

# Dairy Farm Operating Trends

December 31, 2016



## **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, 2016.*

*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 8 billion pounds and more than 370,000 head of mature cows for the year ended December 31, 2016.*

*This report includes a comparison of the results in the regions listed above for the year ended December 31, 2016 both on a "per hundredweight of milk" basis and on a "per head" basis. Also included are selected financial ratios and other statistical analysis for the year.*

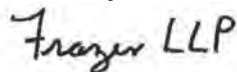
*This publication is designed as a reference tool and a management aid for dairy farm managers and advisors. Frazer, LLP believes the information to be reliable, but is not responsible for errors in reported source information.*

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

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

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

Sincerely,



FRAZER, LLP

Certified Public Accountants and Consultants

**May 2017**

# DAIRY FARM OPERATING TRENDS

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**Comparative Net Income By Region:**

Net losses per head were prevalent across all regions in 2016 due to stagnation in milk prices and the collapsing of beef and calf prices throughout the year. Milk production has remained generally strong compared to demand, and continued strengthening in the U.S. dollar along with changes in the political environment has put strain on global trade and export markets. Milk prices are rebounding, albeit slightly through the first half of 2017, and labor costs, stringent regulations and shortages in qualified labor remain a major concern not only for the dairy industry, but for the nation as well.

Net income (loss) per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2016	\$ (40)	\$ (257)	\$ (230)	\$ (201)	\$ (78)	\$ (358)	\$ (23)	\$ (40)
2015	\$ (7)	\$ (208)	\$ (145)	\$ (27)	\$ 238	\$ (325)	\$ 68	\$ (30)
Change	\$ (33)	\$ (49)	\$ (85)	\$ (174)	\$ (316)	\$ (33)	\$ (91)	\$ (10)

**Comparative Feed Cost By Region:**

Feed costs continue to be one major positive factor for most regions the last few years as forages and alfalfa are concerned. Corn prices have also remained in a comfortable position for most dairymen, but mineral and protein costs have not significantly reduced and in most cases, prices have risen. Feed production in the nation remains strong and the same issues that face milk export markets also apply to feed export markets as well.

Feed cost per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2016	\$ 2,064	\$ 2,048	\$ 2,161	\$ 1,906	\$ 2,020	\$ 1,670	\$ 1,516	\$ 2,061
2015	\$ 2,324	\$ 2,567	\$ 2,356	\$ 2,148	\$ 2,139	\$ 1,743	\$ 2,023	\$ 2,065
Change	\$ (260)	\$ (519)	\$ (195)	\$ (242)	\$ (119)	\$ (73)	\$ (507)	\$ (4)

**Comparative Production By Region:**

The nation's milk production grew by 1.8% in 2016 and for the 1st half of 2017, the U.S. milk cows are at the highest numbers in more than a decade. Lead gains in milk production is again coming from the Midwest and the East, and Northwest, while declining in the Southwest for a second straight year. California's entire milk production also declined in 2016. Efficiencies and technology is growing and regardless of labor woes, milk production is rising because of technologies.

Lbs. per milk cow per day:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2016	73.0	79.6	72.9	69.4	75.0	63.9	64.5	70.1
2015	72.3	73.7	71.7	70.8	74.6	63.1	67.7	69.5
Change	0.7	5.9	1.2	(1.4)	0.4	0.8	(3.2)	0.6

**Herd Turnover Rate By Region:**

Herd turnover rates generally declined in 2016. With beef and calf prices declining rapidly during the year, there may not have been the urgency to beef cows as often, and with increased cow care, turnover rates have declined.

Herd turnover rate by region:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2016	39.4%	46.9%	38.3%	34.5%	39.0%	30.1%	35.6%	31.8%
2015	39.5%	46.5%	40.3%	36.3%	42.3%	31.7%	37.2%	34.1%
Change	-0.1%	0.4%	-2.0%	-1.8%	-3.3%	-1.6%	-1.6%	-2.3%

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

Costs of replacements declined in all regions last year due to increased cow and heifer numbers. And with lower milk prices and feed costs, it doesn't appear like the cost of replacement animals will rise dramatically in the short-term.

Average cost of replacement per head by region:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2016	\$ 1,679	\$ 1,591	\$ 1,638	\$ 1,720	\$ 1,632	\$ 1,578	\$ 1,909	\$ 1,639
2015	\$ 1,863	\$ 1,812	\$ 1,719	\$ 2,016	\$ 1,790	\$ 2,251	\$ 2,300	\$ 1,934
Change	\$ (184)	\$ (221)	\$ (81)	\$ (296)	\$ (158)	\$ (673)	\$ (391)	\$ (295)

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(BASED ON AVERAGE AMOUNTS PER HEAD)

**Southern California**      **San Joaquin Valley**      **Kern County**

**Arizona**      **Idaho**      **New Mexico**      **Panhandle**      **Pacific Northwest**      **Your December 31, 2016 Amounts**

Income:										
Milk sales	\$ 3,643	\$ 3,520	\$ 3,340	\$ 3,429	\$ 3,721	\$ 2,881	\$ 3,202	\$ 3,825		\$
Calves and other	124	72	74	126	58	71	47	50		
<b>Total income</b>	<b>\$ 3,767</b>	<b>\$ 3,592</b>	<b>\$ 3,414</b>	<b>\$ 3,555</b>	<b>\$ 3,779</b>	<b>\$ 2,952</b>	<b>\$ 3,249</b>	<b>\$ 3,875</b>		<b>\$</b>
Cost of operations:										
Feed:										
Grain	\$ 1,397	\$ 1,572	\$ 1,360	\$ 1,377	\$ 1,318	\$ 1,128	\$ 1,006	\$ 1,249		\$
Hay and other	667	476	801	529	702	542	510	812		
<b>Total feed</b>	<b>\$ 2,064</b>	<b>\$ 2,048</b>	<b>\$ 2,161</b>	<b>\$ 1,906</b>	<b>\$ 2,020</b>	<b>\$ 1,670</b>	<b>\$ 1,516</b>	<b>\$ 2,061</b>		<b>\$</b>
Labor, (including fringe costs)	\$ 495	\$ 407	\$ 321	\$ 447	\$ 407	\$ 379	\$ 402	\$ 459		\$
Herd replacement costs	\$ 379	\$ 351	\$ 266	\$ 294	\$ 429	\$ 251	\$ 287	\$ 283		\$
Other costs:										
Milk hauling	\$ 84	\$ 80	\$ 70	\$ 109	\$ 66	\$ 179	\$ 127	\$ 139		\$
State and association charges	44	42	42	72	58	70	49	64		
Veterinary, breeding, testing, etc.	152	105	65	64	114	97	134	125		
Supplies	70	130	117	172	136	92	139	113		
Repairs and maintenance	153	124	146	125	152	123	149	156		
Utilities	50	89	107	82	45	68	36	45		
Occupancy costs	89	121	99	59	128	74	109	184		
Depreciation - equipment	31	86	59	65	71	61	85	78		
Interest	92	106	87	118	80	97	74	67		
Miscellaneous	104	160	104	243	151	149	165	141		
<b>Total other costs</b>	<b>\$ 869</b>	<b>\$ 1,043</b>	<b>\$ 896</b>	<b>\$ 1,109</b>	<b>\$ 1,001</b>	<b>\$ 1,010</b>	<b>\$ 1,067</b>	<b>\$ 1,112</b>		<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 3,807</b>	<b>\$ 3,849</b>	<b>\$ 3,644</b>	<b>\$ 3,756</b>	<b>\$ 3,857</b>	<b>\$ 3,310</b>	<b>\$ 3,272</b>	<b>\$ 3,915</b>		<b>\$</b>
<b>Net loss</b>	<b>\$ (40)</b>	<b>\$ (257)</b>	<b>\$ (230)</b>	<b>\$ (201)</b>	<b>\$ (78)</b>	<b>\$ (358)</b>	<b>\$ (23)</b>	<b>\$ (40)</b>		<b>\$</b>

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(BASED ON AVERAGE AMOUNTS  
PER HUNDREDWEIGHT OF MILK)

