

Dairy Farm Operating Trends

December 31, 2014



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, 2014.

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 361,000 head of mature cows for the year ended December 31, 2014.

This report includes a comparison of the results in the regions listed above for the year ended December 31, 2014 both on a "per hundredweight of milk" basis and on a "per head" basis. Also included are selected financial ratios and other information for the year.

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

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

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

For more information regarding our firm, our Agribusiness department and our publication, please visit our website at www.frazerllp.com.

Sincerely,

Frazer LLP

FRAZER, LLP

Certified Public Accountants and Consultants

May 2015

DAIRY FARM OPERATING TRENDS

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Comparative Net Income By Region:

It was a record year for milk prices in 2014 with prices peaking in the late summer, although by November prices started to drop bringing producers closer to breakeven levels by the end of the year. While many major input costs remained steady or climbed, such as labor costs, feed remained relatively steady throughout much of 2014, this also helped improve margins during the year. This major cost trend is stabilizing during 2015 which is helping cushion the bottomlines somewhat as milk prices have plummeted as much as 40-45% during the first half of 2015 when compared to the highs of 2014. Domestic and international demand along with supply issues will dictate what producers will see in milk prices for the second half of 2015. Exports of our dairy products were strong all throughout 2014 and the forecasts remain solid for the remainder of 2015 for export markets. This will continue to be welcome news for our nations' producers.

Net income per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2014	\$ 1,202	\$ 1,166	\$ 1,115	\$ 1,261	\$ 1,377	\$ 745	\$ 1,250	\$ 1,000
2013	\$ 104	\$ 35	\$ 100	\$ 207	\$ 330	\$ 33	\$ 90	\$ 202
Change	\$ 1,098	\$ 1,131	\$ 1,015	\$ 1,054	\$ 1,047	\$ 712	\$ 1,160	\$ 798

Comparative Feed Cost By Region:

Feed costs generally declined during 2014 in most regions which helped the record year in producer margins. Although certain proteins and minerals did rise during 2014, corn, soybeans and wheat dropped dramatically in price during 2014, which was welcome news for producers. The entire West continues to suffer the effects of the drought which is in multiple years now, and all regions have water shortage issues regardless of where they are. International demand and the strengthening of the U.S. dollar also continues to pressure feed prices for producers and now it is also putting pressure on milk exports as well. The second half of 2015 appears as corn, soybeans and wheat on the CME will be similar in price as it was at the end of 2014, but most other high performance feeds remain expensive or are going up further, and if milk prices drop even further from what they are at the date of these reports, net profit margins will quickly evaporate.

Feed cost per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2014	\$ 2,633	\$ 2,692	\$ 2,568	\$ 2,350	\$ 2,584	\$ 2,173	\$ 2,313	\$ 2,476
2013	\$ 2,638	\$ 2,737	\$ 2,664	\$ 2,527	\$ 2,520	\$ 2,391	\$ 2,620	\$ 2,555
Change	\$ (5)	\$ (45)	\$ (96)	\$ (177)	\$ 64	\$ (218)	\$ (307)	\$ (79)

Comparative Production By Region:

The entire nation's milk production was up 2.4% in 2014 compared to 2013, and most of our regions in the West were up during the year. This is a large increase year over year, as the 2013 increase in production over 2012 was only 0.3%. This trend will not help milk pricing in the future unless demand strengthens further.

Lbs. per milk cow per day:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2014	73.1	76.1	72.5	71.6	76.4	65.9	68.9	70.4
2013	71.7	75.0	70.5	68.0	72.9	67.8	66.3	69.8
Change	1.4	1.1	2.0	3.6	3.5	(1.9)	2.6	0.6

Herd Turnover Rate By Region:

Herd turnover rates were generally up in most regions during 2014. Beef prices continued to stay strong and remain strong during the first half of 2015, as good demand for beef continues both here and abroad. The milk - feed cost ratio, current beef prices and individual producer financial conditions will dictate future culling levels as we move through the remainder of 2015.

Herd turnover rate by region:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2014	34.6%	45.2%	40.3%	34.0%	39.4%	35.5%	37.9%	36.9%
2013	38.7%	45.3%	38.1%	38.0%	44.8%	41.1%	41.0%	32.9%
Change	-4.1%	-0.1%	2.2%	-4.0%	-5.4%	-5.6%	-3.1%	4.0%

Average Cost of Replacement Per Head By Region:

The costs of replacement purchases, which began to skyrocket during 2014 due to strong milk, beef and calf prices are continuing to remain solid as well as bull and heifer calf prices. Heifer replacements of all ages have also dramatically risen in price that have not been seen in recent history. Again what the milk - feed cost ratio, strength of dollar prices, etc., does going forward will affect replacement costs in this nation and abroad.

Average cost of replacement per head by region:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest
2014	\$ 1,714	\$ 1,906	\$ 1,672	\$ 1,920	\$ 1,770	\$ 1,937	\$ 2,549	\$ 1,967
2013	\$ 1,367	\$ 1,252	\$ 1,251	\$ 1,493	\$ 1,367	\$ 1,335	\$ 1,442	\$ 1,322
Change	\$ 347	\$ 654	\$ 421	\$ 427	\$ 403	\$ 602	\$ 1,107	\$ 645

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
FOR THE YEAR ENDED DECEMBER 31, 2014
(BASED ON AVERAGE AMOUNTS PER HEAD)

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2014 Amounts
Income:									
Milk sales	\$ 5,237	\$ 5,208	\$ 4,903	\$ 5,113	\$ 5,563	\$ 4,259	\$ 5,115	\$ 5,133	\$
Calves and other	211	151	102	263	156	186	97	92	
Total income	\$ 5,448	\$ 5,359	\$ 5,005	\$ 5,376	\$ 5,719	\$ 4,445	\$ 5,212	\$ 5,225	\$
Cost of operations:									
Feed:									
Grain	\$ 1,653	\$ 1,914	\$ 1,608	\$ 1,544	\$ 1,706	\$ 1,458	\$ 1,544	\$ 1,490	\$
Hay and other	980	778	960	806	878	715	769	987	
Total feed	\$ 2,633	\$ 2,692	\$ 2,568	\$ 2,350	\$ 2,584	\$ 2,173	\$ 2,313	\$ 2,477	\$
Labor, (including fringe costs)	\$ 432	\$ 337	\$ 279	\$ 451	\$ 434	\$ 329	\$ 354	\$ 406	\$
Herd replacement costs	\$ 213	\$ 152	\$ 169	\$ 151	\$ 164	\$ 104	\$ 144	\$ 159	\$
Other costs:									
Milk hauling	\$ 91	\$ 81	\$ 78	\$ 92	\$ 75	\$ 182	\$ 177	\$ 157	\$
State and association charges	43	46	40	97	51	67	66	66	
Veterinary, breeding, testing, etc.	145	99	66	56	111	109	90	141	
Supplies	64	112	119	162	217	85	135	137	
Repairs and maintenance	194	118	118	155	192	132	120	137	
Utilities	72	85	104	81	56	70	52	44	
Occupancy costs	103	135	91	60	97	73	148	182	
Depreciation - equipment	27	65	59	66	80	57	66	74	
Interest	94	96	73	138	82	84	76	78	
Miscellaneous	135	175	126	256	198	236	219	168	
Total other costs	\$ 968	\$ 1,012	\$ 874	\$ 1,163	\$ 1,159	\$ 1,095	\$ 1,149	\$ 1,184	\$
Total cost of operations	\$ 4,246	\$ 4,193	\$ 3,890	\$ 4,115	\$ 4,341	\$ 3,701	\$ 3,960	\$ 4,226	\$
Net income	\$ 1,202	\$ 1,166	\$ 1,115	\$ 1,261	\$ 1,378	\$ 744	\$ 1,252	\$ 999	\$

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014 Amounts
Income:									
Milk sales	\$ 22.79	\$ 22.29	\$ 22.46	\$ 23.35	\$ 22.55	\$ 23.46	\$ 23.85	\$ 23.19	\$
Calves and other	0.93	0.63	0.45	1.20	0.62	1.03	0.46	0.43	
Total income	\$ 23.72	\$ 22.92	\$ 22.91	\$ 24.55	\$ 23.17	\$ 24.49	\$ 24.31	\$ 23.62	\$
Cost of operations:									
Feed:									
Grain	\$ 7.19	\$ 8.21	\$ 7.37	\$ 7.05	\$ 6.91	\$ 8.04	\$ 7.20	\$ 6.73	\$
Hay and other	4.26	3.33	4.40	3.69	3.57	3.94	3.59	4.45	
Total feed	\$ 11.45	\$ 11.54	\$ 11.77	\$ 10.74	\$ 10.48	\$ 11.98	\$ 10.79	\$ 11.18	\$
Labor, (including fringe costs)	\$ 1.87	\$ 1.45	\$ 1.28	\$ 2.06	\$ 1.75	\$ 1.81	\$ 1.65	\$ 1.83	\$
Herd replacement costs	\$ 0.93	\$ 0.65	\$ 0.77	\$ 0.69	\$ 0.66	\$ 0.57	\$ 0.67	\$ 0.72	\$
Other costs:									
Milk hauling	\$ 0.40	\$ 0.35	\$ 0.36	\$ 0.42	\$ 0.30	\$ 1.00	\$ 0.82	\$ 0.71	\$
State and association charges	0.19	0.20	0.19	0.45	0.21	0.37	0.31	0.30	
Veterinary, breeding, testing, etc.	0.63	0.42	0.30	0.25	0.45	0.60	0.42	0.64	
Supplies	0.28	0.48	0.54	0.74	0.88	0.47	0.62	0.62	
Repairs and maintenance	0.85	0.50	0.54	0.71	0.78	0.72	0.56	0.62	
Utilities	0.32	0.36	0.48	0.37	0.23	0.39	0.24	0.20	
Occupancy costs	0.45	0.58	0.42	0.27	0.39	0.40	0.68	0.82	
Depreciation - equipment	0.11	0.28	0.27	0.30	0.32	0.31	0.31	0.34	
Interest	0.41	0.41	0.34	0.63	0.33	0.46	0.37	0.35	
Miscellaneous	0.59	0.72	0.56	1.16	0.80	1.31	1.04	0.76	
Total other costs	\$ 4.23	\$ 4.30	\$ 4.00	\$ 5.30	\$ 4.69	\$ 6.03	\$ 5.37	\$ 5.36	\$
Total cost of operations	\$ 18.48	\$ 17.94	\$ 17.82	\$ 18.79	\$ 17.58	\$ 20.39	\$ 18.48	\$ 19.09	\$
Net income	\$ 5.24	\$ 4.98	\$ 5.09	\$ 5.76	\$ 5.59	\$ 4.10	\$ 5.83	\$ 4.53	\$

SUMMARY OF FINANCIAL STATISTICS

COMPARISON BY AREA FOR THE YEAR ENDED DECEMBER 31, 2014

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2014 Results
1. Current Ratio	0.49 : 1	1.82 : 1	1.68 : 1	0.98 : 1	1.04 : 1	1.13 : 1	1.35 : 1	1.42 : 1	
2. Herd Line Debt Per Cow	\$ 884	\$ 763	\$ 649	\$ 838	\$ 581	\$ 521	\$ 747	\$ 619	\$
3. Total Debt Per Cow	\$ 2,920	\$ 2,682	\$ 2,929	\$ 3,072	\$ 2,546	\$ 2,009	\$ 2,667	\$ 2,087	\$
4. Debt to Equity Ratio	1.40 : 1	1.11 : 1	0.84 : 1	1.36 : 1	0.8 : 1	0.8 : 1	1.06 : 1	0.81 : 1	
5. Return on Total Assets	20.2%	15.7%	12.2%	16.7%	16.7%	11.6%	16.6%	15.1%	
6. Income per milking cow per month	\$ 114.66	\$ 128.26	\$ 149.10	\$ 124.79	\$ 138.34	\$ 99.60	\$ 129.99	\$ 110.56	\$

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, 2014, 2013, AND 2012
SOUTHERN CALIFORNIA
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2014 RESULTS	
	2014	2013	2012	2014	2013	2012	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 5,237	\$ 4,228	\$ 3,708	\$ 22.79	\$ 18.90	\$ 16.91	\$	\$
Calves and other	211	60	57	0.93	0.27	0.26		
Total income	\$ 5,448	\$ 4,288	\$ 3,765	\$ 23.72	\$ 19.17	\$ 17.17	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,653	\$ 1,804	\$ 1,785	\$ 7.19	\$ 8.07	\$ 8.14		
Hay and other	980	834	842	4.26	3.73	3.85		
Total feed	\$ 2,633	\$ 2,638	\$ 2,627	\$ 11.45	\$ 11.80	\$ 11.99	\$	\$
Labor, (including fringe costs)	\$ 432	\$ 382	\$ 366	\$ 1.87	\$ 1.71	\$ 1.67	\$	\$
Herd replacement costs	\$ 213	\$ 290	\$ 316	\$ 0.93	\$ 1.30	\$ 1.44	\$	\$
Other costs:								
Milk hauling	\$ 91	\$ 93	\$ 89	\$ 0.40	\$ 0.41	\$ 0.41	\$	\$
State and association charges	43	44	32	0.19	0.20	0.15		
Veterinary, breeding, testing, etc.	145	105	97	0.63	0.47	0.44		
Supplies	64	72	75	0.28	0.32	0.34		
Repairs and maintenance	194	149	141	0.85	0.67	0.65		
Utilities	72	68	57	0.32	0.30	0.26		
Occupancy costs	103	99	114	0.45	0.45	0.52		
Depreciation - equipment	27	27	26	0.11	0.12	0.12		
Interest	94	95	58	0.41	0.42	0.27		
Miscellaneous	135	122	108	0.59	0.54	0.49		
Total other costs	\$ 968	\$ 874	\$ 797	\$ 4.23	\$ 3.90	\$ 3.65	\$	\$
Total cost of operations	\$ 4,246	\$ 4,184	\$ 4,106	\$ 18.48	\$ 18.71	\$ 18.75	\$	\$
Net income (loss)	\$ 1,202	\$ 104	\$ (341)	\$ 5.24	\$ 0.46	\$ (1.58)	\$	\$

SUMMARY OF FINANCIAL STATISTICS

SOUTHERN CALIFORNIA

	December 31, 2014	December 31, 2013	December 31, 2012
1. Current Ratio	0.49 : 1	0.32 : 1	0.42 : 1
2. Herd Line Debt Per Cow	\$ 884	\$ 1,048	\$ 800
3. Total Debt Per Cow	\$ 2,920	\$ 2,648	\$ 1,994
4. Debt to Equity Ratio	1.40 : 1	2.49 : 1	1.58 : 1
5. Return on Total Assets	20.2%	2.3%	-8.9%
6. Income (loss) per milking cow per month	\$ 114.66	\$ 9.54	\$ (31.10)

- 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, 2014, 2013, AND 2012
SOUTHERN CALIFORNIA
(BASED ON AVERAGE AMOUNTS)

	2014	2013	2012
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	22,976	22,367	21,927
Daily pounds of milk, per milking cow	73.1	71.7	71.3
Butterfat test	3.46 %	3.50 %	3.47 %
Solids-non-fat test	8.83 %	8.86 %	8.83 %
Blend price per hundredweight	\$ 22.79	\$ 18.90	\$ 16.91
Milk receipts, per milking cow	\$ 5,448	\$ 4,288	\$ 3,766
HERD INFORMATION:			
Herd size - total	2,336	1,899	1,944
Percent of dry cows	13.8 %	14.5 %	15.7 %
Herd turnover rate	34.6 %	38.7 %	39.6 %
Composition of herd:			
Purchased cows	61 %	51 %	43 %
Self-raised cows	39 %	49 %	57 %
Cost of purchased cows	\$ 1,714	\$ 1,367	\$ 1,501
Beef price received	\$ 1,194	\$ 862	\$ 817
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	31.5 %	42.7 %	48.1 %
Hay and other	18.7 %	19.7 %	22.8 %
Totals	50.2 %	62.4 %	70.9 %

