25.32
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 twelve.			

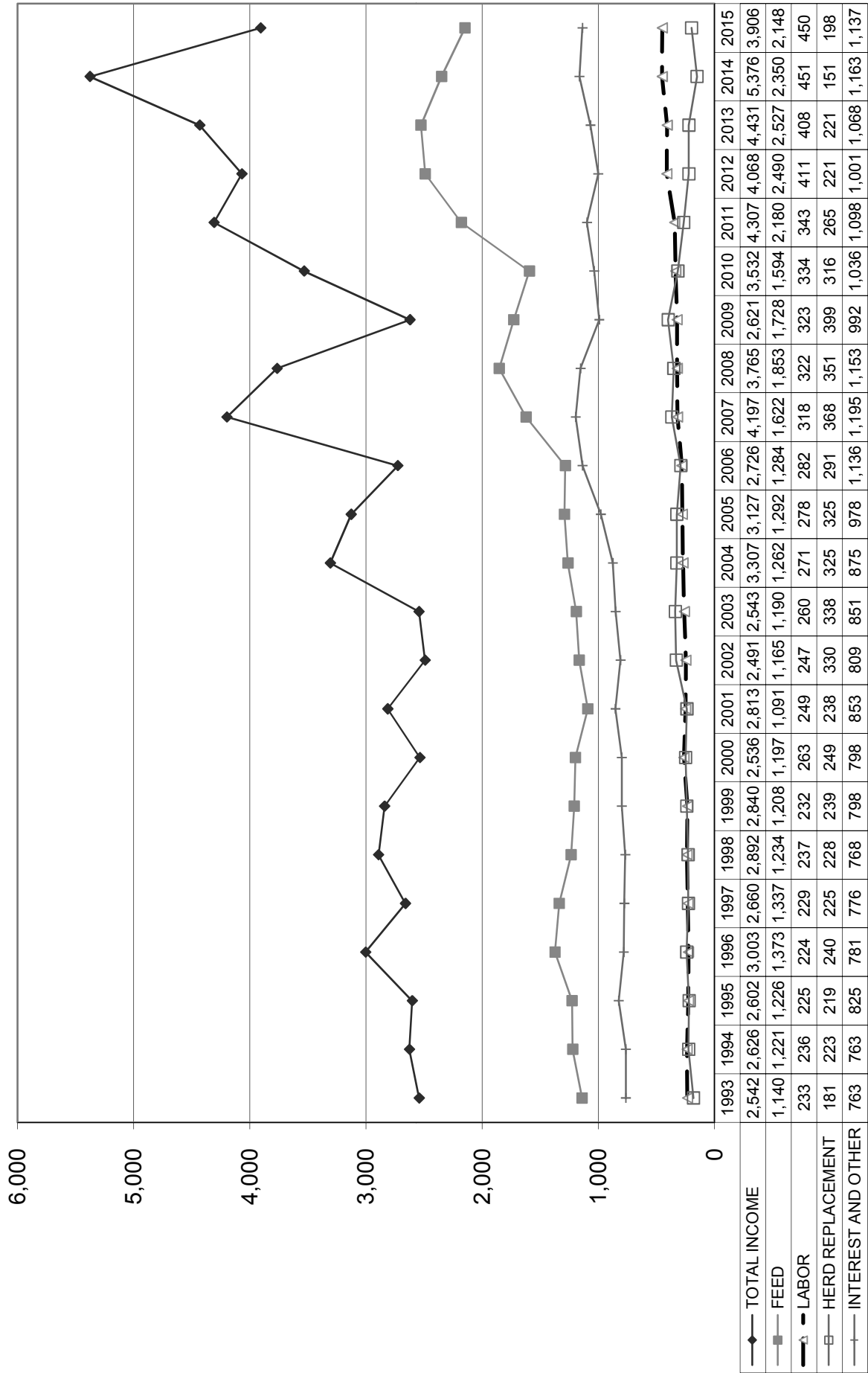
SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013 ARIZONA (BASED ON AVERAGE AMOUNTS)			
	2015	2014	2013
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	22,651	21,899	21,648
Daily pounds of milk, per milking cow	70.8	71.6	68.0
Butterfat test	3.33 %	3.33 %	3.37 %
Blend price per hundredweight	\$ 16.33	\$ 23.35	\$ 20.10
Milk receipts, per milking cow	\$ 4,224	\$ 6,099	\$ 4,990
<b>HERD INFORMATION:</b>			
Herd size - total	3,841	3,909	3,980
Percent of dry cows	12.3 %	16.1 %	12.8 %
Herd turnover rate	36.3 %	34.0 %	38.0 %
Composition of herd:			
Purchased cows	30 %	29 %	26 %
Self-raised cows	70 %	71 %	74 %
Cost of purchased cows	\$ 2,016	\$ 1,920	\$ 1,493
Beef price received	\$ 1,128	\$ 1,178	\$ 868
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	40.5 %	30.2 %	40.0 %
Hay and other	17.6 %	15.8 %	18.1 %
Totals	58.1 %	46.0 %	58.1 %

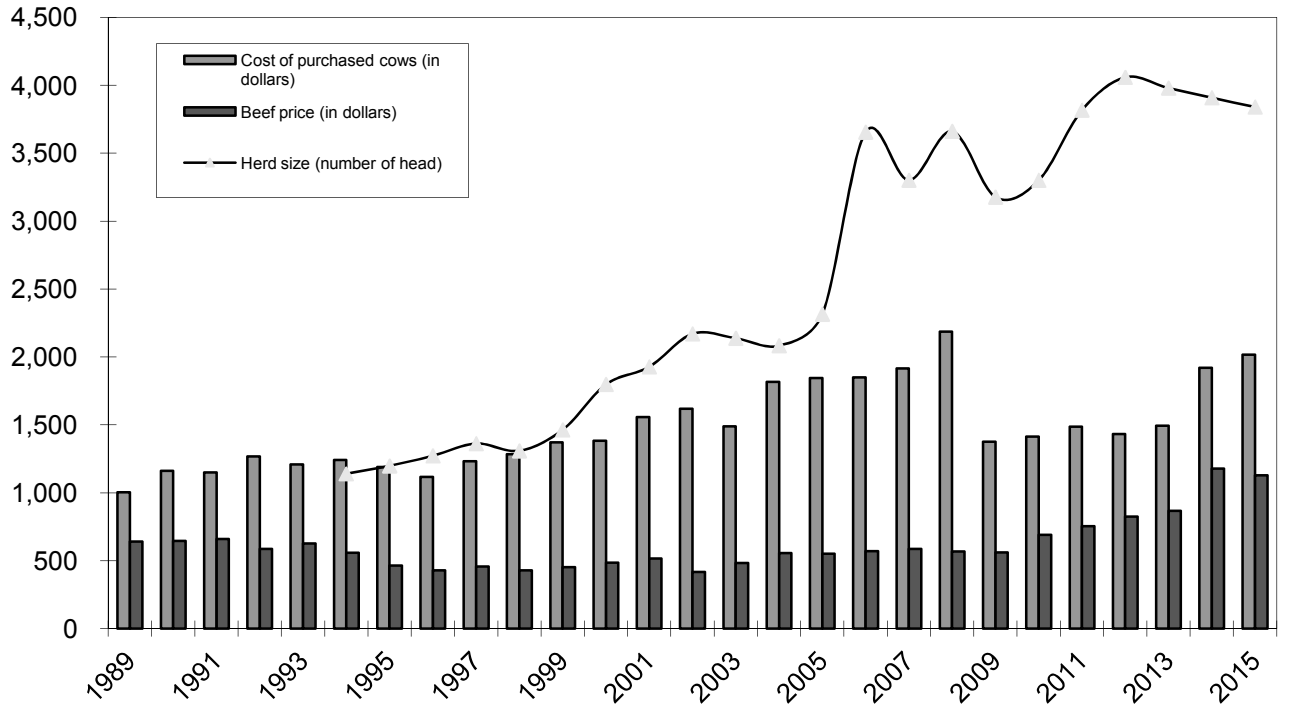
INCOME AND COST OF OPERATIONS				
	ARIZONA			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	December 31, 2015	December 31, 2014	December 31, 2013	
Income:				
Milk Sales	\$ 16.33	\$ 23.35	\$ 20.10	
Calves and other	0.87	1.20	0.35	
Total income	\$ 17.20	\$ 24.55	\$ 20.45	
Total cost of operations:				
Feed	\$ 9.49	\$ 10.74	\$ 11.68	
Labor	1.97	2.06	1.89	
Herd replacement costs	0.87	0.69	1.02	
Other costs	5.01	5.30	4.96	
Total costs of operations	\$ 17.34	\$ 18.79	\$ 19.55	
Net income (loss)	\$ (0.14)	\$ 5.76	\$ 0.90	
Cost of operations as a percentage of income	100.81%	76.54%	95.60%	
Feed costs as a percentage of milk sales	58.11%	46.00%	58.11%	
Net income (loss) per milking cow per month	\$ (0.14)	\$ 124.79	\$ 25.32	
Cumulative net income per cwt. from 2009 to 2015	\$ 5.42			