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2016 Amounts
Income:									
Milk sales	\$ 15.91	\$ 14.86	\$ 15.34	\$ 15.56	\$ 15.52	\$ 15.84	\$ 17.41	\$ 17.21	\$
Calves and other	0.54	0.30	0.34	0.57	0.23	0.37	0.25	0.22	
Total income	\$ 16.45	\$ 15.16	\$ 15.68	\$ 16.13	\$ 15.75	\$ 16.21	\$ 17.66	\$ 17.43	\$
Cost of operations:									
Feed:									
Grain	\$ 6.10	\$ 6.66	\$ 6.25	\$ 6.24	\$ 5.50	\$ 6.20	\$ 5.47	\$ 5.62	\$
Hay and other	2.92	2.02	3.67	2.39	2.94	2.98	2.78	3.65	
Total feed	\$ 9.02	\$ 8.68	\$ 9.92	\$ 8.63	\$ 8.44	\$ 9.18	\$ 8.25	\$ 9.27	\$
Labor, (including fringe costs)	\$ 2.16	\$ 1.72	\$ 1.48	\$ 2.03	\$ 1.70	\$ 2.09	\$ 2.18	\$ 2.07	\$
Herd replacement costs	\$ 1.65	\$ 1.49	\$ 1.22	\$ 1.33	\$ 1.79	\$ 1.38	\$ 1.56	\$ 1.27	\$
Other costs:									
Milk hauling	\$ 0.36	\$ 0.34	\$ 0.32	\$ 0.49	\$ 0.28	\$ 0.98	\$ 0.69	\$ 0.62	\$
State and association charges	0.19	0.18	0.19	0.33	0.24	0.39	0.26	0.29	
Veterinary, breeding, testing, etc.	0.66	0.44	0.30	0.29	0.48	0.53	0.73	0.56	
Supplies	0.31	0.55	0.54	0.78	0.57	0.51	0.76	0.51	
Repairs and maintenance	0.67	0.52	0.67	0.56	0.63	0.67	0.81	0.70	
Utilities	0.22	0.38	0.49	0.37	0.19	0.37	0.20	0.20	
Occupancy costs	0.38	0.51	0.46	0.27	0.53	0.41	0.59	0.83	
Depreciation - equipment	0.13	0.37	0.27	0.29	0.29	0.34	0.46	0.35	
Interest	0.40	0.45	0.40	0.54	0.33	0.54	0.40	0.30	
Miscellaneous	0.47	0.71	0.47	1.11	0.65	0.81	0.89	0.60	
Total other costs	\$ 3.79	\$ 4.45	\$ 4.11	\$ 5.03	\$ 4.19	\$ 5.55	\$ 5.79	\$ 4.96	\$
Total cost of operations	\$ 16.62	\$ 16.34	\$ 16.73	\$ 17.02	\$ 16.12	\$ 18.20	\$ 17.78	\$ 17.57	\$
Net loss	\$ (0.17)	\$ (1.18)	\$ (1.05)	\$ (0.89)	\$ (0.37)	\$ (1.99)	\$ (0.12)	\$ (0.14)	\$

## SUMMARY OF FINANCIAL STATISTICS

### COMPARISON BY AREA FOR THE YEAR ENDED DECEMBER 31, 2016

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2016 Results
1. Current Ratio	0.43 : 1	0.89 : 1	1.37 : 1	0.63 : 1	0.94 : 1	0.84 : 1	0.80 : 1	1.33 : 1	
2. Herd Line Debt Per Cow	\$ 1,271	\$ 1,080	\$ 892	\$ 1,234	\$ 503	\$ 652	\$ 481	\$ 625	\$
3. Total Debt Per Cow	\$ 2,898	\$ 3,235	\$ 3,335	\$ 3,447	\$ 2,440	\$ 2,616	\$ 2,275	\$ 2,873	\$
4. Debt to Equity Ratio	1.28 : 1	1.85 : 1	1.05 : 1	2.16 : 1	1.08 : 1	1.35 : 1	1.13 : 1	1.02 : 1	
5. Return on Total Assets	-0.6%	-3.5%	-2.5%	-2.8%	-1.2%	-5.4%	-0.4%	-0.5%	
6. Loss per milking cow per month	\$ (4.26)	\$ (23.12)	\$ (23.52)	\$ (20.02)	\$ (1.69)	\$ (36.35)	\$ (1.46)	\$ (3.90)	\$

1. The current ratio represents current assets divided by current liabilities.
2. Herd line debt per cow equals the total debt secured by the herd divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Total debt per cow equals the total current liabilities and long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
4. Debt to equity 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.

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2016 RESULTS	
	2016	2015	2014	2016	2015	2014	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,643	\$ 3,636	\$ 5,237	\$ 15.91	\$ 16.03	\$ 22.79	\$	\$
Calves and other	124	246	211	0.54	1.08	0.93		
Total income	\$ 3,767	\$ 3,882	\$ 5,448	\$ 16.45	\$ 17.11	\$ 23.72	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,397	\$ 1,562	\$ 1,653	\$ 6.10	\$ 6.89	\$ 7.19	\$	\$
Hay and other	667	762	980	2.92	3.36	4.26		
Total feed	\$ 2,064	\$ 2,324	\$ 2,633	\$ 9.02	\$ 10.25	\$ 11.45	\$	\$
Labor, (including fringe costs)	\$ 495	\$ 434	\$ 432	\$ 2.16	\$ 1.92	\$ 1.87	\$	\$
Herd replacement costs	\$ 379	\$ 227	\$ 213	\$ 1.65	\$ 1.00	\$ 0.93	\$	\$
Other costs:								
Milk hauling	\$ 84	\$ 84	\$ 91	\$ 0.36	\$ 0.37	\$ 0.40	\$	\$
State and association charges	44	43	43	0.19	0.19	0.19		
Veterinary, breeding, testing, etc.	152	138	145	0.66	0.61	0.63		
Supplies	70	62	64	0.31	0.27	0.28		
Repairs and maintenance	153	187	194	0.67	0.82	0.85		
Utilities	50	57	72	0.22	0.25	0.32		
Occupancy costs	89	102	103	0.38	0.45	0.45		
Depreciation - equipment	31	28	27	0.13	0.13	0.11		
Interest	92	87	94	0.40	0.38	0.41		
Miscellaneous	104	116	135	0.47	0.51	0.59		
Total other costs	\$ 869	\$ 904	\$ 968	\$ 3.79	\$ 3.98	\$ 4.23	\$	\$
Total cost of operations	\$ 3,807	\$ 3,889	\$ 4,246	\$ 16.62	\$ 17.15	\$ 18.48	\$	\$
Net income (loss)	\$ (40)	\$ (7)	\$ 1,202	\$ (0.17)	\$ (0.04)	\$ 5.24	\$	\$



## SUMMARY OF FINANCIAL STATISTICS

### SOUTHERN CALIFORNIA

	December 31, 2016	December 31, 2015	December 31, 2014
1. Current Ratio	0.43 : 1	0.51 : 1	0.49 : 1
2. Herd Line Debt Per Cow	\$ 1,271	\$ 976	\$ 884
3. Total Debt Per Cow	\$ 2,898	\$ 2,943	\$ 2,920
4. Debt to Equity Ratio	1.28 : 1	1.42 : 1	1.40 : 1
5. Return on Total Assets	-0.6%	-0.1%	20.2%
6. Income (loss) per milking cow per month	\$ (4.26)	\$ (2.17)	\$ 114.66

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

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	2016	2015	2014
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	22,899	22,679	22,976
Daily pounds of milk, per milking cow	73.0	72.3	73.1
Butterfat test	3.55 %	3.48 %	3.46 %
Solids-non-fat test	8.73 %	8.76 %	8.83 %
Blend price per hundredweight	\$ 15.91	\$ 16.03	\$ 22.79
Milk receipts, per milking cow	\$ 4,239	\$ 4,231	\$ 5,448
<b>HERD INFORMATION:</b>			
Herd size - total	2,660	2,414	2,336
Percent of dry cows	14.1 %	14.0 %	13.8 %
Herd turnover rate	39.4 %	39.5 %	34.6 %
Composition of herd:			
Purchased cows	62 %	59 %	61 %
Self-raised cows	38 %	41 %	39 %
Cost of purchased cows	\$ 1,679	\$ 1,863	\$ 1,714
Beef price received	\$ 851	\$ 1,120	\$ 1,194
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	38.3 %	43.0 %	31.5 %
Hay and other	18.4 %	21.0 %	18.7 %
Totals	56.7 %	64.0 %	50.2 %

## INCOME AND COST OF OPERATIONS

### SOUTHERN CALIFORNIA

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2016      December 31, 2015      December 31, 2014

	December 31, 2016	December 31, 2015	December 31, 2014
Income:			
Milk Sales	\$ 15.91	\$ 16.03	\$ 22.79
Calves and other	0.54	1.08	0.93
<b>Total income</b>	<b>\$ 16.45</b>	<b>\$ 17.11</b>	<b>\$ 23.72</b>
Total cost of operations:			
Feed	\$ 9.02	\$ 10.25	\$ 11.45
Labor	2.16	1.92	1.87
Herd replacement costs	1.65	1.00	0.93
Other costs	3.79	3.98	4.23
<b>Total costs of operations</b>	<b>\$ 16.62</b>	<b>\$ 17.15</b>	<b>\$ 18.48</b>
<b>Net income (loss)</b>	<b>\$ (0.17)</b>	<b>\$ (0.04)</b>	<b>\$ 5.24</b>
Cost of operations as a percentage of income	101.03%	100.23%	77.91%
Feed costs as a percentage of milk sales	56.69%	63.94%	50.24%
Net income (loss) per milking cow per month	\$ (4.26)	\$ (2.17)	\$ 114.66
Cumulative net income per cwt. from 2010 to 2016	\$ 4.27		

December 31, 2013      December 31, 2012      December 31, 2011      December 31, 2010

