

# Dairy Farm Operating Trends

December 31, 2015



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

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

*The data is compiled from dairy operations in Southern California, the San Joaquin Valley, Kern County, Arizona, Idaho, New Mexico, the Texas Panhandle, and the Pacific Northwest, which consists of Washington and Oregon operating collectively, with a combined milk production of over 7 billion pounds and more than 323,000 head of mature cows for the year ended December 31, 2015.*

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

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

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

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

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

Sincerely,

*Frazer LLP*

FRAZER, LLP

Certified Public Accountants and Consultants

**May 2016**

# DAIRY FARM OPERATING TRENDS

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**Comparative Net Income By Region:**

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

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

**Comparative Feed Cost By Region:**

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

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

**Comparative Production By Region:**

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

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

**Herd Turnover Rate By Region:**

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

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

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

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

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

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

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

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

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

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle	Pacific Northwest	Your December 31, 2015 Amounts
Income:									
Milk sales	\$ 16.03	\$ 16.39	\$ 15.81	\$ 16.33	\$ 15.90	\$ 16.50	\$ 17.69	\$ 16.79	\$
Calves and other	1.08	0.79	0.69	0.87	0.79	0.75	0.68	0.40	\$
Total income	\$ 17.11	\$ 17.18	\$ 16.50	\$ 17.20	\$ 16.69	\$ 17.25	\$ 18.37	\$ 17.19	\$
Cost of operations:									
Feed:									
Grain	\$ 6.89	\$ 7.63	\$ 6.95	\$ 6.61	\$ 5.84	\$ 6.75	\$ 6.28	\$ 5.39	\$
Hay and other	3.36	3.24	4.14	2.88	3.09	3.64	3.17	4.19	\$
Total feed	\$ 10.25	\$ 10.87	\$ 11.09	\$ 9.49	\$ 8.93	\$ 10.39	\$ 9.45	\$ 9.58	\$
Labor, (including fringe costs)	\$ 1.92	\$ 1.80	\$ 1.40	\$ 1.97	\$ 1.60	\$ 2.05	\$ 1.95	\$ 1.85	\$
Herd replacement costs	\$ 1.00	\$ 0.73	\$ 0.80	\$ 0.87	\$ 1.09	\$ 0.95	\$ 1.01	\$ 0.69	\$
Other costs:									
Milk hauling	\$ 0.37	\$ 0.35	\$ 0.33	\$ 0.43	\$ 0.27	\$ 0.97	\$ 0.69	\$ 0.68	\$
State and association charges	0.19	0.20	0.19	0.33	0.20	0.38	0.30	0.32	
Veterinary, breeding, testing, etc.	0.61	0.56	0.29	0.27	0.45	0.60	0.58	0.58	
Supplies	0.27	0.55	0.54	0.81	0.55	0.58	0.87	0.63	
Repairs and maintenance	0.82	0.59	0.57	0.61	0.65	0.74	0.75	0.74	
Utilities	0.25	0.42	0.41	0.39	0.19	0.38	0.19	0.18	
Occupancy costs	0.45	0.62	0.45	0.25	0.62	0.42	0.54	0.76	
Depreciation - equipment	0.13	0.34	0.30	0.29	0.25	0.35	0.37	0.26	
Interest	0.38	0.47	0.31	0.46	0.25	0.46	0.41	0.32	
Miscellaneous	0.51	0.65	0.50	1.17	0.66	0.92	0.95	0.76	
Total other costs	\$ 3.98	\$ 4.75	\$ 3.89	\$ 5.01	\$ 4.09	\$ 5.80	\$ 5.65	\$ 5.23	\$
Total cost of operations	\$ 17.15	\$ 18.15	\$ 17.18	\$ 17.34	\$ 15.71	\$ 19.19	\$ 18.06	\$ 17.35	\$
Net income (loss)	\$ (0.04)	\$ (0.97)	\$ (0.68)	\$ (0.14)	\$ 0.98	\$ (1.94)	\$ 0.31	\$ (0.16)	\$