INCOME AND COST OF OPERATIONS

SOUTHERN CALIFORNIA

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

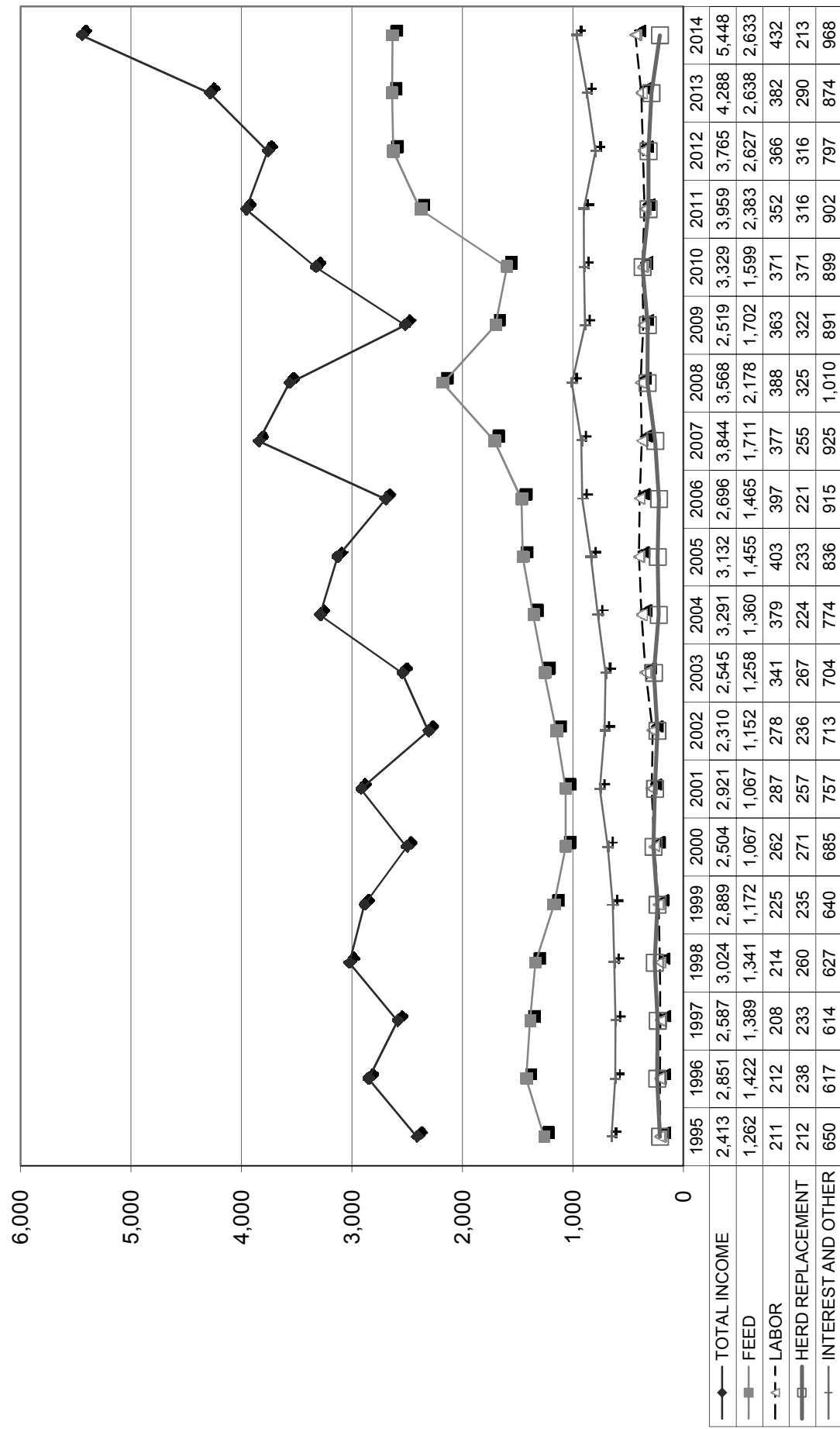
December 31, 2014 December 31, 2013 December 31, 2012

	December 31, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 22.79	\$ 18.90	\$ 16.91
Calves and other	0.93	0.27	0.26
Total income	\$ 23.72	\$ 19.17	\$ 17.17
Total cost of operations:			
Feed	\$ 11.45	\$ 11.80	\$ 11.99
Labor	1.87	1.71	1.67
Herd replacement costs	0.93	1.30	1.44
Other costs	4.23	3.90	3.65
Total costs of operations	\$ 18.48	\$ 18.71	\$ 18.75
Net income (loss)	\$ 5.24	\$ 0.46	\$ (1.58)
Cost of operations as a percentage of income	77.91%	97.60%	109.20%
Feed costs as a percentage of milk sales	50.24%	62.43%	70.90%
Net income (loss) per milking cow per month	\$ 114.66	\$ 9.54	\$ (31.10)
Cumulative net loss per cwt. from 2008 to 2014	\$ (1.09)		

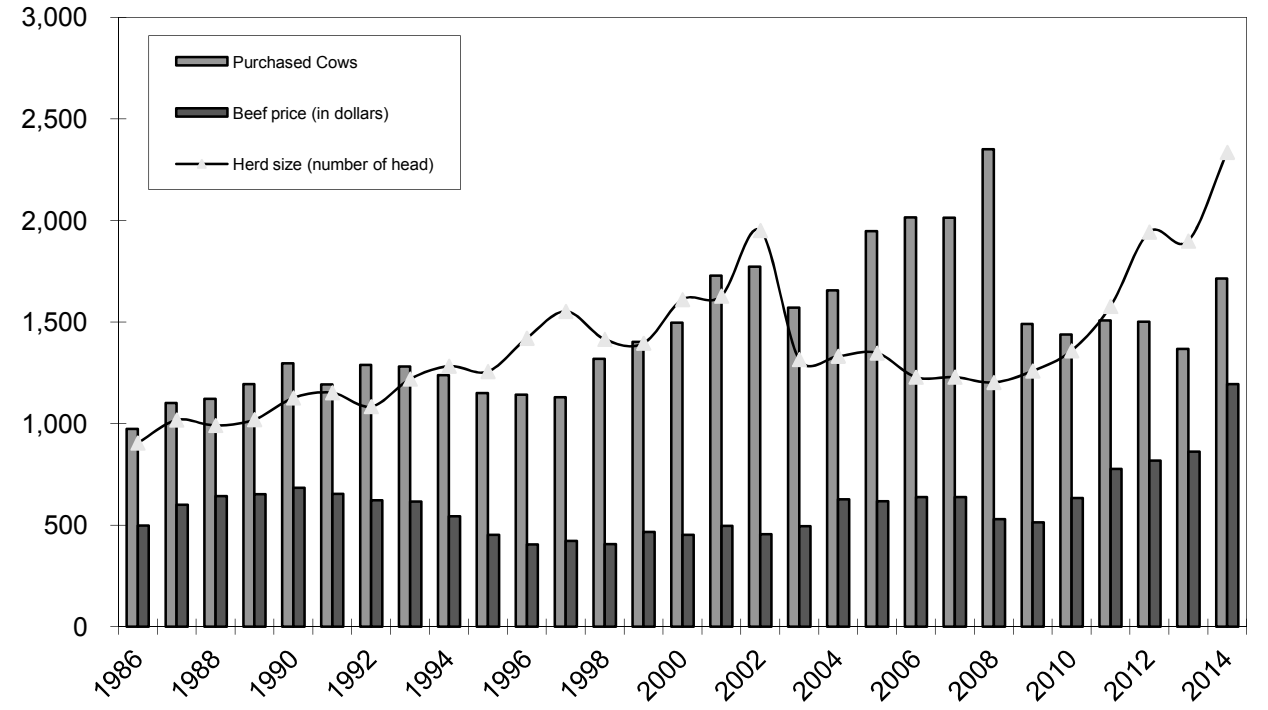
December 31, 2011 December 31, 2010 December 31, 2009 December 31, 2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 18.85	\$ 15.68	\$ 12.42	\$ 17.22
Calves and other	0.44	0.23	0.46	0.28
Total income	\$ 19.29	\$ 15.91	\$ 12.88	\$ 17.50
Total cost of operations:				
Feed	\$ 11.64	\$ 7.66	\$ 8.74	\$ 10.69
Labor	1.72	1.78	1.86	1.90
Herd replacement costs	1.54	1.78	1.65	1.60
Other costs	4.39	4.33	4.56	4.95
Total costs of operations	\$ 19.29	\$ 15.55	\$ 16.81	\$ 19.14
Net income (loss)	\$ 0.00	\$ 0.36	\$ (3.93)	\$ (1.64)
Cost of operations as a percentage of income	100.00%	97.74%	130.51%	109.37%
Feed costs as a percentage of milk sales	61.75%	48.85%	70.37%	62.08%
Net income (loss) per milking cow per month	\$ 0.24	\$ 9.87	\$ (74.43)	\$ (34.34)
Cumulative net loss per cwt. from 2008 to 2014				

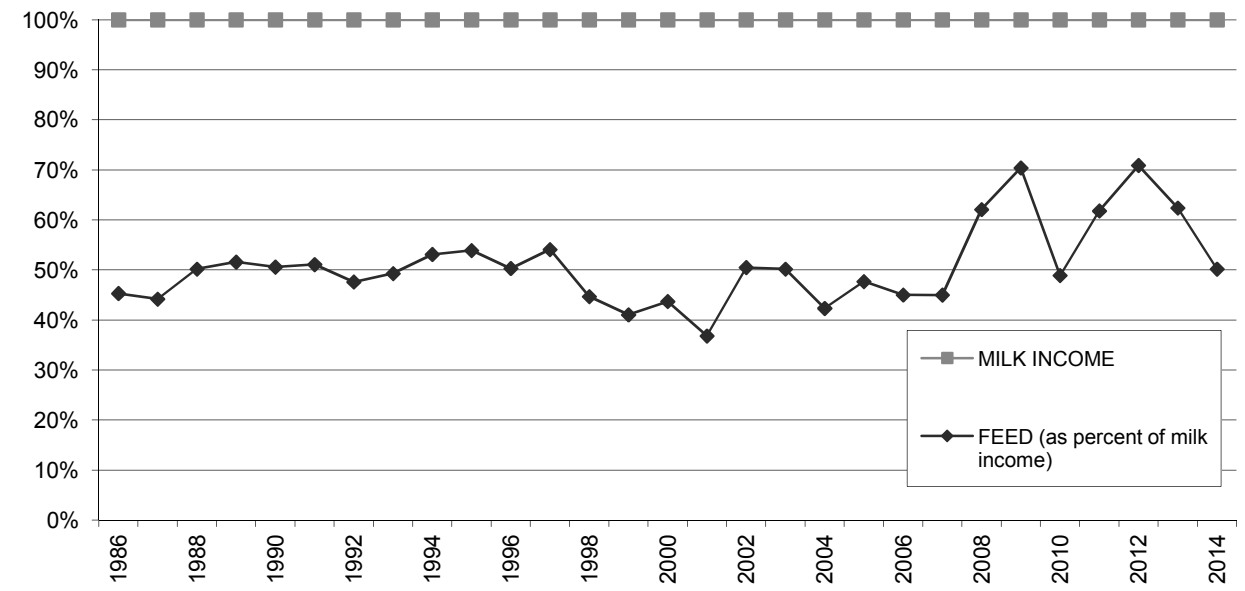
**LONG-TERM TREND - ON A "PER HEAD" BASIS
SOUTHERN CALIFORNIA
INCOME AND OPERATING COSTS
1995 - 2014**



**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, 2014, 2013, AND 2012
SAN JOAQUIN VALLEY
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2014 RESULTS	
	2014	2013	2012	2014	2013	2012	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 5,208	\$ 4,251	\$ 3,627	\$ 22.29	\$ 18.86	\$ 16.66	\$	\$
Calves and other	151	72	73	0.63	0.31	0.34		
Total income	\$ 5,359	\$ 4,323	\$ 3,700	\$ 22.92	\$ 19.17	\$ 17.00	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,914	\$ 2,001	\$ 1,826	\$ 8.21	\$ 8.87	\$ 8.39	\$	\$
Hay and other	778	736	677	3.33	3.26	3.11		
Total feed	\$ 2,692	\$ 2,737	\$ 2,503	\$ 11.54	\$ 12.13	\$ 11.50	\$	\$
Labor, (including fringe costs)	\$ 337	\$ 323	\$ 316	\$ 1.45	\$ 1.41	\$ 1.43	\$	\$
Herd replacement costs	\$ 152	\$ 262	\$ 250	\$ 0.65	\$ 1.16	\$ 1.15	\$	\$
Other costs:								
Milk hauling	\$ 81	\$ 78	\$ 72	\$ 0.35	\$ 0.34	\$ 0.33	\$	\$
State and association charges	46	43	46	0.20	0.19	0.20		
Veterinary, breeding, testing, etc.	99	101	96	0.42	0.44	0.43		
Supplies	112	111	102	0.48	0.49	0.46		
Repairs and maintenance	118	90	85	0.50	0.39	0.37		
Utilities	85	72	57	0.36	0.31	0.26		
Occupancy costs	135	127	110	0.58	0.56	0.50		
Depreciation - equipment	65	64	70	0.28	0.28	0.32		
Interest	96	110	127	0.41	0.48	0.58		
Miscellaneous	175	170	153	0.72	0.64	0.63		
Total other costs	\$ 1,012	\$ 966	\$ 918	\$ 4.30	\$ 4.12	\$ 4.08	\$	\$
Total cost of operations	\$ 4,193	\$ 4,288	\$ 3,987	\$ 17.94	\$ 18.82	\$ 18.16	\$	\$
Net income (loss)	\$ 1,166	\$ 35	\$ (287)	\$ 4.98	\$ 0.35	\$ (1.16)	\$	\$

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

SAN JOAQUIN VALLEY

	December 31, 2014	December 31, 2013	December 31, 2012
1. Current Ratio	1.82 : 1	1.02 : 1	0.88 : 1
2. Herd Line Debt Per Cow	\$ 763	\$ 1,025	\$ 994
3. Total Debt Per Cow	\$ 2,682	\$ 3,175	\$ 3,192
4. Debt to Equity Ratio	1.11 : 1	2.22 : 1	2.45 : 1
5. Return on Total Assets	15.7%	0.5%	-4.2%
6. Income (loss) per milking cow per month	\$ 128.26	\$ 20.13	\$ (11.93)

- 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, 2014, 2013, AND 2012
SAN JOAQUIN VALLEY
(BASED ON AVERAGE AMOUNTS)

	2014	2013	2012
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	23,321	22,526	21,765
Daily pounds of milk, per milking cow	76.1	75.0	72.6
Butterfat test	3.60 %	3.70 %	3.66 %
Solids-non-fat test	8.92 %	8.90 %	8.84 %
Blend price per hundredweight	\$ 22.29	\$ 18.86	\$ 16.66
Milk receipts, per milking cow	\$ 6,386	\$ 5,165	\$ 4,416
HERD INFORMATION:			
Herd size - total	3,771	3,493	3,587
Percent of dry cows	16.1 %	14.9 %	17.9 %
Herd turnover rate	45.2 %	45.3 %	49.7 %
Composition of herd:			
Purchased cows	5 %	8 %	11 %
Self-raised cows	95 %	92 %	89 %
Cost of purchased cows	\$ 1,906	\$ 1,252	\$ 1,140
Beef price received	\$ 1,160	\$ 863	\$ 814
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	36.8 %	47.0 %	50.4 %
Hay and other	14.9 %	17.3 %	18.7 %
Totals	51.7 %	64.3 %	69.1 %

