

# Dairy Farm Operating Trends

**December 31, 2009**



*Relationships backed by performance*

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

*The following pages contain the Frazer Frost, LLP's Dairy Farm Operating Trends for the year ended December 31, 2009.*

*The data is compiled from dairy operations in Southern California, the San Joaquin Valley, Kern County, Arizona, Idaho, New Mexico and the Panhandle with a combined milk production of over 4.2 billion pounds and more than 231,000 head of mature cows for the year ended December 31, 2009.*

*This report includes a comparison of the results in the regions listed above for the year ended December 31, 2009 both on a "per hundredweight of milk" basis and on a "per head" basis. Also included are selected financial ratios and other information for the period.*

*This publication is designed as a reference tool and a management aid for dairy farm managers and advisors. Frazer Frost, 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 Frost, LLP. If you have any comments or questions, please contact Tim Gulling or Sharon A. Davis at our Brea office at (714) 990-1040 and 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.frazerfrost.com](http://www.frazerfrost.com).*

Sincerely,

*Frazer Frost LLP*

FRAZER FROST, LLP

Certified Public Accountants and Consultants

**April 2010**

# DAIRY FARM OPERATING TRENDS

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

Milk prices decreased dramatically at the beginning of 2009 and remained low for the majority of the entire year. Feed costs, fuel and most other operating input costs were slightly lower when compared to 2008 costs.

Net income (loss) per head:	Southern California		San Joaquin Valley		Kern County		Idaho		New Mexico		Panhandle	
	2009	\$ (759)	\$ (962)	\$ (827)	\$ (933)	\$ (585)	\$ (821)	\$ (933)	\$ (585)	\$ (799)	\$ (799)	\$ (799)
	2008	(333)	(152)	(45)	351	86	214	351	214	214	209	209
	Change	(426)	(810)	(782)	(1,284)	(907)	(799)	(1,284)	(799)	(799)	(1,008)	(1,008)

**Comparative Feed Cost By Region:**

Feed costs decreased in most regions in 2009, due to lower domestic and international demand, a stronger dollar, and favorable weather patterns resulting in moderate summertime temperatures allowing for larger corn harvests than expected.

Feed cost per head:	Southern California		San Joaquin Valley		Kern County		Idaho		New Mexico		Panhandle	
	2009	\$ 1,702	\$ 1,907	\$ 1,870	\$ 1,989	\$ 1,728	\$ 1,989	\$ 1,656	\$ 1,656	\$ 1,920	\$ 1,920	\$ 1,920
	2008	2,178	2,050	2,114	2,030	1,853	2,030	1,812	1,812	1,644	1,644	1,644
	Change	(476)	(143)	(244)	(41)	(125)	(156)	(41)	(156)	(156)	(276)	(276)

**Comparative Production By Region:**

Milk production decreased in most regions in 2009, along with the entire U.S. production. Production decreased domestically by 0.3 percent when compared to 2008.

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
Lbs. per milk cow per day							
2009	61.2	70.0	66.2	66.6	68.6	65.7	61.8
2008	66.1	70.5	67.2	65.3	70.2	66.0	59.9
Change	(4.9)	(0.5)	(1.0)	1.3	(1.6)	(0.3)	1.9

**Herd Turnover Rate By Region:**

Herd turnover rates increased in all regions in 2009, except in Southern California and Arizona, where it decreased.

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
2009	30.2%	38.6%	36.1%	29.9%	35.8%	36.0%	29.3%
2008	35.7%	36.1%	34.5%	32.7%	33.9%	33.5%	23.6%
Change	-5.5%	2.5%	1.6%	-2.8%	1.9%	2.5%	5.7%

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

The cost of replacements decreased in all regions during 2009.

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
2009	\$ 1,490	\$ 1,330	\$ 1,505	\$ 1,377	\$ 1,290	\$ 1,378	\$ 1,448
2008	2,350	1,847	1,800	2,187	1,655	1,603	1,825
Change	(860)	(517)	(295)	(810)	(365)	(225)	(377)

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(BASED ON AVERAGE AMOUNTS PER HEAD)

	Southern California	San Joaquin Valley	Kern County
Income:			
Milk sales	\$ 2,423	\$ 2,534	\$ 2,427
Calves and other	96	50	23
<b>Total income</b>	<b>\$ 2,519</b>	<b>\$ 2,584</b>	<b>\$ 2,450</b>
Cost of operations:			
Feed:			
Grain	\$ 1,028	\$ 1,267	\$ 1,170
Hay and other	674	640	700
<b>Total feed</b>	<b>\$ 1,702</b>	<b>\$ 1,907</b>	<b>\$ 1,870</b>
Labor, (including fringe costs)	\$ 363	\$ 324	\$ 272
Herd replacement costs	\$ 322	\$ 280	\$ 281
Other costs:			
Milk hauling	\$ 79	\$ 71	\$ 68
State and association charges	35	52	43
Veterinary, breeding, testing, etc.	60	95	55
Supplies	107	129	100
Repairs and maintenance	114	97	101
Utilities	63	82	74
Occupancy costs	123	153	102
Depreciation - equipment	38	69	71
Interest	132	125	117
Miscellaneous	140	162	123
<b>Total other costs</b>	<b>\$ 891</b>	<b>\$ 1,035</b>	<b>\$ 854</b>
<b>Total cost of operations</b>	<b>\$ 3,278</b>	<b>\$ 3,546</b>	<b>\$ 3,277</b>
<b>Net loss</b>	<b>\$ (759)</b>	<b>\$ (962)</b>	<b>\$ (827)</b>

Arizona	Idaho	New Mexico	Panhandle	Your December 31, 2009 Amounts
\$ 2,569 52	\$ 2,667 54	\$ 2,449 48	\$ 2,876 42	\$
\$ 2,621	\$ 2,721	\$ 2,497	\$ 2,918	\$
\$ 1,103 625	\$ 1,186 803	\$ 1,184 472	\$ 1,289 631	\$
\$ 1,728	\$ 1,989	\$ 1,656	\$ 1,920	\$
\$ 323	\$ 359	\$ 298	\$ 349	\$
\$ 399	\$ 287	\$ 258	\$ 401	\$
\$ 73 97 60 144 85 83 151 30 140 129	\$ 55 46 86 171 147 54 99 84 117 160	\$ 121 77 69 102 100 50 80 55 76 140	\$ 132 59 71 138 85 49 146 79 138 150	\$
\$ 992	\$ 1,019	\$ 870	\$ 1,047	\$
\$ 3,442	\$ 3,654	\$ 3,082	\$ 3,717	\$
\$ (821)	\$ (933)	\$ (585)	\$ (799)	\$

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(BASED ON AVERAGE AMOUNTS  
PER HUNDREDWEIGHT OF MILK)

	Southern California	San Joaquin Valley	Kern County
Income:			
Milk sales	\$ 12.42	\$ 11.71	\$ 12.27
Calves and other	0.46	0.23	0.10
<b>Total income</b>	<b>\$ 12.88</b>	<b>\$ 11.94</b>	<b>\$ 12.37</b>
Cost of operations:			
Feed:			
Grain	\$ 5.28	\$ 5.86	\$ 5.91
Hay and other	3.46	2.95	3.54
<b>Total feed</b>	<b>\$ 8.74</b>	<b>\$ 8.81</b>	<b>\$ 9.45</b>
Labor, (including fringe costs)	\$ 1.86	\$ 1.48	\$ 1.38
Herd replacement costs	\$ 1.65	\$ 1.30	\$ 1.42
Other costs:			
Milk hauling	\$ 0.41	\$ 0.33	\$ 0.34
State and association charges	0.18	0.24	0.22
Veterinary, breeding, testing, etc.	0.30	0.43	0.28
Supplies	0.55	0.60	0.50
Repairs and maintenance	0.59	0.45	0.51
Utilities	0.32	0.38	0.37
Occupancy costs	0.64	0.70	0.52
Depreciation - equipment	0.19	0.32	0.36
Interest	0.68	0.58	0.59
Miscellaneous	0.70	0.75	0.63
<b>Total other costs</b>	<b>\$ 4.56</b>	<b>\$ 4.78</b>	<b>\$ 4.32</b>
<b>Total cost of operations</b>	<b>\$ 16.81</b>	<b>\$ 16.37</b>	<b>\$ 16.57</b>
<b>Net loss</b>	<b>\$ (3.93)</b>	<b>\$ (4.43)</b>	<b>\$ (4.20)</b>



**Your  
December 31, 2009  
Amounts**

Arizona	Idaho	New Mexico	Panhandle	Your December 31, 2009 Amounts
\$ 12.58 0.25	\$ 12.27 0.25	\$ 12.83 0.25	\$ 13.63 0.20	\$
\$ 12.83	\$ 12.52	\$ 13.08	\$ 13.83	\$
\$ 5.40 3.06	\$ 5.45 3.69	\$ 6.21 2.47	\$ 6.11 2.98	\$
\$ 8.46	\$ 9.14	\$ 8.68	\$ 9.09	\$
\$ 1.60	\$ 1.65	\$ 1.56	\$ 1.65	\$
\$ 1.95	\$ 1.32	\$ 1.35	\$ 1.90	\$
\$ 0.36 0.48 0.30 0.70 0.42 0.41 0.74 0.14 0.68 0.64	\$ 0.25 0.21 0.40 0.78 0.68 0.25 0.45 0.39 0.54 0.75	\$ 0.63 0.40 0.36 0.53 0.52 0.26 0.42 0.29 0.40 0.73	\$ 0.62 0.28 0.32 0.65 0.40 0.23 0.69 0.37 0.65 0.71	\$
\$ 4.87	\$ 4.70	\$ 4.54	\$ 4.92	\$
\$ 16.88	\$ 16.81	\$ 16.13	\$ 17.56	\$
\$ (4.05)	\$ (4.29)	\$ (3.05)	\$ (3.73)	\$

## SUMMARY OF FINANCIAL STATISTICS

### COMPARISON BY AREA FOR THE YEAR ENDED DECEMBER 31, 2009

	Southern California	San Joaquin Valley	Kern County
1. Current Ratio	0.22 : 1	0.67 : 1	1.30 : 1
2. Debt Per Cow	\$ 1,375	\$ 1,615	\$ 2,199
3. Debt to Equity Ratio	2.00 : 1	2.30 : 1	1.40 : 1
4. Return on Total Assets	-15.5%	-16.5%	-11.3%
5. Loss per milking cow per month	\$ (74.43)	\$ (91.89)	\$ (88.01)

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity ratio represents total debt divided by total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost.
5. Loss 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	Your 2009 Results
0.48 : 1	0.86 : 1	1.02 : 1	0.59 : 1	
\$ 1,888	\$ 1,920	\$ 1,256	\$ 1,831	\$
6.45 : 1	2.28 : 1	1.80 : 1	4.01 : 1	
-19.0%	-15.9%	-11.7%	-15.2%	
\$ (84.26)	\$ (81.62)	\$ (55.60)	\$ (61.10)	\$

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2009, 2008, AND 2007  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2009	2008	2007
Income:			
Milk sales	\$ 2,423	\$ 3,508	\$ 3,795
Calves and other	96	60	49
<b>Total income</b>	<b>\$ 2,519</b>	<b>\$ 3,568</b>	<b>\$ 3,844</b>
Cost of operations:			
Feed:			
Grain	\$ 1,028	\$ 1,492	\$ 1,137
Hay and other	674	686	574
<b>Total feed</b>	<b>\$ 1,702</b>	<b>\$ 2,178</b>	<b>\$ 1,711</b>
Labor, (including fringe costs)	\$ 363	\$ 388	\$ 377
Herd replacement costs	\$ 322	\$ 325	\$ 255
Other costs:			
Milk hauling	\$ 79	\$ 88	\$ 83
State and association charges	35	38	39
Veterinary, breeding, testing, etc.	60	72	66
Supplies	107	122	111
Repairs and maintenance	114	144	128
Utilities	63	71	70
Occupancy costs	123	117	127
Depreciation - equipment	38	36	30
Interest	132	129	156
Miscellaneous	140	193	115
<b>Total other costs</b>	<b>\$ 891</b>	<b>\$ 1,010</b>	<b>\$ 925</b>
<b>Total cost of operations</b>	<b>\$ 3,278</b>	<b>\$ 3,901</b>	<b>\$ 3,268</b>
<b>Net income (loss)</b>	<b>\$ (759)</b>	<b>\$ (333)</b>	<b>\$ 576</b>

PER CWT. OF MILK			YOUR 2009 RESULTS	
2009	2008	2007	PER HEAD	PER CWT. OF MILK
\$ 12.42	\$ 17.22	\$ 18.46	\$	\$
0.46	0.28	0.23		
\$ 12.88	\$ 17.50	\$ 18.69	\$	\$
\$ 5.28	\$ 7.33	\$ 5.53	\$	\$
3.46	3.36	2.78		
\$ 8.74	\$ 10.69	\$ 8.31	\$	\$
\$ 1.86	\$ 1.90	\$ 1.83	\$	\$
\$ 1.65	\$ 1.60	\$ 1.24	\$	\$
\$ 0.41	\$ 0.43	\$ 0.40	\$	\$
0.18	0.19	0.19		
0.30	0.35	0.32		
0.55	0.60	0.55		
0.59	0.72	0.63		
0.32	0.35	0.34		
0.64	0.58	0.62		
0.19	0.17	0.14		
0.68	0.63	0.76		
0.70	0.93	0.56		
\$ 4.56	\$ 4.95	\$ 4.51	\$	\$
\$ 16.81	\$ 19.14	\$ 15.89	\$	\$
\$ (3.93)	\$ (1.64)	\$ 2.80	\$	\$

## SUMMARY OF FINANCIAL STATISTICS

### SOUTHERN CALIFORNIA

	December 31, 2009	December 31, 2008	December 31, 2007
1. Current Ratio	0.22 : 1	0.60 : 1	1.24 : 1
2. Debt Per Cow	\$ 1,375	\$ 1,291	\$ 1,046
3. Debt to Equity Ratio	2.00 : 1	1.98 : 1	1.03 : 1
4. Return on Total Assets	-15.5%	-6.9%	12.7%
5. Income (loss) per milking cow per month	\$ (74.43)	\$ (34.34)	\$ 53.99

1. The current ratio represents current assets divided by current liabilities.

2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.

3. Debt to equity represents the total debt divided by the total equity.

4. The return on total assets represents the net income divided by the total assets, stated at cost.

5. Income (loss) 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, 2009, 2008, AND 2007  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	2009	2008	2007
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	19,490	20,363	24,219
Daily pounds of milk, per milking cow	61.2	66.1	66.4
Butterfat test	3.42 %	3.45 %	3.52 %
Solids-non-fat test	8.72 %	8.71 %	8.67 %
Blend price per hundredweight	\$ 12.42	\$ 17.22	\$ 18.46
Milk receipts, per milking cow	\$ 2,778	\$ 4,156	\$ 4,471
<b>HERD INFORMATION:</b>			
Herd size - total	1,259	1,203	1,229
Percent of dry cows	12.8 %	15.5 %	15.1 %
Herd turnover rate	30.2 %	35.7 %	30.3 %
Composition of herd:			
Purchased cows	34 %	4 %	9 %
Self-raised cows	66 %	96 %	91 %
Cost of purchased cows	\$ 1,490	\$ 2,350	\$ 2,014
Beef price received	\$ 513	\$ 530	\$ 638
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	42.5 %	42.6 %	29.9 %
Hay and other	27.9 %	19.5 %	15.1 %
Totals	70.4 %	62.1 %	45.0 %

# INCOME AND COST OF OPERATIONS

## SOUTHERN CALIFORNIA

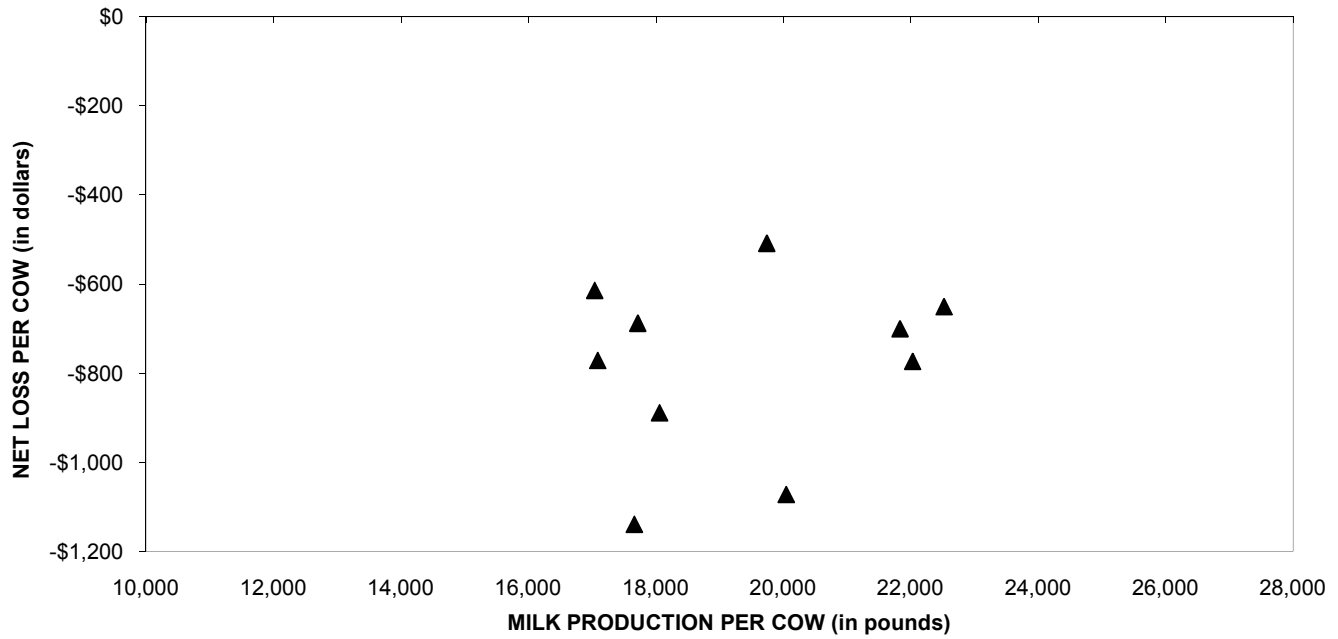
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

	December 31, 2009	December 31, 2008	December 31, 2007
Income:			
Milk Sales	\$ 12.42	\$ 17.22	\$ 18.46
Calves and other	0.46	0.28	0.23
Total income	\$ 12.88	\$ 17.50	\$ 18.69
Total cost of operations:			
Feed	\$ 8.74	\$ 10.69	\$ 8.31
Labor	1.86	1.90	1.83
Herd replacement costs	1.65	1.60	1.24
Other costs	4.56	4.95	4.51
Total costs of operations	\$ 16.81	\$ 19.14	\$ 15.89
Net income (loss)	\$ (3.93)	\$ (1.64)	\$ 2.80
Cost of operations as a percentage of income	130.51%	109.37%	85.02%
Feed costs as a percentage of milk sales	70.37%	62.08%	45.02%
Net income (loss) per milking cow per month	\$ (74.43)	\$ (34.34)	\$ 53.99