December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
\$ 18.48	\$ 20.74	\$ 16.47	\$ 12.58
0.32	0.28	0.11	0.25
\$ 18.80	\$ 21.02	\$ 16.58	\$ 12.83
\$ 11.49	\$ 10.61	\$ 7.49	\$ 8.46
1.89	1.67	1.58	1.60
1.02	1.29	1.49	1.95
4.64	5.39	4.88	4.88
\$ 19.04	\$ 18.96	\$ 15.44	\$ 16.89
\$ (0.24)	\$ 2.06	\$ 1.14	\$ (4.06)
101.28%	90.20%	93.12%	131.64%
62.18%	51.16%	45.48%	67.25%
\$ (4.28)	\$ 42.84	\$ 28.71	\$ (84.26)

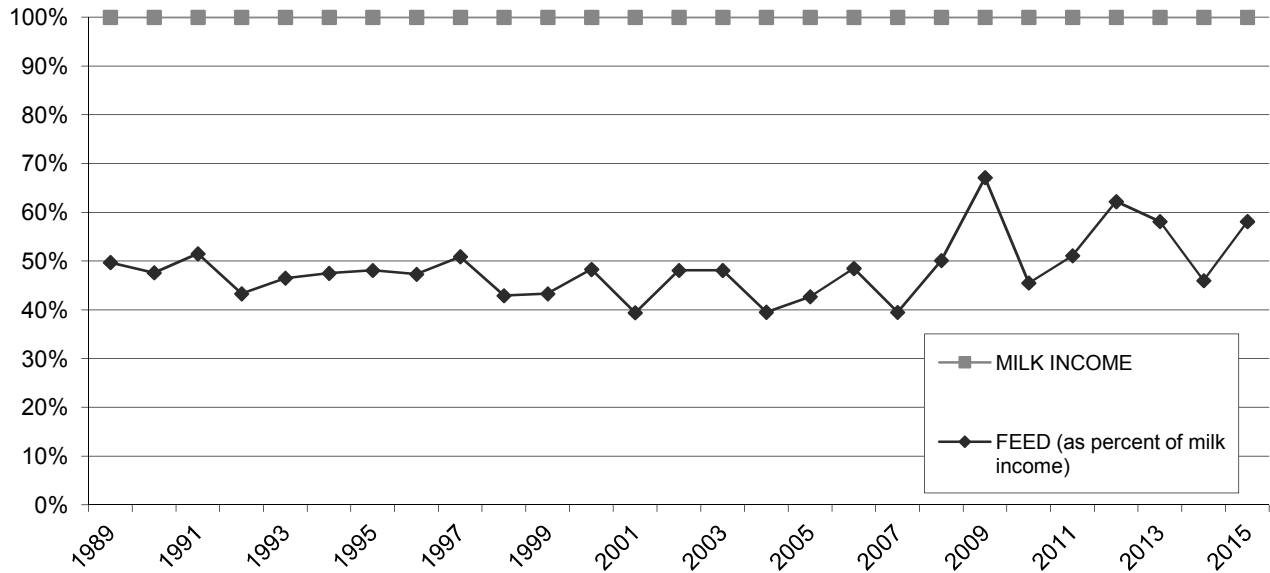
LONG-TERM TREND - ON A "PER HEAD" BASIS  
ARIZONA  
INCOME AND OPERATING COSTS  
1993 - 2015



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, 2015, 2014, AND 2013  
IDAHO  
(BASED ON AVERAGE AMOUNTS)

PER HEAD

2015 2014 2013

Income:			
Milk sales	\$ 3,809	\$ 5,563	\$ 4,469
Calves and other	190	156	98
Total income	\$ 3,999	\$ 5,719	\$ 4,567
Cost of operations:			
Feed:			
Grain	\$ 1,398	\$ 1,706	\$ 1,658
Hay and other	741	878	862
Total feed	\$ 2,139	\$ 2,584	\$ 2,520
Labor, (including fringe costs)	\$ 381	\$ 434	\$ 382
Herd replacement costs	\$ 261	\$ 164	\$ 258
Other costs:			
Milk hauling	\$ 64	\$ 75	\$ 70
State and association charges	47	51	46
Veterinary, breeding, testing, etc.	108	111	93
Supplies	132	217	184
Repairs and maintenance	155	192	185
Utilities	45	56	48
Occupancy costs	148	97	98
Depreciation - equipment	61	80	79
Interest	60	82	92
Miscellaneous	160	198	182
Total other costs	\$ 980	\$ 1,159	\$ 1,077
Total cost of operations	\$ 3,761	\$ 4,341	\$ 4,237
Net income	\$ 238	\$ 1,378	\$ 330

PER CWT. OF MILK

2015 2014 2013

\$ 15.90	\$ 22.55	\$ 19.05		
0.79	0.62	0.40		
\$ 16.69	\$ 23.17	\$ 19.45		
\$ 5.84	\$ 6.91	\$ 7.06		
3.09	3.57	3.67		
\$ 8.93	\$ 10.48	\$ 10.73		
\$ 1.60	\$ 1.75	\$ 1.63		
\$ 1.09	\$ 0.66	\$ 1.10		
\$ 0.27	\$ 0.30	\$ 0.30		
0.20	0.21	0.20		
0.45	0.45	0.40		
0.55	0.88	0.78		
0.65	0.78	0.79		
0.19	0.23	0.21		
0.62	0.39	0.41		
0.25	0.32	0.34		
0.25	0.33	0.39		
0.66	0.80	0.77		
\$ 4.09	\$ 4.69	\$ 4.59		
\$ 15.71	\$ 17.58	\$ 18.05		
\$ 0.98	\$ 5.59	\$ 1.40		

YOUR 2015

RESULTS

PER HEAD PER CWT.  
OF MILK

SUMMARY OF FINANCIAL STATISTICS

IDAHO			
	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	1.04 : 1	1.04 : 1	1.01 : 1
2. Herd Line Debt Per Cow	\$ 383	\$ 581	\$ 603
3. Total Debt Per Cow	\$ 2,427	\$ 2,546	\$ 2,468
4. Debt to Equity Ratio	0.97 : 1	0.8 : 1	1.06 : 1
5. Return on Total Assets	3.5%	16.7%	4.8%
6. Income per milking cow per month	\$ 27.14	\$ 138.34	\$ 40.28
1. The current ratio represents current assets divided by current liabilities.			
2. Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.			
3. Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.			
4. Debt to equity represents the total debt divided by the total equity.			
5. The return on total assets represents the net income divided by the total assets, stated at cost.			
6. Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.			