INCOME AND COST OF OPERATIONS

SAN JOAQUIN VALLEY

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

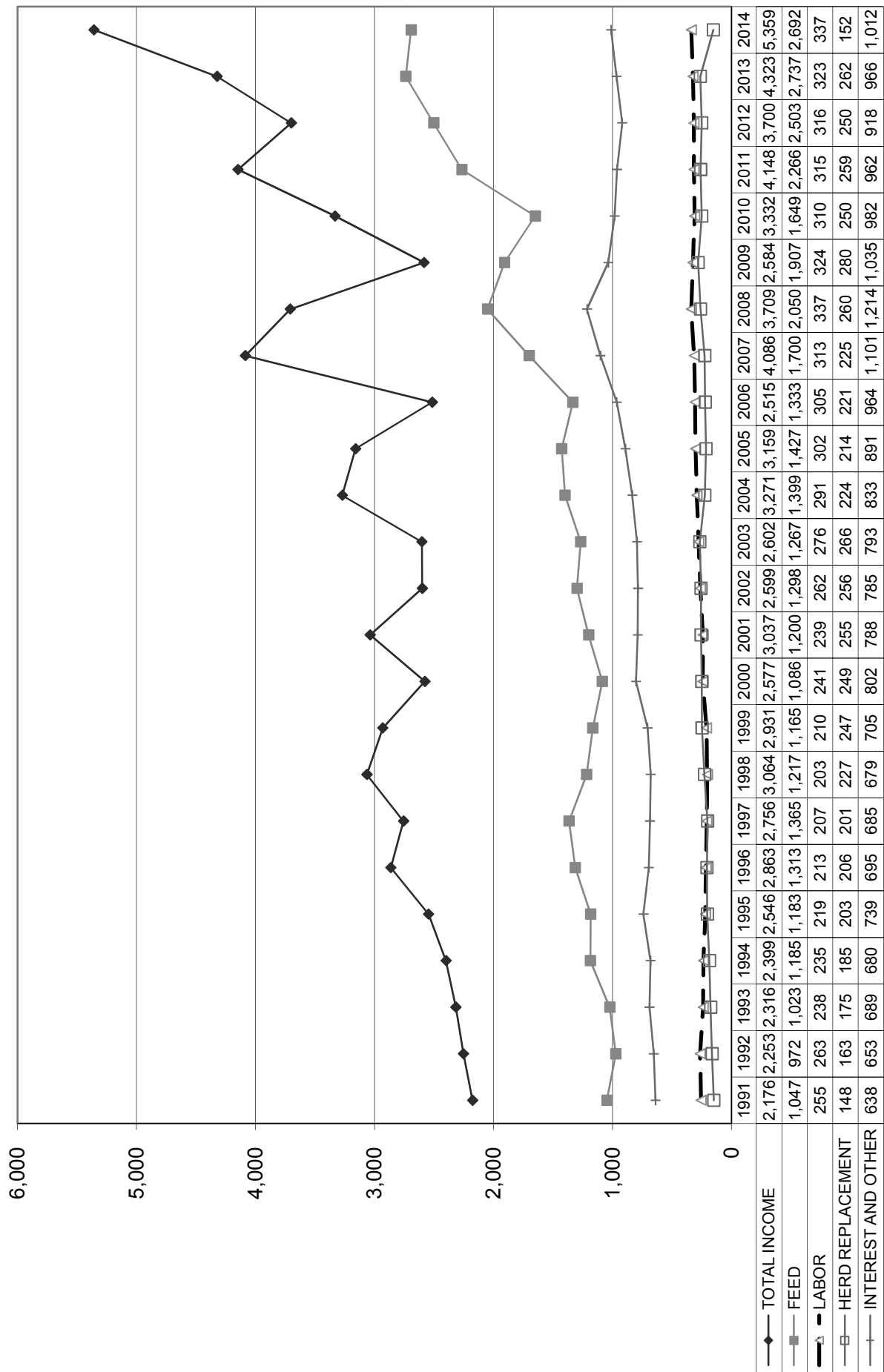
December 31, 2014 December 31, 2013 December 31, 2012

	December 31, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 22.29	\$ 18.86	\$ 16.66
Calves and other	0.63	0.31	0.34
Total income	\$ 22.92	\$ 19.17	\$ 17.00
Total cost of operations:			
Feed	\$ 11.54	\$ 12.13	\$ 11.50
Labor	1.45	1.41	1.43
Herd replacement costs	0.65	1.16	1.15
Other costs	4.30	4.12	4.08
Total costs of operations	\$ 17.94	\$ 18.82	\$ 18.16
Net income (loss)	\$ 4.98	\$ 0.35	\$ (1.16)
Cost of operations as a percentage of income	78.27%	98.17%	106.82%
Feed costs as a percentage of milk sales	51.77%	64.32%	69.03%
Net income (loss) per milking cow per month	\$ 128.26	\$ 20.13	\$ (11.93)
Cumulative net income per cwt. from 2008 to 2014	\$ 1.33		

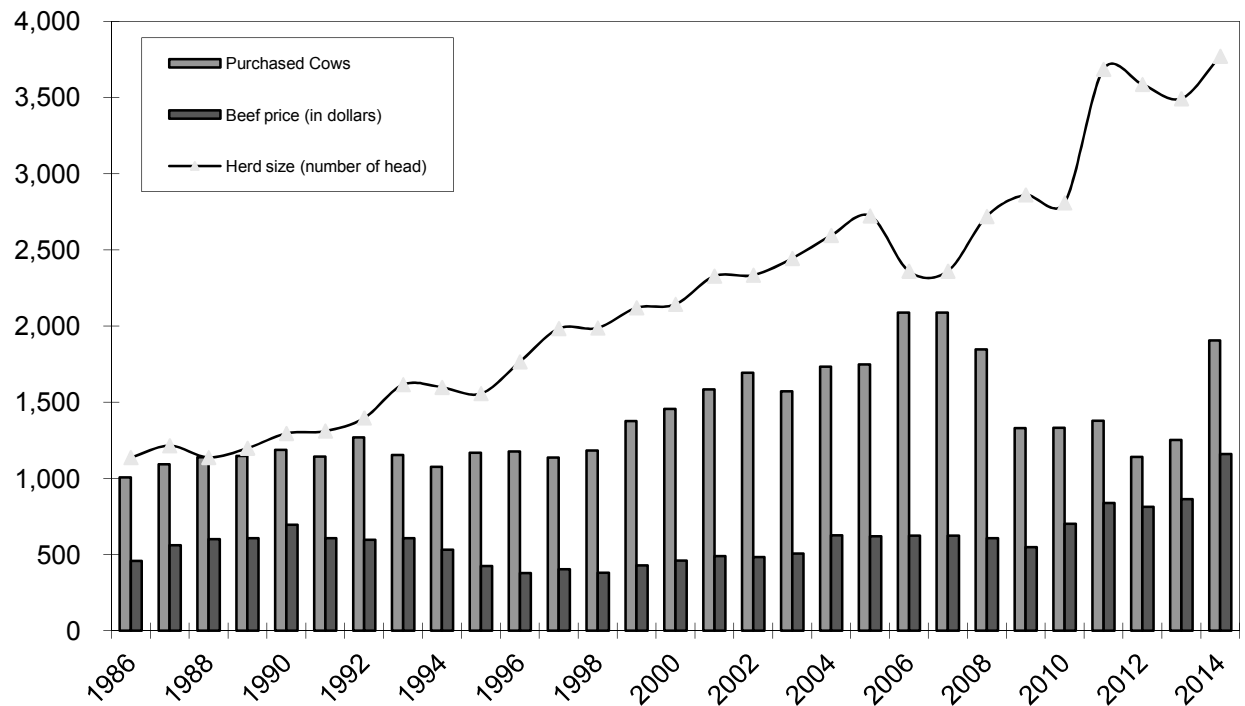
December 31, 2011 December 31, 2010 December 31, 2009 December 31, 2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 18.68	\$ 14.94	\$ 11.71	\$ 16.84
Calves and other	0.32	0.10	0.23	0.14
Total income	\$ 19.00	\$ 15.04	\$ 11.94	\$ 16.98
Total cost of operations:				
Feed	\$ 10.37	\$ 7.46	\$ 8.81	\$ 9.38
Labor	1.45	1.40	1.48	1.54
Herd replacement costs	1.18	1.13	1.30	1.19
Other costs	4.39	4.42	4.78	5.52
Total costs of operations	\$ 17.39	\$ 14.41	\$ 16.37	\$ 17.63
Net income (loss)	\$ 1.61	\$ 0.63	\$ (4.43)	\$ (0.65)
Cost of operations as a percentage of income	91.53%	95.81%	137.10%	103.83%
Feed costs as a percentage of milk sales	55.51%	49.93%	75.23%	55.70%
Net income (loss) per milking cow per month	\$ 59.07	\$ 20.60	\$ (91.89)	\$ (1.40)
Cumulative net income per cwt. from 2008 to 2014				

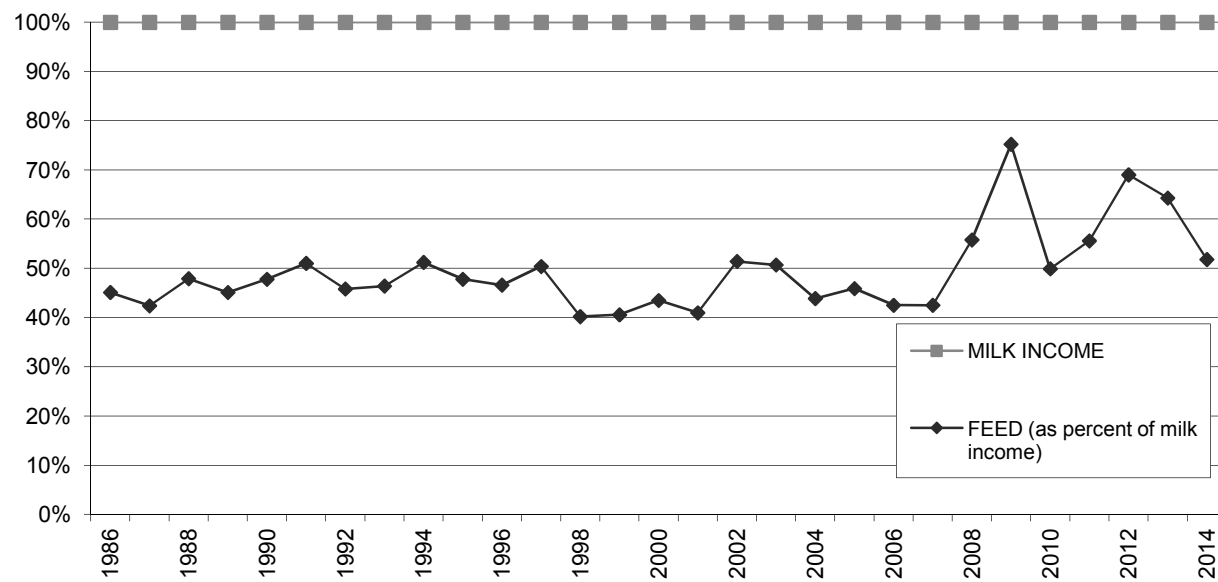
**LONG-TERM TREND - ON A "PER HEAD" BASIS
SAN JOAQUIN VALLEY
INCOME AND OPERATING COSTS
1991 - 2014**



**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, 2014, 2013, AND 2012
KERN COUNTY
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2014 RESULTS	
	2014	2013	2012	2014	2013	2012	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 4,903	\$ 4,066	\$ 3,585	\$ 22.46	\$ 19.13	\$ 16.97	\$	\$
Calves and other	102	50	51	0.45	0.23	0.25		
Total income	\$ 5,005	\$ 4,116	\$ 3,636	\$ 22.91	\$ 19.36	\$ 17.22	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,608	\$ 1,663	\$ 1,647	\$ 7.37	\$ 7.82	\$ 7.80	\$	\$
Hay and other	960	1,001	920	4.40	4.70	4.35		
Total feed	\$ 2,568	\$ 2,664	\$ 2,567	\$ 11.77	\$ 12.52	\$ 12.15	\$	\$
Labor, (including fringe costs)	\$ 279	\$ 276	\$ 265	\$ 1.28	\$ 1.29	\$ 1.25	\$	\$
Herd replacement costs	\$ 169	\$ 254	\$ 253	\$ 0.77	\$ 1.20	\$ 1.20	\$	\$
Other costs:								
Milk hauling	\$ 78	\$ 77	\$ 74	\$ 0.36	\$ 0.36	\$ 0.35	\$	\$
State and association charges	40	40	40	0.19	0.19	0.19		
Veterinary, breeding, testing, etc.	66	59	65	0.30	0.27	0.30		
Supplies	119	105	93	0.54	0.49	0.44		
Repairs and maintenance	118	108	95	0.54	0.51	0.45		
Utilities	104	80	76	0.48	0.38	0.36		
Occupancy costs	91	89	111	0.42	0.42	0.52		
Depreciation - equipment	59	60	65	0.27	0.28	0.31		
Interest	73	86	95	0.34	0.40	0.45		
Miscellaneous	126	118	120	0.56	0.55	0.55		
Total other costs	\$ 874	\$ 822	\$ 834	\$ 4.00	\$ 3.85	\$ 3.92	\$	\$
Total cost of operations	\$ 3,890	\$ 4,016	\$ 3,919	\$ 17.82	\$ 18.86	\$ 18.52	\$	\$
Net income (loss)	\$ 1,115	\$ 100	\$ (283)	\$ 5.09	\$ 0.50	\$ (1.30)	\$	\$

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

KERN COUNTY

	December 31, 2014	December 31, 2013	December 31, 2012
1. Current Ratio	1.68 : 1	1.29 : 1	1.15 : 1
2. Herd Line Debt Per Cow	\$ 649	\$ 841	\$ 1,005
3. Total Debt Per Cow	\$ 2,929	\$ 3,001	\$ 3,029
4. Debt to Equity Ratio	0.84 : 1	1.19 : 1	1.26 : 1
5. Return on Total Assets	12.2%	1.3%	-3.6%
6. Income (loss) per milking cow per month	\$ 149.10	\$ 36.88	\$ (8.21)

- 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, 2014, 2013, AND 2012
KERN COUNTY
(BASED ON AVERAGE AMOUNTS)

	2014	2013	2012
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	21,827	21,264	21,120
Daily pounds of milk, per milking cow	72.5	70.5	70.0
Butterfat test	3.64 %	3.73 %	3.57 %
Solids-non-fat test	8.88 %	8.88 %	8.80 %
Blend price per hundredweight	\$ 22.46	\$ 19.13	\$ 16.97
Milk receipts, per milking cow	\$ 6,063	\$ 4,920	\$ 3,585
HERD INFORMATION:			
Herd size - total	3,502	3,413	3,355
Percent of dry cows	17.5 %	17.4 %	17.3 %
Herd turnover rate	40.3 %	38.1 %	37.1 %
Composition of herd:			
Purchased cows	5 %	4 %	2 %
Self-raised cows	95 %	96 %	98 %
Cost of purchased cows	\$ 1,672	\$ 1,251	\$ 1,486
Beef price received	\$ 1,066	\$ 808	\$ 797
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	32.8 %	40.9 %	46.0 %
Hay and other	19.6 %	24.6 %	25.6 %
Totals	52.4 %	65.5 %	71.6 %