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income:				
Milk Sales	\$ 18.90	\$ 16.91	\$ 18.85	\$ 15.68
Calves and other	0.27	0.26	0.44	0.23
<b>Total income</b>	<b>\$ 19.17</b>	<b>\$ 17.17</b>	<b>\$ 19.29</b>	<b>\$ 15.91</b>
Total cost of operations:				
Feed	\$ 11.80	\$ 11.99	\$ 11.64	\$ 7.66
Labor	1.71	1.67	1.72	1.78
Herd replacement costs	1.30	1.44	1.54	1.78
Other costs	3.90	3.65	4.39	4.33
<b>Total costs of operations</b>	<b>\$ 18.71</b>	<b>\$ 18.75</b>	<b>\$ 19.29</b>	<b>\$ 15.55</b>
<b>Net income (loss)</b>	<b>\$ 0.46</b>	<b>\$ (1.58)</b>	<b>\$ 0.00</b>	<b>\$ 0.36</b>
Cost of operations as a percentage of income	97.60%	109.20%	100.00%	97.74%
Feed costs as a percentage of milk sales	62.43%	70.90%	61.75%	48.85%
Net income (loss) per milking cow per month	\$ 9.54	\$ (31.10)	\$ 0.24	\$ 9.87
Cumulative net income per cwt. from 2010 to 2016				

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
SAN JOAQUIN VALLEY  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2016 RESULTS	
	2016	2015	2014	2016	2015	2014	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,520	\$ 3,892	\$ 5,208	\$ 14.86	\$ 16.39	\$ 22.29	\$	\$
Calves and other	72	184	151	0.30	0.79	0.63		
Total income	\$ 3,592	\$ 4,076	\$ 5,359	\$ 15.16	\$ 17.18	\$ 22.92	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,572	\$ 1,801	\$ 1,914	\$ 6.66	\$ 7.63	\$ 8.21	\$	\$
Hay and other	476	766	778	2.02	3.24	3.33		
Total feed	\$ 2,048	\$ 2,567	\$ 2,692	\$ 8.68	\$ 10.87	\$ 11.54	\$	\$
Labor, (including fringe costs)	\$ 407	\$ 424	\$ 337	\$ 1.72	\$ 1.80	\$ 1.45	\$	\$
Herd replacement costs	\$ 351	\$ 172	\$ 152	\$ 1.49	\$ 0.73	\$ 0.65	\$	\$
Other costs:								
Milk hauling	\$ 80	\$ 82	\$ 81	\$ 0.34	\$ 0.35	\$ 0.35	\$	\$
State and association charges	42	46	46	0.18	0.20	0.20		
Veterinary, breeding, testing, etc.	105	131	99	0.44	0.56	0.42		
Supplies	130	131	112	0.55	0.55	0.48		
Repairs and maintenance	124	137	118	0.52	0.59	0.50		
Utilities	89	99	85	0.38	0.42	0.36		
Occupancy costs	121	148	135	0.51	0.62	0.58		
Depreciation - equipment	86	80	65	0.37	0.34	0.28		
Interest	106	112	96	0.45	0.47	0.41		
Miscellaneous	160	155	175	0.71	0.65	0.72		
Total other costs	\$ 1,043	\$ 1,121	\$ 1,012	\$ 4.45	\$ 4.75	\$ 4.30	\$	\$
Total cost of operations	\$ 3,849	\$ 4,284	\$ 4,193	\$ 16.34	\$ 18.15	\$ 17.94	\$	\$
Net income (loss)	\$ (257)	\$ (208)	\$ 1,166	\$ (1.18)	\$ (0.97)	\$ 4.98	\$	\$

See accompanying explanation of income and cost factors.

## SUMMARY OF FINANCIAL STATISTICS

### SAN JOAQUIN VALLEY

	December 31, 2016	December 31, 2015	December 31, 2014
1. Current Ratio	0.89 : 1	1.17 : 1	1.82 : 1
2. Herd Line Debt Per Cow	\$ 1,080	\$ 816	\$ 763
3. Total Debt Per Cow	\$ 3,235	\$ 3,259	\$ 2,682
4. Debt to Equity Ratio	1.85 : 1	1.46 : 1	1.11 : 1
5. Return on Total Assets	-3.5%	-2.5%	15.7%
6. Income (loss) per milking cow per month	\$ (23.12)	\$ (13.20)	\$ 128.26

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

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
SAN JOAQUIN VALLEY  
(BASED ON AVERAGE AMOUNTS)

	2016	2015	2014
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	23,599	23,614	23,321
Daily pounds of milk, per milking cow	79.6	73.7	76.1
Butterfat test	3.63 %	3.59 %	3.60 %
Solids-non-fat test	8.88 %	8.84 %	8.92 %
Blend price per hundredweight	\$ 14.86	\$ 16.39	\$ 22.29
Milk receipts, per milking cow	\$ 4,343	\$ 4,432	\$ 6,386
<b>HERD INFORMATION:</b>			
Herd size - total	4,122	3,625	3,771
Percent of dry cows	19.0 %	13.9 %	16.1 %
Herd turnover rate	46.9 %	46.5 %	45.2 %
Composition of herd:			
Purchased cows	9 %	4 %	5 %
Self-raised cows	91 %	96 %	95 %
Cost of purchased cows	\$ 1,591	\$ 1,812	\$ 1,906
Beef price received	\$ 835	\$ 1,176	\$ 1,160
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	44.4 %	46.6 %	36.8 %
Hay and other	12.3 %	19.8 %	14.9 %
Totals	56.7 %	66.4 %	51.7 %

## INCOME AND COST OF OPERATIONS

### SAN JOAQUIN VALLEY

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2016      December 31, 2015      December 31, 2014

	December 31, 2016	December 31, 2015	December 31, 2014
Income:			
Milk Sales	\$ 14.86	\$ 16.39	\$ 22.29
Calves and other	0.30	0.79	0.63
<b>Total income</b>	<b>\$ 15.16</b>	<b>\$ 17.18</b>	<b>\$ 22.92</b>
Total cost of operations:			
Feed	\$ 8.68	\$ 10.87	\$ 11.54
Labor	1.72	1.80	1.45
Herd replacement costs	1.49	0.73	0.65
Other costs	4.45	4.75	4.30
<b>Total costs of operations</b>	<b>\$ 16.34</b>	<b>\$ 18.15</b>	<b>\$ 17.94</b>
<b>Net income (loss)</b>	<b>\$ (1.18)</b>	<b>\$ (0.97)</b>	<b>\$ 4.98</b>
Cost of operations as a percentage of income	107.78%	105.65%	78.27%
Feed costs as a percentage of milk sales	58.41%	66.32%	51.77%
Net income (loss) per milking cow per month	\$ (23.12)	\$ (13.20)	\$ 128.26
Cumulative net income per cwt. from 2010 to 2016	\$ 4.26		

December 31, 2013      December 31, 2012      December 31, 2011      December 31, 2010

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income:				
Milk Sales	\$ 18.86	\$ 16.66	\$ 18.68	\$ 14.94
Calves and other	0.31	0.34	0.32	0.10
<b>Total income</b>	<b>\$ 19.17</b>	<b>\$ 17.00</b>	<b>\$ 19.00</b>	<b>\$ 15.04</b>
Total cost of operations:				
Feed	\$ 12.13	\$ 11.50	\$ 10.37	\$ 7.46
Labor	1.41	1.43	1.45	1.40
Herd replacement costs	1.16	1.15	1.18	1.13
Other costs	4.12	4.08	4.39	4.42
<b>Total costs of operations</b>	<b>\$ 18.82</b>	<b>\$ 18.16</b>	<b>\$ 17.39</b>	<b>\$ 14.41</b>
<b>Net income (loss)</b>	<b>\$ 0.35</b>	<b>\$ (1.16)</b>	<b>\$ 1.61</b>	<b>\$ 0.63</b>
Cost of operations as a percentage of income	98.17%	106.82%	91.53%	95.81%
Feed costs as a percentage of milk sales	64.32%	69.03%	55.51%	49.93%
Net income (loss) per milking cow per month	\$ 20.13	\$ (11.93)	\$ 59.07	\$ 20.60
Cumulative net income per cwt. from 2010 to 2016				

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2016 RESULTS	
	2016	2015	2014	2016	2015	2014	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,340	\$ 3,359	\$ 4,903	\$ 15.34	\$ 15.81	\$ 22.46	\$	\$
Calves and other	74	147	102	0.34	0.69	0.45		
Total income	\$ 3,414	\$ 3,506	\$ 5,005	\$ 15.68	\$ 16.50	\$ 22.91	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,360	\$ 1,476	\$ 1,608	\$ 6.25	\$ 6.95	\$ 7.37	\$	\$
Hay and other	801	880	960	3.67	4.14	4.40		
Total feed	\$ 2,161	\$ 2,356	\$ 2,568	\$ 9.92	\$ 11.09	\$ 11.77	\$	\$
Labor, (including fringe costs)	\$ 321	\$ 297	\$ 279	\$ 1.48	\$ 1.40	\$ 1.28	\$	\$
Herd replacement costs	\$ 266	\$ 170	\$ 169	\$ 1.22	\$ 0.80	\$ 0.77	\$	\$
Other costs:								
Milk hauling	\$ 70	\$ 71	\$ 78	\$ 0.32	\$ 0.33	\$ 0.36	\$	\$
State and association charges	42	41	40	0.19	0.19	0.19		
Veterinary, breeding, testing, etc.	65	61	66	0.30	0.29	0.30		
Supplies	117	114	119	0.54	0.54	0.54		
Repairs and maintenance	146	121	118	0.67	0.57	0.54		
Utilities	107	88	104	0.49	0.41	0.48		
Occupancy costs	99	94	91	0.46	0.45	0.42		
Depreciation - equipment	59	64	59	0.27	0.30	0.27		
Interest	87	66	73	0.40	0.31	0.34		
Miscellaneous	104	108	126	0.47	0.50	0.56		
Total other costs	\$ 896	\$ 828	\$ 874	\$ 4.11	\$ 3.89	\$ 4.00	\$	\$
Total cost of operations	\$ 3,644	\$ 3,651	\$ 3,890	\$ 16.73	\$ 17.18	\$ 17.82	\$	\$
Net income (loss)	\$ (230)	\$ (145)	\$ 1,115	\$ (1.05)	\$ (0.68)	\$ 5.09	\$	\$

See accompanying explanation of income and cost factors.