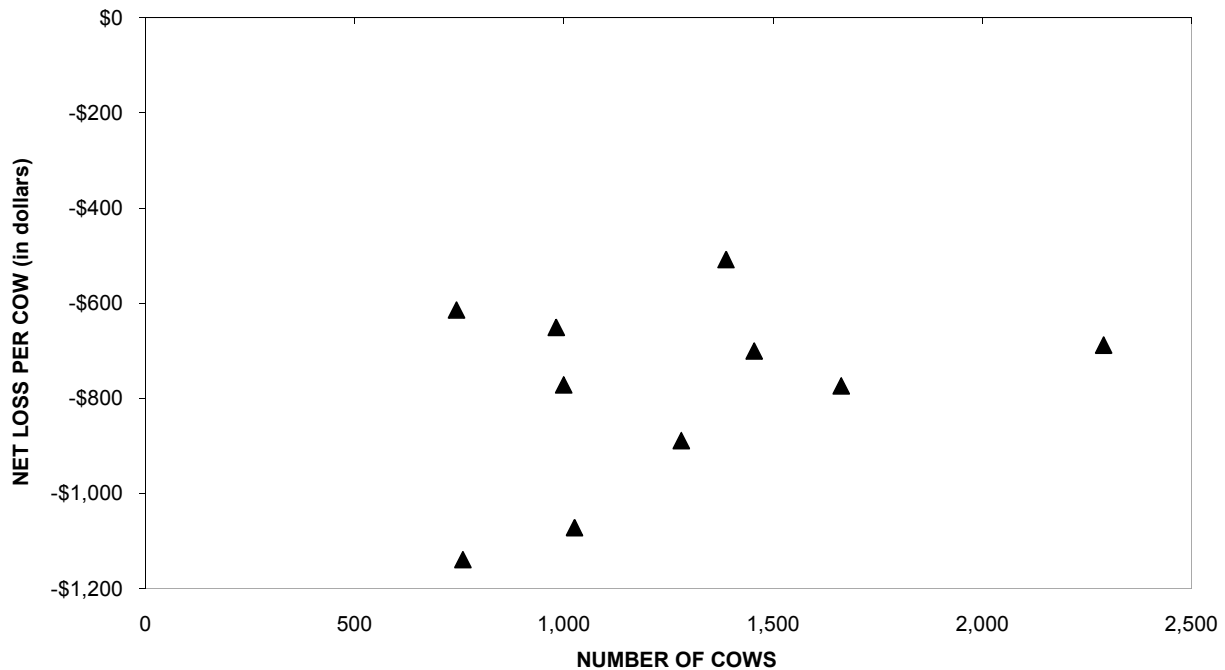
December 31, 2006		December 31, 2005		December 31, 2004		December 31, 2003	
\$	12.25	\$	14.75	\$	15.48	\$	12.17
	0.48		0.42		0.38		0.17
\$	12.73	\$	15.17	\$	15.86	\$	12.34
\$	6.90	\$	7.05	\$	6.56	\$	6.11
	1.86		1.95		1.83		1.66
	1.05		1.13		1.08		1.30
	4.30		4.04		3.75		3.41
\$	14.11	\$	14.17	\$	13.22	\$	12.48
\$	(1.38)	\$	1.00	\$	2.64	\$	(0.14)
	110.84%		93.41%		83.35%		101.13%
	56.33%		47.80%		42.38%		50.21%
\$	(33.82)	\$	18.33	\$	48.78	\$	(7.34)

## PROFITABILITY BY MILK PRODUCTION PER COW Southern California

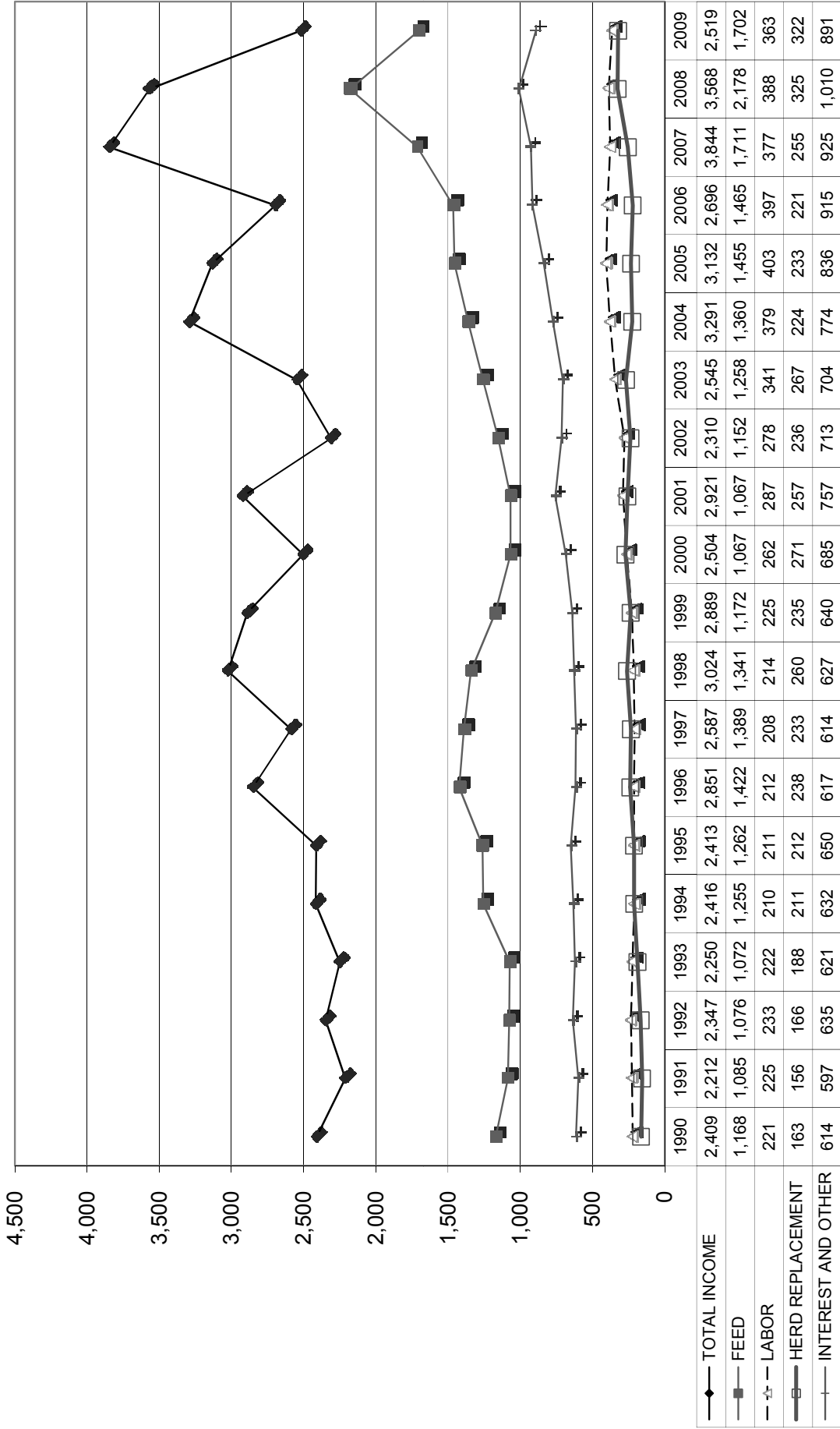


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry).

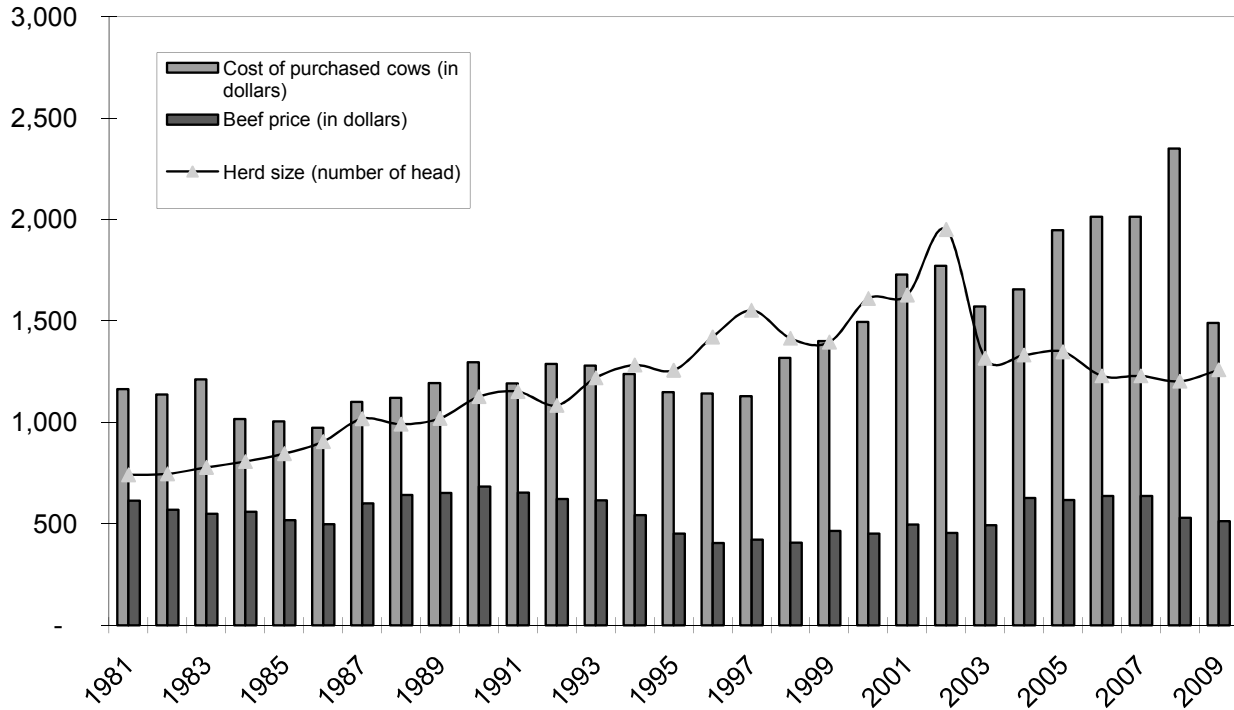
## PROFITABILITY BY HERD SIZE Southern California



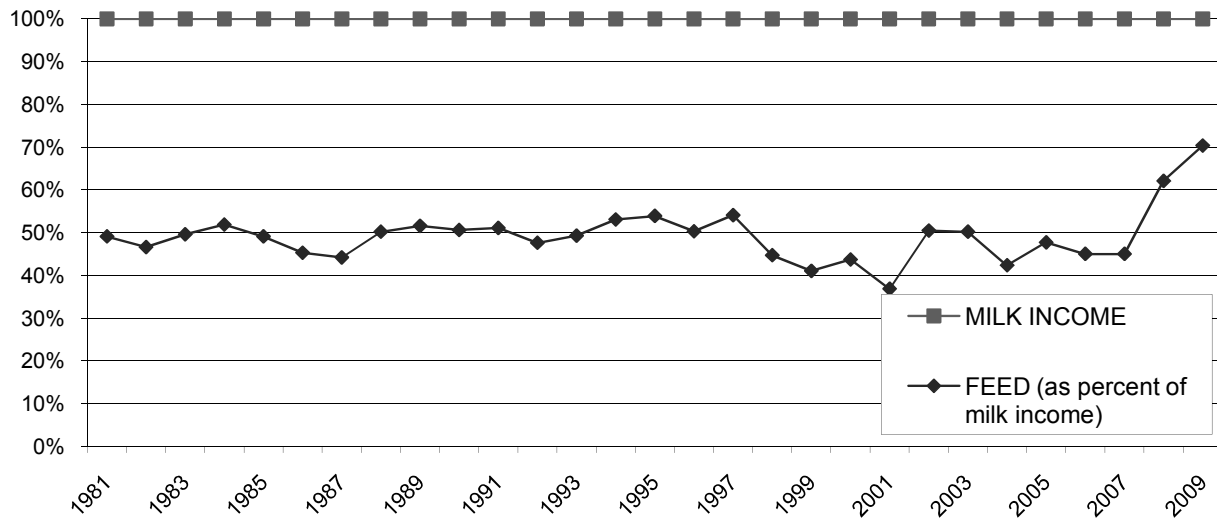
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
SOUTHERN CALIFORNIA  
INCOME AND OPERATING COSTS  
1990 - 2009**



## 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, 2009, 2008, AND 2007  
SAN JOAQUIN VALLEY  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2009	2008	2007
Income:			
Milk sales	\$ 2,534	\$ 3,677	\$ 4,007
Calves and other	50	32	79
Total income	\$ 2,584	\$ 3,709	\$ 4,086
Cost of operations:			
Feed:			
Grain	\$ 1,267	\$ 1,492	\$ 1,160
Hay and other	640	558	540
Total feed	\$ 1,907	\$ 2,050	\$ 1,700
Labor, (including fringe costs)	\$ 324	\$ 337	\$ 313
Herd replacement costs	\$ 280	\$ 260	\$ 225
Other costs:			
Milk hauling	\$ 71	\$ 69	\$ 68
State and association charges	52	67	47
Veterinary, breeding, testing, etc.	95	122	98
Supplies	129	134	136
Repairs and maintenance	97	133	133
Utilities	82	79	71
Occupancy costs	153	141	111
Depreciation - equipment	69	78	76
Interest	125	151	173
Miscellaneous	162	240	188
Total other costs	\$ 1,035	\$ 1,214	\$ 1,101
Total cost of operations	\$ 3,546	\$ 3,861	\$ 3,339
Net income (loss)	\$ (962)	\$ (152)	\$ 747

PER CWT. OF MILK			YOUR 2009 RESULTS	
2009	2008	2007	PER HEAD	PER CWT. OF MILK
\$ 11.71 0.23	\$ 16.84 0.14	\$ 18.48 0.35	\$	\$
\$ 11.94	\$ 16.98	\$ 18.83	\$	\$
\$ 5.86 2.95	\$ 6.83 2.55	\$ 5.35 2.49	\$	\$
\$ 8.81	\$ 9.38	\$ 7.84	\$	\$
\$ 1.48	\$ 1.54	\$ 1.44	\$	\$
\$ 1.30	\$ 1.19	\$ 1.04	\$	\$
\$ 0.33 0.24 0.43 0.60 0.45 0.38 0.70 0.32 0.58 0.75	\$ 0.31 0.30 0.56 0.61 0.61 0.36 0.64 0.35 0.69 1.09	\$ 0.31 0.21 0.45 0.63 0.62 0.33 0.51 0.35 0.80 0.82	\$	\$
\$ 4.78	\$ 5.52	\$ 5.03	\$	\$
\$ 16.37	\$ 17.63	\$ 15.35	\$	\$
\$ (4.43)	\$ (0.65)	\$ 3.48	\$	\$

## SUMMARY OF FINANCIAL STATISTICS

### SAN JOAQUIN VALLEY

	December 31, 2009	December 31, 2008	December 31, 2007
1. Current Ratio	0.67 : 1	1.25 : 1	1.47 : 1
2. Debt Per Cow	\$ 1,615	\$ 1,581	\$ 1,503
3. Debt to Equity Ratio	2.30 : 1	1.30 : 1	1.00 : 1
4. Return on Total Assets	-16.5%	-2.4%	11.4%
5. Income (loss) per milking cow per month	\$ (91.89)	\$ (1.40)	\$ 88.56

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost.
5. Income (loss) 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, 2009, 2008, AND 2007  
SAN JOAQUIN VALLEY  
(BASED ON AVERAGE AMOUNTS)

	2009	2008	2007
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,638	21,831	21,686
Daily pounds of milk, per milking cow	70.0	70.5	69.0
Butterfat test	3.57 %	3.61 %	3.58 %
Solids-non-fat test	8.71 %	8.76 %	8.80 %
Blend price per hundredweight	\$ 11.71	\$ 16.84	\$ 18.48
Milk receipts, per milking cow	\$ 2,992	\$ 4,331	\$ 4,655
<b>HERD INFORMATION:</b>			
Herd size - total	2,861	2,720	2,361
Percent of dry cows	15.3 %	15.1 %	13.9 %
Herd turnover rate	38.6 %	36.1 %	31.2 %
Composition of herd:			
Purchased cows	6 %	20 %	11 %
Self-raised cows	94 %	80 %	89 %
Cost of purchased cows	\$ 1,330	\$ 1,847	\$ 2,088
Beef price received	\$ 549	\$ 607	\$ 624
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	50.0 %	40.6 %	29.0 %
Hay and other	25.2 %	15.1 %	13.5 %
Totals	75.2 %	55.7 %	42.5 %



## INCOME AND COST OF OPERATIONS

### SAN JOAQUIN VALLEY

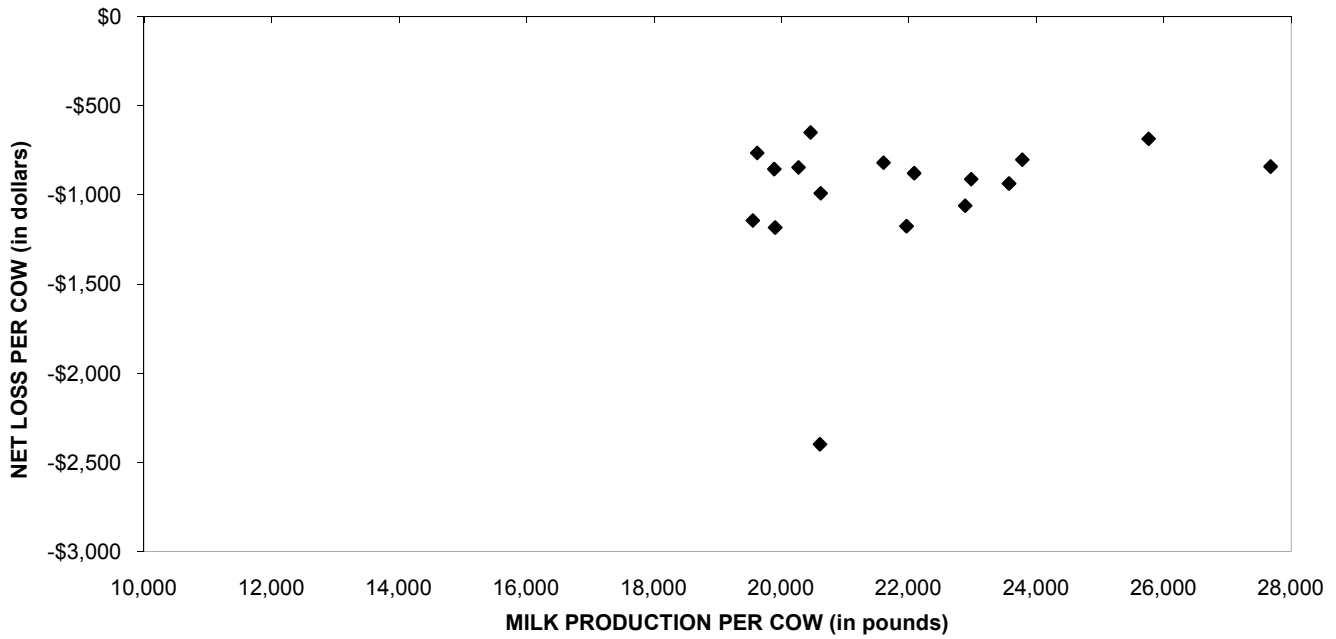
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2009      December 31, 2008      December 31, 2007