INCOME AND COST OF OPERATIONS

KERN COUNTY
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

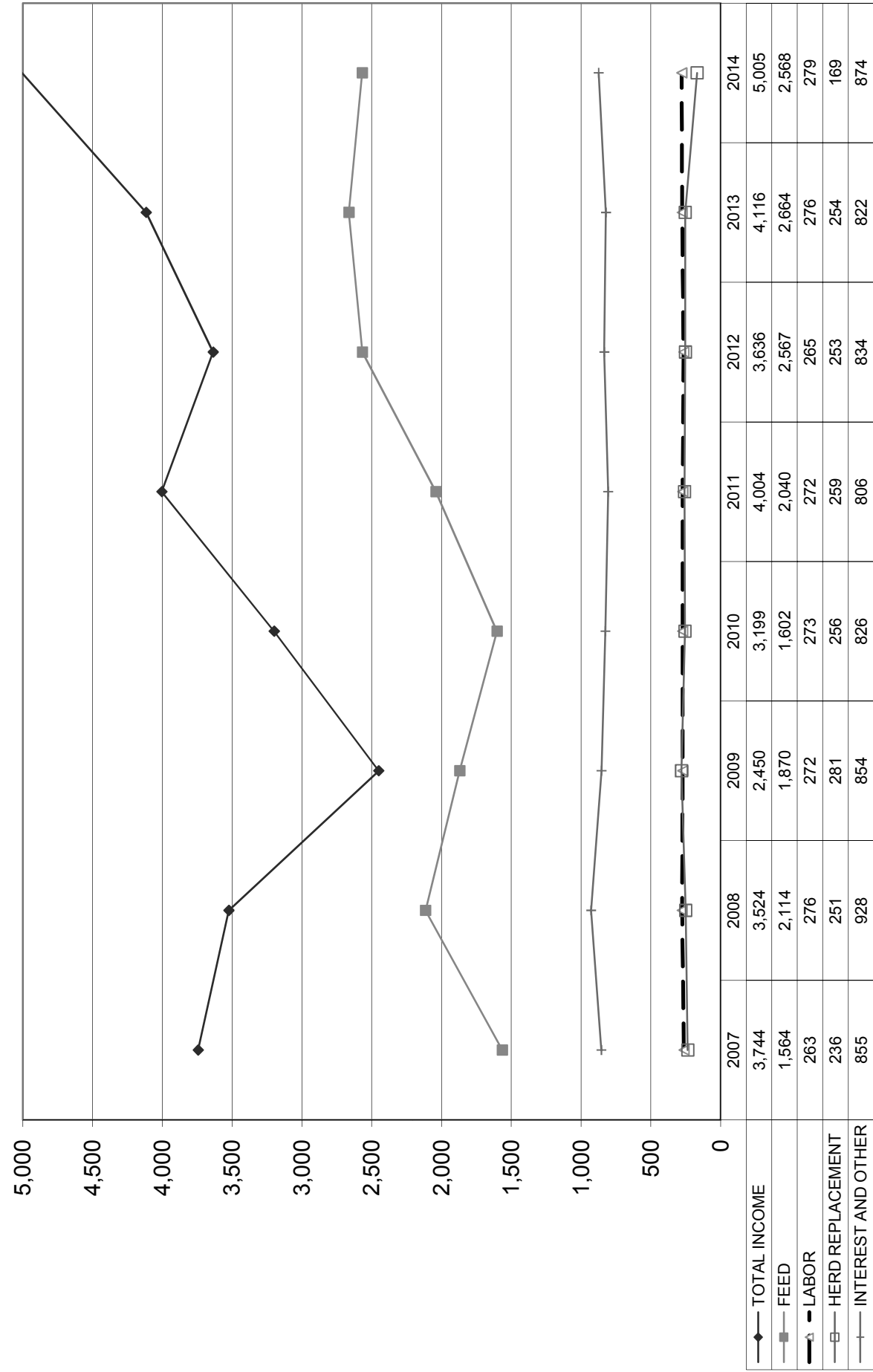
December 31, 2014 December 31, 2013 December 31, 2012

	December 31, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 22.46	\$ 19.13	\$ 16.97
Calves and other	0.45	0.23	0.25
Total income	\$ 22.91	\$ 19.36	\$ 17.22
Total cost of operations:			
Feed	\$ 11.77	\$ 12.52	\$ 12.15
Labor	1.28	1.29	1.25
Herd replacement costs	0.77	1.20	1.20
Other costs	4.00	3.85	3.92
Total costs of operations	\$ 17.82	\$ 18.86	\$ 18.52
Net income (loss)	\$ 5.09	\$ 0.50	\$ (1.30)
Cost of operations as a percentage of income	77.78%	97.42%	107.55%
Feed costs as a percentage of milk sales	52.40%	65.45%	71.60%
Net income (loss) per milking cow per month	\$ 149.10	\$ 36.88	\$ (8.21)
Cumulative net income per cwt. from 2008 to 2014	\$ 4.10		

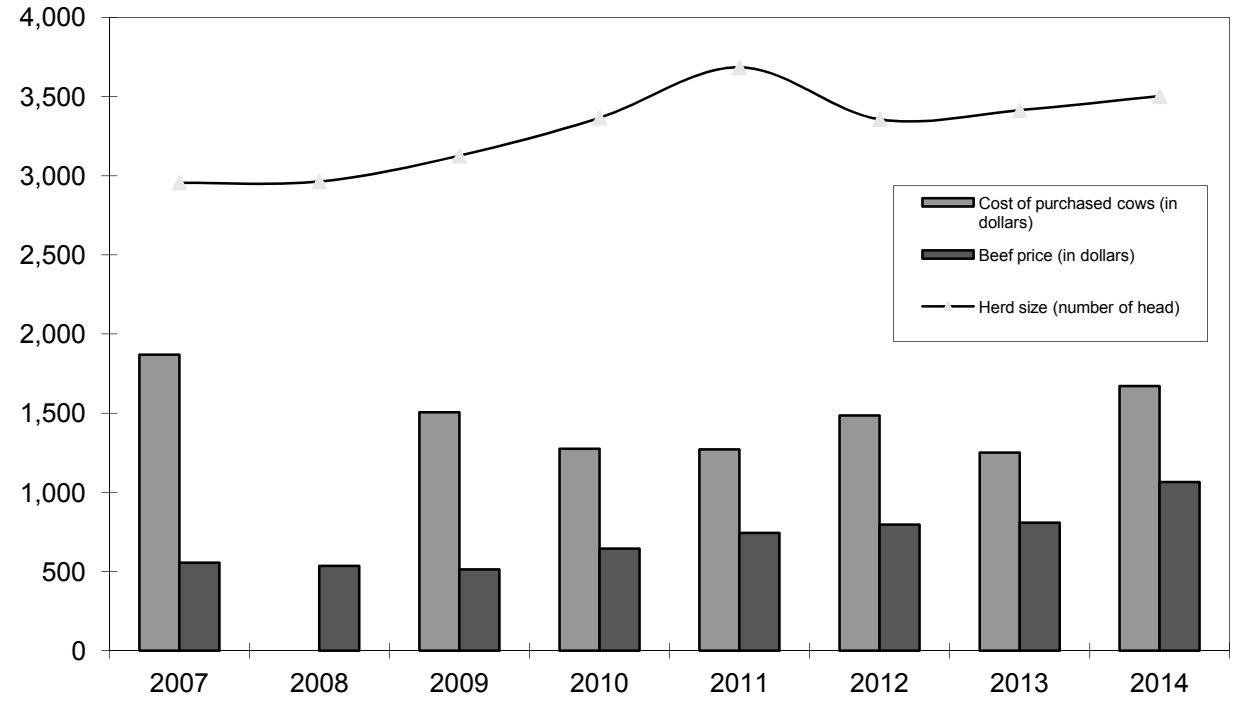
December 31, 2011 December 31, 2010 December 31, 2009 December 31, 2008

Income:				
Milk Sales	\$ 19.02	\$ 15.31	\$ 12.27	\$ 17.37
Calves and other	0.19	0.15	0.10	0.14
Total income	\$ 19.21	\$ 15.46	\$ 12.37	\$ 17.51
Total cost of operations:				
Feed	\$ 9.78	\$ 7.75	\$ 9.45	\$ 10.50
Labor	1.31	1.31	1.38	1.36
Herd replacement costs	1.24	1.24	1.42	1.25
Other costs	3.86	3.97	4.32	4.60
Total costs of operations	\$ 16.19	\$ 14.27	\$ 16.57	\$ 17.71
Net income (loss)	\$ 3.02	\$ 1.19	\$ (4.20)	\$ (0.20)
Cost of operations as a percentage of income	84.28%	92.30%	133.95%	101.14%
Feed costs as a percentage of milk sales	51.42%	50.62%	77.02%	60.45%
Net income (loss) per milking cow per month	\$ 82.44	\$ 20.47	\$ (88.01)	\$ (1.22)
Cumulative net income per cwt. from 2008 to 2014				

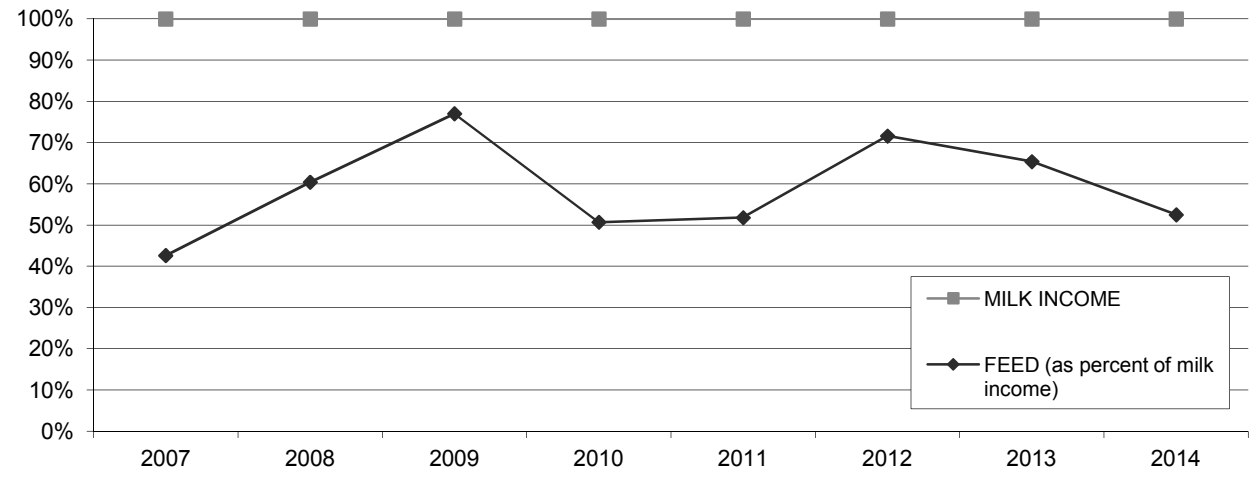
**LONG-TERM TREND - ON A "PER HEAD" BASIS
KERN COUNTY
INCOME AND OPERATING COSTS
2007 - 2014**



**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, 2014, 2013, AND 2012
ARIZONA
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2014	2013	2012
Income:			
Milk sales	\$ 5,113	\$ 4,351	\$ 4,001
Calves and other	263	80	67
Total income	\$ 5,376	\$ 4,431	\$ 4,068
Cost of operations:			
Feed:			
Grain	\$ 1,544	\$ 1,741	\$ 1,734
Hay and other	806	786	756
Total feed	\$ 2,350	\$ 2,527	\$ 2,490
Labor, (including fringe costs)	\$ 451	\$ 408	\$ 411
Herd replacement costs	\$ 151	\$ 221	\$ 221
Other costs:			
Milk hauling	\$ 92	\$ 97	\$ 93
State and association charges	97	55	55
Veterinary, breeding, testing, etc.	56	52	55
Supplies	162	140	140
Repairs and maintenance	155	121	117
Utilities	81	84	83
Occupancy costs	60	97	95
Depreciation - equipment	66	61	50
Interest	138	148	124
Miscellaneous	256	213	189
Total other costs	\$ 1,163	\$ 1,068	\$ 1,001
Total cost of operations	\$ 4,115	\$ 4,224	\$ 4,123
Net income (loss)	\$ 1,261	\$ 207	\$ (55)

See accompanying explanation of income and cost factors.

	PER CWT. OF MILK			YOUR 2014 RESULTS	
	2014	2013	2012	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 23.35	\$ 20.10	\$ 18.48	\$	\$
Calves and other	1.20	0.35	0.32		
Total income	\$ 24.55	\$ 20.45	\$ 18.80	\$	\$
Cost of operations:					
Feed:					
Grain	\$ 7.05	\$ 8.05	\$ 8.01	\$	\$
Hay and other	3.69	3.63	3.48		
Total feed	\$ 10.74	\$ 11.68	\$ 11.49	\$	\$
Labor, (including fringe costs)	\$ 2.06	\$ 1.89	\$ 1.89	\$	\$
Herd replacement costs	\$ 0.69	\$ 1.02	\$ 1.02	\$	\$
Other costs:					
Milk hauling	\$ 0.42	\$ 0.45	\$ 0.43	\$	\$
State and association charges	0.45	0.26	0.26		
Veterinary, breeding, testing, etc.	0.25	0.24	0.26		
Supplies	0.74	0.65	0.65		
Repairs and maintenance	0.71	0.56	0.54		
Utilities	0.37	0.39	0.38		
Occupancy costs	0.27	0.45	0.44		
Depreciation - equipment	0.30	0.28	0.23		
Interest	0.63	0.69	0.57		
Miscellaneous	1.16	0.99	0.88		
Total other costs	\$ 5.30	\$ 4.96	\$ 4.64	\$	\$
Total cost of operations	\$ 18.79	\$ 19.55	\$ 19.04	\$	\$
Net income (loss)	\$ 5.76	\$ 0.90	\$ (0.24)	\$	\$

SUMMARY OF FINANCIAL STATISTICS

ARIZONA

	December 31, 2014	December 31, 2013	December 31, 2012
1. Current Ratio	0.98 : 1	0.56 : 1	0.46 : 1
2. Herd Line Debt Per Cow	\$ 838	\$ 1,102	\$ 987
3. Total Debt Per Cow	\$ 3,072	\$ 3,271	\$ 3,272
4. Debt to Equity Ratio	1.36 : 1	2.29 : 1	2.40 : 1
5. Return on Total Assets	16.7%	3.0%	-0.8%
6. Income (loss) per milking cow per month	\$ 124.79	\$ 25.32	\$ (4.28)

- 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, 2014, 2013, AND 2012
ARIZONA
(BASED ON AVERAGE AMOUNTS)

	2014	2013	2012
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	21,899	21,648	21,639
Daily pounds of milk, per milking cow	71.6	68.0	69.4
Butterfat test	3.33 %	3.37 %	3.40 %
Blend price per hundredweight	\$ 23.35	\$ 20.10	\$ 18.48
Milk receipts, per milking cow	\$ 6,099	\$ 4,990	\$ 4,001
HERD INFORMATION:			
Herd size - total	3,909	3,980	4,059
Percent of dry cows	16.1 %	12.8 %	14.5 %
Herd turnover rate	34.0 %	38.0 %	37.5 %
Composition of herd:			
Purchased cows	29 %	26 %	22 %
Self-raised cows	71 %	74 %	78 %
Cost of purchased cows	\$ 1,920	\$ 1,493	\$ 1,433
Beef price received	\$ 1,178	\$ 868	\$ 824
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	30.2 %	40.0 %	43.3 %
Hay and other	15.8 %	18.1 %	18.8 %
Totals	46.0 %	58.1 %	62.1 %