## SUMMARY OF FINANCIAL STATISTICS

### COMPARISON BY AREA FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

	PER HEAD			PER CWT. OF MILK			YOUR 2015 RESULTS	
	2015	2014	2013	2015	2014	2013	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,636	\$ 5,237	\$ 4,228	\$ 16.03	\$ 22.79	\$ 18.90	\$	\$
Calves and other	246	211	60	1.08	0.93	0.27		
Total income	\$ 3,882	\$ 5,448	\$ 4,288	\$ 17.11	\$ 23.72	\$ 19.17	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,562	\$ 1,653	\$ 1,804	\$ 6.89	\$ 7.19	\$ 8.07		
Hay and other	762	980	834	3.36	4.26	3.73		
Total feed	\$ 2,324	\$ 2,633	\$ 2,638	\$ 10.25	\$ 11.45	\$ 11.80	\$	\$
Labor, (including fringe costs)	\$ 434	\$ 432	\$ 382	\$ 1.92	\$ 1.87	\$ 1.71	\$	\$
Herd replacement costs	\$ 227	\$ 213	\$ 290	\$ 1.00	\$ 0.93	\$ 1.30	\$	\$
Other costs:								
Milk hauling	\$ 84	\$ 91	\$ 93	\$ 0.37	\$ 0.40	\$ 0.41	\$	\$
State and association charges	43	43	44	0.19	0.19	0.20		
Veterinary, breeding, testing, etc.	138	145	105	0.61	0.63	0.47		
Supplies	62	64	72	0.27	0.28	0.32		
Repairs and maintenance	187	194	149	0.82	0.85	0.67		
Utilities	57	72	68	0.25	0.32	0.30		
Occupancy costs	102	103	99	0.45	0.45	0.45		
Depreciation - equipment	28	27	27	0.13	0.11	0.12		
Interest	87	94	95	0.38	0.41	0.42		
Miscellaneous	116	135	122	0.51	0.59	0.54		
Total other costs	\$ 904	\$ 968	\$ 874	\$ 3.98	\$ 4.23	\$ 3.90	\$	\$
Total cost of operations	\$ 3,889	\$ 4,246	\$ 4,184	\$ 17.15	\$ 18.48	\$ 18.71	\$	\$
Net income (loss)	\$ (7)	\$ 1,202	\$ 104	\$ (0.04)	\$ 5.24	\$ 0.46	\$	\$



## SUMMARY OF FINANCIAL STATISTICS

### SOUTHERN CALIFORNIA

	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	0.51 : 1	0.49 : 1	0.32 : 1
2. Herd Line Debt Per Cow	\$ 976	\$ 884	\$ 1,048
3. Total Debt Per Cow	\$ 2,943	\$ 2,920	\$ 2,648
4. Debt to Equity Ratio	1.42 : 1	1.40 : 1	2.49 : 1
5. Return on Total Assets	-0.1%	20.2%	2.3%
6. Income (loss) per milking cow per month	\$ (2.17)	\$ 114.66	\$ 9.54

- 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, 2015, 2014, AND 2013  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