## SUMMARY OF FINANCIAL STATISTICS

### KERN COUNTY

	December 31, 2016	December 31, 2015	December 31, 2014
1. Current Ratio	1.37 : 1	1.43 : 1	1.68 : 1
2. Herd Line Debt Per Cow	\$ 892	\$ 768	\$ 649
3. Total Debt Per Cow	\$ 3,335	\$ 3,404	\$ 2,929
4. Debt to Equity Ratio	1.05 : 1	0.97 : 1	0.84 : 1
5. Return on Total Assets	-2.5%	-1.5%	12.2%
6. Income (loss) per milking cow per month	\$ (23.52)	\$ (14.95)	\$ 149.10

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

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

	2016	2015	2014
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,765	21,247	21,827
Daily pounds of milk, per milking cow	72.9	71.7	72.5
Butterfat test	3.68 %	3.65 %	3.64 %
Solids-non-fat test	8.89 %	8.89 %	8.88 %
Blend price per hundredweight	\$ 15.34	\$ 15.81	\$ 22.46
Milk receipts, per milking cow	\$ 4,095	\$ 4,137	\$ 6,063
<b>HERD INFORMATION:</b>			
Herd size - total	3,737	3,086	3,502
Percent of dry cows	18.4 %	18.8 %	17.5 %
Herd turnover rate	38.3 %	40.3 %	40.3 %
Composition of herd:			
Purchased cows	1 %	3 %	5 %
Self-raised cows	99 %	97 %	95 %
Cost of purchased cows	\$ 1,638	\$ 1,719	\$ 1,672
Beef price received	\$ 748	\$ 1,049	\$ 1,066
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	40.7 %	44.0 %	32.8 %
Hay and other	23.9 %	26.2 %	19.6 %
Totals	64.6 %	70.2 %	52.4 %

## INCOME AND COST OF OPERATIONS

KERN COUNTY  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2016      December 31, 2015      December 31, 2014

	December 31, 2016	December 31, 2015	December 31, 2014
Income:			
Milk Sales	\$ 15.34	\$ 15.81	\$ 22.46
Calves and other	0.34	0.69	0.45
<b>Total income</b>	<b>\$ 15.68</b>	<b>\$ 16.50</b>	<b>\$ 22.91</b>
Total cost of operations:			
Feed	\$ 9.92	\$ 11.09	\$ 11.77
Labor	1.48	1.40	1.28
Herd replacement costs	1.22	0.80	0.77
Other costs	4.11	3.89	4.00
<b>Total costs of operations</b>	<b>\$ 16.73</b>	<b>\$ 17.18</b>	<b>\$ 17.82</b>
<b>Net income (loss)</b>	<b>\$ (1.05)</b>	<b>\$ (0.68)</b>	<b>\$ 5.09</b>
Cost of operations as a percentage of income	106.70%	104.12%	77.78%
Feed costs as a percentage of milk sales	64.67%	70.15%	52.40%
Net income (loss) per milking cow per month	\$ (23.52)	\$ (14.95)	\$ 149.10
Cumulative net income per cwt. from 2010 to 2016	\$ 6.77		

December 31, 2013      December 31, 2012      December 31, 2011      December 31, 2010

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income:				
Milk Sales	\$ 19.13	\$ 16.97	\$ 19.02	\$ 15.31
Calves and other	0.23	0.25	0.19	0.15
<b>Total income</b>	<b>\$ 19.36</b>	<b>\$ 17.22</b>	<b>\$ 19.21</b>	<b>\$ 15.46</b>
Total cost of operations:				
Feed	\$ 12.52	\$ 12.15	\$ 9.78	\$ 7.75
Labor	1.29	1.25	1.31	1.31
Herd replacement costs	1.20	1.20	1.24	1.24
Other costs	3.85	3.92	3.86	3.97
<b>Total costs of operations</b>	<b>\$ 18.86</b>	<b>\$ 18.52</b>	<b>\$ 16.19</b>	<b>\$ 14.27</b>
<b>Net income (loss)</b>	<b>\$ 0.50</b>	<b>\$ (1.30)</b>	<b>\$ 3.02</b>	<b>\$ 1.19</b>
Cost of operations as a percentage of income	97.42%	107.55%	84.28%	92.30%
Feed costs as a percentage of milk sales	65.45%	71.60%	51.42%	50.62%
Net income (loss) per milking cow per month	\$ 36.88	\$ (8.21)	\$ 82.44	\$ 20.47
Cumulative net income per cwt. from 2010 to 2016				



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2016	2015	2014
Income:			
Milk sales	\$ 3,429	\$ 3,703	\$ 5,113
Calves and other	126	203	263
<b>Total income</b>	<b>\$ 3,555</b>	<b>\$ 3,906</b>	<b>\$ 5,376</b>
Cost of operations:			
Feed:			
Grain	\$ 1,377	\$ 1,495	\$ 1,544
Hay and other	529	653	806
<b>Total feed</b>	<b>\$ 1,906</b>	<b>\$ 2,148</b>	<b>\$ 2,350</b>
Labor, (including fringe costs)	\$ 447	\$ 450	\$ 451
Herd replacement costs	\$ 294	\$ 198	\$ 151
Other costs:			
Milk hauling	\$ 109	\$ 98	\$ 92
State and association charges	72	75	97
Veterinary, breeding, testing, etc.	64	60	56
Supplies	172	183	162
Repairs and maintenance	125	139	155
Utilities	82	87	81
Occupancy costs	59	57	60
Depreciation - equipment	65	65	66
Interest	118	104	138
Miscellaneous	243	269	256
<b>Total other costs</b>	<b>\$ 1,109</b>	<b>\$ 1,137</b>	<b>\$ 1,163</b>
<b>Total cost of operations</b>	<b>\$ 3,756</b>	<b>\$ 3,933</b>	<b>\$ 4,115</b>
<b>Net income (loss)</b>	<b>\$ (201)</b>	<b>\$ (27)</b>	<b>\$ 1,261</b>

See accompanying explanation of income and cost factors.

	PER CWT. OF MILK			YOUR 2016 RESULTS	
	2016	2015	2014	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 15.56	\$ 16.33	\$ 23.35	\$	\$
Calves and other	0.57	0.87	1.20		
<b>Total income</b>	<b>\$ 16.13</b>	<b>\$ 17.20</b>	<b>\$ 24.55</b>	<b>\$</b>	<b>\$</b>
Cost of operations:					
Feed:					
Grain	\$ 6.24	\$ 6.61	\$ 7.05	\$	\$
Hay and other	2.39	2.88	3.69		
<b>Total feed</b>	<b>\$ 8.63</b>	<b>\$ 9.49</b>	<b>\$ 10.74</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 2.03	\$ 1.97	\$ 2.06	\$	\$
Herd replacement costs	\$ 1.33	\$ 0.87	\$ 0.69	\$	\$
Other costs:					
Milk hauling	\$ 0.49	\$ 0.43	\$ 0.42	\$	\$
State and association charges	0.33	0.33	0.45		
Veterinary, breeding, testing, etc.	0.29	0.27	0.25		
Supplies	0.78	0.81	0.74		
Repairs and maintenance	0.56	0.61	0.71		
Utilities	0.37	0.39	0.37		
Occupancy costs	0.27	0.25	0.27		
Depreciation - equipment	0.29	0.29	0.30		
Interest	0.54	0.46	0.63		
Miscellaneous	1.11	1.17	1.16		
<b>Total other costs</b>	<b>\$ 5.03</b>	<b>\$ 5.01</b>	<b>\$ 5.30</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 17.02</b>	<b>\$ 17.34</b>	<b>\$ 18.79</b>	<b>\$</b>	<b>\$</b>
<b>Net income (loss)</b>	<b>\$ (0.89)</b>	<b>\$ (0.14)</b>	<b>\$ 5.76</b>	<b>\$</b>	<b>\$</b>