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

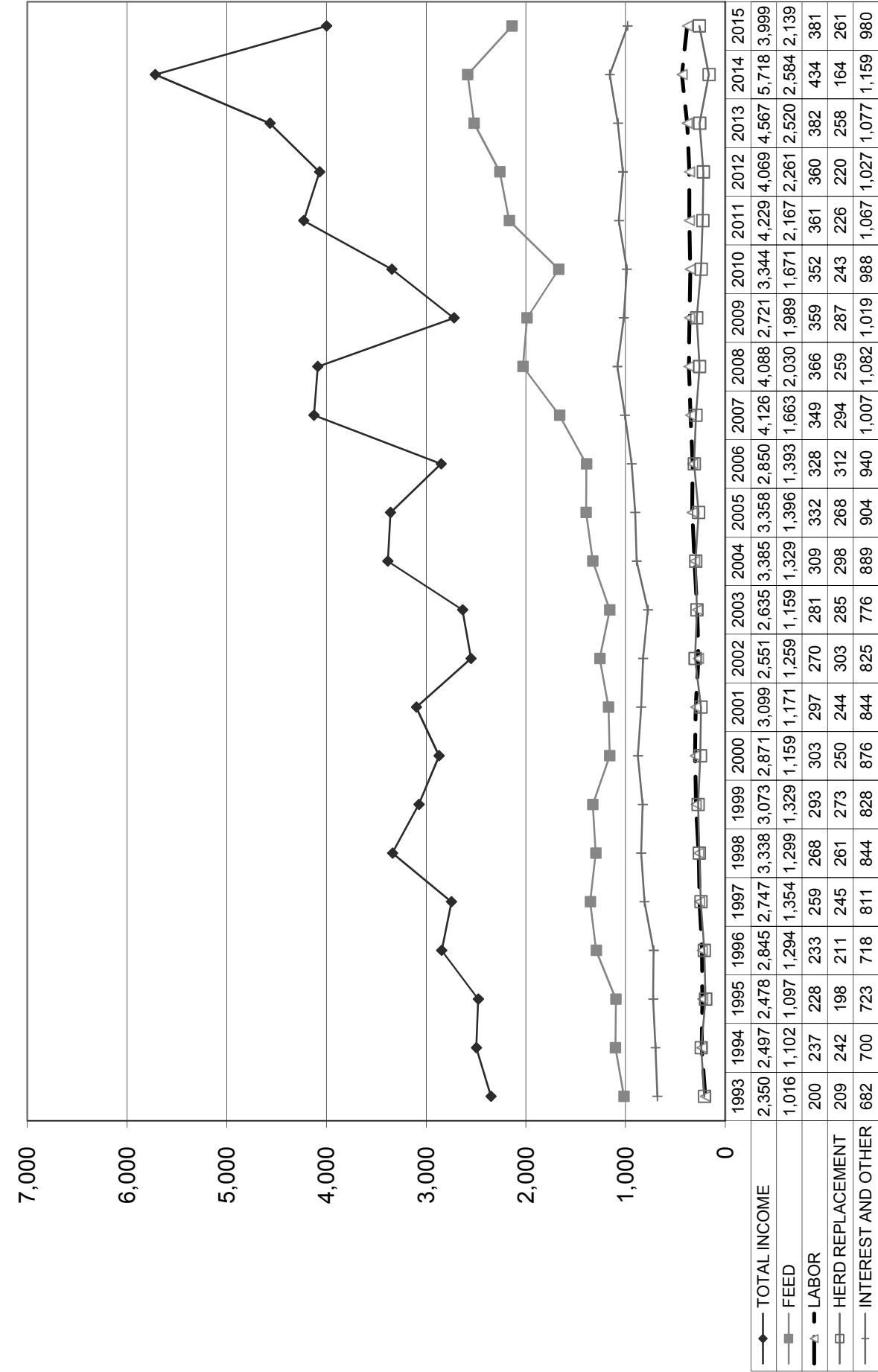
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013 IDAHO (BASED ON AVERAGE AMOUNTS)			
	2015	2014	2013
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	23,947	24,667	23,462
Daily pounds of milk, per milking cow	74.6	76.4	72.9
Butterfat test	3.69 %	3.65 %	3.72 %
Blend price per hundredweight	\$ 15.90	\$ 22.55	\$ 19.05
Milk receipts, per milking cow	\$ 4,331	\$ 6,292	\$ 5,067
HERD INFORMATION:			
Herd size - total	5,626	4,369	3,929
Percent of dry cows	12.1 %	11.6 %	11.8 %
Herd turnover rate	42.3 %	39.4 %	44.8 %
Composition of herd:			
Purchased cows	31 %	15 %	4 %
Self-raised cows	69 %	85 %	96 %
Cost of purchased cows	\$ 1,790	\$ 1,770	\$ 1,367
Beef price received	\$ 1,069	\$ 1,167	\$ 783
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	36.7 %	30.6 %	37.1 %
Hay and other	19.4 %	15.8 %	19.3 %
Totals	56.1 %	46.4 %	56.4 %

INCOME AND COST OF OPERATIONS				
	IDAHO			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	December 31, 2015	December 31, 2014	December 31, 2013	
Income:				
Milk Sales	\$ 15.90	\$ 22.55	\$ 19.05	
Calves and other	0.79	0.62	0.40	
Total income	\$ 16.69	\$ 23.17	\$ 19.45	
Total cost of operations:				
Feed	\$ 8.93	\$ 10.48	\$ 10.73	
Labor	1.60	1.75	1.63	
Herd replacement costs	1.09	0.66	1.10	
Other costs	4.09	4.69	4.59	
Total costs of operations	\$ 15.71	\$ 17.58	\$ 18.05	
Net income (loss)	\$ 0.98	\$ 5.59	\$ 1.40	
Cost of operations as a percentage of income	94.13%	75.87%	92.80%	
Feed costs as a percentage of milk sales	56.16%	46.47%	56.33%	
Net income (loss) per milking cow per month	\$ 27.14	\$ 138.34	\$ 40.28	
Cumulative net income per cwt. from 2009 to 2015	\$ 6.88			

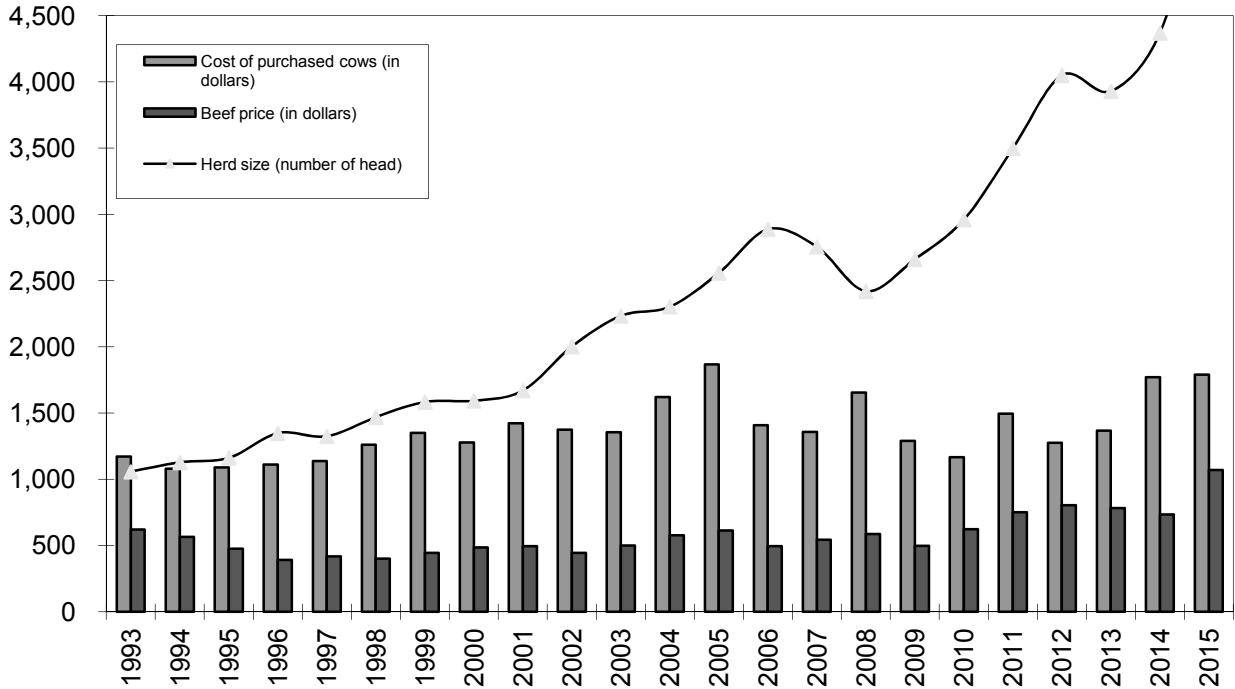
December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
\$ 18.07	\$ 18.88	\$ 15.15	\$ 12.27
0.43	0.20	0.16	0.25
\$ 18.50	\$ 19.08	\$ 15.31	\$ 12.52
\$ 10.29	\$ 9.78	\$ 7.66	\$ 9.14
1.64	1.63	1.62	1.65
1.00	1.02	1.12	1.32
4.67	4.77	4.49	4.70
\$ 17.60	\$ 17.20	\$ 14.89	\$ 16.81
\$ 0.90	\$ 1.88	\$ 0.42	\$ (4.29)
95.14%	90.15%	97.26%	134.27%
56.95%	51.80%	50.56%	74.49%
\$ 32.95	\$ 56.87	\$ 18.16	\$ (81.62)