INCOME AND COST OF OPERATIONS

ARIZONA
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

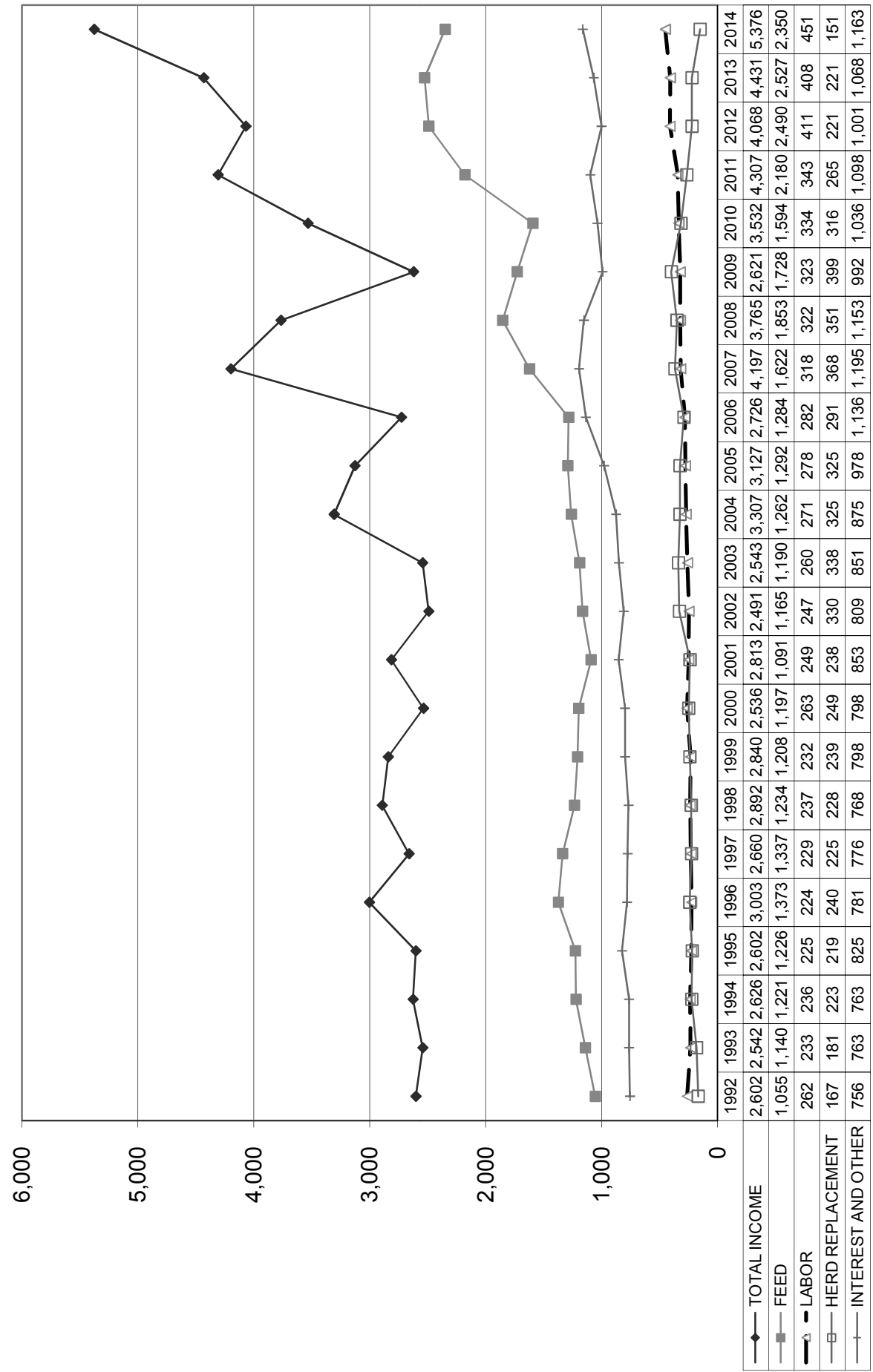
December 31, 2014 December 31, 2013 December 31, 2012

	December 31, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 23.35	\$ 20.10	\$ 18.48
Calves and other	1.20	0.35	0.32
Total income	\$ 24.55	\$ 20.45	\$ 18.80
Total cost of operations:			
Feed	\$ 10.74	\$ 11.68	\$ 11.49
Labor	2.06	1.89	1.89
Herd replacement costs	0.69	1.02	1.02
Other costs	5.30	4.96	4.64
Total costs of operations	\$ 18.79	\$ 19.55	\$ 19.04
Net income (loss)	\$ 5.76	\$ 0.90	\$ (0.24)
Cost of operations as a percentage of income	76.54%	95.60%	101.28%
Feed costs as a percentage of milk sales	46.00%	58.11%	62.18%
Net income (loss) per milking cow per month	\$ 124.79	\$ 25.32	\$ (4.28)
Cumulative net income per cwt. from 2008 to 2014	\$ 5.95		

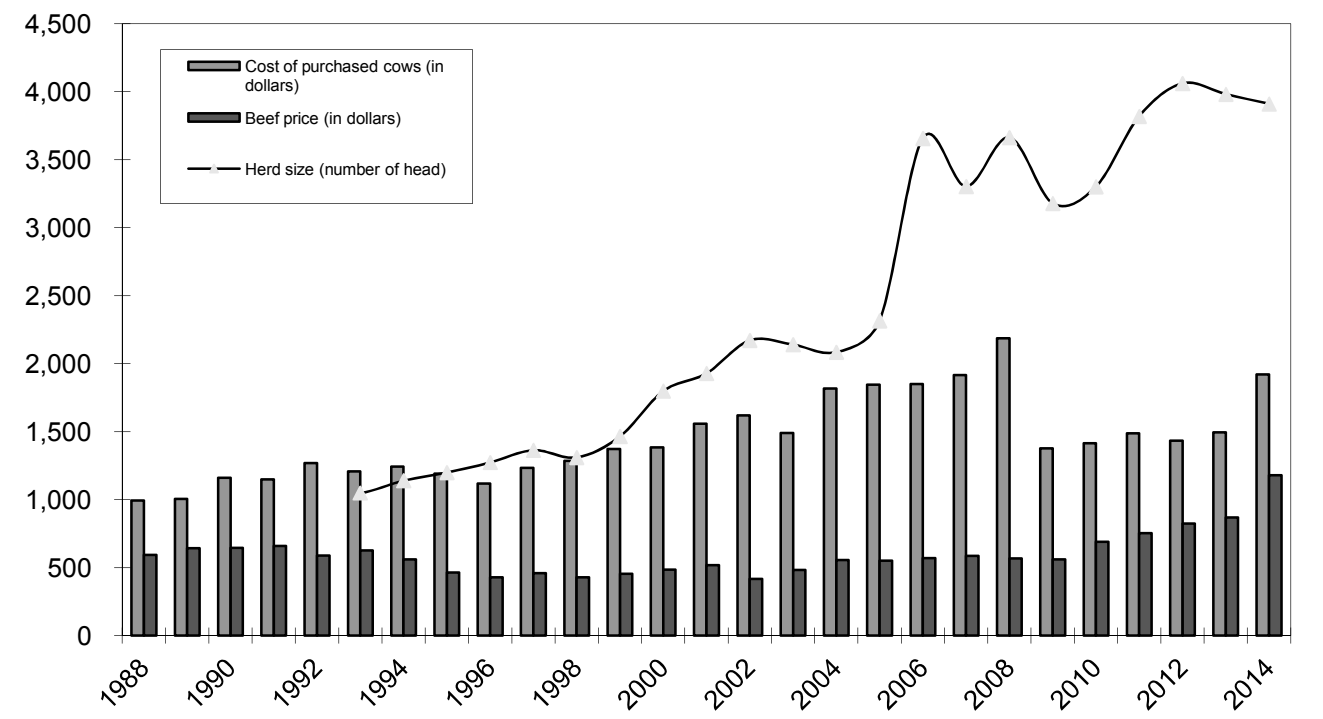
December 31, 2011 December 31, 2010 December 31, 2009 December 31, 2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 20.74	\$ 16.47	\$ 12.58	\$ 18.11
Calves and other	0.28	0.11	0.25	0.30
Total income	\$ 21.02	\$ 16.58	\$ 12.83	\$ 18.41
Total cost of operations:				
Feed	\$ 10.61	\$ 7.49	\$ 8.46	\$ 9.07
Labor	1.67	1.58	1.60	1.59
Herd replacement costs	1.29	1.49	1.95	1.72
Other costs	5.39	4.88	4.88	5.64
Total costs of operations	\$ 18.96	\$ 15.44	\$ 16.89	\$ 18.02
Net income (loss)	\$ 2.06	\$ 1.14	\$ (4.06)	\$ 0.39
Cost of operations as a percentage of income	90.20%	93.12%	131.64%	97.88%
Feed costs as a percentage of milk sales	51.16%	45.48%	67.25%	50.08%
Net income (loss) per milking cow per month	\$ 42.84	\$ 28.71	\$ (84.26)	\$ 5.99
Cumulative net income per cwt. from 2008 to 2014				

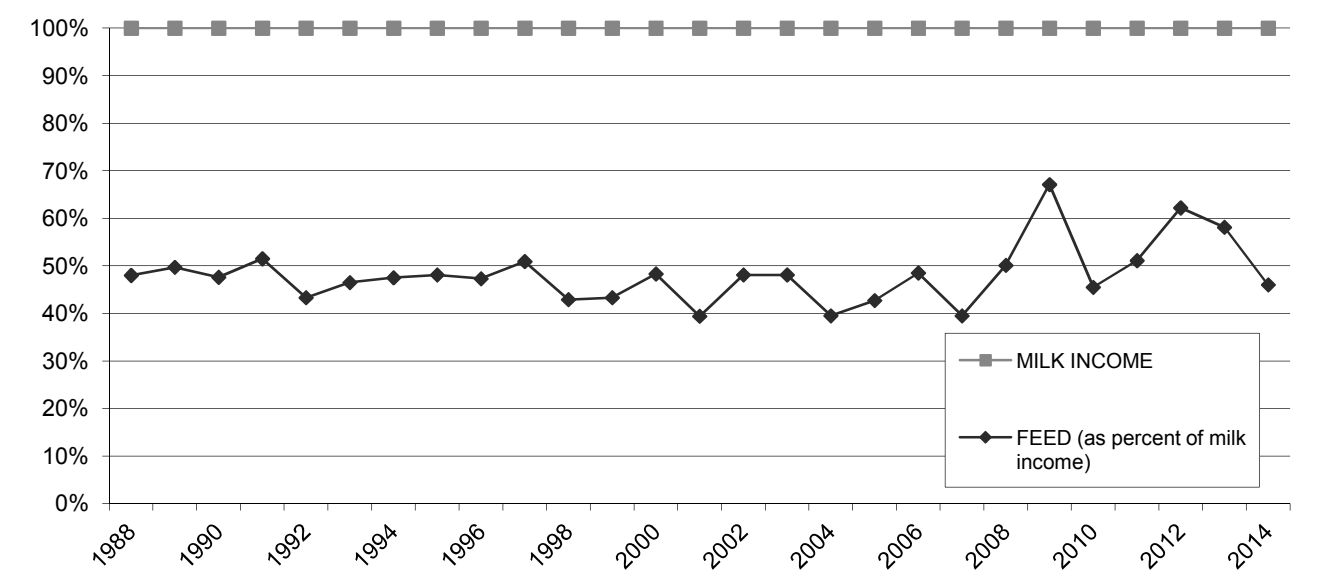
**LONG-TERM TREND - ON A "PER HEAD" BASIS
ARIZONA
INCOME AND OPERATING COSTS
1992 - 2014**



**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, 2014, 2013, AND 2012
IDAHO
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2014	2013	2012
Income:			
Milk sales	\$ 5,563	\$ 4,469	\$ 3,976
Calves and other	156	98	93
Total income	\$ 5,719	\$ 4,567	\$ 4,069
Cost of operations:			
Feed:			
Grain	\$ 1,706	\$ 1,658	\$ 1,572
Hay and other	878	862	689
Total feed	\$ 2,584	\$ 2,520	\$ 2,261
Labor, (including fringe costs)	\$ 434	\$ 382	\$ 360
Herd replacement costs	\$ 164	\$ 258	\$ 220
Other costs:			
Milk hauling	\$ 75	\$ 70	\$ 69
State and association charges	51	46	46
Veterinary, breeding, testing, etc.	111	93	74
Supplies	217	184	214
Repairs and maintenance	192	185	135
Utilities	56	48	49
Occupancy costs	97	98	79
Depreciation - equipment	80	79	82
Interest	82	92	99
Miscellaneous	198	182	180
Total other costs	\$ 1,159	\$ 1,077	\$ 1,027
Total cost of operations	\$ 4,341	\$ 4,237	\$ 3,868
Net income	\$ 1,378	\$ 330	\$ 201

	PER CWT. OF MILK			YOUR 2014 RESULTS	
	2014	2013	2012	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 22.55	\$ 19.05	\$ 18.07	\$	\$
Calves and other	0.62	0.40	0.43		
Total income	\$ 23.17	\$ 19.45	\$ 18.50	\$	\$
Cost of operations:					
Feed:					
Grain	\$ 6.91	\$ 7.06	\$ 7.15	\$	\$
Hay and other	3.57	3.67	3.14		
Total feed	\$ 10.48	\$ 10.73	\$ 10.29	\$	\$
Labor, (including fringe costs)	\$ 1.75	\$ 1.63	\$ 1.64	\$	\$
Herd replacement costs	\$ 0.66	\$ 1.10	\$ 1.00	\$	\$
Other costs:					
Milk hauling	\$ 0.30	\$ 0.30	\$ 0.32	\$	\$
State and association charges	0.21	0.20	0.21		
Veterinary, breeding, testing, etc.	0.45	0.40	0.34		
Supplies	0.88	0.78	0.97		
Repairs and maintenance	0.78	0.79	0.62		
Utilities	0.23	0.21	0.22		
Occupancy costs	0.39	0.41	0.36		
Depreciation - equipment	0.32	0.34	0.37		
Interest	0.33	0.39	0.45		
Miscellaneous	0.80	0.77	0.81		
Total other costs	\$ 4.69	\$ 4.59	\$ 4.67	\$	\$
Total cost of operations	\$ 17.58	\$ 18.05	\$ 17.60	\$	\$
Net income	\$ 5.59	\$ 1.40	\$ 0.90	\$	\$

SUMMARY OF FINANCIAL STATISTICS

	IDAHO		
	December 31, 2014	December 31, 2013	December 31, 2012
1. Current Ratio	1.04 : 1	1.01 : 1	0.68 : 1
2. Herd Line Debt Per Cow	\$ 581	\$ 603	\$ 586
3. Total Debt Per Cow	\$ 2,546	\$ 2,468	\$ 2,487
4. Debt to Equity Ratio	0.8 : 1	1.06 : 1	1.38 : 1
5. Return on Total Assets	16.7%	4.8%	3.2%
6. Income per milking cow per month	\$ 138.34	\$ 40.28	\$ 32.95

- 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, 2014, 2013, AND 2012 IDAHO (BASED ON AVERAGE AMOUNTS)		
	2014	2013	2012
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	24,667	23,462	21,992
Daily pounds of milk, per milking cow	76.4	72.9	69.6
Butterfat test	3.65 %	3.72 %	3.65 %
Blend price per hundredweight	\$ 22.55	\$ 19.05	\$ 18.07
Milk receipts, per milking cow	\$ 6,292	\$ 5,067	\$ 3,976
HERD INFORMATION:			
Herd size - total	4,369	3,929	4,050
Percent of dry cows	11.6 %	11.8 %	13.4 %
Herd turnover rate	39.4 %	44.8 %	37.4 %
Composition of herd:			
Purchased cows	15 %	4 %	6 %
Self-raised cows	85 %	96 %	94 %
Cost of purchased cows	\$ 1,770	\$ 1,367	\$ 1,276
Beef price received	\$ 1,167	\$ 783	\$ 805
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	30.6 %	37.1 %	39.6 %
Hay and other	15.8 %	19.3 %	17.4 %
Totals	46.4 %	56.4 %	57.0 %