	December 31, 2009	December 31, 2008	December 31, 2007
Income:			
Milk Sales	\$ 11.71	\$ 16.84	\$ 18.48
Calves and other	0.23	0.14	0.35
Total income	\$ 11.94	\$ 16.98	\$ 18.83
Total cost of operations:			
Feed	\$ 8.81	\$ 9.38	\$ 7.84
Labor	1.48	1.54	1.44
Herd replacement costs	1.30	1.19	1.04
Other costs	4.78	5.52	5.03
Total costs of operations	\$ 16.37	\$ 17.63	\$ 15.35
Net income (loss)	\$ (4.43)	\$ (0.65)	\$ 3.48
Cost of operations as a percentage of income	137.10%	103.83%	81.52%
Feed costs as a percentage of milk sales	75.23%	55.70%	42.42%
Net income (loss) per milking cow per month	\$ (91.89)	\$ (1.40)	\$ 88.56

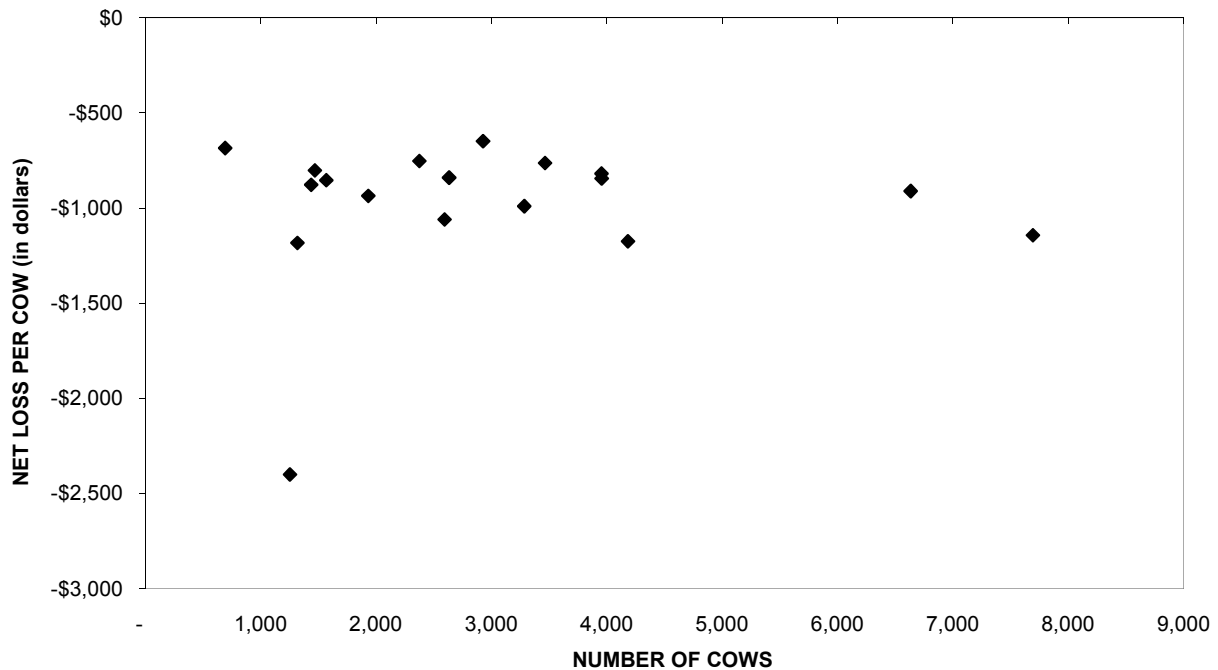
December 31, 2006		December 31, 2005		December 31, 2004		December 31, 2003	
\$	11.82	\$	14.45	\$	15.30	\$	11.97
	0.38		0.25		0.42		0.48
\$	12.20	\$	14.70	\$	15.72	\$	12.45
\$	6.47	\$	6.64	\$	6.72	\$	6.05
	1.48		1.41		1.40		1.32
	1.07		1.00		1.08		1.27
	4.68		4.13		4.00		3.79
\$	13.70	\$	13.18	\$	13.20	\$	12.43
\$	(1.50)	\$	1.52	\$	2.52	\$	0.02
	112.30%		89.66%		83.97%		99.84%
	54.74%		45.95%		43.92%		50.54%
\$	(27.19)	\$	31.96	\$	82.13	\$	3.94

## PROFITABILITY BY MILK PRODUCTION PER COW San Joaquin

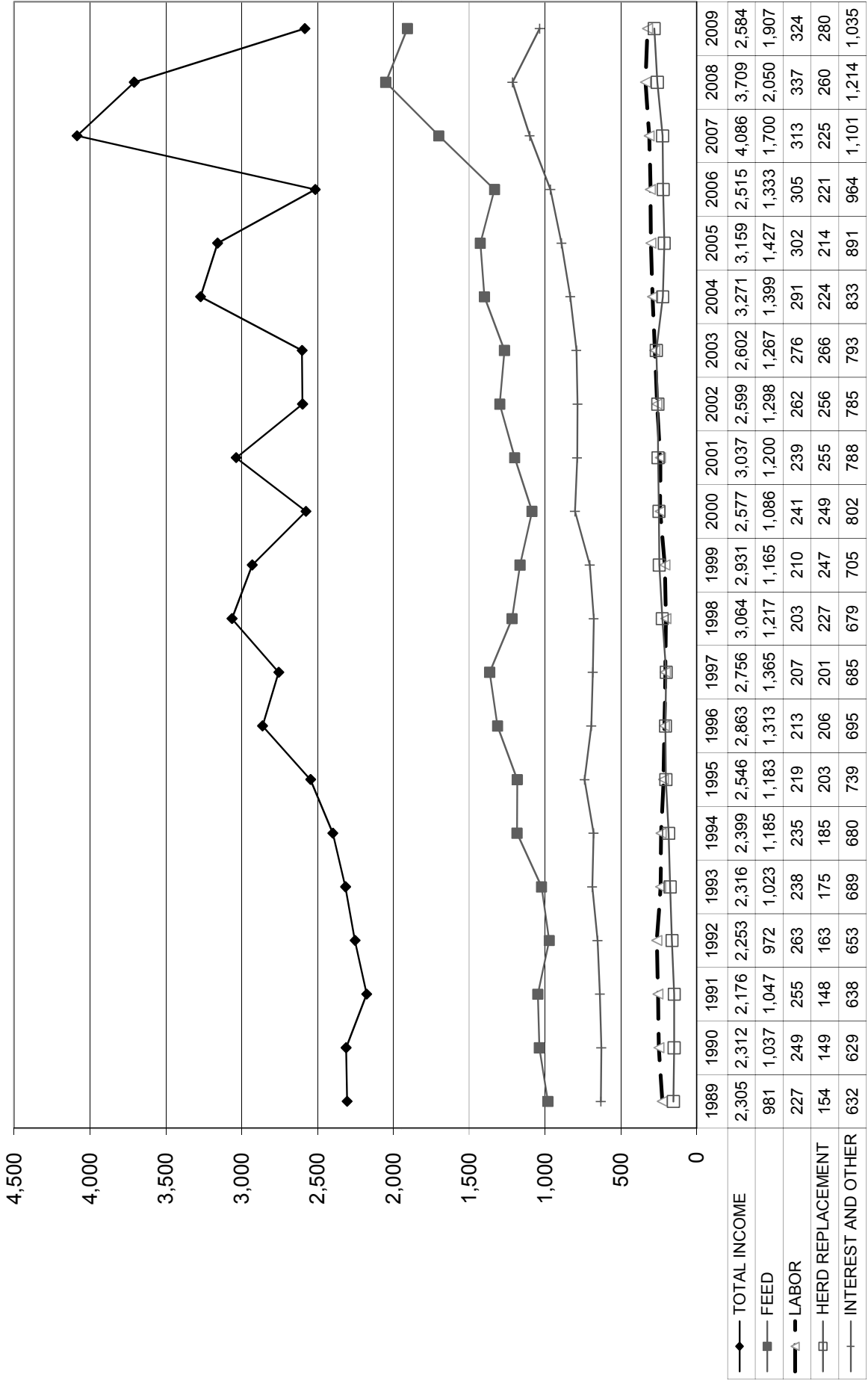


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry).

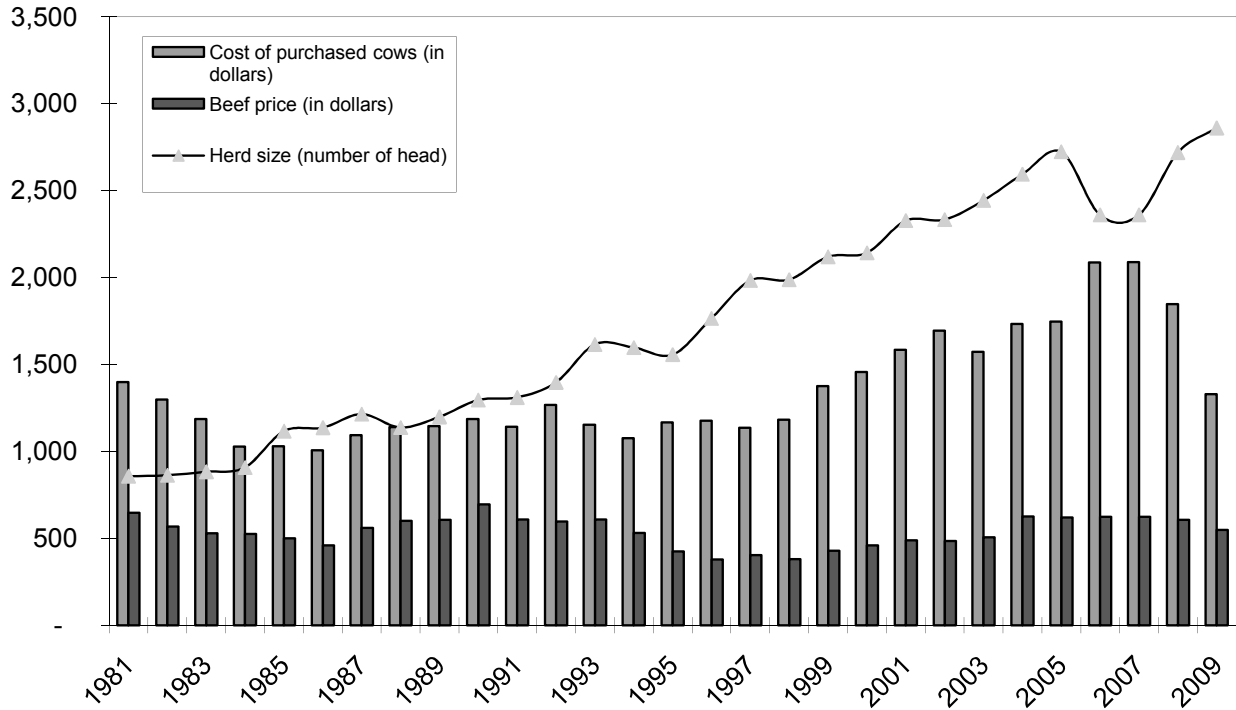
## PROFITABILITY BY HERD SIZE San Joaquin



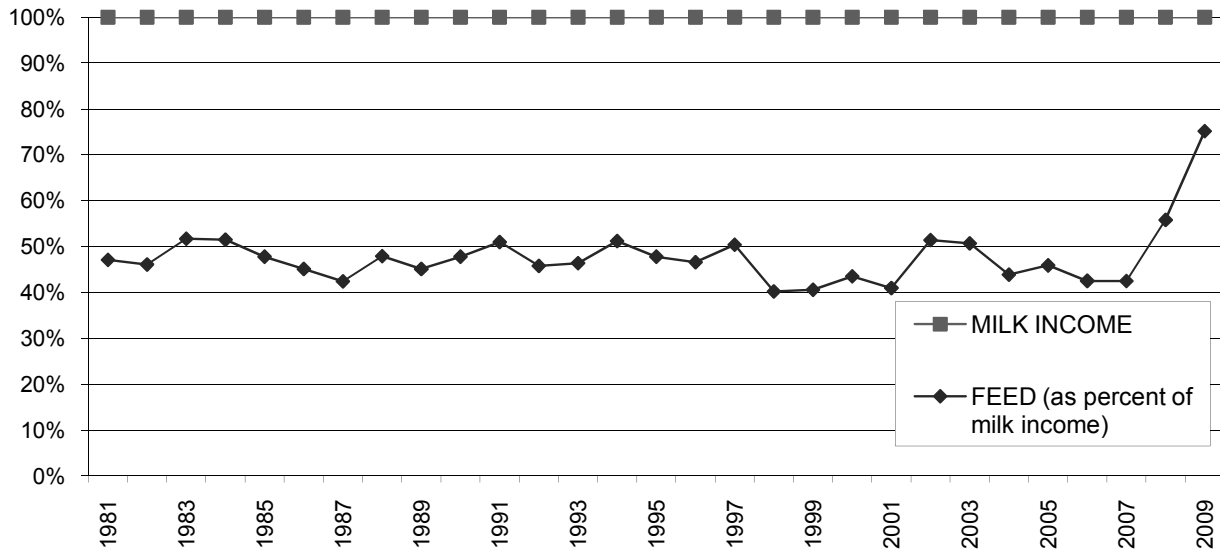
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
SAN JOAQUIN VALLEY  
INCOME AND OPERATING COSTS  
1989 - 2009**



## 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, 2009, 2008, AND 2007  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2009	2008	2007
Income:			
Milk sales	\$ 2,427	\$ 3,496	\$ 3,675
Calves and other	23	28	69
Total income	\$ 2,450	\$ 3,524	\$ 3,744
Cost of operations:			
Feed:			
Grain	\$ 1,170	\$ 1,411	\$ 1,087
Hay and other	700	703	477
Total feed	\$ 1,870	\$ 2,114	\$ 1,564
Labor, (including fringe costs)	\$ 272	\$ 276	\$ 263
Herd replacement costs	\$ 281	\$ 251	\$ 236
Other costs:			
Milk hauling	\$ 68	\$ 71	\$ 66
State and association charges	43	51	48
Veterinary, breeding, testing, etc.	55	57	51
Supplies	100	102	99
Repairs and maintenance	101	102	103
Utilities	74	72	58
Occupancy costs	102	110	104
Depreciation - equipment	71	67	63
Interest	117	105	150
Miscellaneous	123	191	113
Total other costs	\$ 854	\$ 928	\$ 855
Total cost of operations	\$ 3,277	\$ 3,569	\$ 2,918
Net income (loss)	\$ (827)	\$ (45)	\$ 826

See accompanying explanation of income and cost factors.

PER CWT. OF MILK			YOUR 2009 RESULTS	
2009	2008	2007	PER HEAD	PER CWT. OF MILK
\$ 12.27	\$ 17.37	\$ 18.53	\$	\$
0.10	0.14	0.35		
\$ 12.37	\$ 17.51	\$ 18.88	\$	\$
\$ 5.91	\$ 7.01	\$ 5.48	\$	\$
3.54	3.49	2.41		
\$ 9.45	\$ 10.50	\$ 7.89	\$	\$
\$ 1.38	\$ 1.36	\$ 1.33	\$	\$
\$ 1.42	\$ 1.25	\$ 1.19	\$	\$
\$ 0.34	\$ 0.35	\$ 0.33	\$	\$
0.22	0.25	0.24		
0.28	0.29	0.26		
0.50	0.50	0.50		
0.51	0.51	0.52		
0.37	0.36	0.29		
0.52	0.55	0.53		
0.36	0.34	0.32		
0.59	0.52	0.76		
0.63	0.93	0.56		
\$ 4.32	\$ 4.60	\$ 4.31	\$	\$
\$ 16.57	\$ 17.71	\$ 14.72	\$	\$
\$ (4.20)	\$ (0.20)	\$ 4.16	\$	\$

## SUMMARY OF FINANCIAL STATISTICS

### KERN COUNTY

	December 31, 2009	December 31, 2008	December 31, 2007
1. Current Ratio	1.30 : 1	1.84 : 1	1.79 : 1
2. Debt Per Cow	\$ 2,199	\$ 1,966	\$ 1,507
3. Debt to Equity Ratio	1.40 : 1	1.01 : 1	0.87 : 1
4. Return on Total Assets	-11.3%	-0.6%	10.6%
5. Income (loss) per milking cow per month	\$ (88.01)	\$ (1.22)	\$ 84.69

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost.
5. Income (loss) 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, 2009, 2008, AND 2007  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

	2009	2008	2007
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	19,793	20,132	19,828
Daily pounds of milk, per milking cow	66.2	67.2	65.8
Butterfat test	3.68 %	3.69 %	3.71 %
Solids-non-fat test	8.79 %	8.78 %	8.78 %
Blend price per hundredweight	\$ 12.27	\$ 17.37	\$ 18.53
Milk receipts, per milking cow	\$ 2,962	\$ 4,257	\$ 4,451
<b>HERD INFORMATION:</b>			
Herd size - total	3,126	2,963	2,955
Percent of dry cows	18.1 %	17.9 %	17.4 %
Herd turnover rate	36.1 %	34.5 %	29.5 %
Composition of herd:			
Purchased cows	6 %	8 %	10 %
Self-raised cows	94 %	92 %	90 %
Cost of purchased cows	\$ 1,505	\$ 1,800	\$ 1,869
Beef price received	\$ 514	\$ 536	\$ 555
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	48.2 %	40.4 %	29.6 %
Hay and other	28.9 %	20.1 %	13.0 %
Totals	77.1 %	60.5 %	42.6 %

# INCOME AND COST OF OPERATIONS

## KERN COUNTY

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

	December 31, 2009	December 31, 2008	December 31, 2007
Income:			
Milk Sales	\$ 12.27	\$ 17.37	\$ 18.53
Calves and other	0.10	0.14	0.35
Total income	\$ 12.37	\$ 17.51	\$ 18.88
Total cost of operations:			
Feed	\$ 9.45	\$ 10.50	\$ 7.89
Labor	1.38	1.36	1.33
Herd replacement costs	1.42	1.25	1.19
Other costs	4.32	4.60	4.31
Total costs of operations	\$ 16.57	\$ 17.71	\$ 14.72
Net income (loss)	\$ (4.20)	\$ (0.20)	\$ 4.16
Cost of operations as a percentage of income	133.95%	101.14%	77.97%
Feed costs as a percentage of milk sales	77.02%	60.45%	42.58%
Net income (loss) per milking cow per month	\$ (88.01)	\$ (1.22)	\$ 84.69

**December 31,  
2006**

---

\$ 12.21  
0.31

---

\$ 12.52

---

\$ 6.89  
1.37  
1.21  
3.92

---

\$ 13.39

---

\$ (0.87)