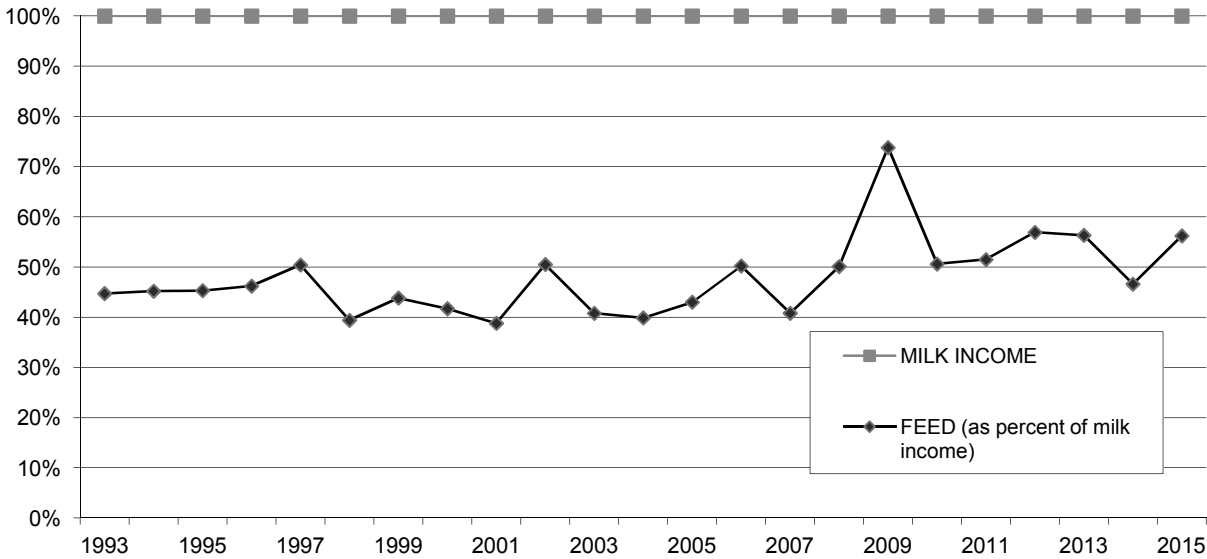
LONG-TERM TREND - ON A "PER HEAD" BASIS  
IDAHO  
INCOME AND OPERATING COSTS  
1993 - 2015



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, 2015, 2014, AND 2013 NEW MEXICO (BASED ON AVERAGE AMOUNTS)			
	PER HEAD			
	2015	2014	2013	
Income:				
Milk sales	\$ 2,766	\$ 4,259	\$ 3,839	
Calves and other	126	186	85	
Total income	\$ 2,892	\$ 4,445	\$ 3,924	
Cost of operations:				
Feed:				
Grain	\$ 1,133	\$ 1,458	\$ 1,673	
Hay and other	610	715	718	
Total feed	\$ 1,743	\$ 2,173	\$ 2,391	
Labor, (including fringe costs)	\$ 344	\$ 329	\$ 318	
Herd replacement costs	\$ 159	\$ 104	\$ 162	
Other costs:				
Milk hauling	\$ 162	\$ 182	\$ 178	
State and association charges	64	67	73	
Veterinary, breeding, testing, etc.	100	109	97	
Supplies	98	85	88	
Repairs and maintenance	124	132	105	
Utilities	64	70	67	
Occupancy costs	70	73	71	
Depreciation - equipment	58	57	56	
Interest	77	84	92	
Miscellaneous	154	236	193	
Total other costs	\$ 971	\$ 1,095	\$ 1,020	
Total cost of operations	\$ 3,217	\$ 3,701	\$ 3,891	
Net income (loss)	\$ (325)	\$ 744	\$ 33	

PER CWT. OF MILK			YOUR 2015 RESULTS	
2015	2014	2013	PER HEAD	PER CWT. OF MILK
\$ 16.50	\$ 23.46	\$ 19.53	\$	\$
0.75	1.03	0.43		
\$ 17.25	\$ 24.49	\$ 19.96	\$	\$
\$ 6.75	\$ 8.04	\$ 8.51	\$	\$
3.64	3.94	3.65		
\$ 10.39	\$ 11.98	\$ 12.16	\$	\$
\$ 2.05	\$ 1.81	\$ 1.62	\$	\$
\$ 0.95	\$ 0.57	\$ 0.82	\$	\$
\$ 0.97	\$ 1.00	\$ 0.91	\$	\$
0.38	0.37	0.37		
0.60	0.60	0.49		
0.58	0.47	0.45		
0.74	0.72	0.53		
0.38	0.39	0.34		
0.42	0.40	0.36		
0.35	0.31	0.29		
0.46	0.46	0.47		
0.92	1.31	0.99		
\$ 5.80	\$ 6.03	\$ 5.20	\$	\$
\$ 19.19	\$ 20.39	\$ 19.80	\$	\$
\$ (1.94)	\$ 4.10	\$ 0.16	\$	\$

SUMMARY OF FINANCIAL STATISTICS

NEW MEXICO			
	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	0.85 : 1	1.13 : 1	1.12 : 1
2. Herd Line Debt Per Cow	\$ 605	\$ 521	\$ 749
3. Total Debt Per Cow	\$ 2,227	\$ 2,009	\$ 2,493
4. Debt to Equity Ratio	0.99 : 1	0.80 : 1	1.37 : 1
5. Return on Total Assets	-5.2%	11.6%	0.5%
6. Income (loss) per milking cow per month	\$ (14.91)	\$ 99.60	\$ 23.28
1. The current ratio represents current assets divided by current liabilities.			
2. Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.			
3. Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.			
4. Debt to equity represents the total debt divided by the total equity.			
5. The return on total assets represents the net income divided by the total assets, stated at cost.			
6. Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.			