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

## INCOME AND COST OF OPERATIONS

### SOUTHERN CALIFORNIA

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

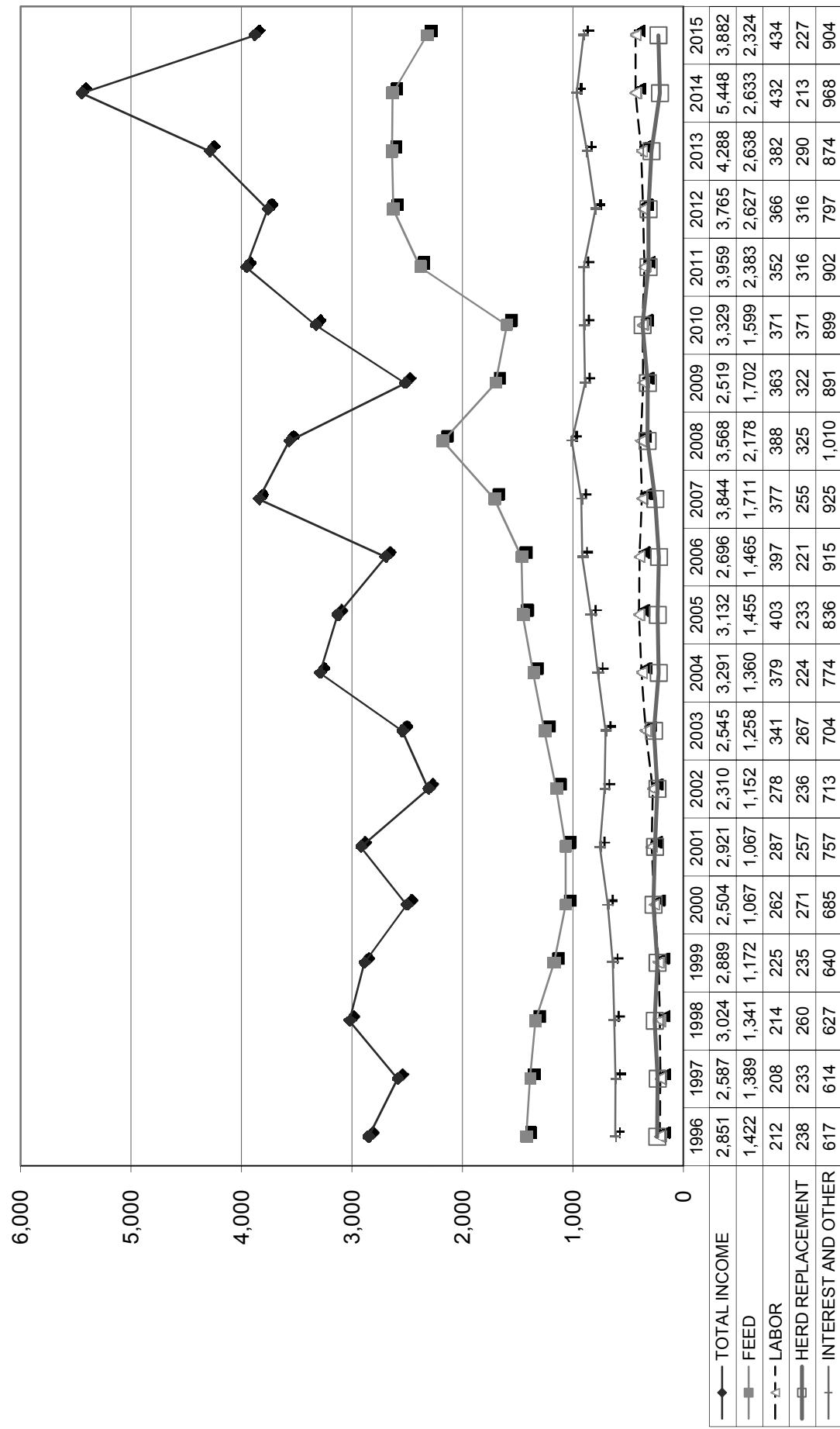
December 31, 2015      December 31, 2014      December 31, 2013

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

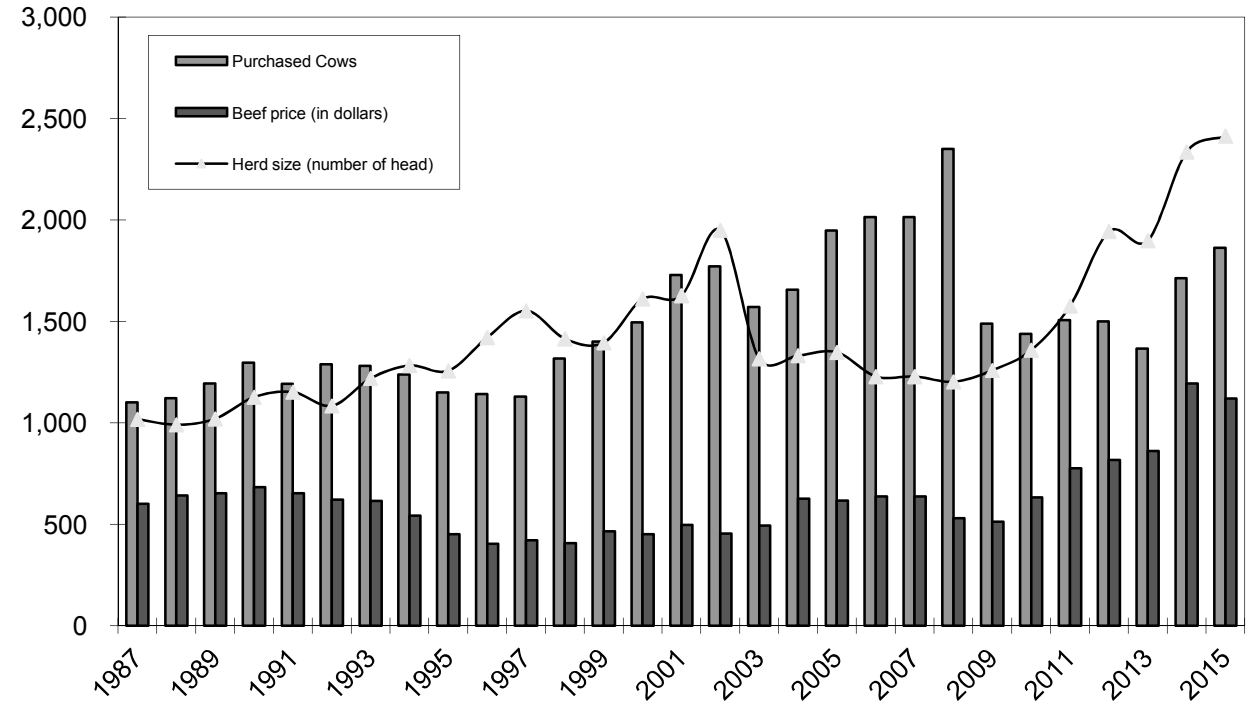
December 31, 2012      December 31, 2011      December 31, 2010      December 31, 2009