---

106.95%

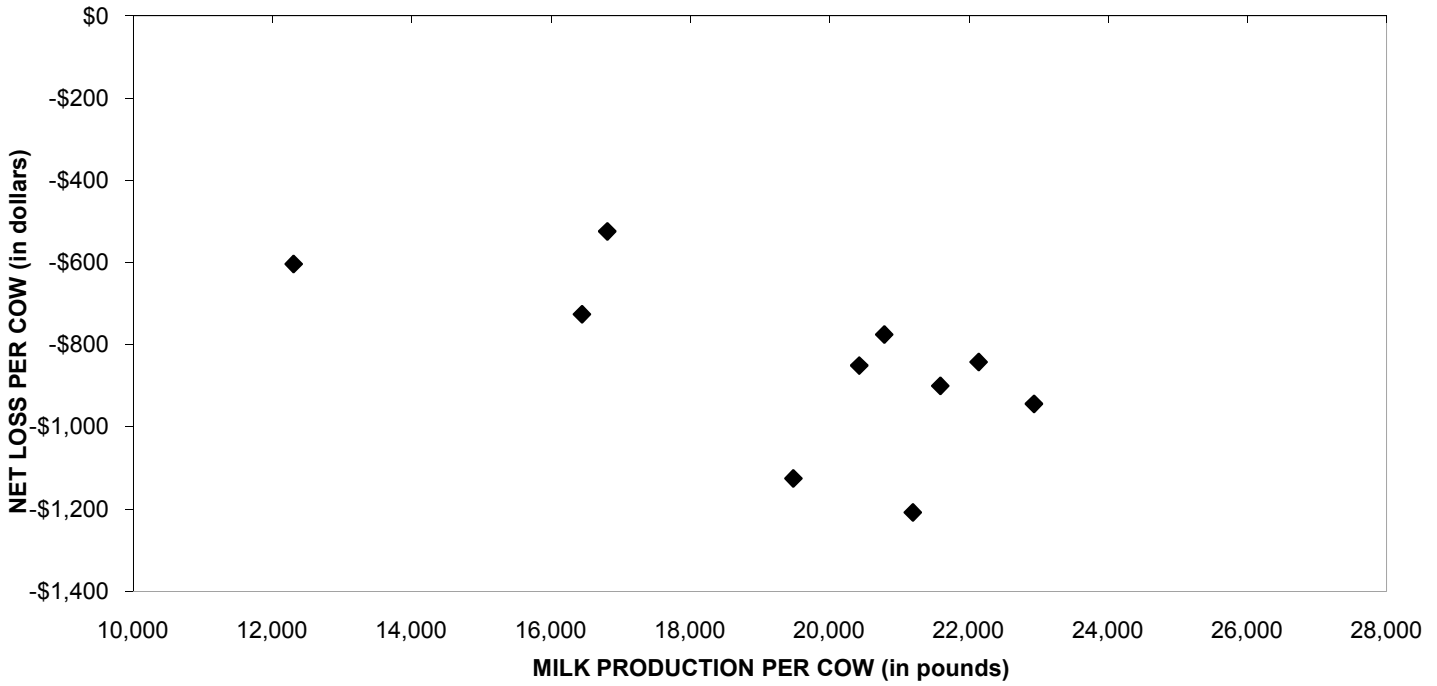
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56.43%

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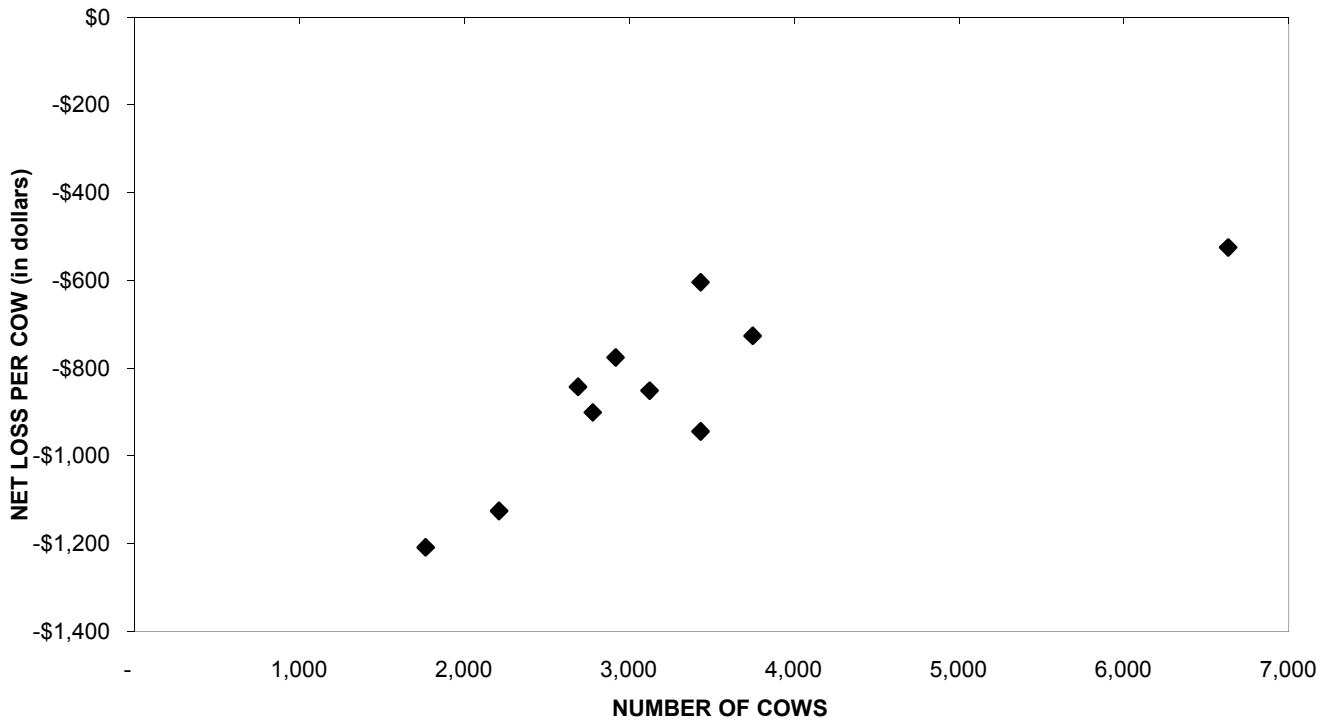
\$ (21.76)

## PROFITABILITY BY MILK PRODUCTION PER COW Kern County

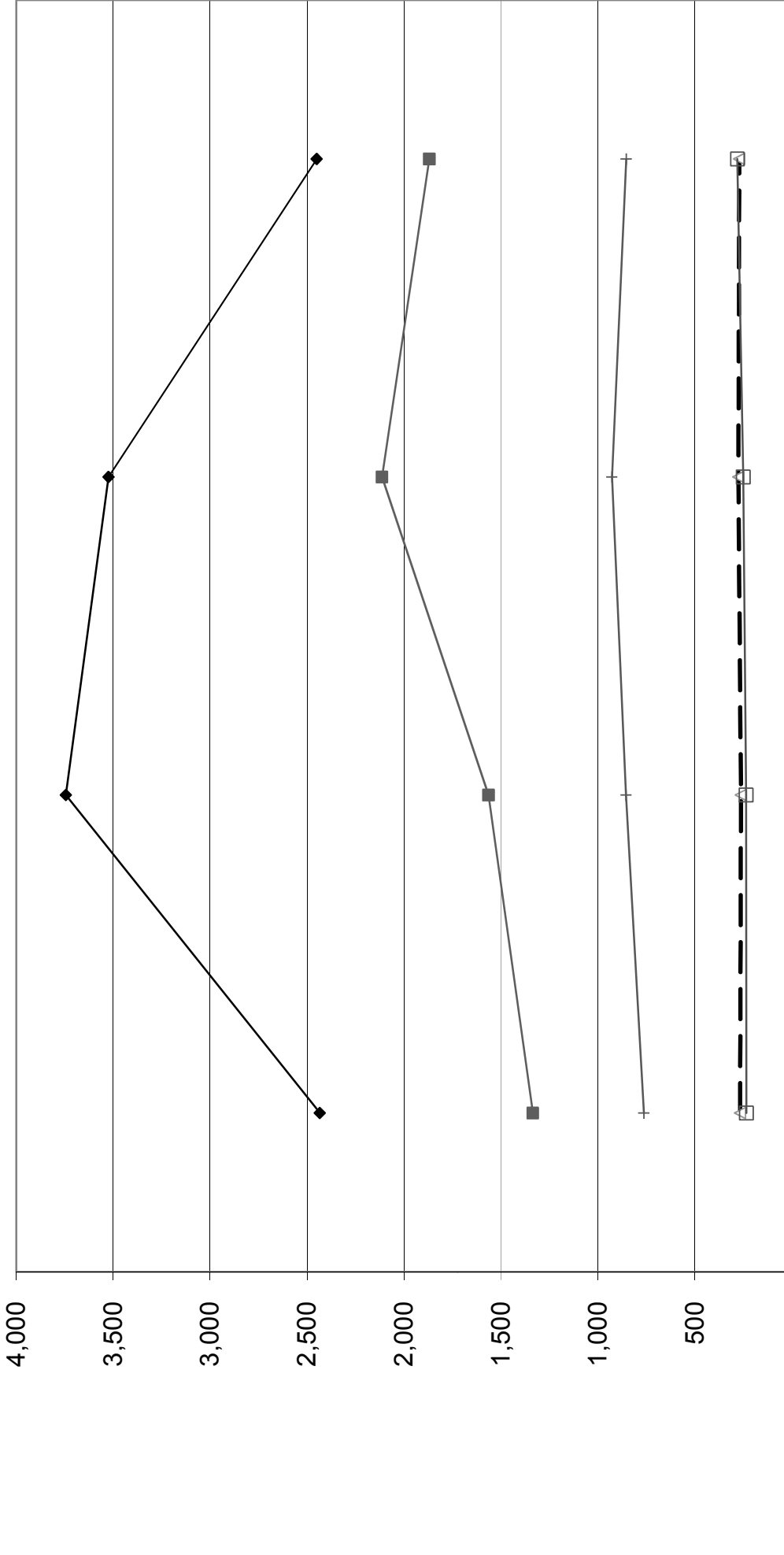


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry).

## PROFITABILITY BY HERD SIZE Kern County

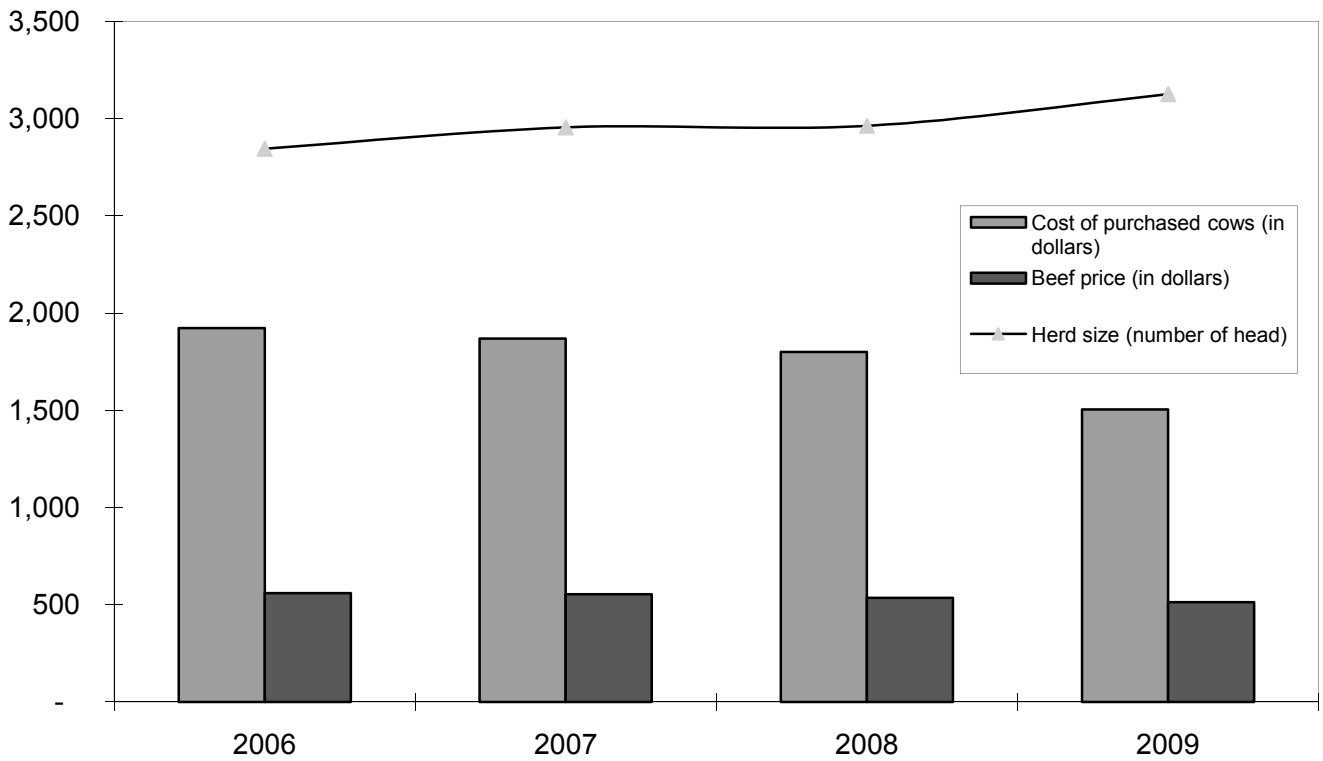


**LONG-TERM TREND - ON A "PER HEAD" BASIS  
KERN COUNTY  
INCOME AND OPERATING COSTS  
2006 - 2009**

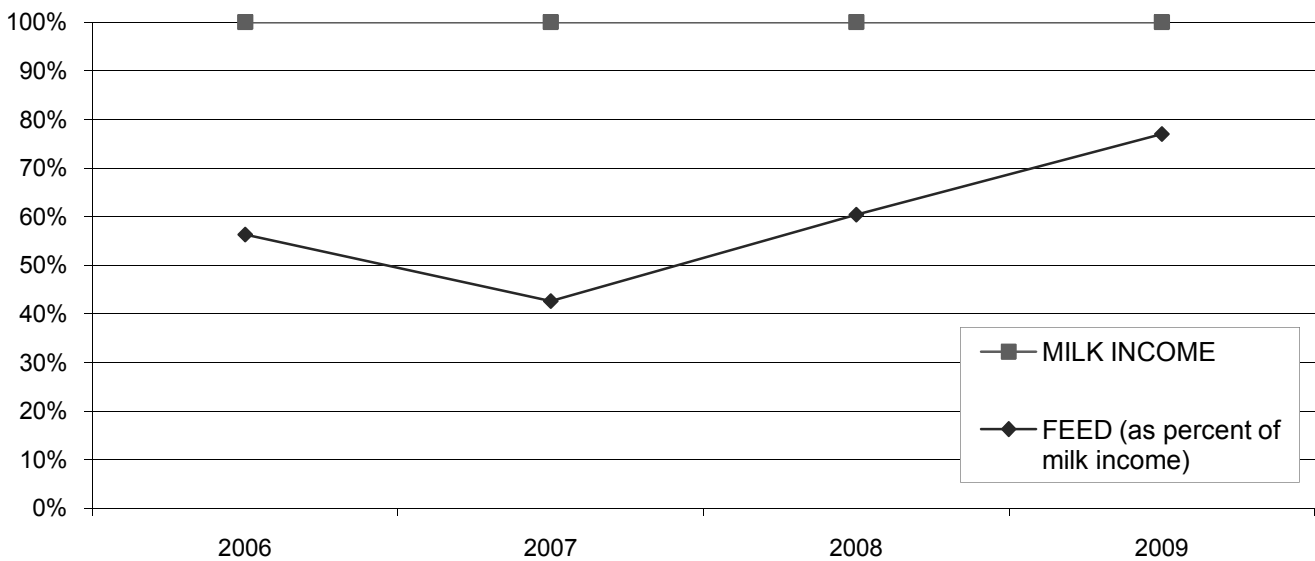


	2006	2007	2008	2009
TOTAL INCOME	2,434	3,744	3,524	2,450
FEED	1,336	1,564	2,114	1,870
LABOR	267	263	276	272
HERD REPLACEMENT	235	236	251	281
INTEREST AND OTHER	763	855	928	854

## 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, 2009, 2008, AND 2007  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2009	2008	2007
Income:			
Milk sales	\$ 2,569	\$ 3,702	\$ 4,115
Calves and other	52	63	82
<b>Total income</b>	<b>\$ 2,621</b>	<b>\$ 3,765</b>	<b>\$ 4,197</b>
Cost of operations:			
Feed:			
Grain	\$ 1,103	\$ 1,289	\$ 996
Hay and other	625	564	626
<b>Total feed</b>	<b>\$ 1,728</b>	<b>\$ 1,853</b>	<b>\$ 1,622</b>
Labor, (including fringe costs)	\$ 323	\$ 322	\$ 318
Herd replacement costs	\$ 399	\$ 351	\$ 368
Other costs:			
Milk hauling	\$ 73	\$ 78	\$ 116
State and association charges	97	120	90
Veterinary, breeding, testing, etc.	60	81	75
Supplies	144	148	142
Repairs and maintenance	85	115	95
Utilities	83	81	75
Occupancy costs	151	109	122
Depreciation - equipment	30	57	44
Interest	140	202	277
Miscellaneous	129	162	159
<b>Total other costs</b>	<b>\$ 992</b>	<b>\$ 1,153</b>	<b>\$ 1,195</b>
<b>Total cost of operations</b>	<b>\$ 3,442</b>	<b>\$ 3,679</b>	<b>\$ 3,503</b>
<b>Net income (loss)</b>	<b>\$ (821)</b>	<b>\$ 86</b>	<b>\$ 694</b>

See accompanying explanation of income and cost factors.