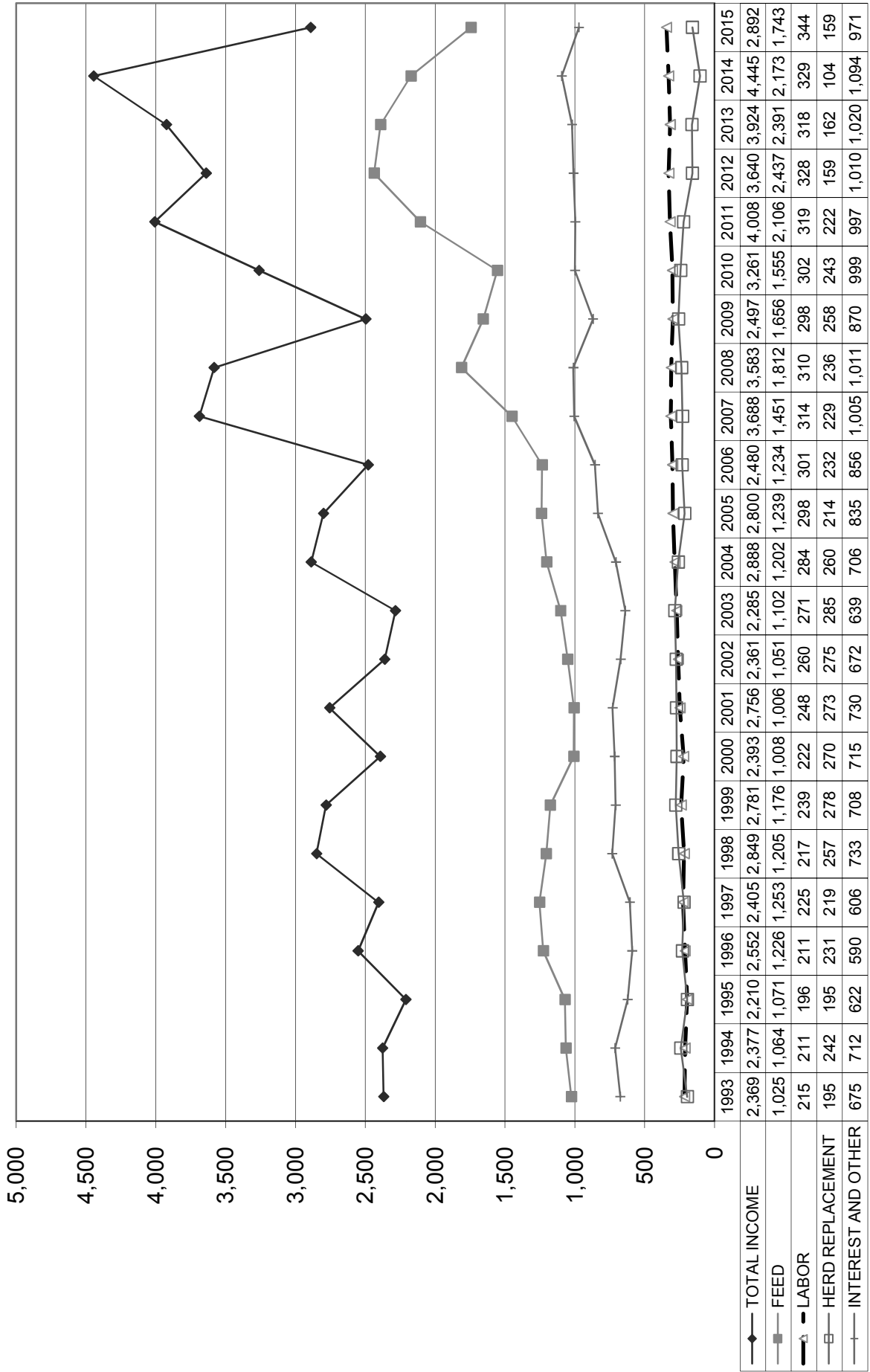
SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013 NEW MEXICO (BASED ON AVERAGE AMOUNTS)			
	2015	2014	2013
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	16,769	18,148	19,652
Daily pounds of milk, per milking cow	63.1	65.9	67.8
Butterfat test	3.51 %	3.53 %	3.52 %
Blend price per hundredweight	\$ 16.50	\$ 23.46	\$ 19.53
Milk receipts, per milking cow	\$ 3,797	\$ 5,647	\$ 4,833
<b>HERD INFORMATION:</b>			
Herd size - total	3,729	3,453	5,186
Percent of dry cows	27.1 %	24.6 %	20.6 %
Herd turnover rate	31.7 %	35.5 %	41.1 %
Composition of herd:			
Purchased cows	18 %	12 %	19 %
Self-raised cows	82 %	88 %	81 %
Cost of purchased cows	\$ 2,251	\$ 1,942	\$ 1,335
Beef price received	\$ 1,024	\$ 1,182	\$ 926
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	40.9 %	34.3 %	43.6 %
Hay and other	22.1 %	16.8 %	18.7 %
Totals	63.0 %	51.1 %	62.3 %

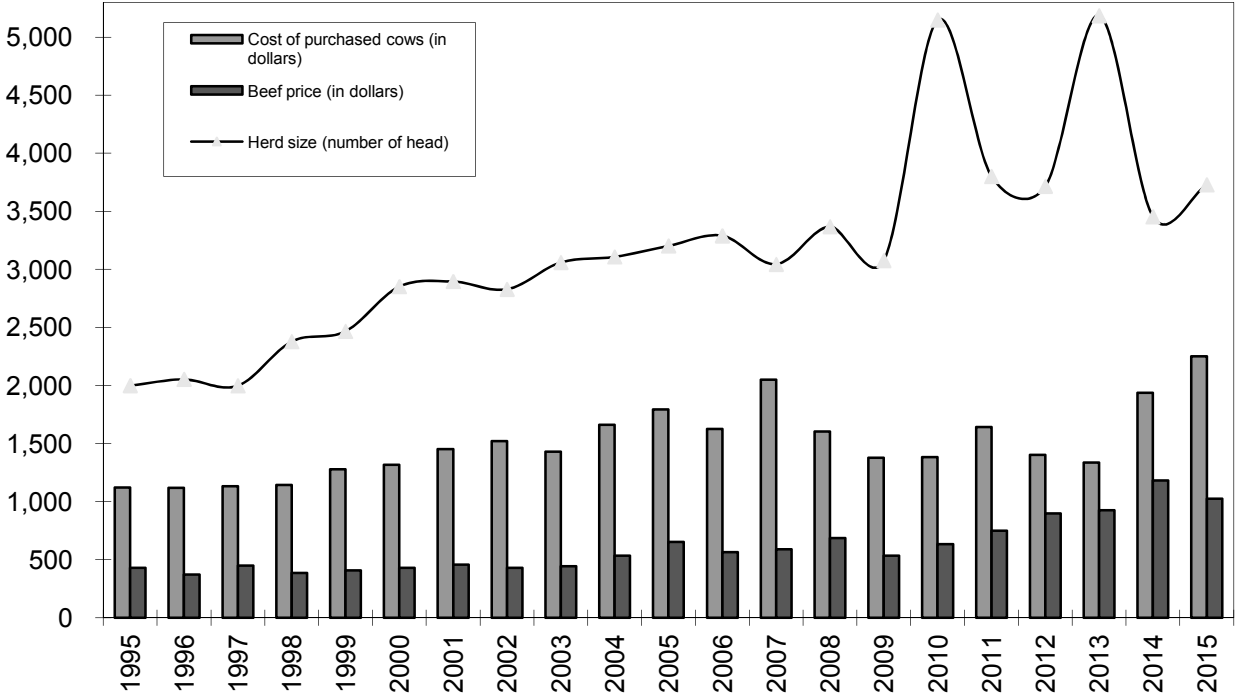
INCOME AND COST OF OPERATIONS				
	NEW MEXICO			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	December 31, 2015	December 31, 2014	December 31, 2013	
Income:				
Milk Sales	\$ 16.50	\$ 23.46	\$ 19.53	
Calves and other	0.75	1.03	0.43	
Total income	\$ 17.25	\$ 24.49	\$ 19.96	
Total cost of operations:				
Feed	\$ 10.39	\$ 11.98	\$ 12.16	
Labor	2.05	1.81	1.62	
Herd replacement costs	0.95	0.57	0.82	
Other costs	5.80	6.03	5.20	
Total costs of operations	\$ 19.19	\$ 20.39	\$ 19.80	
Net income (loss)	\$ (1.94)	\$ 4.10	\$ 0.16	
Cost of operations as a percentage of income	111.25%	83.26%	99.20%	
Feed costs as a percentage of milk sales	62.97%	51.07%	62.26%	
Net income (loss) per milking cow per month	\$ (14.91)	\$ 99.60	\$ 23.28	
Cumulative net income per cwt. from 2009 to 2015	\$ 0.38			

December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
\$ 18.31	\$ 19.89	\$ 17.02	\$ 12.83
0.39	0.29	0.18	0.25
\$ 18.70	\$ 20.18	\$ 17.20	\$ 13.08
\$ 12.54	\$ 10.62	\$ 8.23	\$ 8.68
1.70	1.62	1.60	1.56
0.82	1.12	1.28	1.35
5.20	5.03	5.22	4.53
\$ 20.26	\$ 18.39	\$ 16.33	\$ 16.12
\$ (1.56)	\$ 1.79	\$ 0.87	\$ (3.04)
108.34%	91.13%	94.94%	123.24%
68.49%	53.39%	48.35%	67.65%
\$ (15.48)	\$ 49.14	\$ 27.80	\$ (55.60)