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Income:				
Milk Sales	\$ 16.91	\$ 18.85	\$ 15.68	\$ 12.42
Calves and other	0.26	0.44	0.23	0.46
<b>Total income</b>	<b>\$ 17.17</b>	<b>\$ 19.29</b>	<b>\$ 15.91</b>	<b>\$ 12.88</b>
Total cost of operations:				
Feed	\$ 11.99	\$ 11.64	\$ 7.66	\$ 8.74
Labor	1.67	1.72	1.78	1.86
Herd replacement costs	1.44	1.54	1.78	1.65
Other costs	3.65	4.39	4.33	4.56
<b>Total costs of operations</b>	<b>\$ 18.75</b>	<b>\$ 19.29</b>	<b>\$ 15.55</b>	<b>\$ 16.81</b>
<b>Net income (loss)</b>	<b>\$ (1.58)</b>	<b>\$ 0.00</b>	<b>\$ 0.36</b>	<b>\$ (3.93)</b>
Cost of operations as a percentage of income	109.20%	100.00%	97.74%	130.51%
Feed costs as a percentage of milk sales	70.90%	61.75%	48.85%	70.37%
Net income (loss) per milking cow per month	\$ (31.10)	\$ 0.24	\$ 9.87	\$ (74.43)
Cumulative net income per cwt. from 2009 to 2015				

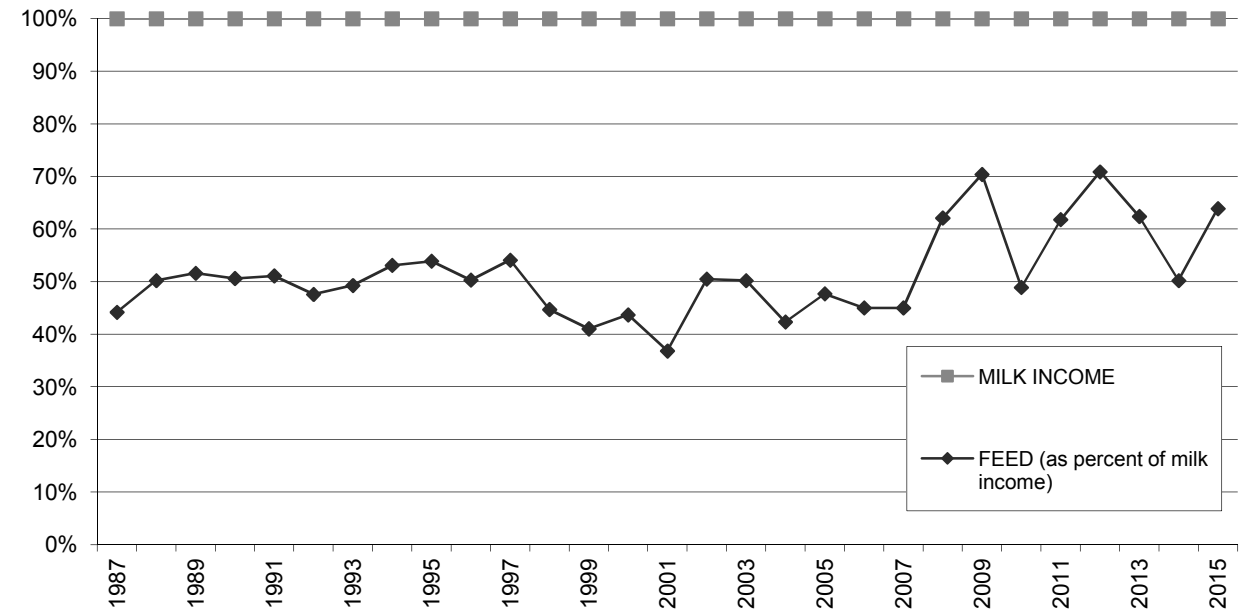
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
SOUTHERN CALIFORNIA  
INCOME AND OPERATING COSTS  
1996 - 2015**