## SUMMARY OF FINANCIAL STATISTICS

	ARIZONA		
	December 31, 2016	December 31, 2015	December 31, 2014
1. Current Ratio	0.63 : 1	0.73 : 1	0.98 : 1
2. Herd Line Debt Per Cow	\$ 1,234	\$ 864	\$ 838
3. Total Debt Per Cow	\$ 3,447	\$ 3,097	\$ 3,072
4. Debt to Equity Ratio	2.16 : 1	1.50 : 1	1.36 : 1
5. Return on Total Assets	-2.8%	-0.4%	16.7%
6. Income (loss) per milking cow per month	\$ (20.02)	\$ (0.14)	\$ 124.79

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

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

	FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014 ARIZONA (BASED ON AVERAGE AMOUNTS)		
	2016	2015	2014
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	22,046	22,651	21,899
Daily pounds of milk, per milking cow	69.4	70.8	71.6
Butterfat test	3.45 %	3.33 %	3.33 %
Blend price per hundredweight	\$ 15.60	\$ 16.33	\$ 23.35
Milk receipts, per milking cow	\$ 3,949	\$ 4,224	\$ 6,099
<b>HERD INFORMATION:</b>			
Herd size - total	4,464	3,841	3,909
Percent of dry cows	13.0 %	12.3 %	16.1 %
Herd turnover rate	34.5 %	36.3 %	34.0 %
Composition of herd:			
Purchased cows	42 %	30 %	29 %
Self-raised cows	58 %	70 %	71 %
Cost of purchased cows	\$ 1,720	\$ 2,016	\$ 1,920
Beef price received	\$ 881	\$ 1,128	\$ 1,178
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	38.8 %	40.5 %	30.2 %
Hay and other	15.3 %	17.6 %	15.8 %
Totals	54.1 %	58.1 %	46.0 %

## INCOME AND COST OF OPERATIONS

ARIZONA  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2016      December 31, 2015      December 31, 2014

	December 31, 2016	December 31, 2015	December 31, 2014
Income:			
Milk Sales	\$ 15.56	\$ 16.33	\$ 23.35
Calves and other	0.57	0.87	1.2
<b>Total income</b>	<b>\$ 16.13</b>	<b>\$ 17.20</b>	<b>\$ 24.55</b>
Total cost of operations:			
Feed	\$ 8.63	\$ 9.49	\$ 10.74
Labor	2.03	1.97	2.06
Herd replacement costs	1.33	0.87	0.69
Other costs	5.03	5.01	5.3
<b>Total costs of operations</b>	<b>\$ 17.02</b>	<b>\$ 17.34</b>	<b>\$ 18.79</b>
<b>Net income (loss)</b>	<b>\$ (0.89)</b>	<b>\$ (0.14)</b>	<b>\$ 5.76</b>
Cost of operations as a percentage of income	105.52%	100.81%	76.54%
Feed costs as a percentage of milk sales	55.46%	58.11%	46.00%
Net income (loss) per milking cow per month	\$ (20.02)	\$ (0.14)	\$ 124.79
Cumulative net income per cwt. from 2010 to 2016	\$ 8.59		

December 31, 2013      December 31, 2012      December 31, 2011      December 31, 2010

Income:				
Milk Sales	\$ 20.10	\$ 18.48	\$ 20.74	\$ 16.47
Calves and other	0.35	0.32	0.28	0.11
<b>Total income</b>	<b>\$ 20.45</b>	<b>\$ 18.80</b>	<b>\$ 21.02</b>	<b>\$ 16.58</b>
Total cost of operations:				
Feed	\$ 11.68	\$ 11.49	\$ 10.61	\$ 7.49
Labor	1.89	1.89	1.67	1.58
Herd replacement costs	1.02	1.02	1.29	1.49
Other costs	4.96	4.64	5.39	4.88
<b>Total costs of operations</b>	<b>\$ 19.55</b>	<b>\$ 19.04</b>	<b>\$ 18.96</b>	<b>\$ 15.44</b>
<b>Net income (loss)</b>	<b>\$ 0.90</b>	<b>\$ (0.24)</b>	<b>\$ 2.06</b>	<b>\$ 1.14</b>
Cost of operations as a percentage of income	95.60%	101.28%	90.20%	93.12%
Feed costs as a percentage of milk sales	58.11%	62.18%	51.16%	45.48%
Net income (loss) per milking cow per month	\$ 25.32	\$ (4.28)	\$ 42.84	\$ 28.71
Cumulative net income per cwt. from 2010 to 2016				

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
IDAHO  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2016	2015	2014
Income:			
Milk sales	\$ 3,721	\$ 3,809	\$ 5,563
Calves and other	58	190	156
<b>Total income</b>	<b>\$ 3,779</b>	<b>\$ 3,999</b>	<b>\$ 5,719</b>
Cost of operations:			
Feed:			
Grain	\$ 1,318	\$ 1,398	\$ 1,706
Hay and other	702	741	878
<b>Total feed</b>	<b>\$ 2,020</b>	<b>\$ 2,139</b>	<b>\$ 2,584</b>
Labor, (including fringe costs)	\$ 407	\$ 381	\$ 434
Herd replacement costs	\$ 429	\$ 261	\$ 164
Other costs:			
Milk hauling	\$ 66	\$ 64	\$ 75
State and association charges	58	47	51
Veterinary, breeding, testing, etc.	114	108	111
Supplies	136	132	217
Repairs and maintenance	152	155	192
Utilities	45	45	56
Occupancy costs	128	148	97
Depreciation - equipment	71	61	80
Interest	80	60	82
Miscellaneous	151	160	198
<b>Total other costs</b>	<b>\$ 1,001</b>	<b>\$ 980</b>	<b>\$ 1,159</b>
<b>Total cost of operations</b>	<b>\$ 3,857</b>	<b>\$ 3,761</b>	<b>\$ 4,341</b>
<b>Net income (loss)</b>	<b>\$ (78)</b>	<b>\$ 238</b>	<b>\$ 1,378</b>

	PER CWT. OF MILK			YOUR 2016 RESULTS	
	2016	2015	2014	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 15.52	\$ 15.90	\$ 22.55	\$	\$
Calves and other	0.23	0.79	0.62		
<b>Total income</b>	<b>\$ 15.75</b>	<b>\$ 16.69</b>	<b>\$ 23.17</b>	<b>\$</b>	<b>\$</b>
Cost of operations:					
Feed:					
Grain	\$ 5.50	\$ 5.84	\$ 6.91	\$	\$
Hay and other	2.94	3.09	3.57		
<b>Total feed</b>	<b>\$ 8.44</b>	<b>\$ 8.93</b>	<b>\$ 10.48</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 1.70	\$ 1.60	\$ 1.75	\$	\$
Herd replacement costs	\$ 1.79	\$ 1.09	\$ 0.66	\$	\$
Other costs:					
Milk hauling	\$ 0.28	\$ 0.27	\$ 0.30	\$	\$
State and association charges	0.24	0.20	0.21		
Veterinary, breeding, testing, etc.	0.48	0.45	0.45		
Supplies	0.57	0.55	0.88		
Repairs and maintenance	0.63	0.65	0.78		
Utilities	0.19	0.19	0.23		
Occupancy costs	0.53	0.62	0.39		
Depreciation - equipment	0.29	0.25	0.32		
Interest	0.33	0.25	0.33		
Miscellaneous	0.65	0.66	0.80		
<b>Total other costs</b>	<b>\$ 4.19</b>	<b>\$ 4.09</b>	<b>\$ 4.69</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 16.12</b>	<b>\$ 15.71</b>	<b>\$ 17.58</b>	<b>\$</b>	<b>\$</b>
<b>Net income (loss)</b>	<b>\$ (0.37)</b>	<b>\$ 0.98</b>	<b>\$ 5.59</b>	<b>\$</b>	<b>\$</b>

## SUMMARY OF FINANCIAL STATISTICS

	IDAHO		
	December 31, 2016	December 31, 2015	December 31, 2014
1. Current Ratio	0.94 : 1	1.04 : 1	1.04 : 1
2. Herd Line Debt Per Cow	\$ 503	\$ 383	\$ 581
3. Total Debt Per Cow	\$ 2,440	\$ 2,427	\$ 2,546
4. Debt to Equity Ratio	1.08 : 1	0.97 : 1	0.8 : 1
5. Return on Total Assets	-1.2%	3.5%	16.7%
6. Income (loss) per milking cow per month	\$ (1.69)	\$ 27.14	\$ 138.34

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

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

	FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014 IDAHO (BASED ON AVERAGE AMOUNTS)		
	2016	2015	2014
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	23,969	23,947	24,667
Daily pounds of milk, per milking cow	75.0	74.6	76.4
Butterfat test	3.71 %	3.69 %	3.65 %
Blend price per hundredweight	\$ 15.52	\$ 15.90	\$ 22.55
Milk receipts, per milking cow	\$ 4,263	\$ 4,331	\$ 6,292
<b>HERD INFORMATION:</b>			
Herd size - total	6,055	5,626	4,369
Percent of dry cows	12.7 %	12.1 %	11.6 %
Herd turnover rate	39.0 %	42.3 %	39.4 %
Composition of herd:			
Purchased cows	28 %	31 %	15 %
Self-raised cows	72 %	69 %	85 %
Cost of purchased cows	\$ 1,632	\$ 1,790	\$ 1,770
Beef price received	\$ 760	\$ 1,069	\$ 1,167
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	35.1 %	36.7 %	30.6 %
Hay and other	18.9 %	19.4 %	15.8 %
Totals	54.0 %	56.1 %	46.4 %