INCOME AND COST OF OPERATIONS

IDAHO
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

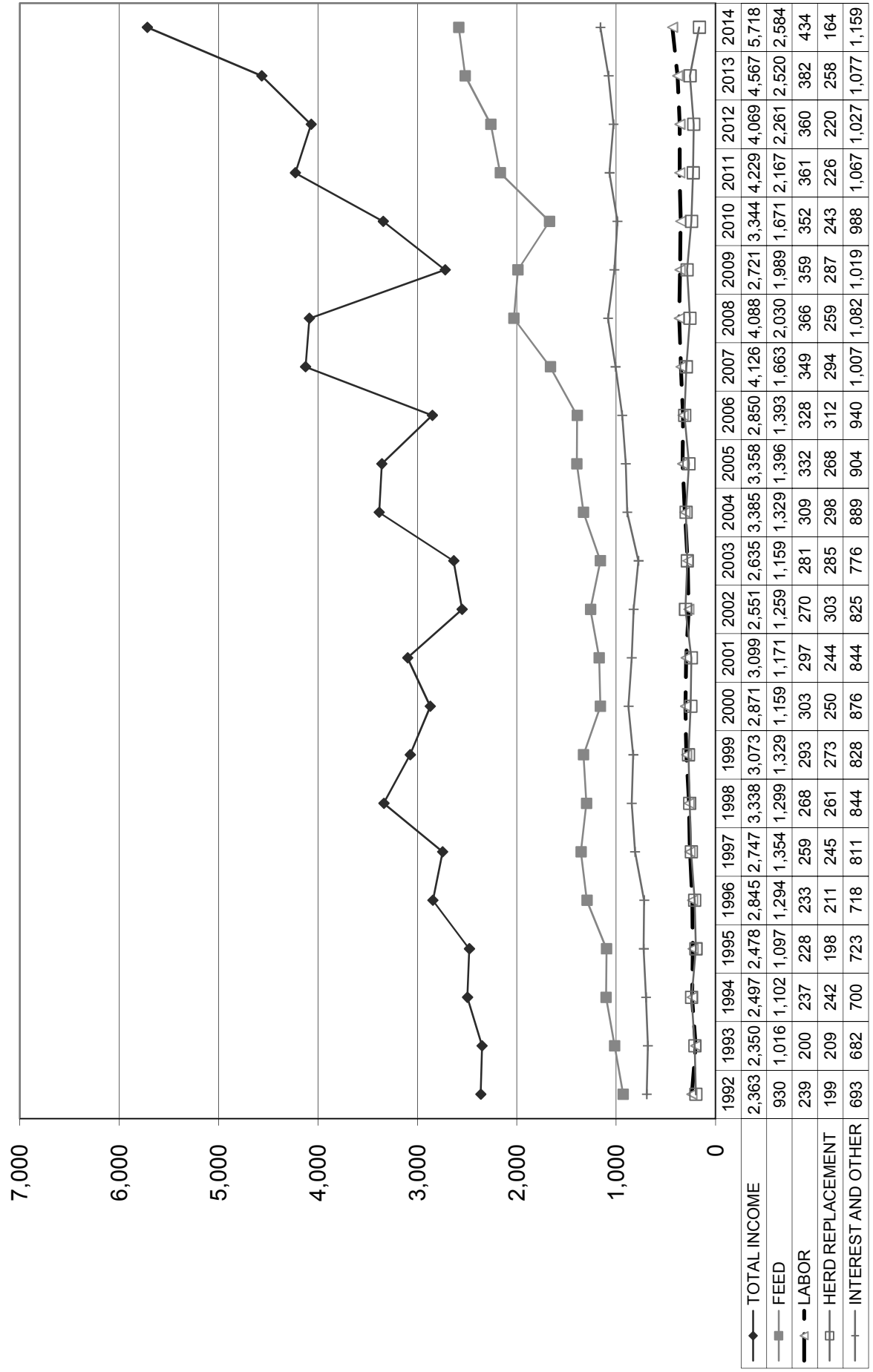
December 31, 2014 December 31, 2013 December 31, 2012

	December 31, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 22.55	\$ 19.05	\$ 18.07
Calves and other	0.62	0.40	0.43
Total income	\$ 23.17	\$ 19.45	\$ 18.50
Total cost of operations:			
Feed	\$ 10.48	\$ 10.73	\$ 10.29
Labor	1.75	1.63	1.64
Herd replacement costs	0.66	1.10	1.00
Other costs	4.69	4.59	4.67
Total costs of operations	\$ 17.58	\$ 18.05	\$ 17.60
Net income (loss)	\$ 5.59	\$ 1.40	\$ 0.90
Cost of operations as a percentage of income	75.87%	92.80%	95.14%
Feed costs as a percentage of milk sales	46.47%	56.33%	56.95%
Net income (loss) per milking cow per month	\$ 138.34	\$ 40.28	\$ 32.95
Cumulative net income per cwt. from 2008 to 2014	\$ 7.48		

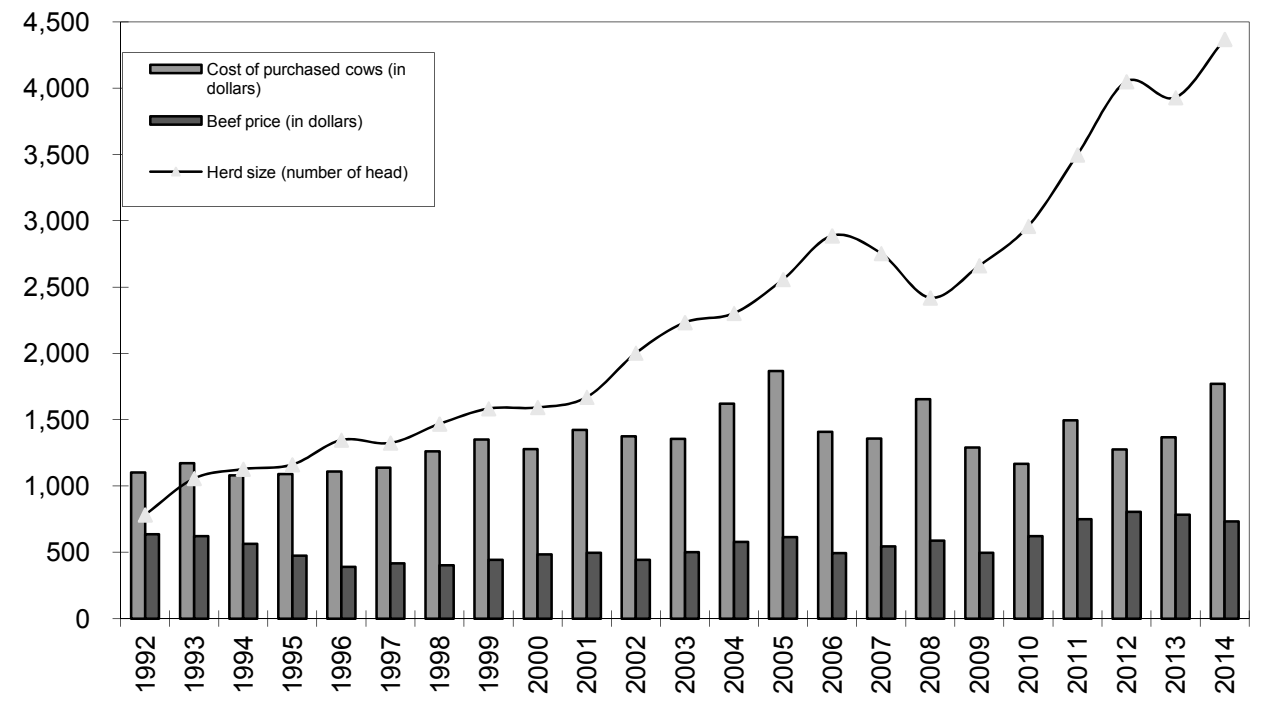
December 31, 2011 December 31, 2010 December 31, 2009 December 31, 2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 18.88	\$ 15.15	\$ 12.27	\$ 18.15
Calves and other	0.20	0.16	0.25	0.18
Total income	\$ 19.08	\$ 15.31	\$ 12.52	\$ 18.33
Total cost of operations:				
Feed	\$ 9.78	\$ 7.66	\$ 9.14	\$ 9.09
Labor	1.63	1.62	1.65	1.65
Herd replacement costs	1.02	1.12	1.32	1.16
Other costs	4.77	4.49	4.70	4.85
Total costs of operations	\$ 17.20	\$ 14.89	\$ 16.81	\$ 16.75
Net income (loss)	\$ 1.88	\$ 0.42	\$ (4.29)	\$ 1.58
Cost of operations as a percentage of income	90.15%	97.26%	134.27%	91.38%
Feed costs as a percentage of milk sales	51.80%	50.56%	74.49%	50.08%
Net income (loss) per milking cow per month	\$ 56.87	\$ 18.16	\$ (81.62)	\$ 42.46
Cumulative net income per cwt. from 2008 to 2014				

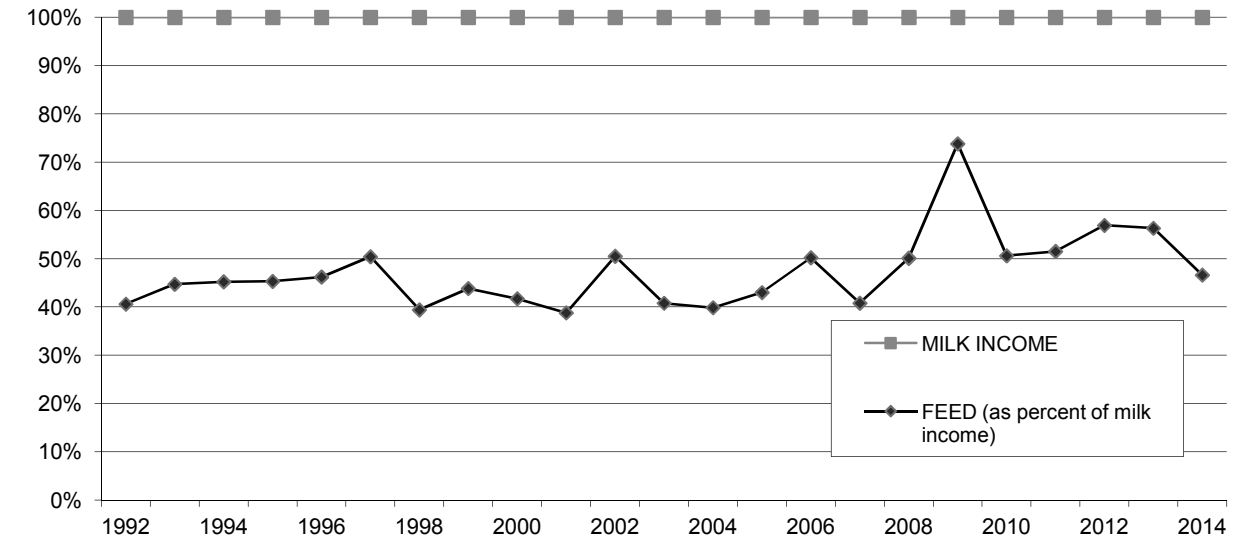
**LONG-TERM TREND - ON A "PER HEAD" BASIS
IDAHO
INCOME AND OPERATING COSTS
1992 - 2014**



**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, 2014, 2013, AND 2012
NEW MEXICO
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2014	2013	2012
Income:			
Milk sales	\$ 4,259	\$ 3,839	\$ 3,560
Calves and other	186	85	80
Total income	\$ 4,445	\$ 3,924	\$ 3,640
Cost of operations:			
Feed:			
Grain	\$ 1,458	\$ 1,673	\$ 1,723
Hay and other	715	718	714
Total feed	\$ 2,173	\$ 2,391	\$ 2,437
Labor, (including fringe costs)	\$ 329	\$ 318	\$ 328
Herd replacement costs	\$ 104	\$ 162	\$ 159
Other costs:			
Milk hauling	\$ 182	\$ 178	\$ 170
State and association charges	67	73	70
Veterinary, breeding, testing, etc.	109	97	102
Supplies	85	88	100
Repairs and maintenance	132	105	100
Utilities	70	67	64
Occupancy costs	73	71	83
Depreciation - equipment	57	56	57
Interest	84	92	95
Miscellaneous	236	193	169
Total other costs	\$ 1,095	\$ 1,020	\$ 1,010
Total cost of operations	\$ 3,701	\$ 3,891	\$ 3,934
Net income (loss)	\$ 744	\$ 33	\$ (294)

	PER CWT. OF MILK			YOUR 2014 RESULTS	
	2014	2013	2012	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 23.46	\$ 19.53	\$ 18.31	\$	\$
Calves and other	1.03	0.43	0.39		
Total income	\$ 24.49	\$ 19.96	\$ 18.70	\$	\$
Cost of operations:					
Feed:					
Grain	\$ 8.04	\$ 8.51	\$ 8.86	\$	\$
Hay and other	3.94	3.65	3.68		
Total feed	\$ 11.98	\$ 12.16	\$ 12.54	\$	\$
Labor, (including fringe costs)	\$ 1.81	\$ 1.62	\$ 1.70	\$	\$
Herd replacement costs	\$ 0.57	\$ 0.82	\$ 0.82	\$	\$
Other costs:					
Milk hauling	\$ 1.00	\$ 0.91	\$ 0.87	\$	\$
State and association charges	0.37	0.37	0.36		
Veterinary, breeding, testing, etc.	0.60	0.49	0.52		
Supplies	0.47	0.45	0.51		
Repairs and maintenance	0.72	0.53	0.52		
Utilities	0.39	0.34	0.33		
Occupancy costs	0.40	0.36	0.43		
Depreciation - equipment	0.31	0.29	0.29		
Interest	0.46	0.47	0.49		
Miscellaneous	1.31	0.99	0.88		
Total other costs	\$ 6.03	\$ 5.20	\$ 5.20	\$	\$
Total cost of operations	\$ 20.39	\$ 19.80	\$ 20.26	\$	\$
Net income (loss)	\$ 4.10	\$ 0.16	\$ (1.56)	\$	\$

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

NEW MEXICO

	December 31, 2014	December 31, 2013	December 31, 2012
1. Current Ratio	1.13 : 1	1.12 : 1	0.61 : 1
2. Herd Line Debt Per Cow	\$ 521	\$ 749	\$ 728
3. Total Debt Per Cow	\$ 2,009	\$ 2,493	\$ 2,414
4. Debt to Equity Ratio	0.8 : 1	1.37 : 1	1.72 : 1
5. Return on Total Assets	11.6%	0.5%	-5.5%
6. Income (loss) per milking cow per month	\$ 99.60	\$ 23.28	\$ (15.48)
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, 2014, 2013, AND 2012
NEW MEXICO
(BASED ON AVERAGE AMOUNTS)

	2014	2013	2012
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	18,148	19,652	19,452
Daily pounds of milk, per milking cow	65.9	67.8	67.1
Butterfat test	3.53 %	3.52 %	3.55 %
Blend price per hundredweight	\$ 23.46	\$ 19.53	\$ 18.31
Milk receipts, per milking cow	\$ 5,647	\$ 4,833	\$ 3,560
HERD INFORMATION:			
Herd size - total	3,453	5,186	3,716
Percent of dry cows	24.6 %	20.6 %	20.5 %
Herd turnover rate	35.5 %	41.1 %	38.7 %
Composition of herd:			
Purchased cows	12 %	19 %	18 %
Self-raised cows	88 %	81 %	82 %
Cost of purchased cows	\$ 1,942	\$ 1,335	\$ 1,401
Beef price received	\$ 1,182	\$ 926	\$ 897
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	34.3 %	43.6 %	48.4 %
Hay and other	16.8 %	18.7 %	20.1 %
Totals	51.1 %	62.3 %	68.5 %

INCOME AND COST OF OPERATIONS

NEW MEXICO
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31, 2014 December 31, 2013 December 31, 2012

Income:
Milk Sales \$ 23.46 \$ 19.53 \$ 18.31
Calves and other 1.03 0.43 0.39

Total income \$ 24.49 \$ 19.96 \$ 18.70

Total cost of operations:
Feed \$ 11.98 \$ 12.16 \$ 12.54
Labor 1.81 1.62 1.70
Herd replacement costs 0.57 0.82 0.82
Other costs 6.03 5.20 5.20