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



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



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

	PER HEAD			PER CWT. OF MILK			YOUR 2015 RESULTS	
	2015	2014	2013	2015	2014	2013	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,892	\$ 5,208	\$ 4,251	\$ 16.39	\$ 22.29	\$ 18.86	\$	\$
Calves and other	184	151	72	0.79	0.63	0.31		
Total income	\$ 4,076	\$ 5,359	\$ 4,323	\$ 17.18	\$ 22.92	\$ 19.17	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,801	\$ 1,914	\$ 2,001	\$ 7.63	\$ 8.21	\$ 8.87	\$	\$
Hay and other	766	778	736	3.24	3.33	3.26		
Total feed	\$ 2,567	\$ 2,692	\$ 2,737	\$ 10.87	\$ 11.54	\$ 12.13	\$	\$
Labor, (including fringe costs)	\$ 424	\$ 337	\$ 323	\$ 1.80	\$ 1.45	\$ 1.41	\$	\$
Herd replacement costs	\$ 172	\$ 152	\$ 262	\$ 0.73	\$ 0.65	\$ 1.16	\$	\$
Other costs:								
Milk hauling	\$ 82	\$ 81	\$ 78	\$ 0.35	\$ 0.35	\$ 0.34	\$	\$
State and association charges	46	46	43	0.20	0.20	0.19		
Veterinary, breeding, testing, etc.	131	99	101	0.56	0.42	0.44		
Supplies	131	112	111	0.55	0.48	0.49		
Repairs and maintenance	137	118	90	0.59	0.50	0.39		
Utilities	99	85	72	0.42	0.36	0.31		
Occupancy costs	148	135	127	0.62	0.58	0.56		
Depreciation - equipment	80	65	64	0.34	0.28	0.28		
Interest	112	96	110	0.47	0.41	0.48		
Miscellaneous	155	175	170	0.65	0.72	0.64		
Total other costs	\$ 1,121	\$ 1,012	\$ 966	\$ 4.75	\$ 4.30	\$ 4.12	\$	\$
Total cost of operations	\$ 4,284	\$ 4,193	\$ 4,288	\$ 18.15	\$ 17.94	\$ 18.82	\$	\$
Net income (loss)	\$ (208)	\$ 1,166	\$ 35	\$ (0.97)	\$ 4.98	\$ 0.35	\$	\$

See accompanying explanation of income and cost factors.