PER CWT. OF MILK			YOUR 2009 RESULTS	
2009	2008	2007	PER HEAD	PER CWT. OF MILK
\$ 12.58	\$ 18.11	\$ 19.87	\$	\$
0.25	0.30	0.40		
\$ 12.83	\$ 18.41	\$ 20.27	\$	\$
\$ 5.40	\$ 6.31	\$ 4.82	\$	\$
3.06	2.76	3.03		
\$ 8.46	\$ 9.07	\$ 7.85	\$	\$
\$ 1.60	\$ 1.59	\$ 1.54	\$	\$
\$ 1.95	\$ 1.72	\$ 1.78	\$	\$
\$ 0.36	\$ 0.38	\$ 0.56	\$	\$
0.48	0.59	0.43		
0.30	0.40	0.36		
0.70	0.72	0.69		
0.42	0.56	0.46		
0.41	0.40	0.36		
0.74	0.53	0.59		
0.14	0.28	0.22		
0.68	0.98	1.33		
0.64	0.80	0.73		
\$ 4.87	\$ 5.64	\$ 5.73	\$	\$
\$ 16.88	\$ 18.02	\$ 16.90	\$	\$
\$ (4.05)	\$ 0.39	\$ 3.37	\$	\$



## SUMMARY OF FINANCIAL STATISTICS

### ARIZONA

	December 31, 2009	December 31, 2008	December 31, 2007
1. Current Ratio	0.48 : 1	0.48 : 1	0.89 : 1
2. Debt Per Cow	\$ 1,888	\$ 2,476	\$ 1,468
3. Debt to Equity Ratio	6.45 : 1	2.44 : 1	2.13 : 1
4. Return on Total Assets	-19.0%	0.9%	11.9%
5. Income (loss) per milking cow per month	\$ (84.26)	\$ 5.99	\$ 64.56

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost.
5. Income (loss) 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, 2009, 2008, AND 2007  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

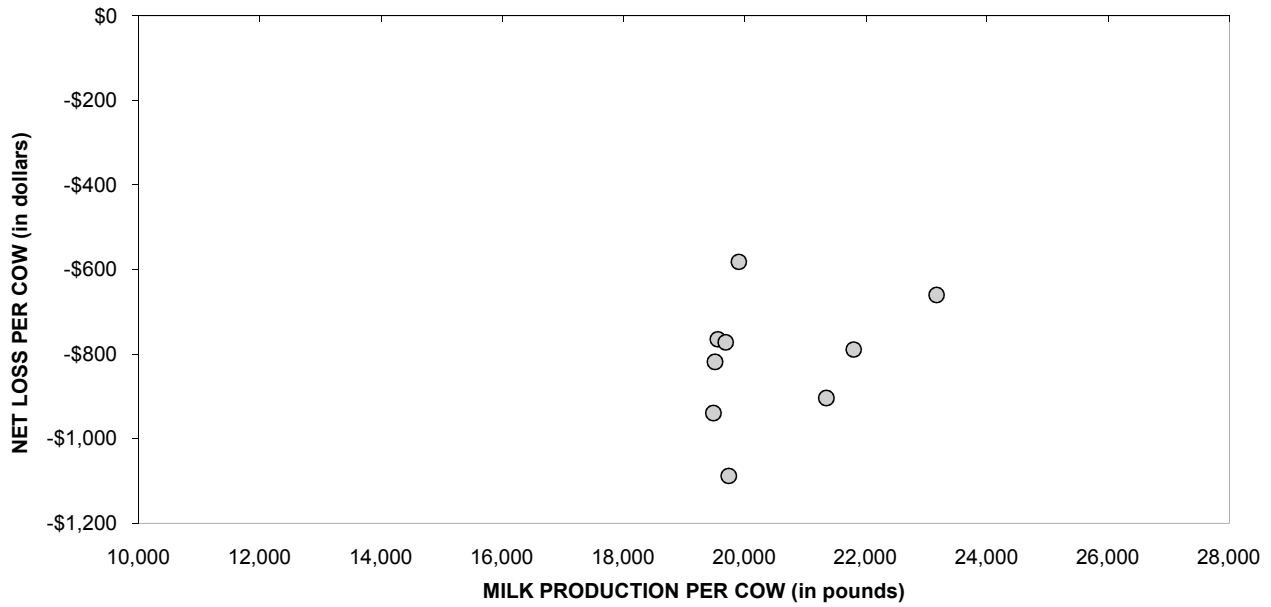
	2009	2008	2007
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	20,417	20,427	20,703
Daily pounds of milk, per milking cow	66.6	65.3	72.4
Butterfat test	3.41 %	3.44 %	3.51 %
Blend price per hundredweight	\$ 12.58	\$ 18.11	\$ 19.87
Milk receipts, per milking cow	\$ 3,058	\$ 4,301	\$ 5,247
<b>HERD INFORMATION:</b>			
Herd size - total	3,178	3,662	3,302
Percent of dry cows	16.0 %	14.3 %	21.7 %
Herd turnover rate	29.9 %	32.7 %	35.7 %
Composition of herd:			
Purchased cows	43 %	35 %	53 %
Self-raised cows	57 %	65 %	47 %
Cost of purchased cows	\$ 1,377	\$ 2,187	\$ 1,916
Beef price received	\$ 561	\$ 568	\$ 587
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	42.9 %	34.8 %	24.3 %
Hay and other	24.3 %	15.2 %	15.2 %
Totals	67.2 %	50.0 %	39.5 %

## INCOME AND COST OF OPERATIONS

	ARIZONA		
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)		
	December 31, 2009	December 31, 2008	December 31, 2007
Income:			
Milk Sales	\$ 12.58	\$ 18.11	\$ 19.87
Calves and other	0.25	0.30	0.40
Total income	\$ 12.83	\$ 18.41	\$ 20.27
Total cost of operations:			
Feed	\$ 8.46	\$ 9.07	\$ 7.85
Labor	1.60	1.59	1.54
Herd replacement costs	1.95	1.72	1.78
Other costs	4.88	5.64	5.73
Total costs of operations	\$ 16.89	\$ 18.02	\$ 16.90
Net income (loss)	\$ (4.06)	\$ 0.39	\$ 3.37
Cost of operations as a percentage of income	131.64%	97.88%	83.37%
Feed costs as a percentage of milk sales	67.25%	50.08%	39.51%
Net income (loss) per milking cow per month	\$ (84.26)	\$ 5.99	\$ 64.56

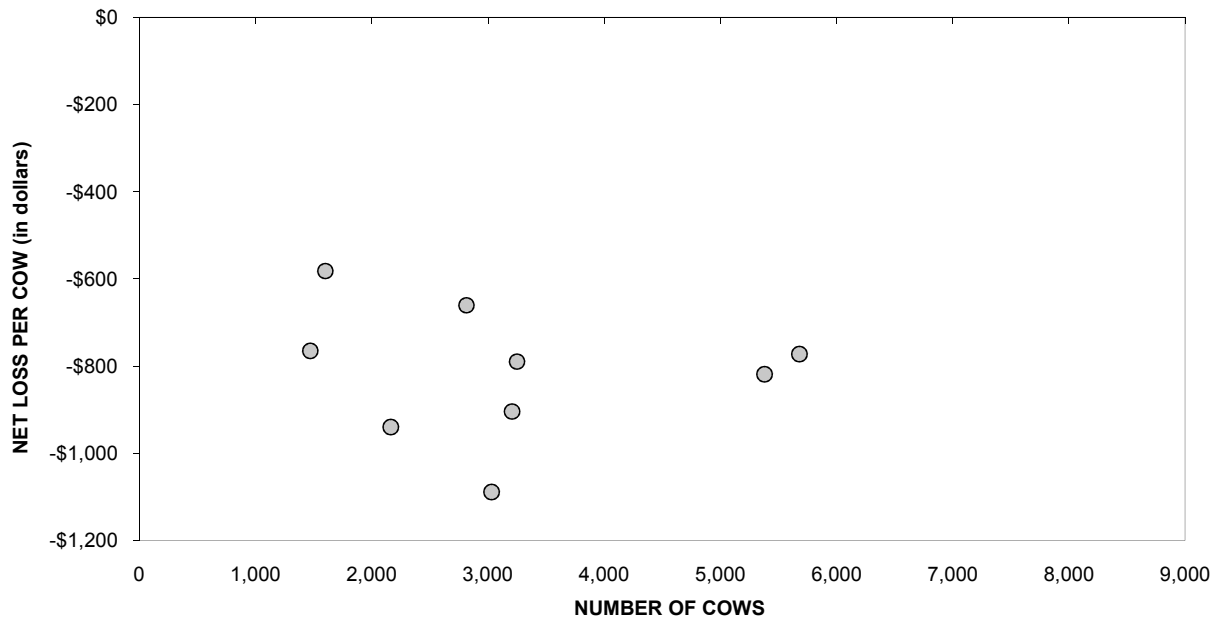
December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2003
\$ 12.92	\$ 15.25	\$ 16.06	\$ 12.30
0.40	0.50	0.55	0.33
\$ 13.32	\$ 15.75	\$ 16.61	\$ 12.63
\$ 6.28	\$ 6.51	\$ 6.35	\$ 5.91
1.39	1.40	1.36	1.29
1.42	1.64	1.63	1.68
5.56	4.93	4.41	4.24
\$ 14.65	\$ 14.48	\$ 13.75	\$ 13.12
\$ (1.33)	\$ 1.27	\$ 2.86	\$ (0.49)
109.98%	91.94%	82.78%	103.88%
48.61%	42.69%	39.54%	48.05%
\$ (22.53)	\$ 37.37	\$ 65.39	\$ (1.06)

## PROFITABILITY BY MILK PRODUCTION PER COW Arizona

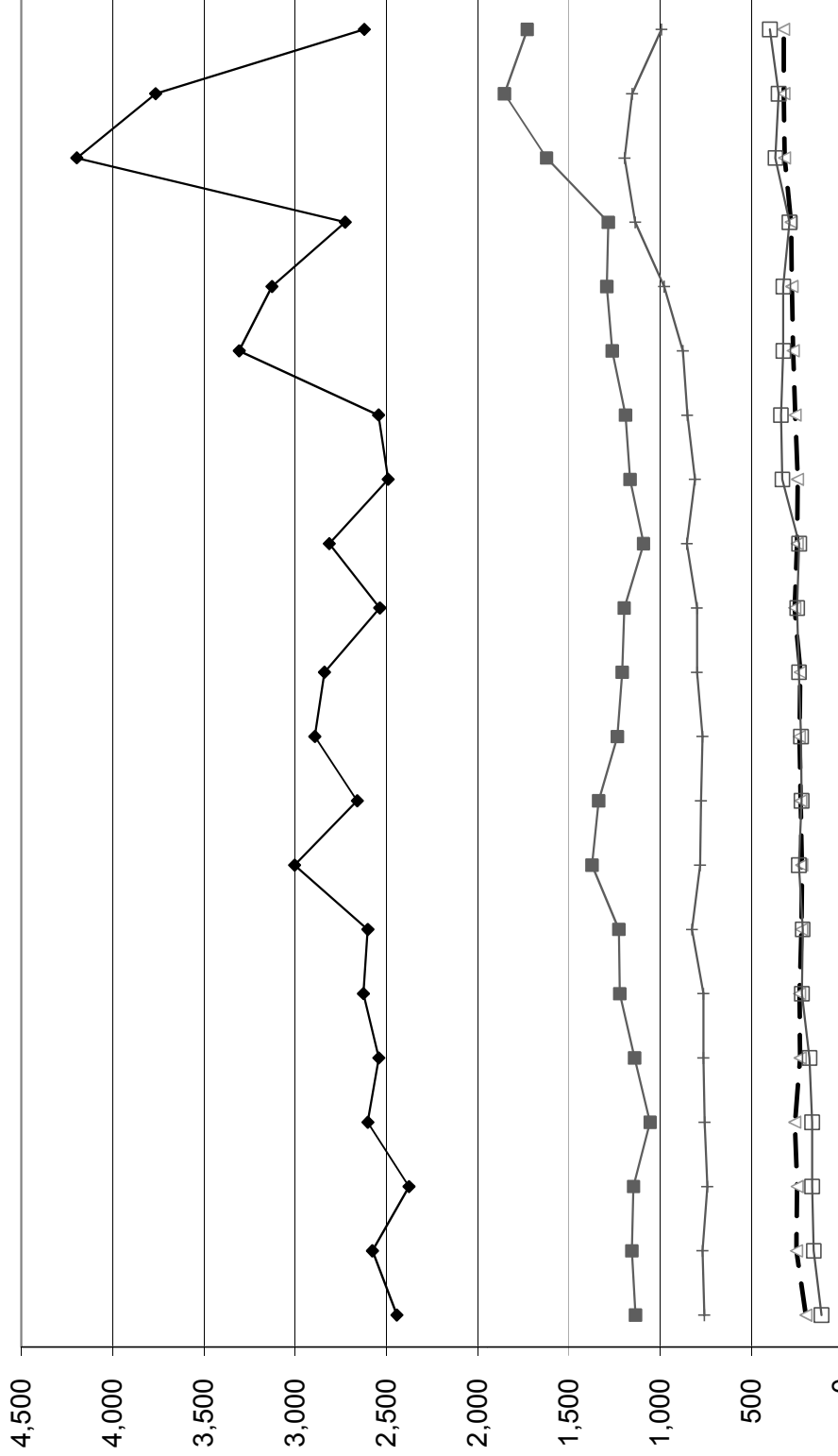


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry).

## PROFITABILITY BY HERD SIZE Arizona

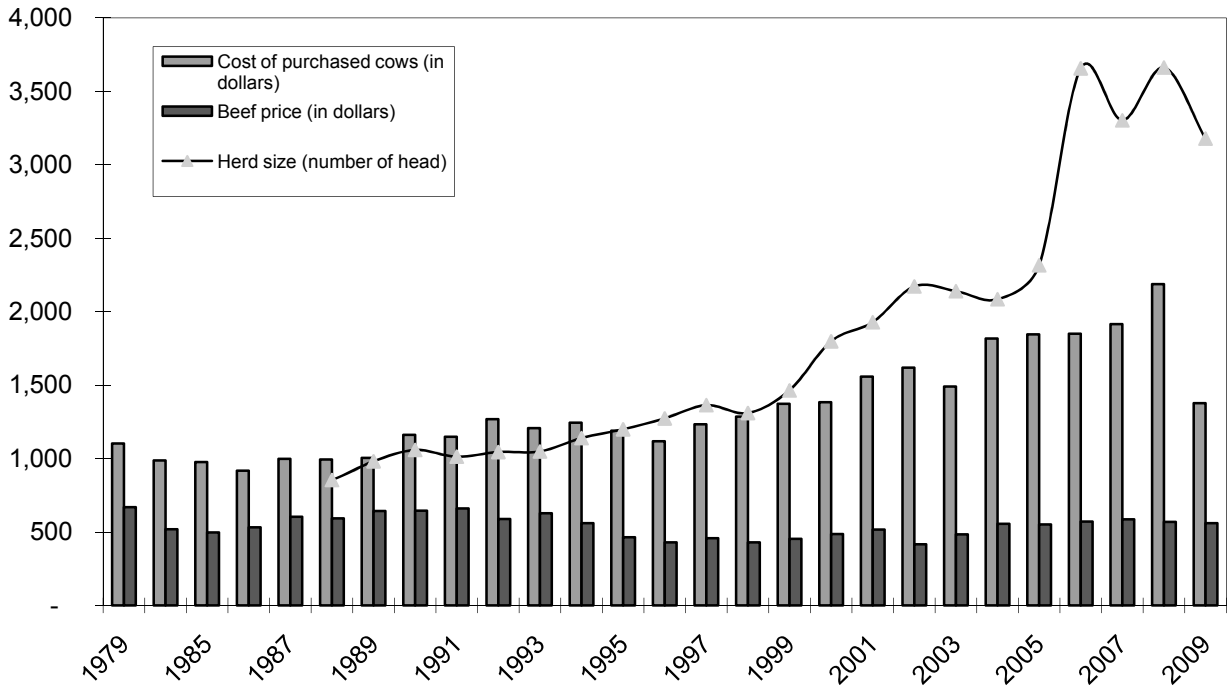


**LONG-TERM TREND - ON A "PER HEAD" BASIS  
ARIZONA  
INCOME AND OPERATING COSTS  
1989 - 2009**

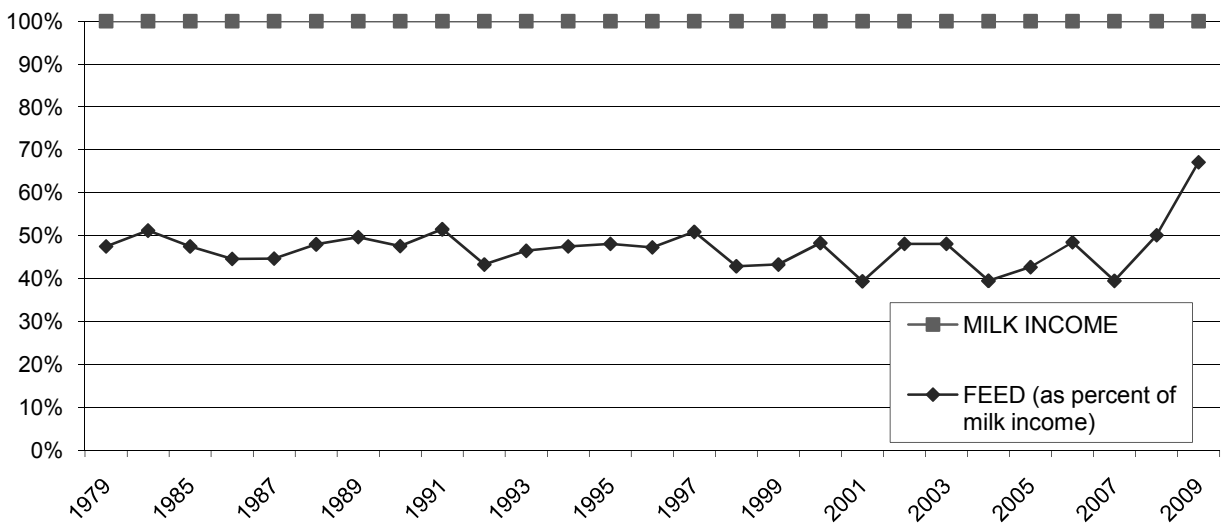


	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
◆ TOTAL INCOME	2,443	2,577	2,376	2,602	2,542	2,626	2,602	3,003	2,660	2,892	2,840	2,536	2,813	2,491	2,543	3,307	3,127	2,726	4,197	3,765	2,621
■ FEED	1,135	1,155	1,146	1,055	1,140	1,221	1,226	1,373	1,337	1,234	1,208	1,197	1,091	1,165	1,190	1,262	1,292	1,284	1,622	1,853	1,728
▲ LABOR	201	253	249	262	233	236	225	224	229	237	232	263	249	247	260	271	278	282	318	322	323
□ HERD REPLACEMENT	116	158	167	167	181	223	219	240	225	228	239	249	238	330	338	325	325	291	368	351	399
+ INTEREST AND OTHER	758	768	741	756	763	763	825	781	776	768	798	798	853	809	851	875	978	1,136	1,195	1,153	992

## 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, 2009, 2008, AND 2007  
IDAHO  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2009	2008	2007
Income:			
Milk sales	\$ 2,667	\$ 4,046	\$ 4,073
Calves and other	54	42	53
<b>Total income</b>	<b>\$ 2,721</b>	<b>\$ 4,088</b>	<b>\$ 4,126</b>
Cost of operations:			
Feed:			
Grain	\$ 1,186	\$ 1,310	\$ 1,090
Hay and other	803	720	573
<b>Total feed</b>	<b>\$ 1,989</b>	<b>\$ 2,030</b>	<b>\$ 1,663</b>
Labor, (including fringe costs)	\$ 359	\$ 366	\$ 349
Herd replacement costs	\$ 287	\$ 259	\$ 294
Other costs:			
Milk hauling	\$ 55	\$ 68	\$ 60
State and association charges	46	62	53
Veterinary, breeding, testing, etc.	86	89	86
Supplies	171	168	168
Repairs and maintenance	147	151	142
Utilities	54	50	37
Occupancy costs	99	97	89
Depreciation - equipment	84	83	76
Interest	117	133	154
Miscellaneous	160	181	142
<b>Total other costs</b>	<b>\$ 1,019</b>	<b>\$ 1,082</b>	<b>\$ 1,007</b>
<b>Total cost of operations</b>	<b>\$ 3,654</b>	<b>\$ 3,737</b>	<b>\$ 3,313</b>
<b>Net income (loss)</b>	<b>\$ (933)</b>	<b>\$ 351</b>	<b>\$ 813</b>



PER CWT. OF MILK			YOUR 2009 RESULTS	
2009	2008	2007	PER HEAD	PER CWT. OF MILK
\$ 12.27 0.25	\$ 18.15 0.18	\$ 18.07 0.43	\$	\$
\$ 12.52	\$ 18.33	\$ 18.50	\$	\$
\$ 5.45 3.69	\$ 5.87 3.22	\$ 4.84 2.53	\$	\$
\$ 9.14	\$ 9.09	\$ 7.37	\$	\$
\$ 1.65	\$ 1.65	\$ 1.55	\$	\$
\$ 1.32	\$ 1.16	\$ 1.31	\$	\$
\$ 0.25 0.21 0.40 0.78 0.68 0.25 0.45 0.39 0.54 0.75	\$ 0.31 0.28 0.39 0.75 0.67 0.23 0.44 0.37 0.60 0.81	\$ 0.27 0.23 0.38 0.75 0.63 0.16 0.39 0.34 0.68 0.63	\$	\$
\$ 4.70	\$ 4.85	\$ 4.46	\$	\$
\$ 16.81	\$ 16.75	\$ 14.69	\$	\$
\$ (4.29)	\$ 1.58	\$ 3.81	\$	\$