## INCOME AND COST OF OPERATIONS

IDAHO  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2016      December 31, 2015      December 31, 2014

	December 31, 2016	December 31, 2015	December 31, 2014
Income:			
Milk Sales	\$ 15.52	\$ 15.90	\$ 22.55
Calves and other	0.23	0.79	0.62
<b>Total income</b>	<b>\$ 15.75</b>	<b>\$ 16.69</b>	<b>\$ 23.17</b>
Total cost of operations:			
Feed	\$ 8.44	\$ 8.93	\$ 10.48
Labor	1.70	1.60	1.75
Herd replacement costs	1.79	1.09	0.66
Other costs	4.19	4.09	4.69
<b>Total costs of operations</b>	<b>\$ 16.12</b>	<b>\$ 15.71</b>	<b>\$ 17.58</b>
<b>Net income (loss)</b>	<b>\$ (0.37)</b>	<b>\$ 0.98</b>	<b>\$ 5.59</b>
Cost of operations as a percentage of income	102.35%	94.13%	75.87%
Feed costs as a percentage of milk sales	54.38%	56.16%	46.47%
Net income (loss) per milking cow per month	\$ (1.69)	\$ 27.14	\$ 138.34
Cumulative net income per cwt. from 2010 to 2016	\$ 10.80		

December 31, 2013      December 31, 2012      December 31, 2011      December 31, 2010

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income:				
Milk Sales	\$ 19.05	\$ 18.07	\$ 18.88	\$ 15.15
Calves and other	0.40	0.43	0.20	0.16
<b>Total income</b>	<b>\$ 19.45</b>	<b>\$ 18.50</b>	<b>\$ 19.08</b>	<b>\$ 15.31</b>
Total cost of operations:				
Feed	\$ 10.73	\$ 10.29	\$ 9.78	\$ 7.66
Labor	1.63	1.64	1.63	1.62
Herd replacement costs	1.10	1.00	1.02	1.12
Other costs	4.59	4.67	4.77	4.49
<b>Total costs of operations</b>	<b>\$ 18.05</b>	<b>\$ 17.60</b>	<b>\$ 17.20</b>	<b>\$ 14.89</b>
<b>Net income (loss)</b>	<b>\$ 1.40</b>	<b>\$ 0.90</b>	<b>\$ 1.88</b>	<b>\$ 0.42</b>
Cost of operations as a percentage of income	92.80%	95.14%	90.15%	97.26%
Feed costs as a percentage of milk sales	56.33%	56.95%	51.80%	50.56%
Net income (loss) per milking cow per month	\$ 40.28	\$ 32.95	\$ 56.87	\$ 18.16
Cumulative net income per cwt. from 2010 to 2016				

**CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS**

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2016	2015	2014
Income:			
Milk sales	\$ 2,881	\$ 2,766	\$ 4,259
Calves and other	71	126	186
<b>Total income</b>	<b>\$ 2,952</b>	<b>\$ 2,892</b>	<b>\$ 4,445</b>
Cost of operations:			
Feed:			
Grain	\$ 1,128	\$ 1,133	\$ 1,458
Hay and other	542	610	715
<b>Total feed</b>	<b>\$ 1,670</b>	<b>\$ 1,743</b>	<b>\$ 2,173</b>
Labor, (including fringe costs)	\$ 379	\$ 344	\$ 329
Herd replacement costs	\$ 251	\$ 159	\$ 104
Other costs:			
Milk hauling	\$ 179	\$ 162	\$ 182
State and association charges	70	64	67
Veterinary, breeding, testing, etc.	97	100	109
Supplies	92	98	85
Repairs and maintenance	123	124	132
Utilities	68	64	70
Occupancy costs	74	70	73
Depreciation - equipment	61	58	57
Interest	97	77	84
Miscellaneous	149	154	236
<b>Total other costs</b>	<b>\$ 1,010</b>	<b>\$ 971</b>	<b>\$ 1,095</b>
<b>Total cost of operations</b>	<b>\$ 3,310</b>	<b>\$ 3,217</b>	<b>\$ 3,701</b>
<b>Net income (loss)</b>	<b>\$ (358)</b>	<b>\$ (325)</b>	<b>\$ 744</b>

	PER CWT. OF MILK			YOUR 2016 RESULTS	
	2016	2015	2014	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 15.84	\$ 16.50	\$ 23.46	\$	\$
Calves and other	0.37	0.75	1.03		
<b>Total income</b>	<b>\$ 16.21</b>	<b>\$ 17.25</b>	<b>\$ 24.49</b>	<b>\$</b>	<b>\$</b>
Cost of operations:					
Feed:					
Grain	\$ 6.20	\$ 6.75	\$ 8.04	\$	\$
Hay and other	2.98	3.64	3.94		
<b>Total feed</b>	<b>\$ 9.18</b>	<b>\$ 10.39</b>	<b>\$ 11.98</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 2.09	\$ 2.05	\$ 1.81	\$	\$
Herd replacement costs	\$ 1.38	\$ 0.95	\$ 0.57	\$	\$
Other costs:					
Milk hauling	\$ 0.98	\$ 0.97	\$ 1.00	\$	\$
State and association charges	0.39	0.38	0.37		
Veterinary, breeding, testing, etc.	0.53	0.60	0.60		
Supplies	0.51	0.58	0.47		
Repairs and maintenance	0.67	0.74	0.72		
Utilities	0.37	0.38	0.39		
Occupancy costs	0.41	0.42	0.40		
Depreciation - equipment	0.34	0.35	0.31		
Interest	0.54	0.46	0.46		
Miscellaneous	0.81	0.92	1.31		
<b>Total other costs</b>	<b>\$ 5.55</b>	<b>\$ 5.80</b>	<b>\$ 6.03</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 18.20</b>	<b>\$ 19.19</b>	<b>\$ 20.39</b>	<b>\$</b>	<b>\$</b>
<b>Net income (loss)</b>	<b>\$ (1.99)</b>	<b>\$ (1.94)</b>	<b>\$ 4.10</b>	<b>\$</b>	<b>\$</b>

See accompanying explanation of income and cost factors.

## SUMMARY OF FINANCIAL STATISTICS

### NEW MEXICO

	December 31, 2016	December 31, 2015	December 31, 2014
1. Current Ratio	0.84 : 1	0.85 : 1	1.13 : 1
2. Herd Line Debt Per Cow	\$ 652	\$ 605	\$ 521
3. Total Debt Per Cow	\$ 2,616	\$ 2,227	\$ 2,009
4. Debt to Equity Ratio	1.35 : 1	0.99 : 1	0.80 : 1
5. Return on Total Assets	-5.4%	-5.2%	11.6%
6. Income (loss) per milking cow per month	\$ (36.35)	\$ (14.91)	\$ 99.60
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, 2016, 2015, AND 2014  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

	2016	2015	2014
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	18,189	16,769	18,148
Daily pounds of milk, per milking cow	63.9	63.1	65.9
Butterfat test	3.54 %	3.51 %	3.53 %
Blend price per hundredweight	\$ 15.84	\$ 16.50	\$ 23.46
Milk receipts, per milking cow	\$ 3,695	\$ 3,797	\$ 5,647
<b>HERD INFORMATION:</b>			
Herd size - total	3,772	3,729	3,453
Percent of dry cows	22.0 %	27.1 %	24.6 %
Herd turnover rate	30.1 %	31.7 %	35.5 %
Composition of herd:			
Purchased cows	18 %	18 %	12 %
Self-raised cows	82 %	82 %	88 %
Cost of purchased cows	\$ 1,578	\$ 2,251	\$ 1,942
Beef price received	\$ 789	\$ 1,024	\$ 1,182
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	39.1 %	40.9 %	34.3 %
Hay and other	18.8 %	22.1 %	16.8 %
Totals	57.9 %	63.0 %	51.1 %



## INCOME AND COST OF OPERATIONS

NEW MEXICO  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2016      December 31, 2015      December 31, 2014

	December 31, 2016	December 31, 2015	December 31, 2014
Income:			
Milk Sales	\$ 15.84	\$ 16.50	\$ 23.46
Calves and other	0.37	0.75	1.03
<b>Total income</b>	<b>\$ 16.21</b>	<b>\$ 17.25</b>	<b>\$ 24.49</b>
Total cost of operations:			
Feed	\$ 9.18	\$ 10.39	\$ 11.98
Labor	2.09	2.05	1.81
Herd replacement costs	1.38	0.95	0.57
Other costs	5.55	5.80	6.03
<b>Total costs of operations</b>	<b>\$ 18.20</b>	<b>\$ 19.19</b>	<b>\$ 20.39</b>
<b>Net income (loss)</b>	<b>\$ (1.99)</b>	<b>\$ (1.94)</b>	<b>\$ 4.10</b>
Cost of operations as a percentage of income	112.28%	111.25%	83.26%
Feed costs as a percentage of milk sales	57.95%	62.97%	51.07%
Net income (loss) per milking cow per month	\$ (36.35)	\$ (14.91)	\$ 99.60
Cumulative net income per cwt. from 2010 to 2016	\$ 1.43		