## SUMMARY OF FINANCIAL STATISTICS

### SAN JOAQUIN VALLEY

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

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

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

## INCOME AND COST OF OPERATIONS

### SAN JOAQUIN VALLEY

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

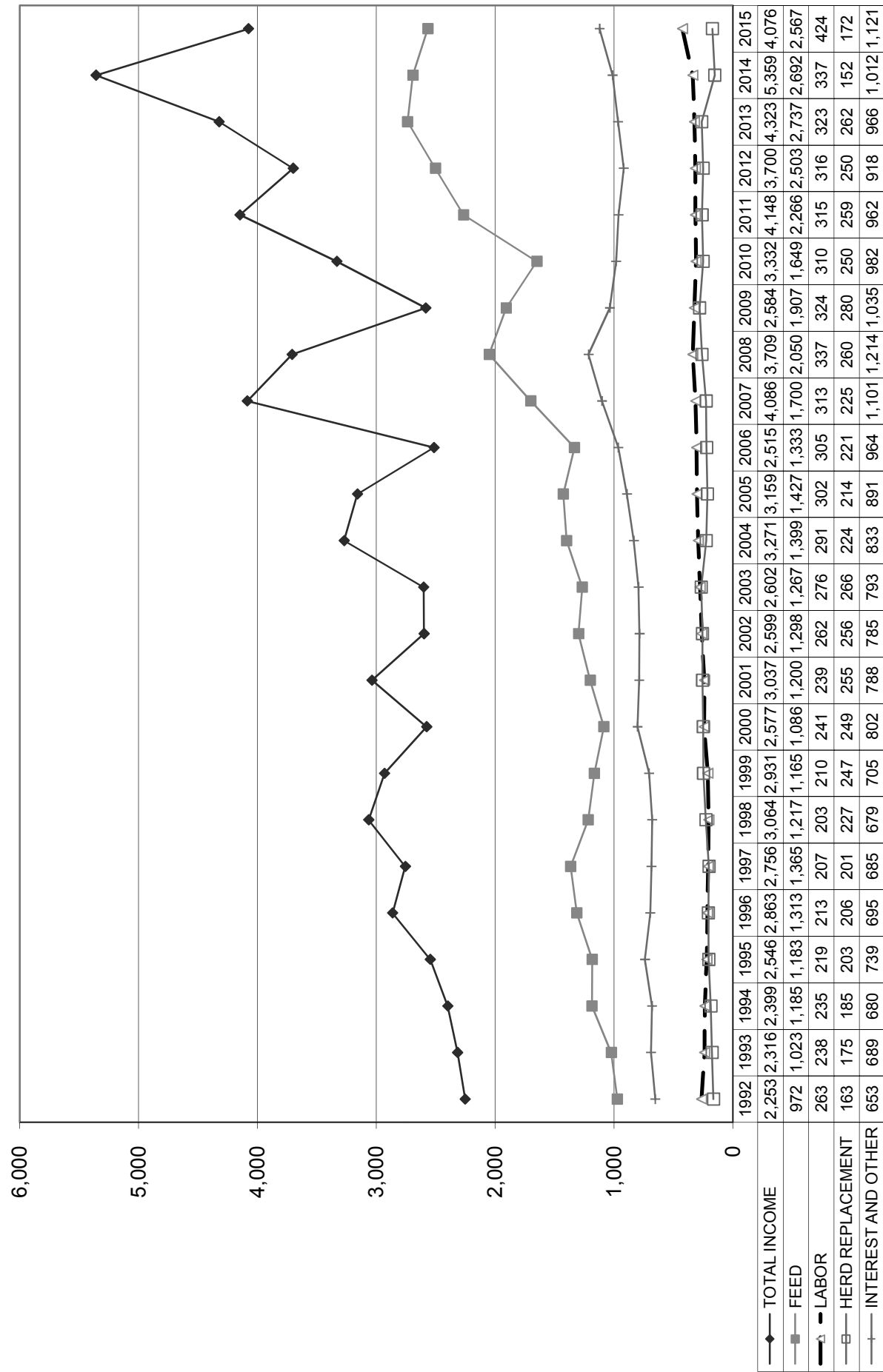
December 31, 2015      December 31, 2014      December 31, 2013

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

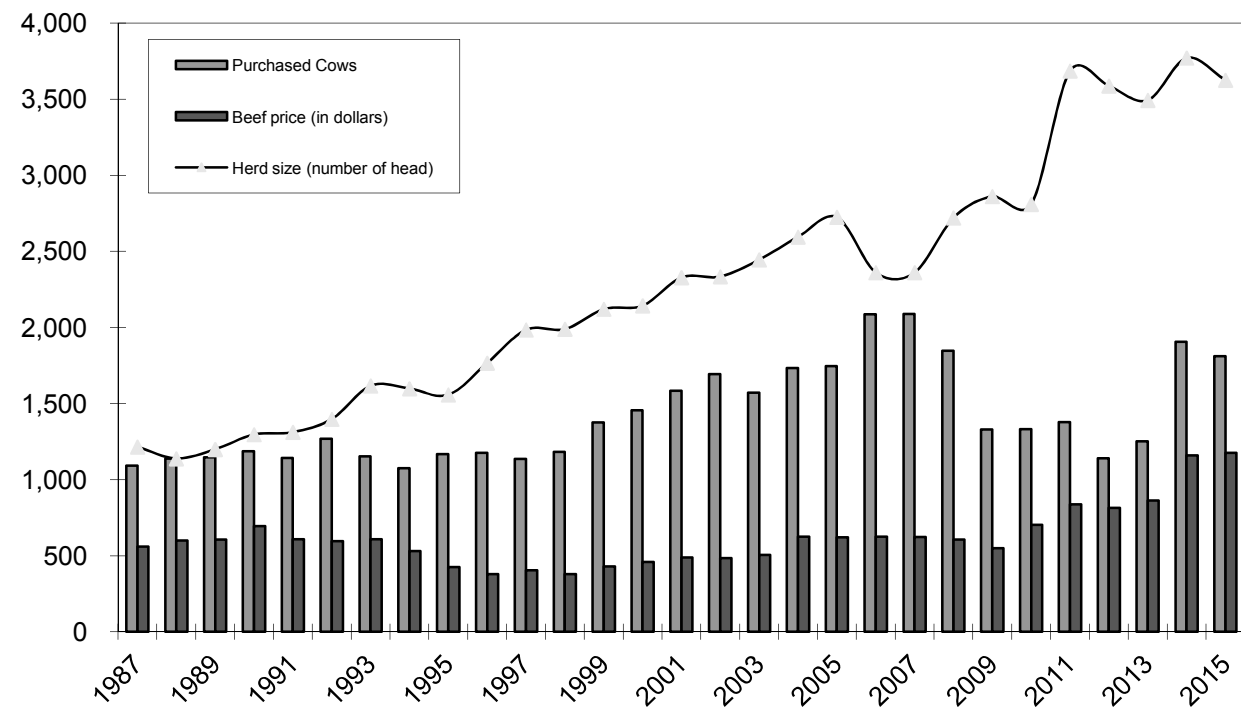
December 31, 2012      December 31, 2011      December 31, 2010      December 31, 2009