## SUMMARY OF FINANCIAL STATISTICS

### IDAHO

	December 31, 2009	December 31, 2008	December 31, 2007
1. Current Ratio	0.86 : 1	1.45 : 1	1.94 : 1
2. Debt Per Cow	\$ 1,920	\$ 1,792	\$ 1,399
3. Debt to Equity Ratio	2.28 : 1	1.34 : 1	1.00 : 1
4. Return on Total Assets	-15.9%	5.5%	14.4%
5. Income (loss) per milking cow per month	\$ (81.62)	\$ 42.46	\$ 95.04

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost.
5. Income (loss) 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, 2009, 2008, AND 2007  
IDAHO  
(BASED ON AVERAGE AMOUNTS)

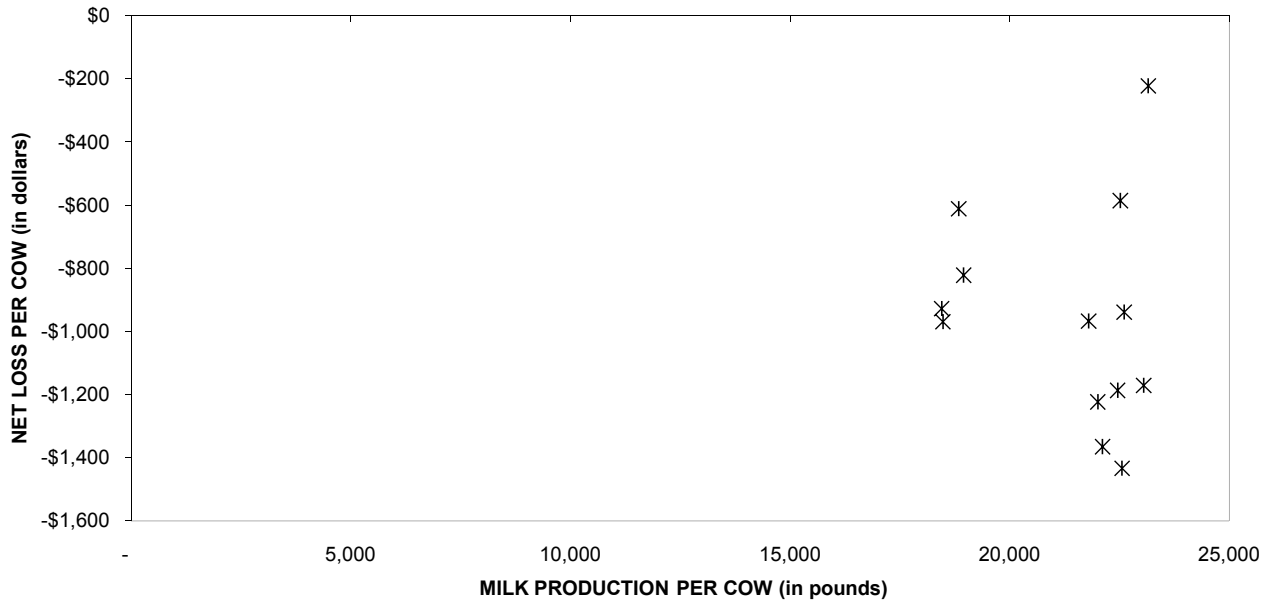
	2009	2008	2007
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,741	22,307	22,556
Daily pounds of milk, per milking cow	68.6	70.2	76.5
Butterfat test	3.12 %	3.14 %	3.13 %
Blend price per hundredweight	\$ 12.27	\$ 18.15	\$ 18.07
Milk receipts, per milking cow	\$ 3,071	\$ 4,650	\$ 5,042
<b>HERD INFORMATION:</b>			
Herd size - total	2,661	2,419	2,754
Percent of dry cows	13.1 %	13.0 %	19.2 %
Herd turnover rate	35.8 %	33.9 %	31.9 %
Composition of herd:			
Purchased cows	8 %	12 %	15 %
Self-raised cows	92 %	88 %	85 %
Cost of purchased cows	\$ 1,290	\$ 1,655	\$ 1,358
Beef price received	\$ 497	\$ 587	\$ 544
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	44.4 %	32.3 %	26.8 %
Hay and other	30.1 %	17.7 %	14.0 %
Totals	74.5 %	50.0 %	40.8 %

## INCOME AND COST OF OPERATIONS

	IDAHO		
	(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)		
	December 31, 2009	December 31, 2008	December 31, 2007
Income:			
Milk Sales	\$ 12.27	\$ 18.15	\$ 18.07
Calves and other	0.25	0.18	0.43
<b>Total income</b>	<b>\$ 12.52</b>	<b>\$ 18.33</b>	<b>\$ 18.50</b>
Total cost of operations:			
Feed	\$ 9.14	\$ 9.09	\$ 7.37
Labor	1.65	1.65	1.55
Herd replacement costs	1.32	1.16	1.31
Other costs	4.70	4.85	4.46
<b>Total costs of operations</b>	<b>\$ 16.81</b>	<b>\$ 16.75</b>	<b>\$ 14.69</b>
<b>Net income (loss)</b>	<b>\$ (4.29)</b>	<b>\$ 1.58</b>	<b>\$ 3.81</b>
Cost of operations as a percentage of income	134.27%	91.38%	79.41%
Feed costs as a percentage of milk sales	74.49%	50.08%	40.79%
<b>Net income (loss) per milking cow per month</b>	<b>\$ (81.62)</b>	<b>\$ 42.46</b>	<b>\$ 95.04</b>

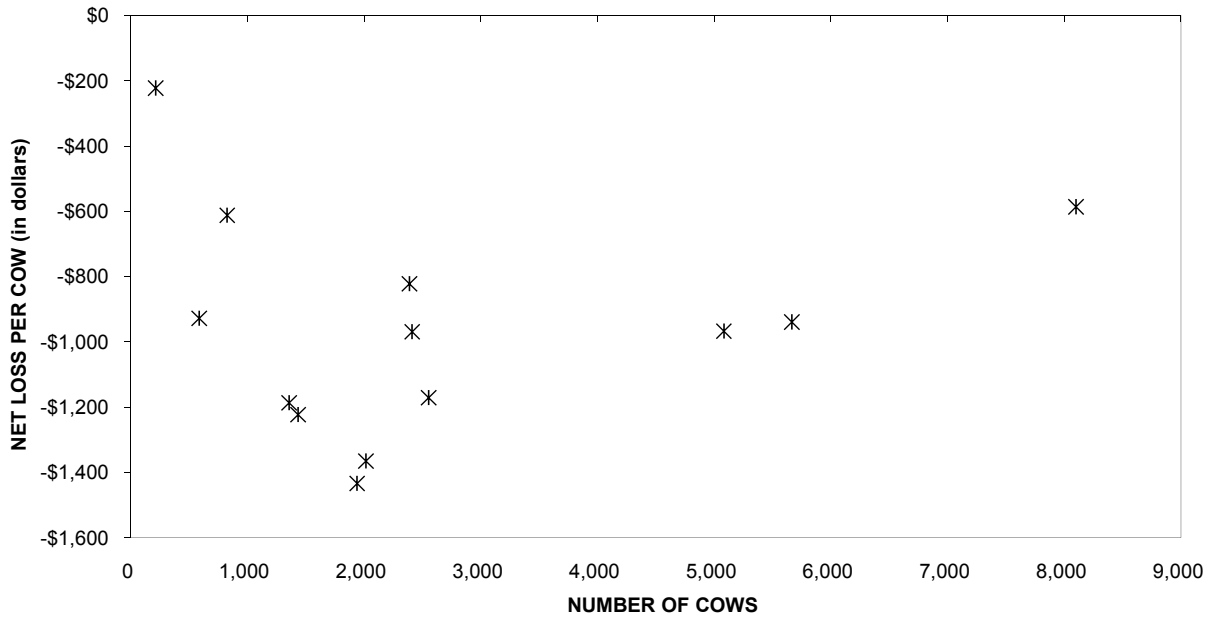
December 31, 2006		December 31, 2005		December 31, 2004		December 31, 2003	
\$	12.15	\$	14.18	\$	15.09	\$	12.04
	0.35		0.48		0.22		0.18
\$	12.50	\$	14.66	\$	15.31	\$	12.22
\$	6.11	\$	6.09	\$	6.01	\$	5.38
	1.43		1.45		1.40		1.30
	1.37		1.17		1.35		1.32
	4.11		3.94		4.05		3.58
\$	13.02	\$	12.65	\$	12.81	\$	11.58
\$	(0.52)	\$	2.01	\$	2.50	\$	0.64
	104.16%		86.29%		83.67%		94.76%
	50.29%		42.95%		39.83%		44.68%
\$	(11.16)	\$	42.08	\$	56.97	\$	13.48

## PROFITABILITY BY MILK PRODUCTION PER COW Idaho

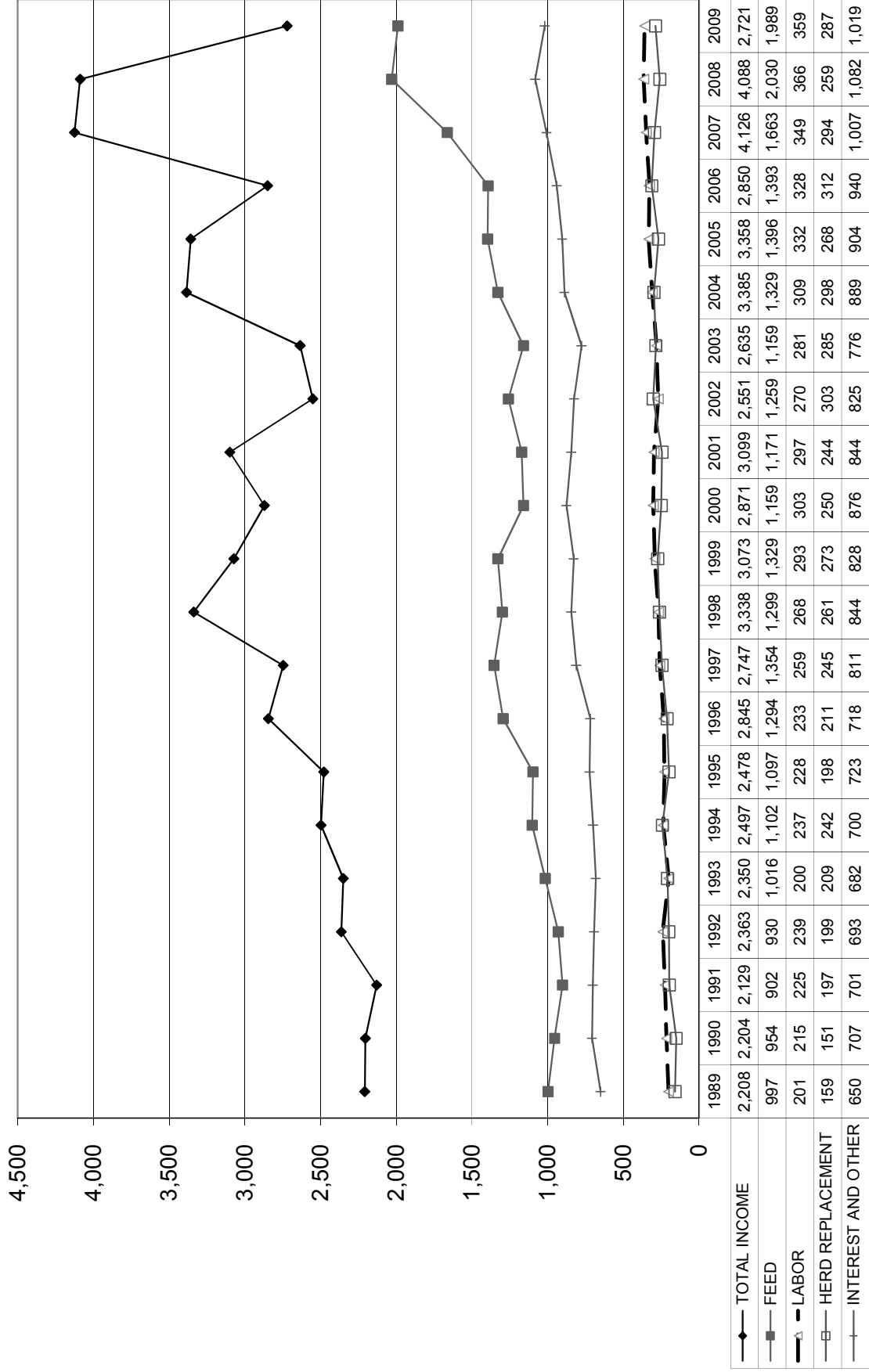


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry).

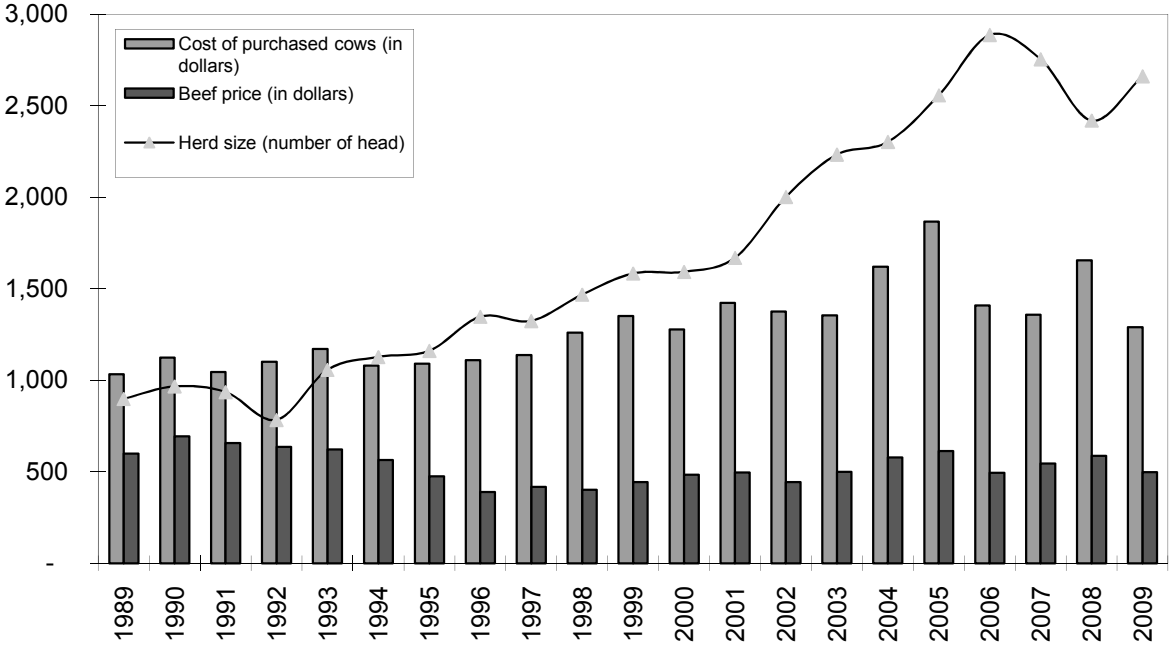
## PROFITABILITY BY HERD SIZE Idaho



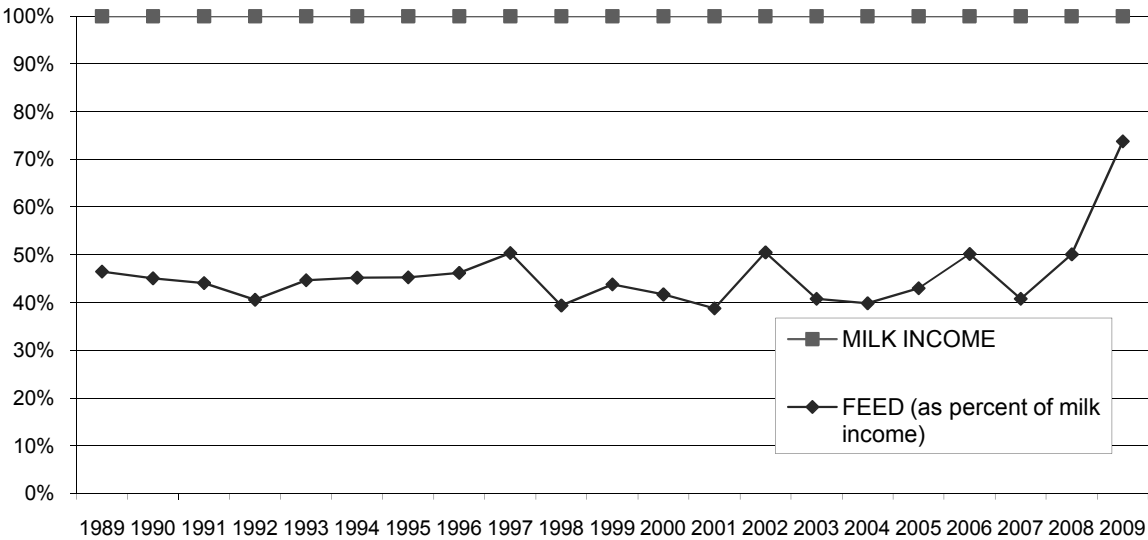
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
IDAHO  
INCOME AND OPERATING COSTS  
1989 - 2009**



**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, 2009, 2008, AND 2007  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2009	2008	2007
Income:			
Milk sales	\$ 2,449	\$ 3,526	\$ 3,574
Calves and other	48	57	114
Total income	\$ 2,497	\$ 3,583	\$ 3,688
Cost of operations:			
Feed:			
Grain	\$ 1,184	\$ 1,330	\$ 1,040
Hay and other	472	482	411
Total feed	\$ 1,656	\$ 1,812	\$ 1,451
Labor, (including fringe costs)	\$ 298	\$ 310	\$ 314
Herd replacement costs	\$ 258	\$ 236	\$ 229
Other costs:			
Milk hauling	\$ 121	\$ 147	\$ 145
State and association charges	77	76	59
Veterinary, breeding, testing, etc.	69	77	79
Supplies	102	102	108
Repairs and maintenance	100	116	115
Utilities	50	59	55
Occupancy costs	80	79	84
Depreciation - equipment	55	58	60
Interest	76	98	164
Miscellaneous	140	199	136
Total other costs	\$ 870	\$ 1,011	\$ 1,005
Total cost of operations	\$ 3,082	\$ 3,369	\$ 2,999
Net income (loss)	\$ (585)	\$ 214	\$ 689

PER CWT. OF MILK			YOUR 2009 RESULTS	
2009	2008	2007	PER HEAD	PER CWT. OF MILK
\$ 12.83	\$ 17.92	\$ 18.62	\$	\$
0.25	0.29	0.60		
\$ 13.08	\$ 18.21	\$ 19.22	\$	\$
\$ 6.21	\$ 6.76	\$ 5.42	\$	\$
2.47	2.46	2.15		
\$ 8.68	\$ 9.22	\$ 7.57	\$	\$
\$ 1.56	\$ 1.58	\$ 1.63	\$	\$
\$ 1.35	\$ 1.20	\$ 1.19	\$	\$
\$ 0.63	\$ 0.75	\$ 0.75	\$	\$
0.40	0.38	0.31		
0.36	0.39	0.41		
0.53	0.52	0.56		
0.52	0.59	0.60		
0.26	0.30	0.28		
0.42	0.40	0.43		
0.29	0.29	0.31		
0.40	0.50	0.85		
0.73	0.99	0.70		
\$ 4.54	\$ 5.11	\$ 5.20	\$	\$
\$ 16.13	\$ 17.11	\$ 15.59	\$	\$
\$ (3.05)	\$ 1.10	\$ 3.63	\$	\$