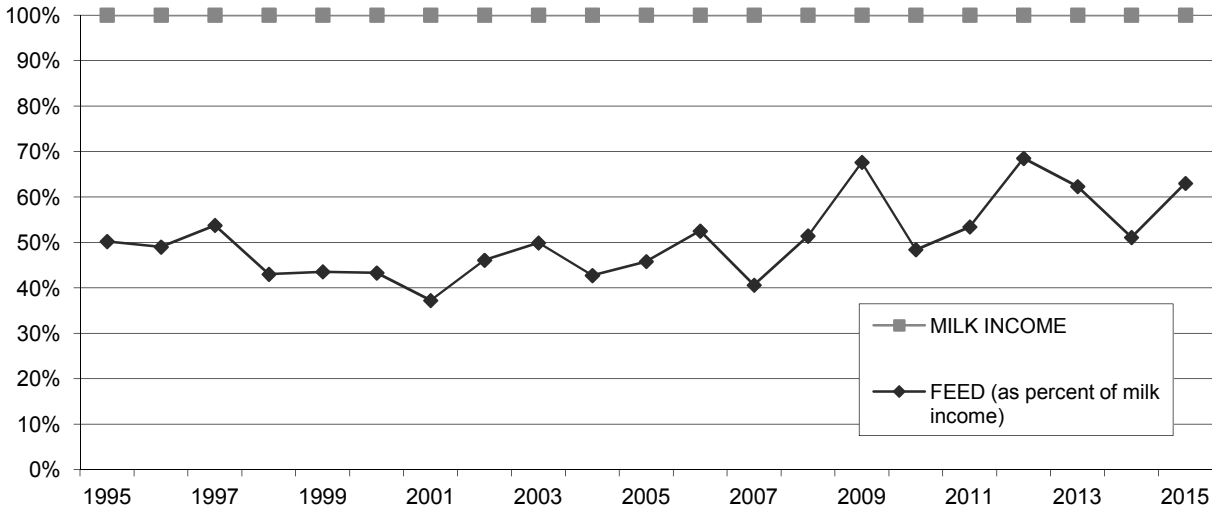
LONG-TERM TREND - ON A "PER HEAD" BASIS  
NEW MEXICO  
INCOME AND OPERATING COSTS  
1993 - 2015



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



FEED COST vs. MILK INCOME  
NEW MEXICO



CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2015, 2014 AND 2013  
PANHANDLE  
(BASED ON AVERAGE AMOUNTS)

PER HEAD

2015 2014 2013

Income:			
Milk sales	\$ 3,789	\$ 5,115	\$ 4,213
Calves and other	146	97	87
Total income	\$ 3,935	\$ 5,212	\$ 4,300
Cost of operations:			
Feed:			
Grain	\$ 1,344	\$ 1,544	\$ 1,765
Hay and other	679	769	855
Total feed	\$ 2,023	\$ 2,313	\$ 2,620
Labor, (including fringe costs)	\$ 420	\$ 354	\$ 335
Herd replacement costs	\$ 215	\$ 144	\$ 236
Other costs:			
Milk hauling	\$ 147	\$ 177	\$ 144
State and association charges	65	66	61
Veterinary, breeding, testing, etc.	125	90	91
Supplies	186	135	117
Repairs and maintenance	161	120	105
Utilities	42	52	51
Occupancy costs	115	148	133
Depreciation - equipment	78	66	63
Interest	87	76	85
Miscellaneous	203	219	169
Total other costs	\$ 1,209	\$ 1,149	\$ 1,019
Total cost of operations	\$ 3,867	\$ 3,960	\$ 4,210
Net income	\$ 68	\$ 1,252	\$ 90

PER CWT. OF MILK

2015 2014 2013

\$ 17.69	\$ 23.85	\$ 20.65		
0.68	0.46	0.44		
\$ 18.37	\$ 24.31	\$ 21.09		
\$ 6.28	\$ 7.20	\$ 8.66		
3.17	3.59	4.20		
\$ 9.45	\$ 10.79	\$ 12.86		
\$ 1.95	\$ 1.65	\$ 1.65		
\$ 1.01	\$ 0.67	\$ 1.16		
\$ 0.69	\$ 0.82	\$ 0.71		
0.30	0.31	0.30		
0.58	0.42	0.45		
0.87	0.62	0.56		
0.75	0.56	0.51		
0.19	0.24	0.25		
0.54	0.68	0.64		
0.37	0.31	0.31		
0.41	0.37	0.43		
0.95	1.04	0.85		
\$ 5.65	\$ 5.37	\$ 5.01		
\$ 18.06	\$ 18.48	\$ 20.68		
\$ 0.31	\$ 5.83	\$ 0.41		

YOUR 2015  
RESULTS

PER HEAD PER CWT.  
OF MILK



SUMMARY OF FINANCIAL STATISTICS

PANHANDLE

	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	1.35 : 1	1.35 : 1	0.77 : 1
2. Herd Line Debt Per Cow	\$ 592	\$ 747	\$ 848
3. Total Debt Per Cow	\$ 2,320	\$ 2,667	\$ 2,757
4. Debt to Equity Ratio	1.06 : 1	1.06 : 1	1.74 : 1
5. Return on Total Assets	1.1%	16.6%	1.4%
6. Income per milking cow per month	\$ 16.08	\$ 129.99	\$ 17.31
1. The current ratio represents current assets divided by current liabilities.			
2. Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.			
3. Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.			
4. Debt to equity represents the total debt divided by the total equity.			
5. The return on total assets represents the net income divided by the total assets, stated at cost.			
6. Income per milking cow per month represents each region's accrual based financial results divided by the number of milking cows, divided by twelve.			

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

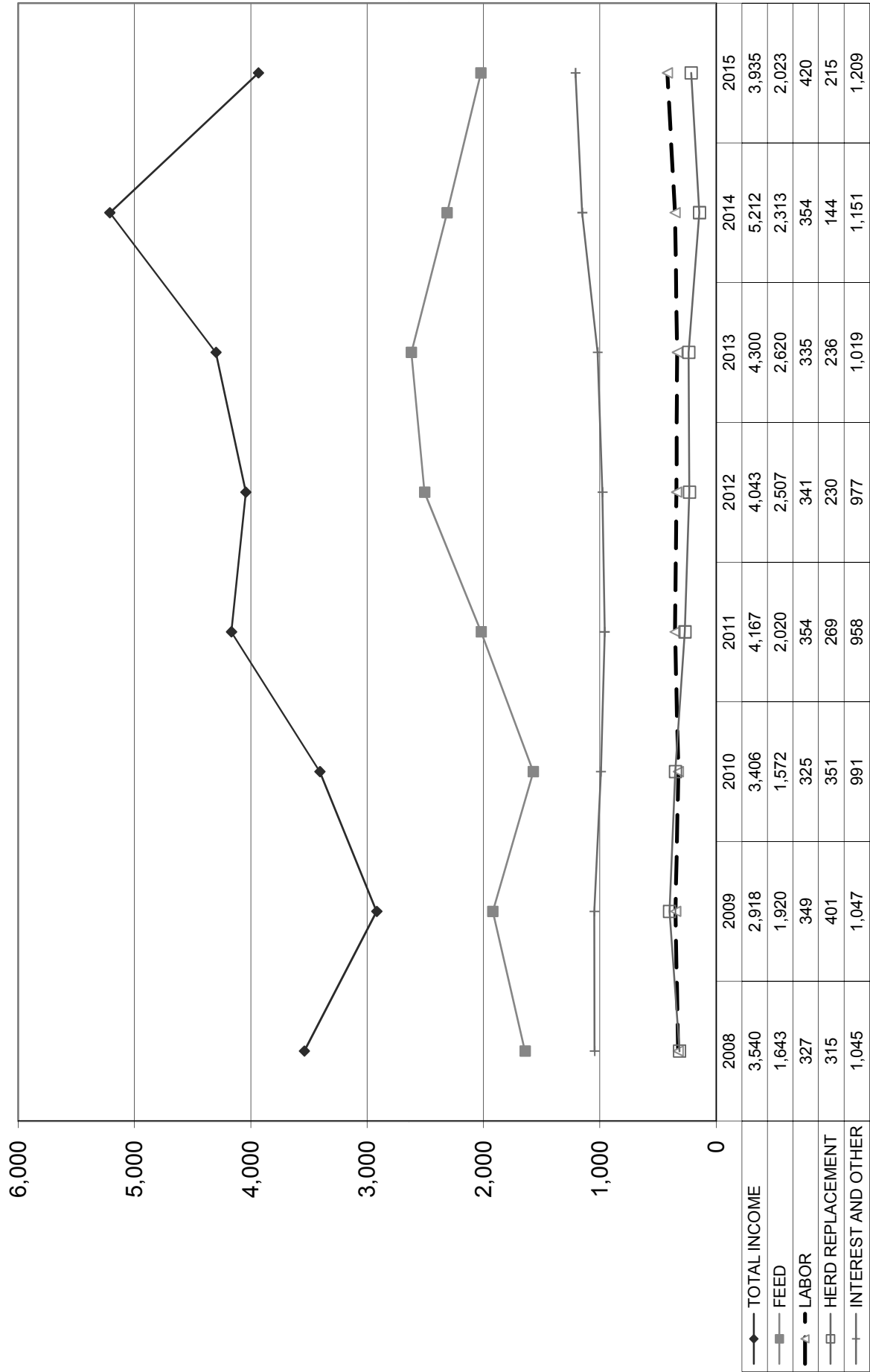
FOR THE YEARS ENDED  
DECEMBER 31, 2015, 2014, AND 2013  
PANHANDLE  
(BASED ON AVERAGE AMOUNTS)