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Income:				
Milk Sales	\$ 16.66	\$ 18.68	\$ 14.94	\$ 11.71
Calves and other	0.34	0.32	0.10	0.23
<b>Total income</b>	<b>\$ 17.00</b>	<b>\$ 19.00</b>	<b>\$ 15.04</b>	<b>\$ 11.94</b>
Total cost of operations:				
Feed	\$ 11.50	\$ 10.37	\$ 7.46	\$ 8.81
Labor	1.43	1.45	1.40	1.48
Herd replacement costs	1.15	1.18	1.13	1.30
Other costs	4.08	4.39	4.42	4.78
<b>Total costs of operations</b>	<b>\$ 18.16</b>	<b>\$ 17.39</b>	<b>\$ 14.41</b>	<b>\$ 16.37</b>
<b>Net income (loss)</b>	<b>\$ (1.16)</b>	<b>\$ 1.61</b>	<b>\$ 0.63</b>	<b>\$ (4.43)</b>
Cost of operations as a percentage of income	106.82%	91.53%	95.81%	137.10%
Feed costs as a percentage of milk sales	69.03%	55.51%	49.93%	75.23%
Net income (loss) per milking cow per month	\$ (11.93)	\$ 59.07	\$ 20.60	\$ (91.89)
Cumulative net income per cwt. from 2009 to 2015				

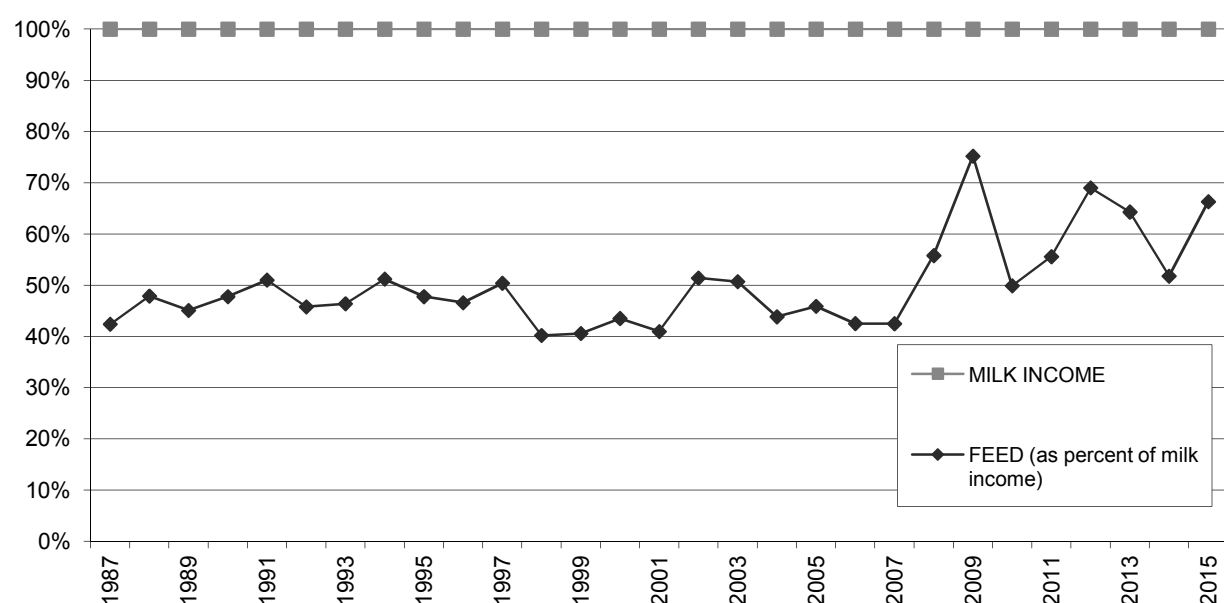
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
SAN JOAQUIN VALLEY  
INCOME AND OPERATING COSTS  
1992 - 2015**