## SUMMARY OF FINANCIAL STATISTICS

### NEW MEXICO

	December 31, 2009	December 31, 2008	December 31, 2007
1. Current Ratio	1.02 : 1	1.22 : 1	1.06 : 1
2. Debt Per Cow	\$ 1,256	\$ 1,027	\$ 880
3. Debt to Equity Ratio	1.80 : 1	1.08 : 1	1.03 : 1
4. Return on Total Assets	-11.7%	4.0%	12.8%
5. Income (loss) per milking cow per month	\$ (55.60)	\$ 41.90	\$ 93.36

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost.
5. Income (loss) 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, 2009, 2008, AND 2007  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

	2009	2008	2007
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	19,086	19,672	19,191
Daily pounds of milk, per milking cow	65.7	66.0	64.5
Butterfat test	3.44 %	3.51 %	3.21 %
Blend price per hundredweight	\$ 12.83	\$ 17.92	\$ 18.62
Milk receipts, per milking cow	\$ 3,075	\$ 4,315	\$ 4,386
<b>HERD INFORMATION:</b>			
Herd size - total	3,077	3,369	3,044
Percent of dry cows	20.4 %	18.3 %	18.5 %
Herd turnover rate	28.8 %	33.5 %	31.4 %
Composition of herd:			
Purchased cows	22 %	26 %	16 %
Self-raised cows	78 %	74 %	84 %
Cost of purchased cows	\$ 1,378	\$ 1,603	\$ 2,050
Beef price received	\$ 533	\$ 686	\$ 590
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	48.4 %	37.7 %	29.1 %
Hay and other	19.3 %	13.7 %	11.5 %
Totals	67.7 %	51.4 %	40.6 %

## INCOME AND COST OF OPERATIONS

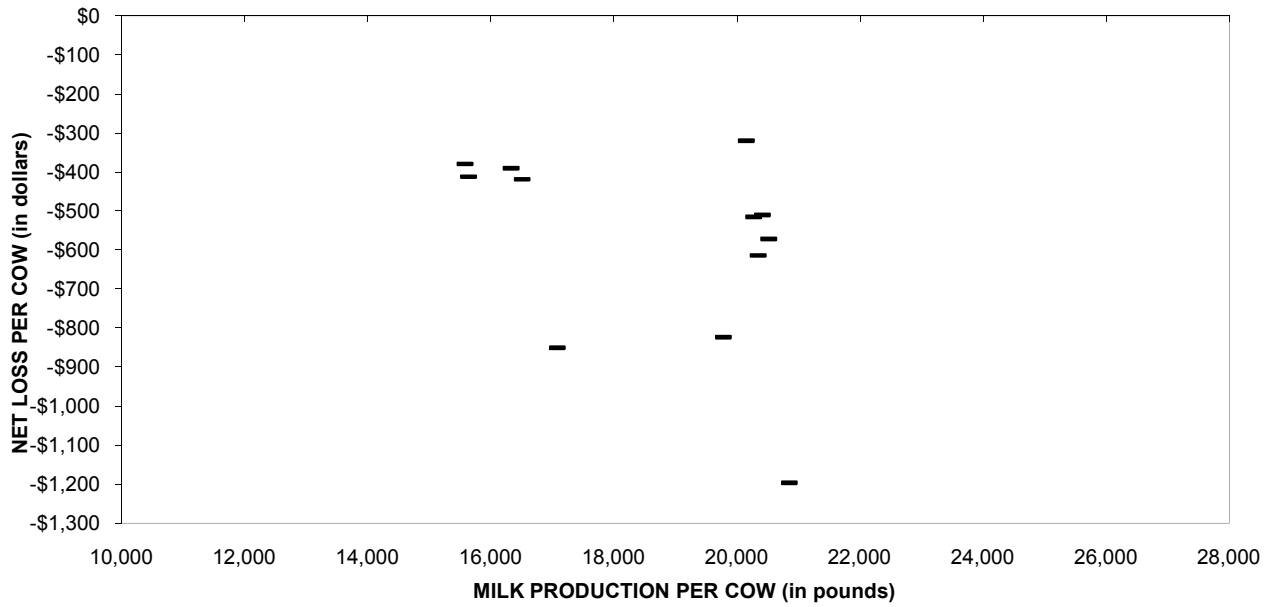
### NEW MEXICO

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

	December 31, 2009	December 31, 2008	December 31, 2007
Income:			
Milk Sales	\$ 12.83	\$ 17.92	\$ 18.62
Calves and other	0.25	0.29	0.60
<b>Total income</b>	<b>\$ 13.08</b>	<b>\$ 18.21</b>	<b>\$ 19.22</b>
Total cost of operations:			
Feed	\$ 8.68	\$ 9.22	\$ 7.57
Labor	1.56	1.58	1.63
Herd replacement costs	1.35	1.20	1.19
Other costs	4.53	5.11	5.20
<b>Total costs of operations</b>	<b>\$ 16.12</b>	<b>\$ 17.11</b>	<b>\$ 15.59</b>
<b>Net income (loss)</b>	<b>\$ (3.04)</b>	<b>\$ 1.10</b>	<b>\$ 3.63</b>
Cost of operations as a percentage of income	123.24%	93.96%	81.11%
Feed costs as a percentage of milk sales	67.65%	51.45%	40.66%
<b>Net income (loss) per milking cow per month</b>	<b>\$ (55.60)</b>	<b>\$ 41.90</b>	<b>\$ 93.36</b>

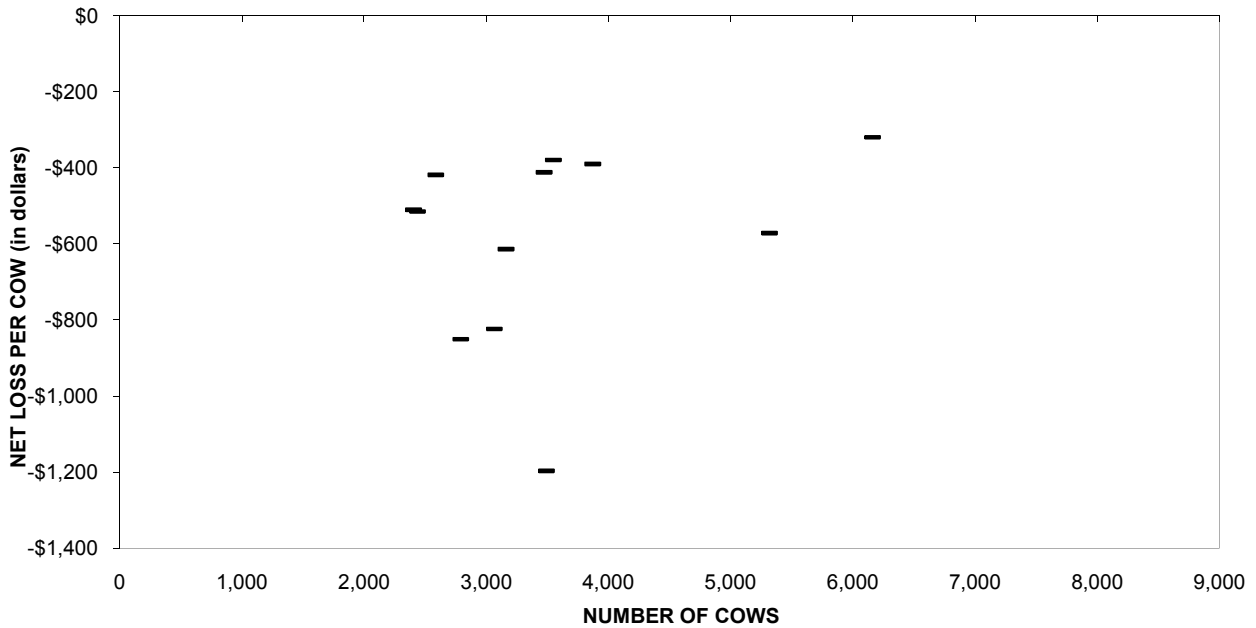
December 31, 2006		December 31, 2005		December 31, 2004		December 31, 2003	
\$	11.86 0.65	\$	13.78 0.49	\$	14.79 0.40	\$	11.79 0.39
\$	12.51	\$	14.27	\$	15.19	\$	12.18
\$	6.24 1.52 1.17 4.30	\$	6.31 1.52 1.09 4.26	\$	6.32 1.50 1.37 3.69	\$	5.89 1.46 1.53 3.41
\$	13.23	\$	13.18	\$	12.88	\$	12.29
\$	(0.72)	\$	1.09	\$	2.31	\$	(0.11)
	105.76%		92.36%		84.79%		100.90%
	52.61%		45.79%		42.73%		49.96%
\$	(7.28)	\$	25.79	\$	55.56	\$	(1.40)

## PROFITABILITY BY MILK PRODUCTION PER COW New Mexico

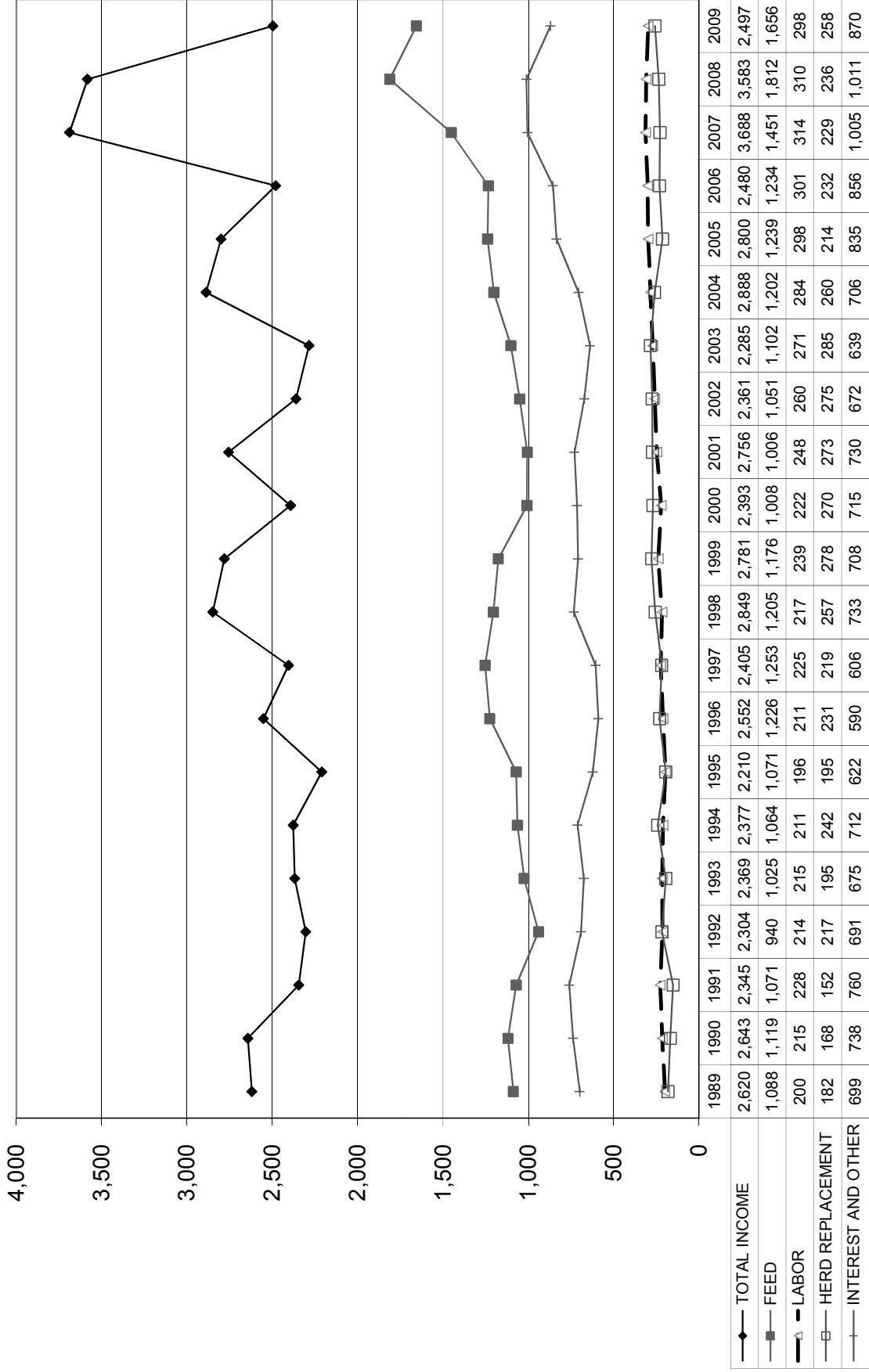


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry).

## PROFITABILITY BY HERD SIZE New Mexico

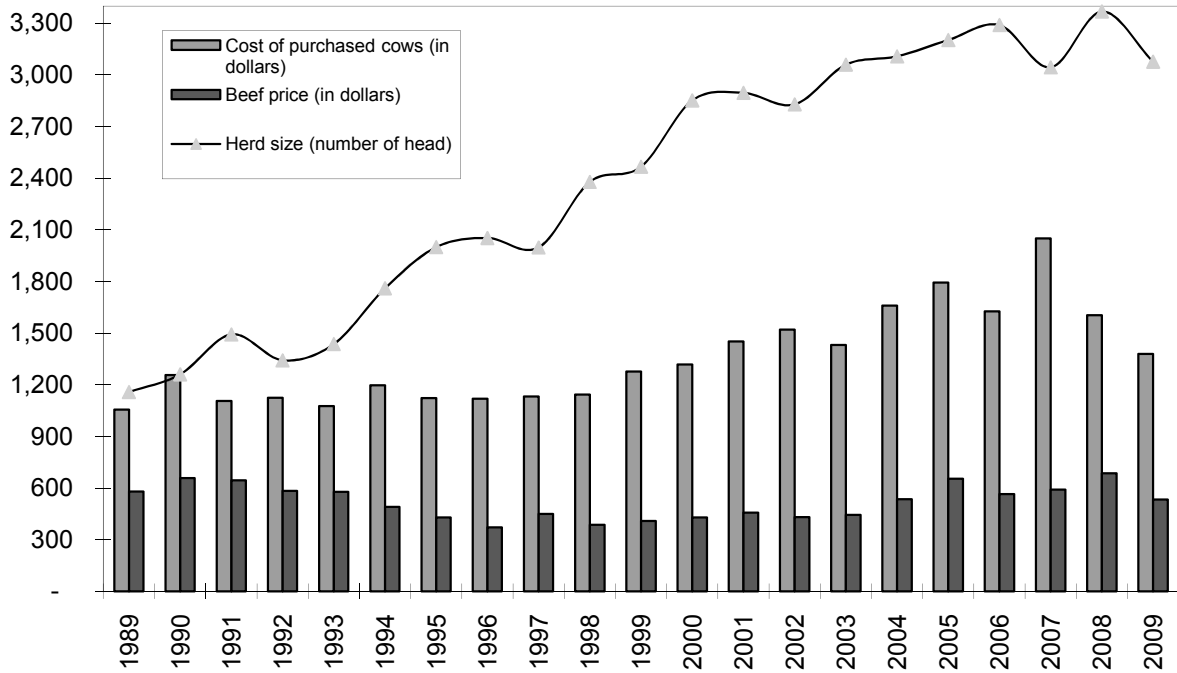


**LONG-TERM TREND - ON A "PER HEAD" BASIS  
NEW MEXICO  
INCOME AND OPERATING COSTS  
1989 - 2009**

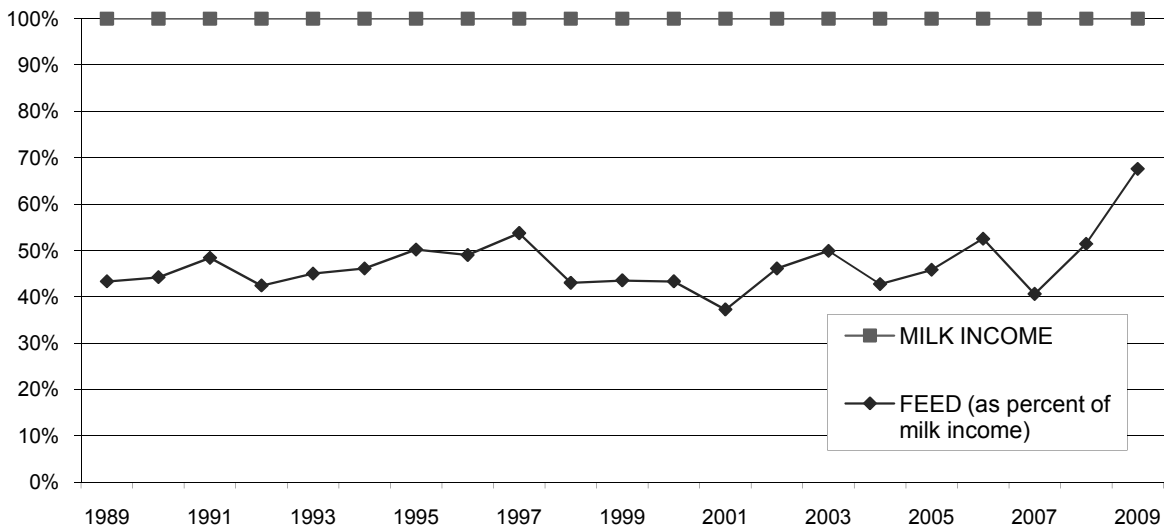




## LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE NEW MEXICO



## FEED COST vs. MILK INCOME NEW MEXICO



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2009, 2008 AND 2007  
PANHANDLE  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2009	2008	2007
Income:			
Milk sales	\$ 2,876	\$ 3,522	\$ 3,429
Calves and other	42	18	48
<b>Total income</b>	<b>\$ 2,918</b>	<b>\$ 3,540</b>	<b>\$ 3,477</b>
Cost of operations:			
Feed:			
Grain	\$ 1,289	\$ 1,150	\$ 862
Hay and other	631	493	423
<b>Total feed</b>	<b>\$ 1,920</b>	<b>\$ 1,643</b>	<b>\$ 1,285</b>
Labor, (including fringe costs)	\$ 349	\$ 327	\$ 284
Herd replacement costs	\$ 401	\$ 315	\$ 306
Other costs:			
Milk hauling	\$ 132	\$ 141	\$ 154
State and association charges	59	59	56
Veterinary, breeding, testing, etc.	71	78	71
Supplies	138	127	125
Repairs and maintenance	85	88	82
Utilities	49	49	41
Occupancy costs	146	123	112
Depreciation - equipment	79	62	62
Interest	138	157	208
Miscellaneous	150	161	149
<b>Total other costs</b>	<b>\$ 1,047</b>	<b>\$ 1,045</b>	<b>\$ 1,060</b>
<b>Total cost of operations</b>	<b>\$ 3,717</b>	<b>\$ 3,330</b>	<b>\$ 2,935</b>
<b>Net income (loss)</b>	<b>\$ (799)</b>	<b>\$ 210</b>	<b>\$ 542</b>