	2015	2014	2013
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,422	21,445	20,388
Daily pounds of milk, per milking cow	67.7	68.9	66.3
Butterfat test	3.84 %	3.76 %	3.82 %
Blend price per hundredweight	\$ 17.69	\$ 23.85	\$ 20.65
Milk receipts, per milking cow	\$ 4,370	\$ 5,995	\$ 4,998
<b>HERD INFORMATION:</b>			
Herd size - total	3,059	2,936	2,930
Percent of dry cows	13.3 %	14.7 %	15.7 %
Herd turnover rate	37.2 %	37.9 %	41.0 %
Composition of herd:			
Purchased cows	8 %	9 %	11 %
Self-raised cows	92 %	91 %	89 %
Cost of purchased cows	\$ 2,300	\$ 2,549	\$ 1,442
Beef price received	\$ 1,033	\$ 1,181	\$ 835
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	35.5 %	30.2 %	41.9 %
Hay and other	17.9 %	15.1 %	20.3 %
Totals	53.4 %	45.3 %	62.2 %

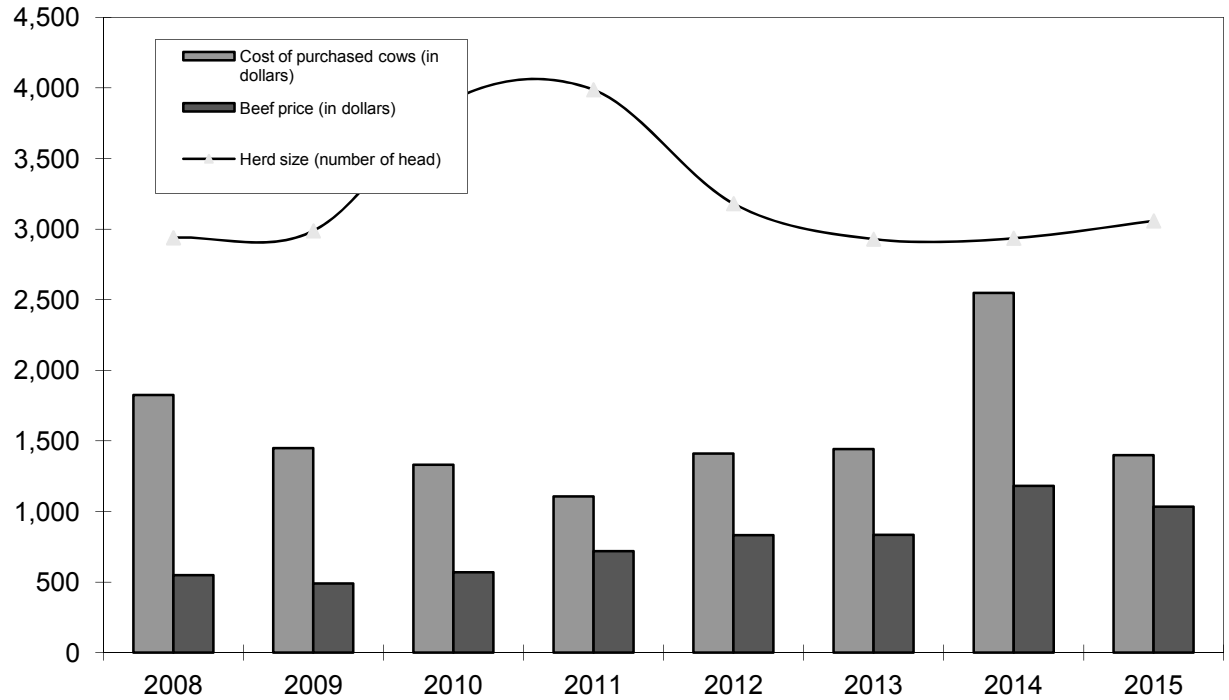
INCOME AND COST OF OPERATIONS				
	PANHANDLE			
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)			
	December 31, 2015	December 31, 2014	December 31, 2013	
Income:				
Milk Sales	\$ 17.69	\$ 23.85	\$ 20.65	
Calves and other	0.68	0.46	0.44	
Total income	\$ 18.37	\$ 24.31	\$ 21.09	
Total cost of operations:				
Feed	\$ 9.45	\$ 10.79	\$ 12.86	
Labor	1.95	1.65	1.65	
Herd replacement costs	1.01	0.67	1.16	
Other costs	5.65	5.37	5.01	
Total costs of operations	\$ 18.06	\$ 18.48	\$ 20.68	
Net income (loss)	\$ 0.31	\$ 5.83	\$ 0.41	
Cost of operations as a percentage of income	98.31%	76.02%	98.06%	
Feed costs as a percentage of milk sales	53.42%	45.24%	62.28%	
Net income (loss) per milking cow per month	\$ 16.08	\$ 129.99	\$ 17.31	
Cumulative net income per cwt. from 2009 to 2015	\$ 6.43			

December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
\$ 19.05	\$ 20.57	\$ 16.89	\$ 13.63
0.49	0.26	0.14	0.20
\$ 19.54	\$ 20.83	\$ 17.03	\$ 13.83
\$ 12.12	\$ 10.10	\$ 7.85	\$ 9.09
1.65	1.76	1.62	1.65
1.11	1.35	1.75	1.90
4.75	4.81	4.92	4.92
\$ 19.63	\$ 18.02	\$ 16.14	\$ 17.56
\$ (0.09)	\$ 2.81	\$ 0.89	\$ (3.73)
100.46%	86.51%	94.77%	126.97%
63.62%	49.10%	46.48%	66.69%
\$ (1.12)	\$ 53.28	\$ 17.85	\$ (61.10)

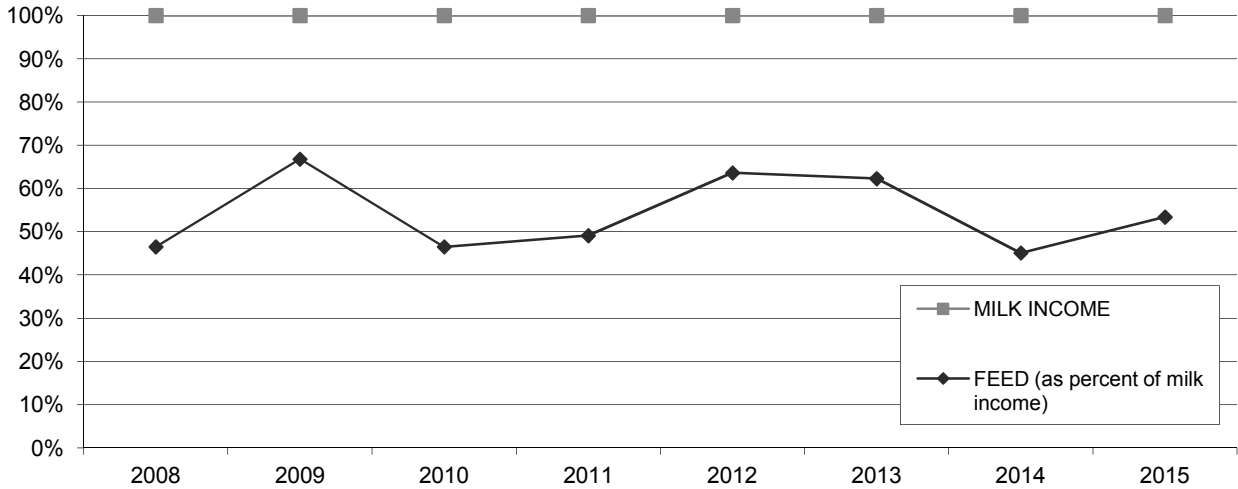
LONG-TERM TREND - ON A "PER HEAD" BASIS  
PANHANDLE  
INCOME AND OPERATING COSTS  
2008 - 2015