Total costs of operations \$ 20.39 \$ 19.80 \$ 20.26

Net income (loss) \$ 4.10 \$ 0.16 \$ (1.56)

Cost of operations as
a percentage of income 83.26% 99.20% 108.34%

Feed costs as a percentage
of milk sales 51.07% 62.26% 68.49%

Net income (loss) per milking
cow per month \$ 99.60 \$ 23.28 \$ (15.48)

Cumulative net income
per cwt. from 2008 to 2014 \$ 3.42

December 31, 2011 December 31, 2010 December 31, 2009 December 31, 2008

\$ 19.89 \$ 17.02 \$ 12.83 \$ 17.92
0.29 0.18 0.25 0.29

\$ 20.18 \$ 17.20 \$ 13.08 \$ 18.21

\$ 10.62 \$ 8.23 \$ 8.68 \$ 9.22
1.62 1.60 1.56 1.58
1.12 1.28 1.35 1.20
5.03 5.22 4.53 5.11

\$ 18.39 \$ 16.33 \$ 16.12 \$ 17.11

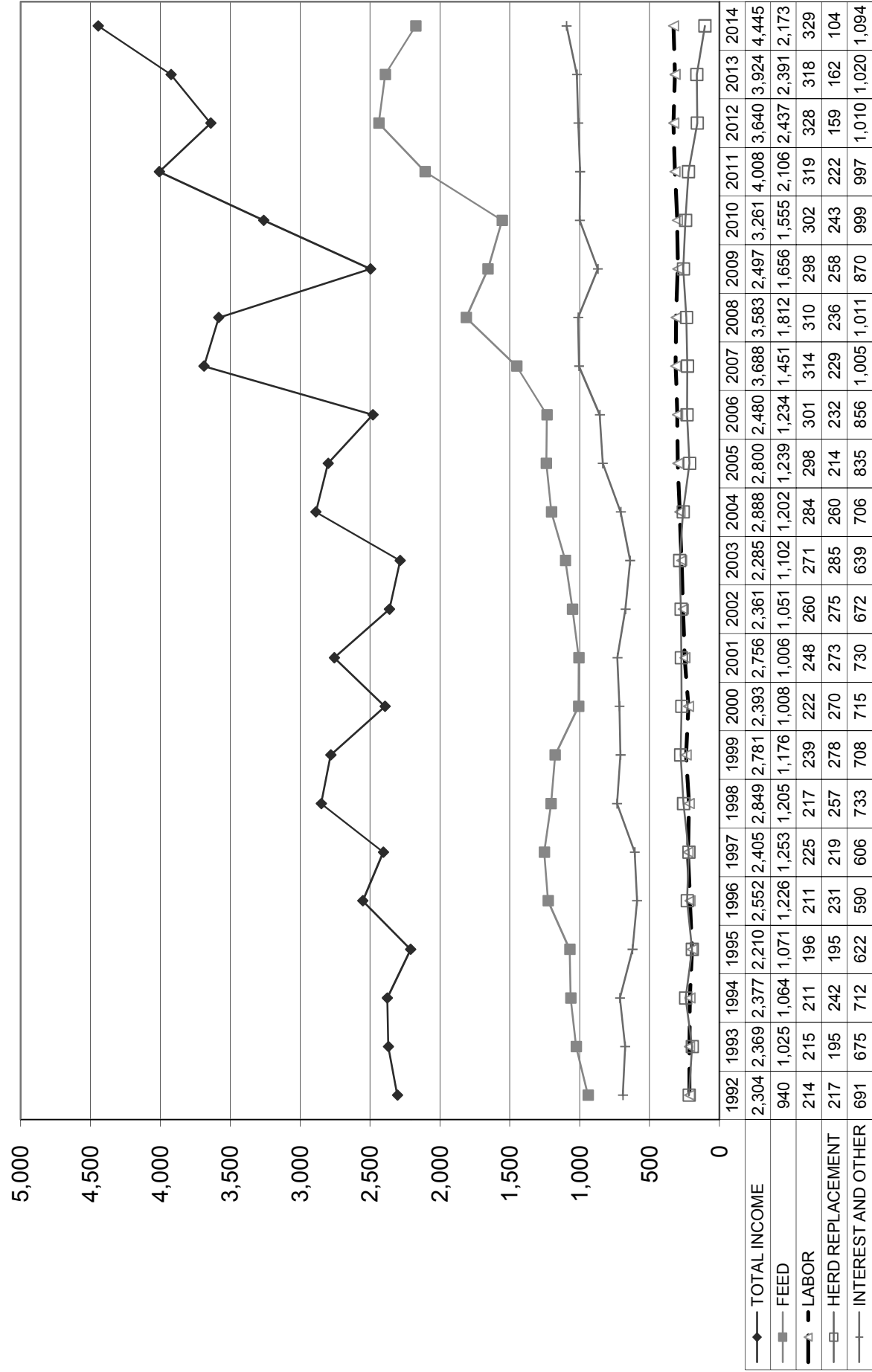
\$ 1.79 \$ 0.87 \$ (3.04) \$ 1.10

91.13% 94.94% 123.24% 93.96%

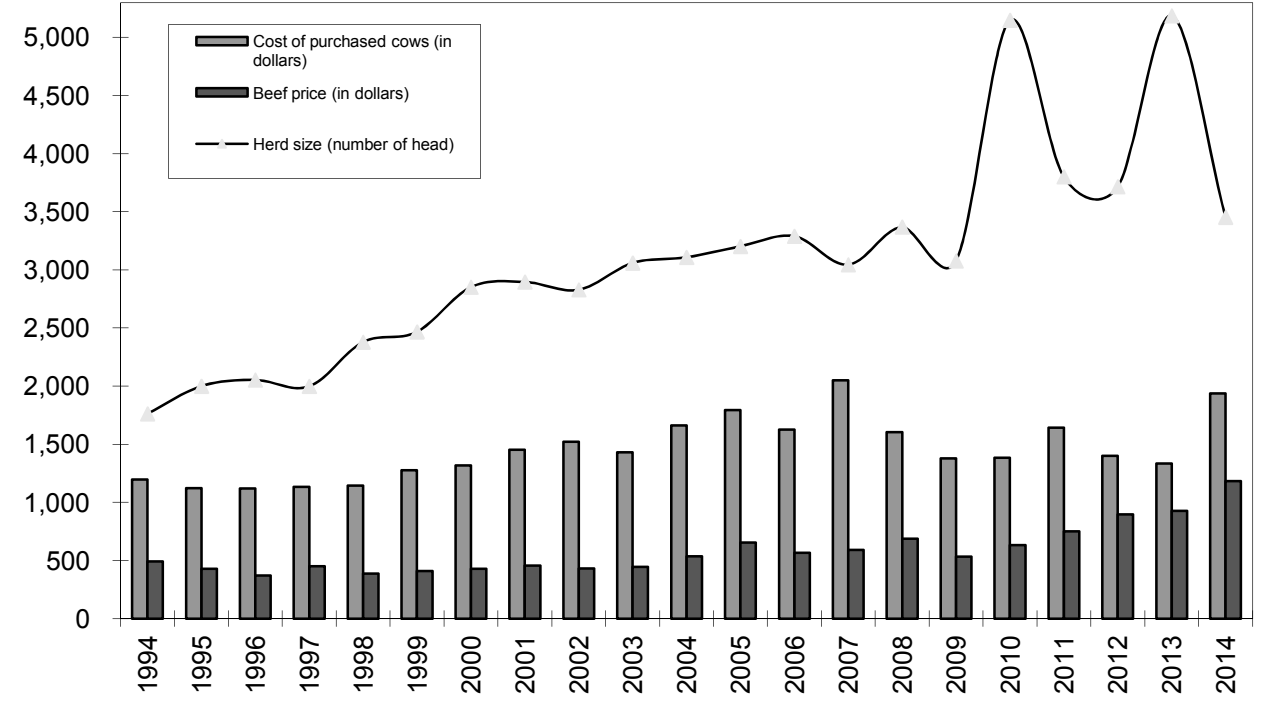
53.39% 48.35% 67.65% 51.45%

\$ 49.14 \$ 27.80 \$ (55.60) \$ 41.90

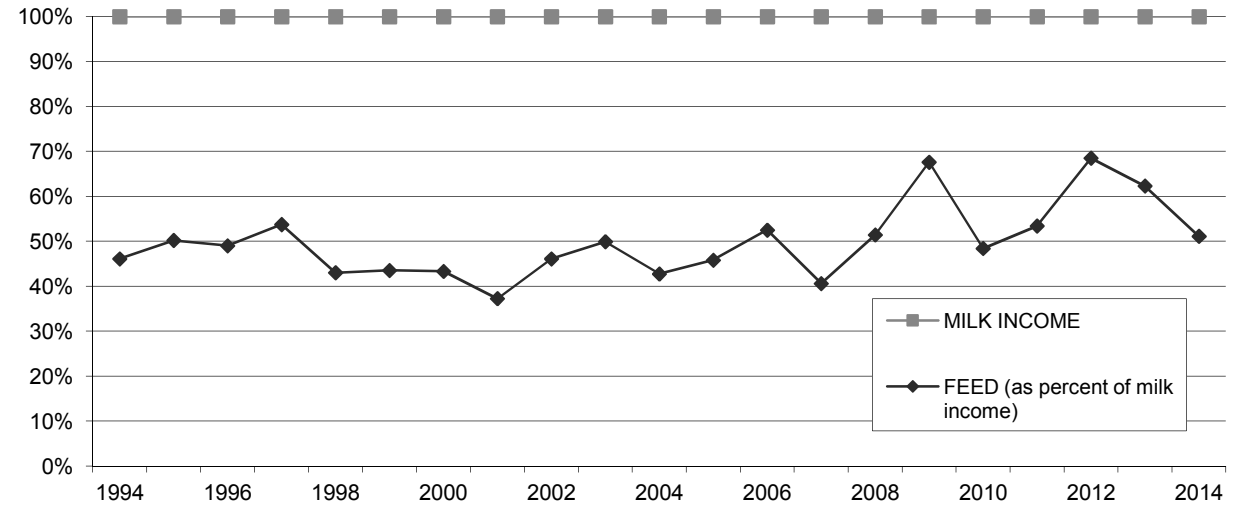
**LONG-TERM TREND - ON A "PER HEAD" BASIS
NEW MEXICO
INCOME AND OPERATING COSTS
1992 - 2014**



**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, 2014, 2013 AND 2012
PANHANDLE
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2014 RESULTS	
	2014	2013	2012	2014	2013	2012	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 5,115	\$ 4,213	\$ 3,943	\$ 23.85	\$ 20.65	\$ 19.05	\$	\$
Calves and other	97	87	100	0.46	0.44	0.49		
Total income	\$ 5,212	\$ 4,300	\$ 4,043	\$ 24.31	\$ 21.09	\$ 19.54	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,544	\$ 1,765	\$ 1,729	\$ 7.20	\$ 8.66	\$ 8.36	\$	\$
Hay and other	769	855	778	3.59	4.20	3.76		
Total feed	\$ 2,313	\$ 2,620	\$ 2,507	\$ 10.79	\$ 12.86	\$ 12.12	\$	\$
Labor, (including fringe costs)	\$ 354	\$ 335	\$ 341	\$ 1.65	\$ 1.65	\$ 1.65	\$	\$
Herd replacement costs	\$ 144	\$ 236	\$ 230	\$ 0.67	\$ 1.16	\$ 1.11	\$	\$
Other costs:								
Milk hauling	\$ 177	\$ 144	\$ 135	\$ 0.82	\$ 0.71	\$ 0.65	\$	\$
State and association charges	66	61	62	0.31	0.30	0.30		
Veterinary, breeding, testing, etc.	90	91	91	0.42	0.45	0.44		
Supplies	135	117	134	0.62	0.56	0.65		
Repairs and maintenance	120	105	86	0.56	0.51	0.42		
Utilities	52	51	43	0.24	0.25	0.21		
Occupancy costs	148	133	131	0.68	0.64	0.64		
Depreciation - equipment	66	63	57	0.31	0.31	0.28		
Interest	76	85	81	0.37	0.43	0.40		
Miscellaneous	219	169	157	1.04	0.85	0.76		
Total other costs	\$ 1,149	\$ 1,019	\$ 977	\$ 5.37	\$ 5.01	\$ 4.75	\$	\$
Total cost of operations	\$ 3,960	\$ 4,210	\$ 4,055	\$ 18.48	\$ 20.68	\$ 19.63	\$	\$
Net income (loss)	\$ 1,252	\$ 90	\$ (12)	\$ 5.83	\$ 0.41	\$ (0.09)	\$	\$

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

PANHANDLE

	December 31, 2014	December 31, 2013	December 31, 2012
1. Current Ratio	1.35 : 1	0.77 : 1	0.68 : 1
2. Herd Line Debt Per Cow	\$ 747	\$ 848	\$ 729
3. Total Debt Per Cow	\$ 2,667	\$ 2,757	\$ 2,604
4. Debt to Equity Ratio	1.06 : 1	1.74 : 1	1.88 : 1
5. Return on Total Assets	16.6%	1.4%	-0.2%
6. Income (loss) per milking cow per month	\$ 129.99	\$ 17.31	\$ (1.12)

- 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, 2014, 2013, AND 2012
PANHANDLE
(BASED ON AVERAGE AMOUNTS)

	2014	2013	2012
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	21,445	20,388	20,677
Daily pounds of milk, per milking cow	68.9	66.3	67.4
Butterfat test	3.76 %	3.82 %	3.73 %
Blend price per hundredweight	\$ 23.85	\$ 20.65	\$ 19.05
Milk receipts, per milking cow	\$ 5,995	\$ 4,998	\$ 3,943
HERD INFORMATION:			
Herd size - total	2,936	2,930	3,181
Percent of dry cows	14.7 %	15.7 %	15.9 %
Herd turnover rate	37.9 %	41.0 %	39.6 %
Composition of herd:			
Purchased cows	9 %	11 %	8 %
Self-raised cows	91 %	89 %	92 %
Cost of purchased cows	\$ 2,549	\$ 1,442	\$ 1,411
Beef price received	\$ 1,181	\$ 835	\$ 832
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	30.2 %	41.9 %	43.9 %
Hay and other	15.1 %	20.3 %	19.7 %
Totals	45.3 %	62.2 %	63.6 %