December 31, 2013      December 31, 2012      December 31, 2011      December 31, 2010

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income:				
Milk Sales	\$ 19.53	\$ 18.31	\$ 19.89	\$ 17.02
Calves and other	0.43	0.39	0.29	0.18
<b>Total income</b>	<b>\$ 19.96</b>	<b>\$ 18.70</b>	<b>\$ 20.18</b>	<b>\$ 17.20</b>
Total cost of operations:				
Feed	\$ 12.16	\$ 12.54	\$ 10.62	\$ 8.23
Labor	1.62	1.70	1.62	1.60
Herd replacement costs	0.82	0.82	1.12	1.28
Other costs	5.20	5.20	5.03	5.22
<b>Total costs of operations</b>	<b>\$ 19.80</b>	<b>\$ 20.26</b>	<b>\$ 18.39</b>	<b>\$ 16.33</b>
<b>Net income (loss)</b>	<b>\$ 0.16</b>	<b>\$ (1.56)</b>	<b>\$ 1.79</b>	<b>\$ 0.87</b>
Cost of operations as a percentage of income	99.20%	108.34%	91.13%	94.94%
Feed costs as a percentage of milk sales	62.26%	68.49%	53.39%	48.35%
Net income (loss) per milking cow per month	\$ 23.28	\$ (15.48)	\$ 49.14	\$ 27.80
Cumulative net income per cwt. from 2010 to 2016				

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015 AND 2014  
PANHANDLE  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2016 RESULTS	
	2016	2015	2014	2016	2015	2014	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,202	\$ 3,789	\$ 5,115	\$ 17.41	\$ 17.69	\$ 23.85	\$	\$
Calves and other	47	146	97	0.25	0.68	0.46		
Total income	\$ 3,249	\$ 3,935	\$ 5,212	\$ 17.66	\$ 18.37	\$ 24.31	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,006	\$ 1,344	\$ 1,544	\$ 5.47	\$ 6.28	\$ 7.20	\$	\$
Hay and other	510	679	769	2.78	3.17	3.59		
Total feed	\$ 1,516	\$ 2,023	\$ 2,313	\$ 8.25	\$ 9.45	\$ 10.79	\$	\$
Labor, (including fringe costs)	\$ 402	\$ 420	\$ 354	\$ 2.18	\$ 1.95	\$ 1.65	\$	\$
Herd replacement costs	\$ 287	\$ 215	\$ 144	\$ 1.56	\$ 1.01	\$ 0.67	\$	\$
Other costs:								
Milk hauling	\$ 127	\$ 147	\$ 177	\$ 0.69	\$ 0.69	\$ 0.82	\$	\$
State and association charges	49	65	66	0.26	0.30	0.31		
Veterinary, breeding, testing, etc.	134	125	90	0.73	0.58	0.42		
Supplies	139	186	135	0.76	0.87	0.62		
Repairs and maintenance	149	161	120	0.81	0.75	0.56		
Utilities	36	42	52	0.20	0.19	0.24		
Occupancy costs	109	115	148	0.59	0.54	0.68		
Depreciation - equipment	85	78	66	0.46	0.37	0.31		
Interest	74	87	76	0.40	0.41	0.37		
Miscellaneous	165	203	219	0.89	0.95	1.04		
Total other costs	\$ 1,067	\$ 1,209	\$ 1,149	\$ 5.79	\$ 5.65	\$ 5.37	\$	\$
Total cost of operations	\$ 3,272	\$ 3,867	\$ 3,960	\$ 17.78	\$ 18.06	\$ 18.48	\$	\$
Net income (loss)	\$ (23)	\$ 68	\$ 1,252	\$ (0.12)	\$ 0.31	\$ 5.83	\$	\$

See accompanying explanation of income and cost factors.

## SUMMARY OF FINANCIAL STATISTICS

	PANHANDLE		
	December 31, 2016	December 31, 2015	December 31, 2014
1. Current Ratio	0.80 : 1	1.35 : 1	1.35 : 1
2. Herd Line Debt Per Cow	\$ 481	\$ 592	\$ 747
3. Total Debt Per Cow	\$ 2,275	\$ 2,320	\$ 2,667
4. Debt to Equity Ratio	1.13 : 1	1.06 : 1	1.06 : 1
5. Return on Total Assets	-0.4%	1.1%	16.6%
6. Income (loss) per milking cow per month	\$ (1.46)	\$ 16.08	\$ 129.99

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

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

	FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014 PANHANDLE (BASED ON AVERAGE AMOUNTS)		
	2016	2015	2014
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	18,394	21,422	21,445
Daily pounds of milk, per milking cow	64.5	67.7	68.9
Butterfat test	3.89 %	3.84 %	3.76 %
Blend price per hundredweight	\$ 17.41	\$ 17.69	\$ 23.85
Milk receipts, per milking cow	\$ 4,110	\$ 4,370	\$ 5,995
<b>HERD INFORMATION:</b>			
Herd size - total	3,060	3,059	2,936
Percent of dry cows	22.1 %	13.3 %	14.7 %
Herd turnover rate	35.6 %	37.2 %	37.9 %
Composition of herd:			
Purchased cows	4 %	8 %	9 %
Self-raised cows	96 %	92 %	91 %
Cost of purchased cows	\$ 1,909	\$ 2,300	\$ 2,549
Beef price received	\$ 746	\$ 1,033	\$ 1,181
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	31.4 %	35.5 %	30.2 %
Hay and other	16.0 %	17.9 %	15.1 %
Totals	47.4 %	53.4 %	45.3 %

## INCOME AND COST OF OPERATIONS

PANHANDLE  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2016      December 31, 2015      December 31, 2014

	December 31, 2016	December 31, 2015	December 31, 2014
Income:			
Milk Sales	\$ 17.41	\$ 17.69	\$ 23.85
Calves and other	0.25	0.68	0.46
<b>Total income</b>	<b>\$ 17.66</b>	<b>\$ 18.37</b>	<b>\$ 24.31</b>
Total cost of operations:			
Feed	\$ 8.25	\$ 9.45	\$ 10.79
Labor	2.18	1.95	1.65
Herd replacement costs	1.56	1.01	0.67
Other costs	5.79	5.65	5.37
<b>Total costs of operations</b>	<b>\$ 17.78</b>	<b>\$ 18.06</b>	<b>\$ 18.48</b>
<b>Net income (loss)</b>	<b>\$ (0.12)</b>	<b>\$ 0.31</b>	<b>\$ 5.83</b>
Cost of operations as a percentage of income	100.68%	98.31%	76.02%
Feed costs as a percentage of milk sales	47.39%	53.42%	45.24%
Net income (loss) per milking cow per month	\$ (1.46)	\$ 16.08	\$ 129.99
Cumulative net income per cwt. from 2010 to 2016	\$ 10.04		

December 31, 2013      December 31, 2012      December 31, 2011      December 31, 2010

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income:				
Milk Sales	\$ 20.65	\$ 19.05	\$ 20.57	\$ 16.89
Calves and other	0.44	0.49	0.26	0.14
<b>Total income</b>	<b>\$ 21.09</b>	<b>\$ 19.54</b>	<b>\$ 20.83</b>	<b>\$ 17.03</b>
Total cost of operations:				
Feed	\$ 12.86	\$ 12.12	\$ 10.10	\$ 7.85
Labor	1.65	1.65	1.76	1.62
Herd replacement costs	1.16	1.11	1.35	1.75
Other costs	5.01	4.75	4.81	4.92
<b>Total costs of operations</b>	<b>\$ 20.68</b>	<b>\$ 19.63</b>	<b>\$ 18.02</b>	<b>\$ 16.14</b>
<b>Net income (loss)</b>	<b>\$ 0.41</b>	<b>\$ (0.09)</b>	<b>\$ 2.81</b>	<b>\$ 0.89</b>
Cost of operations as a percentage of income	98.06%	100.46%	86.51%	94.77%
Feed costs as a percentage of milk sales	62.28%	63.62%	49.10%	46.48%
Net income (loss) per milking cow per month	\$ 17.31	\$ (1.12)	\$ 53.28	\$ 17.85
Cumulative net income per cwt. from 2010 to 2016				