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



FEED COST vs. MILK INCOME  
THE PANHANDLE



CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2015, 2014, AND 2013  
PACIFIC NORTHWEST  
(BASED ON AVERAGE AMOUNTS)

PER HEAD

2015 2014 2013

Income:			
Milk sales	\$ 3,624	\$ 5,133	\$ 4,418
Calves and other	88	92	73
Total income	\$ 3,712	\$ 5,225	\$ 4,491
Cost of operations:			
Feed:			
Grain	\$ 1,163	\$ 1,490	\$ 1,549
Hay and other	902	987	1,006
Total feed	\$ 2,065	\$ 2,477	\$ 2,555
Labor, (including fringe costs)	\$ 402	\$ 406	\$ 373
Herd replacement costs	\$ 148	\$ 159	\$ 248
Other costs:			
Milk hauling	\$ 148	\$ 157	\$ 146
State and association charges	69	66	65
Veterinary, breeding, testing, etc.	126	141	128
Supplies	137	137	124
Repairs and maintenance	159	137	121
Utilities	38	44	42
Occupancy costs	162	182	182
Depreciation - equipment	56	74	68
Interest	70	78	85
Miscellaneous	162	168	152
Total other costs	\$ 1,127	\$ 1,184	\$ 1,113
Total cost of operations	\$ 3,742	\$ 4,226	\$ 4,289
Net income (loss)	\$ (30)	\$ 999	\$ 202

PER CWT. OF MILK

2015 2014 2013

\$ 16.79	\$ 23.19	\$ 20.48		
0.40	0.43	0.34		
\$ 17.19	\$ 23.62	\$ 20.82		
\$ 5.39	\$ 6.73	\$ 7.18		
4.19	4.45	4.65		
\$ 9.58	\$ 11.18	\$ 11.83		
\$ 1.85	\$ 1.83	\$ 1.73		
\$ 0.69	\$ 0.72	\$ 1.15		
\$ 0.68	\$ 0.71	\$ 0.68		
0.32	0.30	0.30		
0.58	0.64	0.59		
0.63	0.62	0.58		
0.74	0.62	0.56		
0.18	0.20	0.19		
0.76	0.82	0.85		
0.26	0.34	0.32		
0.32	0.35	0.40		
0.76	0.76	0.70		
\$ 5.23	\$ 5.36	\$ 5.17		
\$ 17.35	\$ 19.09	\$ 19.88		
\$ (0.16)	\$ 4.53	\$ 0.94		

YOUR 2015  
RESULTS

PER CWT.  
OF MILK

PER HEAD

SUMMARY OF FINANCIAL STATISTICS

PACIFIC NORTHWEST

December 31, 2015      December 31, 2014      December 31, 2013

1. Current Ratio	1.23 : 1	1.42 : 1	0.98 : 1
2. Herd Line Debt Per Cow	\$ 741	\$ 619	\$ 786
3. Total Debt Per Cow	\$ 2,157	\$ 2,087	\$ 2,791
4. Debt to Equity Ratio	1.50 : 1	0.81 : 1	1.50 : 1
5. Return on Total Assets	-0.6%	15.1%	3.1%
6. Income (loss) per milking cow per month	\$ (3.06)	\$ 110.56	\$ 32.97
1. The current ratio represents current assets divided by current liabilities.			
2. Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.			
3. Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.			
4. Debt to equity 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 twelve.			

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2015, 2014, AND 2013  
PACIFIC NORTHWEST  
(BASED ON AVERAGE AMOUNTS)

2015      2014      2013

PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	21,582	22,136	21,578
Daily pounds of milk, per milking cow	69.5	70.4	69.8
Butterfat test	3.85 %	3.79 %	3.80 %
Blend price per hundredweight	\$ 16.76	\$ 23.19	\$ 20.48
Milk receipts, per milking cow	\$ 4,262	\$ 5,956	\$ 5,214
HERD INFORMATION:			
Herd size - total	2,555	2,643	2,938
Percent of dry cows	15.0 %	13.8 %	15.2 %
Herd turnover rate	34.1 %	36.9 %	32.9 %
Composition of herd:			
Purchased cows	11 %	9 %	12 %
Self-raised cows	89 %	91 %	88 %
Cost of purchased cows	\$ 1,934	\$ 1,962	\$ 1,322
Beef price received	\$ 1,107	\$ 1,020	\$ 749
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	32.1 %	29.0 %	35.1 %
Hay and other	25.0 %	19.2 %	22.7 %
Totals	57.1 %	48.2 %	57.8 %

INCOME AND COST OF OPERATIONS

PACIFIC NORTHWEST

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31,  
2015

December 31,  
2014

December 31,  
2013

December 31,  
2012

December 31,  
2011

December 31,  
2010

Income:  
Milk Sales  
Calves and other

\$ 16.79  
0.40

\$ 23.19  
0.43

\$ 20.48  
0.34

\$ 18.56  
0.83

\$ 20.58  
0.57

\$ 16.59  
0.27

Total income

\$ 17.19

\$ 23.62

\$ 20.82

\$ 19.39

\$ 21.15

\$ 16.86

Total cost of operations:  
Feed  
Labor  
Herd replacement costs  
Other costs

\$ 9.58  
1.85  
0.69  
5.23

\$ 11.18  
1.83  
0.72  
5.36

\$ 11.83  
1.73  
1.15  
5.17

\$ 10.53  
1.70  
1.29  
5.18

\$ 9.87  
1.71  
1.36  
5.22

\$ 8.15  
1.44  
1.68  
5.14

Total costs of operations

\$ 17.35

\$ 19.09

\$ 19.88

\$ 18.70

\$ 18.16

\$ 16.41

Net income (loss)

\$ (0.16)

\$ 4.53

\$ 0.94

\$ 0.69

\$ 2.99

\$ 0.45

Cost of operations as  
a percentage of income

100.93%

80.80%

95.46%

96.44%

85.86%

97.33%

Feed costs as a percentage  
of milk sales

57.06%

48.21%

57.76%

56.73%

47.96%

49.13%

Net income (loss) per milking  
cow per month

\$ (3.06)

\$ 110.56

\$ 32.97

\$ 19.67

\$ 74.13

\$ 16.80

Cumulative net income  
per cwt. from 2010 to 2015

\$ 9.44

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

OUR FIRM AND THE DAIRY INDUSTRY
<p>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.</p> <p>As development expanded in the dairy farming area, our firm helped many dairies relocate throughout California, and other states throughout the West and Mid-West. Many families we are servicing now have their third generation stepping into the operation's management. We have grown with these families into their multiple operations, often totaling 10,000 cows or more. Today, Frazer, LLP has clients in California, Arizona, Texas, New Mexico, Colorado, Idaho, Nevada, Oregon, Washington, Nebraska, Kansas, Wisconsin, Iowa, and South Dakota. Also, we actively consult with many dairies throughout the United States.</p> <p>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.</p> <p>As we are well through 2016, milk prices which began to drop at the end of 2014 have continued to drop through the date of these reports brought on by high milk production and inventories, and weaker demand, both domestically and internationally. Major issues for producers in the nation is 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, same-sex 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.</p> <p>Frazer, LLP will be instrumental in providing the assistance needed to make these decisions.</p>





## 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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