INCOME AND COST OF OPERATIONS

PANHANDLE
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

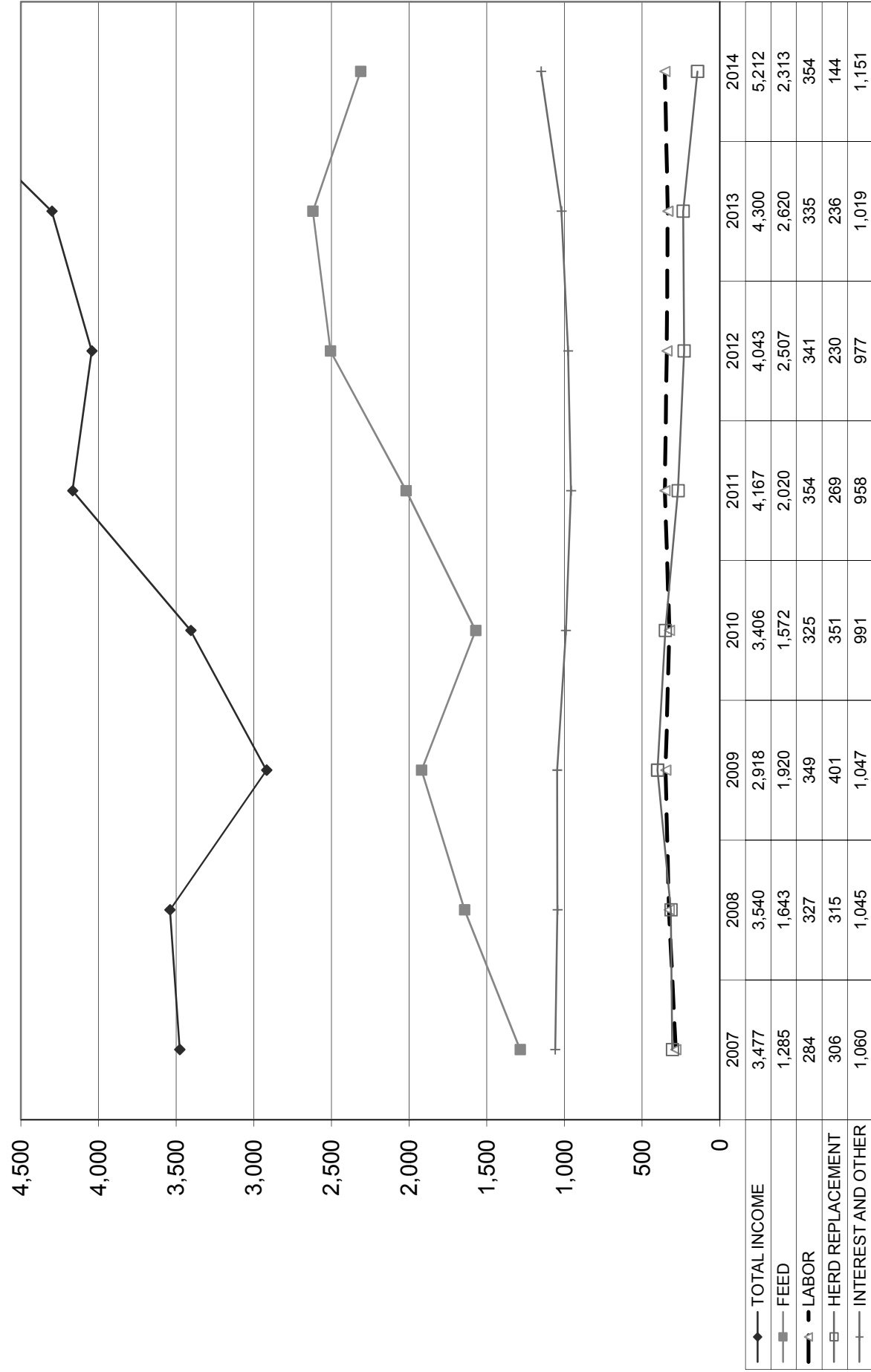
December 31, 2014 December 31, 2013 December 31, 2012

	December 31, 2014	December 31, 2013	December 31, 2012
Income:			
Milk Sales	\$ 23.85	\$ 20.65	\$ 19.05
Calves and other	0.46	0.44	0.49
Total income	\$ 24.31	\$ 21.09	\$ 19.54
Total cost of operations:			
Feed	\$ 10.79	\$ 12.86	\$ 12.12
Labor	1.65	1.65	1.65
Herd replacement costs	0.67	1.16	1.11
Other costs	5.37	5.01	4.75
Total costs of operations	\$ 18.48	\$ 20.68	\$ 19.63
Net income (loss)	\$ 5.83	\$ 0.41	\$ (0.09)
Cost of operations as a percentage of income	76.02%	98.06%	100.46%
Feed costs as a percentage of milk sales	45.24%	62.28%	63.62%
Net income (loss) per milking cow per month	\$ 129.99	\$ 17.31	\$ (1.12)
Cumulative net income per cwt. from 2008 to 2014	\$ 7.24		

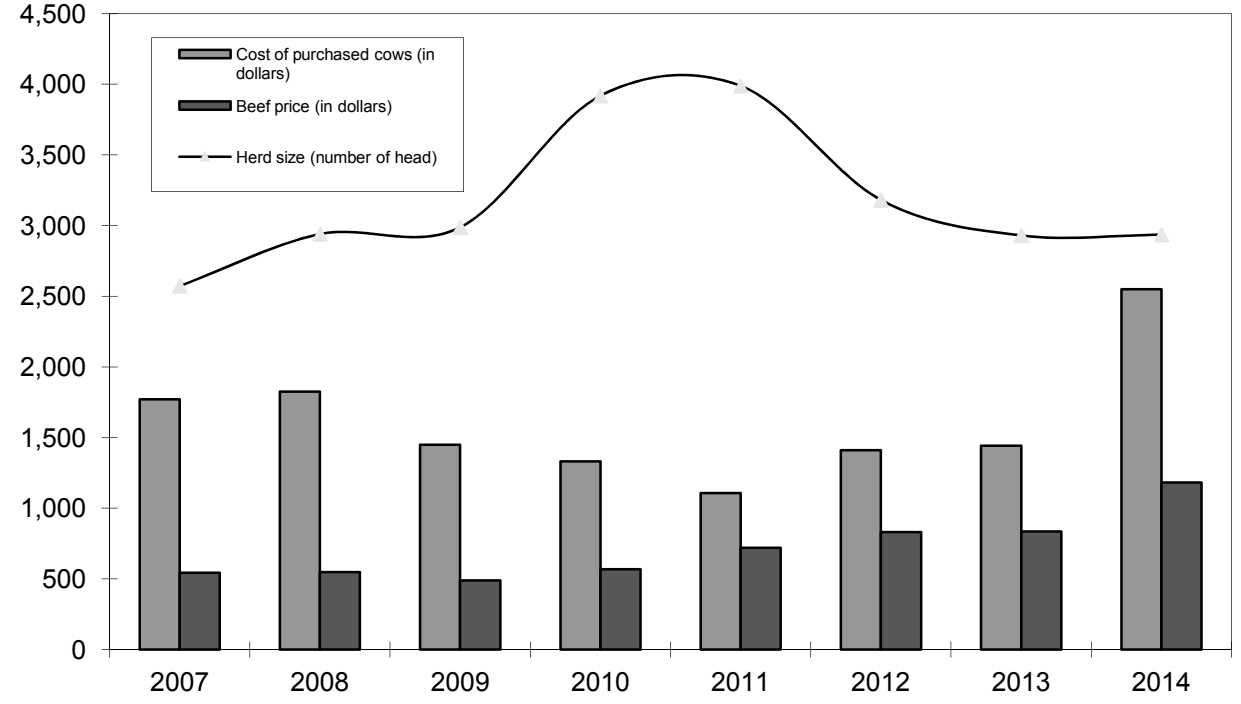
December 31, 2011 December 31, 2010 December 31, 2009 December 31, 2008

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Income:				
Milk Sales	\$ 20.57	\$ 16.89	\$ 13.63	\$ 19.11
Calves and other	0.26	0.14	0.20	0.09
Total income	\$ 20.83	\$ 17.03	\$ 13.83	\$ 19.20
Total cost of operations:				
Feed	\$ 10.10	\$ 7.85	\$ 9.09	\$ 8.91
Labor	1.76	1.62	1.65	1.77
Herd replacement costs	1.35	1.75	1.90	1.71
Other costs	4.81	4.92	4.92	5.69
Total costs of operations	\$ 18.02	\$ 16.14	\$ 17.56	\$ 18.08
Net income (loss)	\$ 2.81	\$ 0.89	\$ (3.73)	\$ 1.12
Cost of operations as a percentage of income	86.51%	94.77%	126.97%	94.17%
Feed costs as a percentage of milk sales	49.10%	46.48%	66.69%	46.62%
Net income (loss) per milking cow per month	\$ 53.28	\$ 17.85	\$ (61.10)	\$ 19.04
Cumulative net income per cwt. from 2008 to 2014				

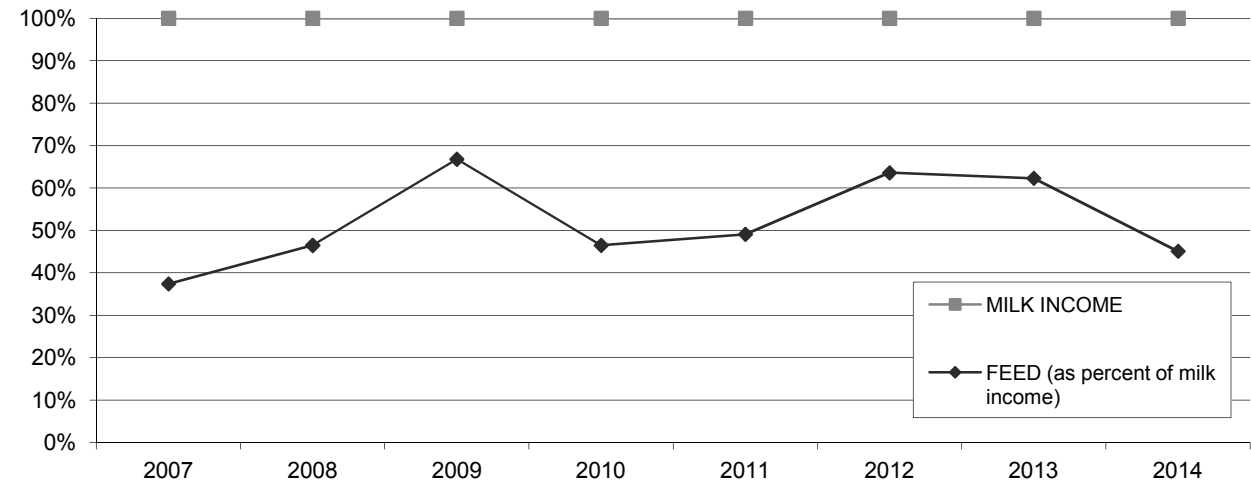
**LONG-TERM TREND - ON A "PER HEAD" BASIS
PANHANDLE
INCOME AND OPERATING COSTS
2007 - 2014**



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



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



CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED
DECEMBER 31, 2014, 2013, AND 2012
PACIFIC NORTHWEST
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			PER CWT. OF MILK			YOUR 2014 RESULTS	
	2014	2013	2012	2014	2013	2012	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 5,133	\$ 4,418	\$ 3,746	\$ 23.19	\$ 20.48	\$ 18.56	\$	\$
Calves and other	92	73	166	0.43	0.34	0.83		
Total income	\$ 5,225	\$ 4,491	\$ 3,912	\$ 23.62	\$ 20.82	\$ 19.39	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,490	\$ 1,549	\$ 1,444	\$ 6.73	\$ 7.18	\$ 7.15	\$	\$
Hay and other	987	1,006	682	4.45	4.65	3.38		
Total feed	\$ 2,477	\$ 2,555	\$ 2,126	\$ 11.18	\$ 11.83	\$ 10.53	\$	\$
Labor, (including fringe costs)	\$ 406	\$ 373	\$ 345	\$ 1.83	\$ 1.73	\$ 1.70	\$	\$
Herd replacement costs	\$ 159	\$ 248	\$ 260	\$ 0.72	\$ 1.15	\$ 1.29	\$	\$
Other costs:								
Milk hauling	\$ 157	\$ 146	\$ 133	\$ 0.71	\$ 0.68	\$ 0.66	\$	\$
State and association charges	66	65	59	0.30	0.30	0.29		
Veterinary, breeding, testing, etc.	141	128	127	0.64	0.59	0.63		
Supplies	137	124	111	0.62	0.58	0.55		
Repairs and maintenance	137	121	104	0.62	0.56	0.52		
Utilities	44	42	42	0.20	0.19	0.21		
Occupancy costs	182	182	142	0.82	0.85	0.70		
Depreciation - equipment	74	68	70	0.34	0.32	0.35		
Interest	78	85	95	0.35	0.40	0.47		
Miscellaneous	168	152	167	0.76	0.70	0.80		
Total other costs	\$ 1,184	\$ 1,113	\$ 1,050	\$ 5.36	\$ 5.17	\$ 5.18	\$	\$
Total cost of operations	\$ 4,226	\$ 4,289	\$ 3,781	\$ 19.09	\$ 19.88	\$ 18.70	\$	\$
Net income	\$ 999	\$ 202	\$ 131	\$ 4.53	\$ 0.94	\$ 0.69	\$	\$

See accompanying explanation of income and cost factors.

SUMMARY OF FINANCIAL STATISTICS

PACIFIC NORTHWEST

	December 31, 2014	December 31, 2013	December 31, 2012
1. Current Ratio	1.42 : 1	0.98 : 1	0.95 : 1
2. Herd Line Debt Per Cow	\$ 619	\$ 786	\$ 793
3. Total Debt Per Cow	\$ 2,087	\$ 2,791	\$ 2,594
4. Debt to Equity Ratio	0.81 : 1	1.50 : 1	1.50 : 1
5. Return on Total Assets	15.1%	3.1%	2.2%
6. Income per milking cow per month	\$ 110.56	\$ 32.97	\$ 19.67

- 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, 2014, 2013, AND 2012
PACIFIC NORTHWEST
(BASED ON AVERAGE AMOUNTS)

	2014	2013	2012
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	22,136	21,578	20,182
Daily pounds of milk, per milking cow	70.4	69.8	68.1
Butterfat test	3.79 %	3.80 %	3.75 %
Blend price per hundredweight	\$ 23.19	\$ 20.48	\$ 18.56
Milk receipts, per milking cow	\$ 5,956	\$ 5,214	\$ 3,746
HERD INFORMATION:			
Herd size - total	2,643	2,938	2,918
Percent of dry cows	13.8 %	15.2 %	18.8 %
Herd turnover rate	36.9 %	32.9 %	32.3 %
Composition of herd:			
Purchased cows	9 %	12 %	15 %
Self-raised cows	91 %	88 %	85 %
Cost of purchased cows	\$ 1,962	\$ 1,322	\$ 1,239
Beef price received	\$ 1,020	\$ 749	\$ 767
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	29.0 %	35.1 %	38.5 %
Hay and other	19.2 %	22.7 %	18.2 %
Totals	48.2 %	57.8 %	56.7 %

INCOME AND COST OF OPERATIONS

PACIFIC NORTHWEST

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income:					
Milk Sales	\$ 23.19	\$ 20.48	\$ 18.56	\$ 20.58	\$ 16.59
Calves and other	0.43	0.34	0.83	0.57	0.27
Total income	\$ 23.62	\$ 20.82	\$ 19.39	\$ 21.15	\$ 16.86
Total cost of operations:					
Feed	\$ 11.18	\$ 11.83	\$ 10.53	\$ 9.87	\$ 8.15
Labor	1.83	1.73	1.70	1.71	1.44
Herd replacement costs	0.72	1.15	1.29	1.36	1.68
Other costs	5.36	5.17	5.18	5.22	5.14
Total costs of operations	\$ 19.09	\$ 19.88	\$ 18.70	\$ 18.16	\$ 16.41
Net income	\$ 4.53	\$ 0.94	\$ 0.69	\$ 2.99	\$ 0.45
Cost of operations as a percentage of income	80.80%	95.46%	96.44%	85.86%	97.33%
Feed costs as a percentage of milk sales	48.21%	57.76%	56.73%	47.96%	49.13%
Net income per milking cow per month	\$ 110.56	\$ 32.97	\$ 19.67	\$ 74.13	\$ 16.80
Cumulative net income per cwt. from 2010 to 2014	\$ 9.61				

EXPLANATION OF INCOME AND COST FACTORS

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

OUR FIRM AND THE DAIRY INDUSTRY

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

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

As we are well through 2015, milk prices which began to drop at the end of 2014 have brought most producers to break-even or below break-even levels when compared to 2014, and major issues loom for most producers in the nation. Milk and feed futures continue to react with volatility, and obtaining future credit has become increasingly difficult. Current borrowing base valuations have been reduced by most banks throughout the industry to comply with tougher lending standards. Milk production continues to rise and heifers are coming on line with incredible numbers as the impact of improved breeding, 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, reduce costs, improve efficiencies, and make the right decisions day to day for their operations in order to insure a viable future.

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

Services Provided to the Dairy Industry:

Assurance and Accounting

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

Tax Planning and Compliance

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

Consulting and Business Advisory Services

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

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