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015, AND 2014  
PACIFIC NORTHWEST  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2016 RESULTS	
	2016	2015	2014	2016	2015	2014	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,825	\$ 3,624	\$ 5,133	\$ 17.21	\$ 16.79	\$ 23.19	\$	\$
Calves and other	50	88	92	0.22	0.40	0.43		
Total income	\$ 3,875	\$ 3,712	\$ 5,225	\$ 17.43	\$ 17.19	\$ 23.62	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,249	\$ 1,163	\$ 1,490	\$ 5.62	\$ 5.39	\$ 6.73	\$	\$
Hay and other	812	902	987	3.65	4.19	4.45		
Total feed	\$ 2,061	\$ 2,065	\$ 2,477	\$ 9.27	\$ 9.58	\$ 11.18	\$	\$
Labor, (including fringe costs)	\$ 459	\$ 402	\$ 406	\$ 2.07	\$ 1.85	\$ 1.83	\$	\$
Herd replacement costs	\$ 283	\$ 148	\$ 159	\$ 1.27	\$ 0.69	\$ 0.72	\$	\$
Other costs:								
Milk hauling	\$ 139	\$ 148	\$ 157	\$ 0.62	\$ 0.68	\$ 0.71	\$	\$
State and association charges	64	69	66	0.29	0.32	0.30		
Veterinary, breeding, testing, etc.	125	126	141	0.56	0.58	0.64		
Supplies	113	137	137	0.51	0.63	0.62		
Repairs and maintenance	156	159	137	0.70	0.74	0.62		
Utilities	45	38	44	0.20	0.18	0.20		
Occupancy costs	184	162	182	0.83	0.76	0.82		
Depreciation - equipment	78	56	74	0.35	0.26	0.34		
Interest	67	70	78	0.30	0.32	0.35		
Miscellaneous	141	162	168	0.60	0.76	0.76		
Total other costs	\$ 1,112	\$ 1,127	\$ 1,184	\$ 4.96	\$ 5.23	\$ 5.36	\$	\$
Total cost of operations	\$ 3,915	\$ 3,742	\$ 4,226	\$ 17.57	\$ 17.35	\$ 19.09	\$	\$
Net income (loss)	\$ (40)	\$ (30)	\$ 999	\$ (0.14)	\$ (0.16)	\$ 4.53	\$	\$

See accompanying explanation of income and cost factors.

## SUMMARY OF FINANCIAL STATISTICS

	PACIFIC NORTHWEST		
	December 31, 2016	December 31, 2015	December 31, 2014
1. Current Ratio	1.33 : 1	1.23 : 1	1.42 : 1
2. Herd Line Debt Per Cow	\$ 625	\$ 741	\$ 619
3. Total Debt Per Cow	\$ 2,873	\$ 2,157	\$ 2,087
4. Debt to Equity Ratio	1.02 : 1	1.50 : 1	0.81 : 1
5. Return on Total Assets	-0.5%	-0.6%	15.1%
6. Income (loss) per milking cow per month	\$ (3.90)	\$ (3.06)	\$ 110.56

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

## SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

	FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014 PACIFIC NORTHWEST (BASED ON AVERAGE AMOUNTS)		
	2016	2015	2014
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	22,227	21,582	22,136
Daily pounds of milk, per milking cow	70.1	69.5	70.4
Butterfat test	3.84 %	3.85 %	3.79 %
Blend price per hundredweight	\$ 17.23	\$ 16.76	\$ 23.19
Milk receipts, per milking cow	\$ 3,829	\$ 4,262	\$ 5,956
<b>HERD INFORMATION:</b>			
Herd size - total	2,341	2,555	2,643
Percent of dry cows	13.4 %	15.0 %	13.8 %
Herd turnover rate	31.8 %	34.1 %	36.9 %
Composition of herd:			
Purchased cows	12 %	11 %	9 %
Self-raised cows	88 %	89 %	91 %
Cost of purchased cows	\$ 1,639	\$ 1,934	\$ 1,962
Beef price received	\$ 731	\$ 1,107	\$ 1,020
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	32.6 %	32.1 %	29.0 %
Hay and other	21.2 %	25.0 %	19.2 %
Totals	53.8 %	57.1 %	48.2 %

## INCOME AND COST OF OPERATIONS

PACIFIC NORTHWEST  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2016      December 31, 2015      December 31, 2014

	December 31, 2016	December 31, 2015	December 31, 2014
Income:			
Milk Sales	\$ 17.21	\$ 16.79	\$ 23.19
Calves and other	0.22	0.40	0.43
<b>Total income</b>	<b>\$ 17.43</b>	<b>\$ 17.19</b>	<b>\$ 23.62</b>
Total cost of operations:			
Feed	\$ 9.27	\$ 9.58	\$ 11.18
Labor	2.07	1.85	1.83
Herd replacement costs	1.27	0.69	0.72
Other costs	4.96	5.23	5.36
<b>Total costs of operations</b>	<b>\$ 17.57</b>	<b>\$ 17.35</b>	<b>\$ 19.09</b>
<b>Net income (loss)</b>	<b>\$ (0.14)</b>	<b>\$ (0.16)</b>	<b>\$ 4.53</b>
Cost of operations as a percentage of income	100.80%	100.93%	80.80%
Feed costs as a percentage of milk sales	53.86%	57.06%	48.21%
Net income (loss) per milking cow per month	\$ (3.90)	\$ (3.06)	\$ 110.56
Cumulative net income per cwt. from 2010 to 2016	\$ 9.30		

December 31, 2013      December 31, 2012      December 31, 2011      December 31, 2010

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income:				
Milk Sales	\$ 20.48	\$ 18.56	\$ 20.58	\$ 16.59
Calves and other	0.34	0.83	0.57	0.27
<b>Total income</b>	<b>\$ 20.82</b>	<b>\$ 19.39</b>	<b>\$ 21.15</b>	<b>\$ 16.86</b>
Total cost of operations:				
Feed	\$ 11.83	\$ 10.53	\$ 9.87	\$ 8.15
Labor	1.73	1.70	1.71	1.44
Herd replacement costs	1.15	1.29	1.36	1.68
Other costs	5.17	5.18	5.22	5.14
<b>Total costs of operations</b>	<b>\$ 19.88</b>	<b>\$ 18.70</b>	<b>\$ 18.16</b>	<b>\$ 16.41</b>
<b>Net income (loss)</b>	<b>\$ 0.94</b>	<b>\$ 0.69</b>	<b>\$ 2.99</b>	<b>\$ 0.45</b>
Cost of operations as a percentage of income	95.46%	96.44%	85.86%	97.33%
Feed costs as a percentage of milk sales	57.76%	56.73%	47.96%	49.13%
Net income (loss) per milking cow per month	\$ 32.97	\$ 19.67	\$ 74.13	\$ 16.80
Cumulative net income per cwt. from 2010 to 2016				

## 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

Frazer, LLP has been associated with the dairy industry since the early 1950's. At that time, many immigrants from Europe were arriving in California's "Dairy Valley" and establishing their farming operations. These early dairies averaged 50 cows and the families provided most of the labor. Frazer, LLP's partners, situated in "Dairy Valley," were instrumental in the creation of federal and state laws to help dairymen. We have consistently supported pro-agricultural organizations in their efforts to help shape policy and better the living and working environments for dairy families.

As development expanded in the dairy farming area, our firm helped many dairies relocate throughout California, and other states throughout the West and Mid-West. Many families we are servicing now have their third generation stepping into the operation's management. We have grown with these families into their multiple operations, often totaling 10,000 cows or more. Today, Frazer, LLP has clients in California, Arizona, Texas, New Mexico, Colorado, Idaho, Utah, Nevada, Oregon, Washington, Nebraska, Kansas, Wisconsin, Iowa, and South Dakota. Also, we actively consult with many dairies throughout the United States.

As we look to the future, the trend towards efficiently operated dairies will continue. Along with this trend, the dairy industry is facing continued challenges in its operations, efficiency building efforts which are continuous, expansion and relocation activities including the ability to construct new dairies. The dairy industry brings many jobs to an area and allows associated businesses to grow and flourish. This creates further conflict between the local communities, governments and the environmentalists. Dairy producers face volatility in many facets of their business. Milk pricing and feed market updates can be monitored daily by producers via the CME website boards. Making the correct market decision with respect to milk and feed pricing are crucial to the successful operations of any facility. These decisions to contract any pricing of commodities often carry substantial risk/reward to the producers operation. And finding and keeping quality labor remains a constant challenge.

As we are almost midway through 2017, milk prices are starting to show signs of rising, albeit slowly. Major issues looming for producers in the nation are domestic and global demand, and worldwide competition. Sources of quality labor is getting more competitive while there is increased demand on higher wages and benefits that are putting additional strains on producers. Milk and feed futures continue to react with volatility, and obtaining future credit has become increasingly difficult as lending regulations remain strenuous at best. Milk production continues to rise and heifer inventories are rising dramatically as the impact of improved breeding, sexed semen, and continuous beefing of lower end producing cows, which started several years ago now translates into exploding heifer programs and first calf herds. All of these factors require that producers do as much as they can to conserve resources, improve efficiencies, and make the right decisions day to day for their operations in order to insure a viable future.

Frazer, LLP will be instrumental in providing the assistance needed to make these decisions.





## Services Provided to the Dairy Industry:

### Assurance and Accounting

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

### Tax Planning and Compliance

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

### Consulting and Business Advisory Services

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

135 South State College Blvd.  
Suite 300  
Brea, CA 92821  
714 990 1040

2250 W. Main St.  
Suite B  
Visalia, CA 93291  
559 732 4135

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