PER CWT. OF MILK			YOUR 2009 RESULTS	
2009	2008	2007	PER HEAD	PER CWT. OF MILK
\$ 13.63 0.20	\$ 19.11 0.09	\$ 20.01 0.27	\$	\$
\$ 13.83	\$ 19.20	\$ 20.28	\$	\$
\$ 6.11 2.98	\$ 6.24 2.67	\$ 5.03 2.47	\$	\$
\$ 9.09	\$ 8.91	\$ 7.50	\$	\$
\$ 1.65	\$ 1.77	\$ 1.66	\$	\$
\$ 1.90	\$ 1.71	\$ 1.79	\$	\$
\$ 0.62 0.28 0.32 0.65 0.40 0.23 0.69 0.37 0.65 0.71	\$ 0.77 0.32 0.41 0.69 0.48 0.27 0.66 0.34 0.85 0.90	\$ 0.90 0.33 0.40 0.72 0.48 0.24 0.66 0.36 1.22 0.87	\$	\$
\$ 4.92	\$ 5.69	\$ 6.18	\$	\$
\$ 17.56	\$ 18.08	\$ 17.13	\$	\$
\$ (3.73)	\$ 1.12	\$ 3.15	\$	\$

## SUMMARY OF FINANCIAL STATISTICS

### PANHANDLE

	December 31, 2009	December 31, 2008	December 31, 2007
1. Current Ratio	0.59 : 1	0.83 : 1	1.05 : 1
2. Debt Per Cow	\$ 1,831	\$ 1,930	\$ 1,842
3. Debt to Equity Ratio	4.01 : 1	2.13 : 1	1.92 : 1
4. Return on Total Assets	-15.2%	3.3%	9.7%
5. Income (loss) per milking cow per month	\$ (61.10)	\$ 19.04	\$ 82.81

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost.
5. Income (loss) 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, 2009, 2008, AND 2007  
PANHANDLE  
(BASED ON AVERAGE AMOUNTS)

	2009	2008	2007
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,113	18,426	17,140
Daily pounds of milk, per milking cow	61.8	59.9	58.6
Butterfat test	3.81 %	3.83 %	3.82 %
Blend price per hundredweight	\$ 13.63	\$ 19.11	\$ 20.01
Milk receipts, per milking cow	\$ 3,074	\$ 4,178	\$ 4,282
<b>HERD INFORMATION:</b>			
Herd size - total	2,988	2,940	2,573
Percent of dry cows	17.2 %	15.7 %	19.9 %
Herd turnover rate	29.3 %	23.6 %	27.1 %
Composition of herd:			
Purchased cows	35 %	42 %	48 %
Self-raised cows	65 %	58 %	52 %
Cost of purchased cows	\$ 1,448	\$ 1,825	\$ 1,770
Beef price received	\$ 490	\$ 549	\$ 544
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	44.8 %	32.7 %	25.1 %
Hay and other	21.9 %	14.0 %	12.3 %
Totals	66.7 %	46.7 %	37.4 %

## INCOME AND COST OF OPERATIONS

### PANHANDLE

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

	December 31, 2009	December 31, 2008	December 31, 2007
Income:			
Milk Sales	\$ 13.63	\$ 19.11	\$ 20.01
Calves and other	0.20	0.09	0.27
<b>Total income</b>	<b>\$ 13.83</b>	<b>\$ 19.20</b>	<b>\$ 20.28</b>
Total cost of operations:			
Feed	\$ 9.09	\$ 8.91	\$ 7.50
Labor	1.65	1.77	1.66
Herd replacement costs	1.90	1.71	1.79
Other costs	4.92	5.69	6.18
<b>Total costs of operations</b>	<b>\$ 17.56</b>	<b>\$ 18.08</b>	<b>\$ 17.13</b>
<b>Net income (loss)</b>	<b>\$ (3.73)</b>	<b>\$ 1.12</b>	<b>\$ 3.15</b>
Cost of operations as a percentage of income	126.97%	94.17%	84.47%
Feed costs as a percentage of milk sales	66.69%	46.62%	37.48%
<b>Net income (loss) per milking cow per month</b>	<b>\$ (61.10)</b>	<b>\$ 19.04</b>	<b>\$ 82.81</b>

**December 31,  
2006**

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\$ 12.63  
0.49

---

\$ 13.12

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\$ 5.84  
1.41  
1.62  
5.24

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\$ 14.11

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\$ (0.99)

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107.55%

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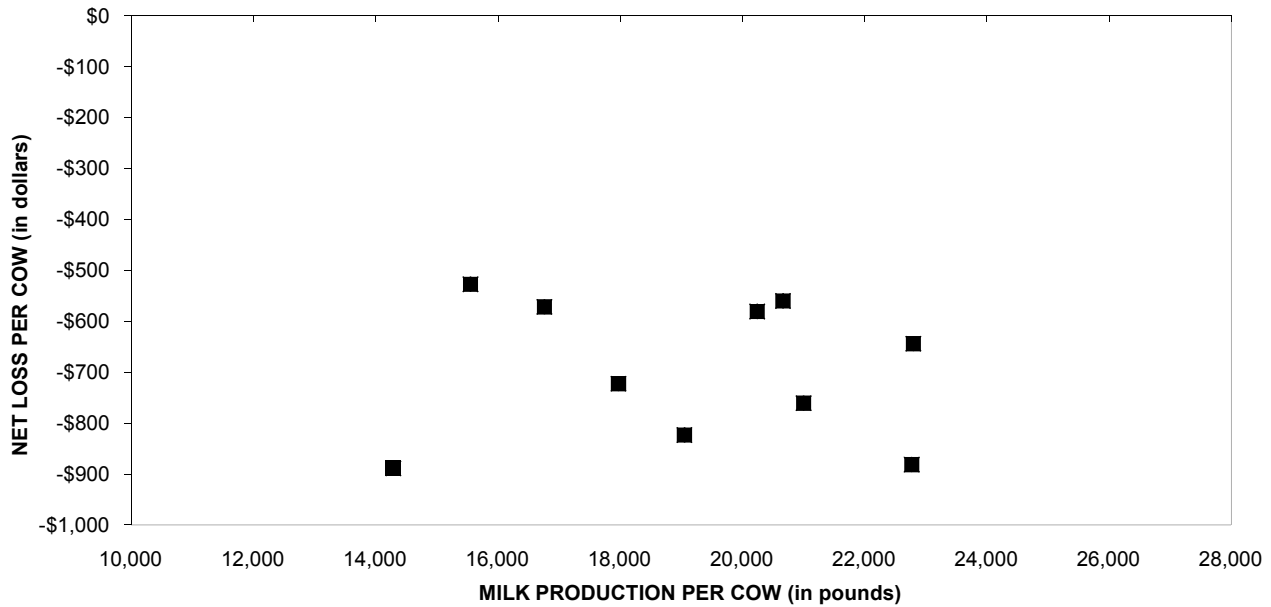
46.24%

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\$ (14.35)

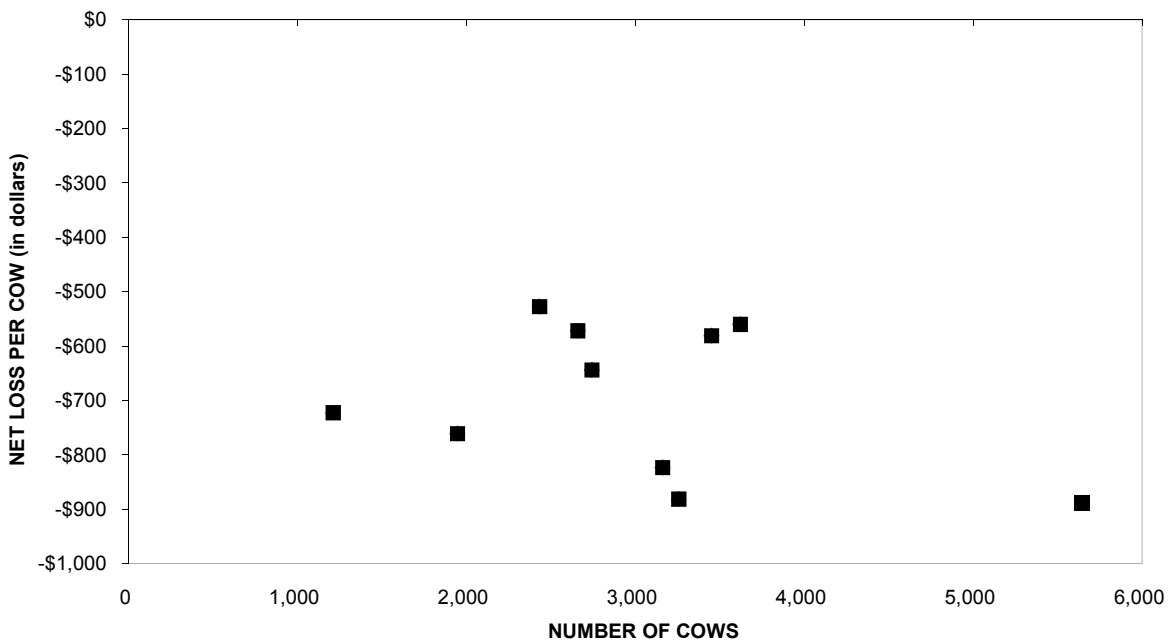
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## PROFITABILITY BY MILK PRODUCTION PER COW Panhandle



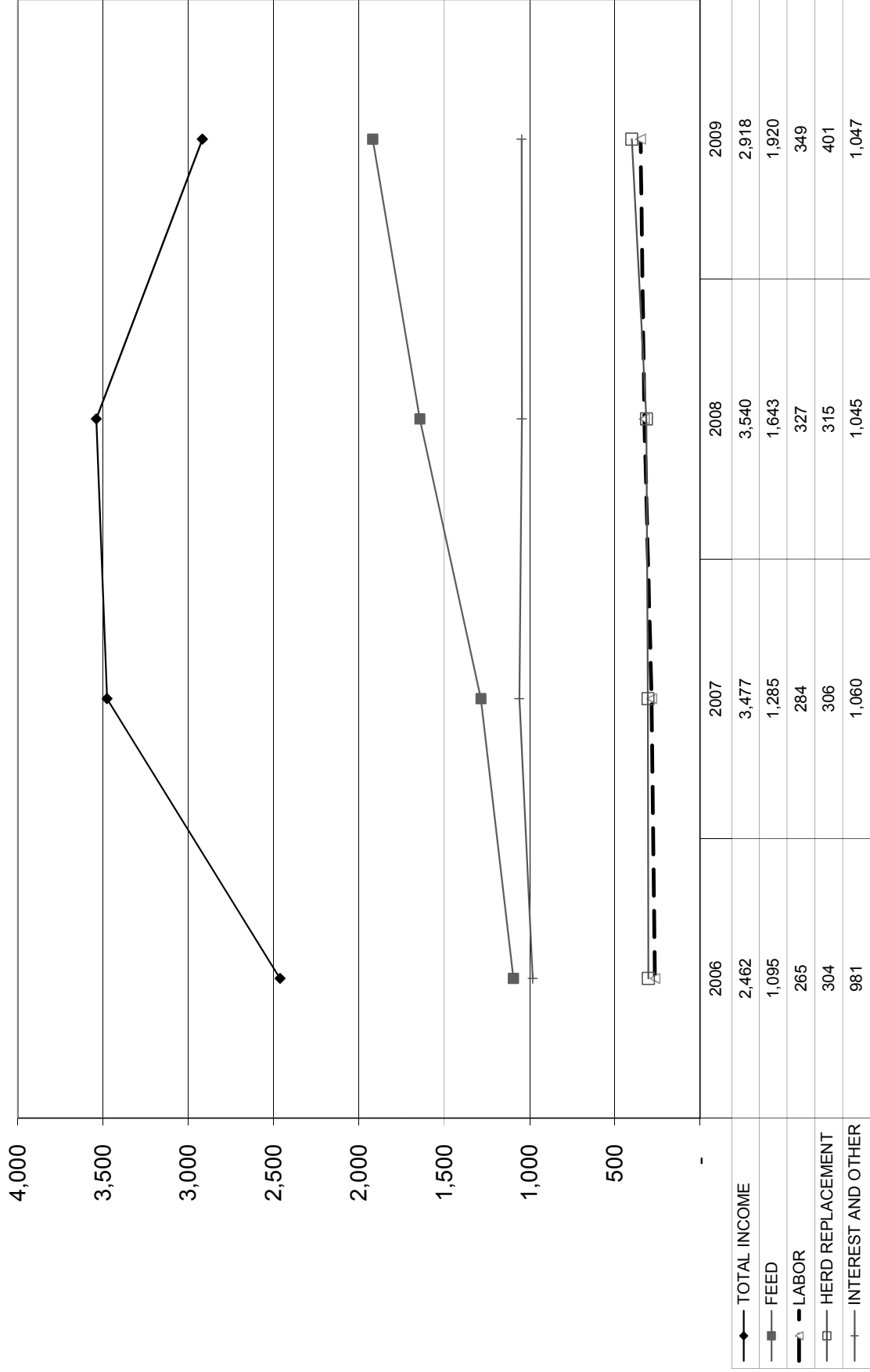
Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry).

## PROFITABILITY BY HERD SIZE Panhandle

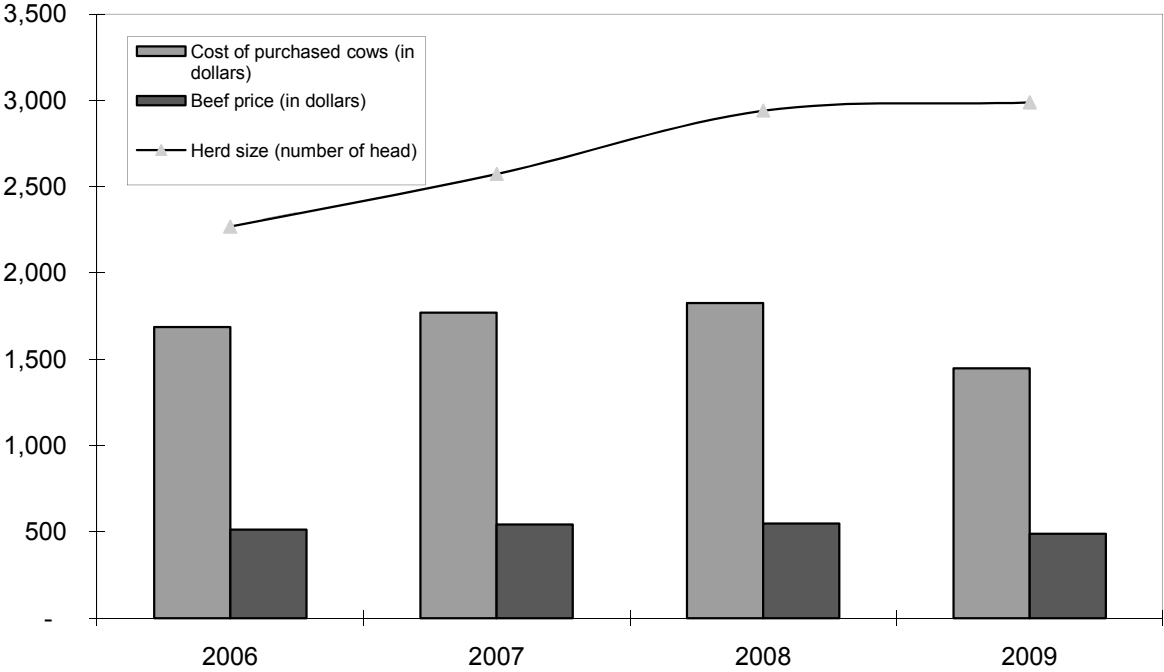




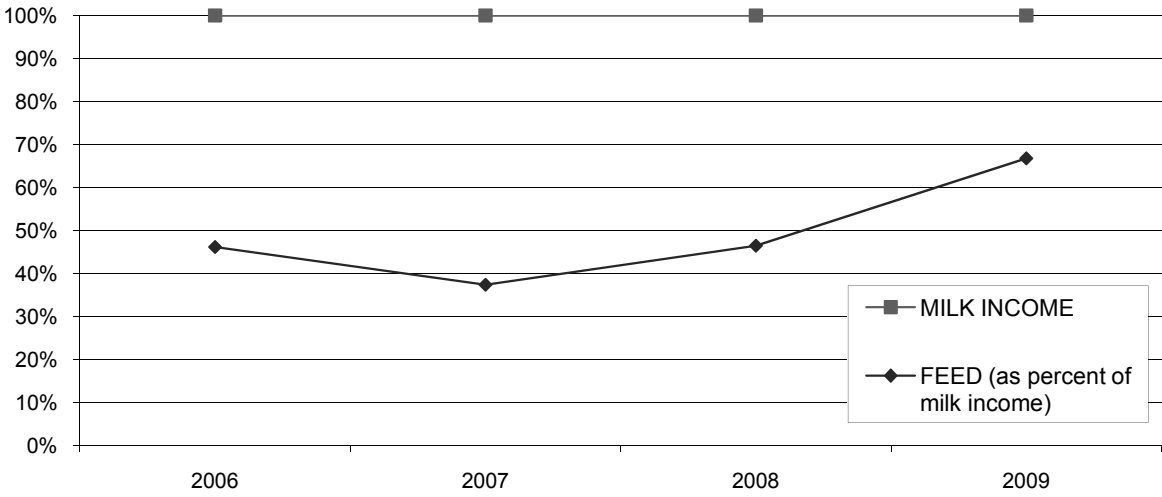
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
PANHANDLE  
INCOME AND OPERATING COSTS  
2006 - 2009**



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



**FEED COST vs. MILK INCOME  
THE PANHANDLE**



## 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 to Amarillo, Texas to Lubbock, Texas.
<b>Milk sales</b>	Includes milk income, quality and production bonuses, patronage dividends, USDA program payments, and 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, supplements, and vitamins.
<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 Frost, 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 Frost, 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.

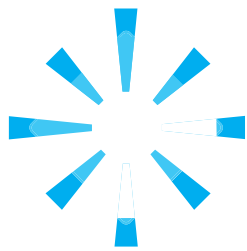
As development expanded in the dairy farming area, our firm helped many dairies relocate throughout California, and other states throughout the West and Mid-West. Many families we are servicing now have their third generation stepping into the operation's management. We have grown with these families into their multiple operations, often totaling 10,000 cows or more. Today, Frazer Frost, 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.

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, 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.

With 2009 well behind us, it could only be summed up as one of the worst years economically for dairy producers in history. Milk prices were at or below support levels, and input costs exceeded income levels creating financial hardship on all producers. As of April 2010, some dairies are now at, or near, breakeven levels with their costs, but the hopes of recovering substantial amounts of lost equity from 2009 is fading through the first half of 2010. This trend may unfortunately continue until milk supply and demand become more adequately aligned with one another, along with increased sales from exports, and stable input costs. Today, there are several groups around the country working on the creation of supply management programs, all with the intention of bringing milk price stability to producers. At this time it is too early to tell if we will see any changes in 2010 to the current milk pricing structure implemented with a consensus supply management program. All of these factors culminate in a substantial amount of capital required to maintain a dairy farm and will put increasing pressure on dairy operators to make critical financial decisions.

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





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