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



**FEED COST vs. MILK INCOME  
SAN JOAQUIN VALLEY**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

	PER HEAD			PER CWT. OF MILK			YOUR 2015 RESULTS	
	2015	2014	2013	2015	2014	2013	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,359	\$ 4,903	\$ 4,066	\$ 15.81	\$ 22.46	\$ 19.13	\$	\$
Calves and other	147	102	50	0.69	0.45	0.23		
Total income	\$ 3,506	\$ 5,005	\$ 4,116	\$ 16.50	\$ 22.91	\$ 19.36	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,476	\$ 1,608	\$ 1,663	\$ 6.95	\$ 7.37	\$ 7.82	\$	\$
Hay and other	880	960	1,001	4.14	4.40	4.70		
Total feed	\$ 2,356	\$ 2,568	\$ 2,664	\$ 11.09	\$ 11.77	\$ 12.52	\$	\$
Labor, (including fringe costs)	\$ 297	\$ 279	\$ 276	\$ 1.40	\$ 1.28	\$ 1.29	\$	\$
Herd replacement costs	\$ 170	\$ 169	\$ 254	\$ 0.80	\$ 0.77	\$ 1.20	\$	\$
Other costs:								
Milk hauling	\$ 71	\$ 78	\$ 77	\$ 0.33	\$ 0.36	\$ 0.36	\$	\$
State and association charges	41	40	40	0.19	0.19	0.19		
Veterinary, breeding, testing, etc.	61	66	59	0.29	0.30	0.27		
Supplies	114	119	105	0.54	0.54	0.49		
Repairs and maintenance	121	118	108	0.57	0.54	0.51		
Utilities	88	104	80	0.41	0.48	0.38		
Occupancy costs	94	91	89	0.45	0.42	0.42		
Depreciation - equipment	64	59	60	0.30	0.27	0.28		
Interest	66	73	86	0.31	0.34	0.40		
Miscellaneous	108	126	118	0.50	0.56	0.55		
Total other costs	\$ 828	\$ 874	\$ 822	\$ 3.89	\$ 4.00	\$ 3.85	\$	\$
Total cost of operations	\$ 3,651	\$ 3,890	\$ 4,016	\$ 17.18	\$ 17.82	\$ 18.86	\$	\$
Net income (loss)	\$ (145)	\$ 1,115	\$ 100	\$ (0.68)	\$ 5.09	\$ 0.50	\$	\$

See accompanying explanation of income and cost factors.



## SUMMARY OF FINANCIAL STATISTICS

### KERN COUNTY

	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	1.43 : 1	1.68 : 1	1.29 : 1
2. Herd Line Debt Per Cow	\$ 768	\$ 649	\$ 841
3. Total Debt Per Cow	\$ 3,404	\$ 2,929	\$ 3,001
4. Debt to Equity Ratio	0.97 : 1	0.84 : 1	1.19 : 1
5. Return on Total Assets	-1.50%	12.2%	1.3%
6. Income (loss) per milking cow per month	\$ (14.95)	\$ 149.10	\$ 36.88

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

	2015	2014	2013
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,247	21,827	21,264
Daily pounds of milk, per milking cow	71.7	72.5	70.5
Butterfat test	3.65 %	3.64 %	3.73 %
Solids-non-fat test	8.89 %	8.88 %	8.88 %
Blend price per hundredweight	\$ 15.81	\$ 22.46	\$ 19.13
Milk receipts, per milking cow	\$ 4,137	\$ 6,063	\$ 4,920
<b>HERD INFORMATION:</b>			
Herd size - total	3,086	3,502	3,413
Percent of dry cows	18.8 %	17.5 %	17.4 %
Herd turnover rate	40.3 %	40.3 %	38.1 %
Composition of herd:			
Purchased cows	3 %	5 %	4 %
Self-raised cows	97 %	95 %	96 %
Cost of purchased cows	\$ 1,719	\$ 1,672	\$ 1,251
Beef price received	\$ 1,049	\$ 1,066	\$ 808
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	44.0 %	32.8 %	40.9 %
Hay and other	26.2 %	19.6 %	24.6 %
Totals	70.2 %	52.4 %	65.5 %

## INCOME AND COST OF OPERATIONS

KERN COUNTY  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

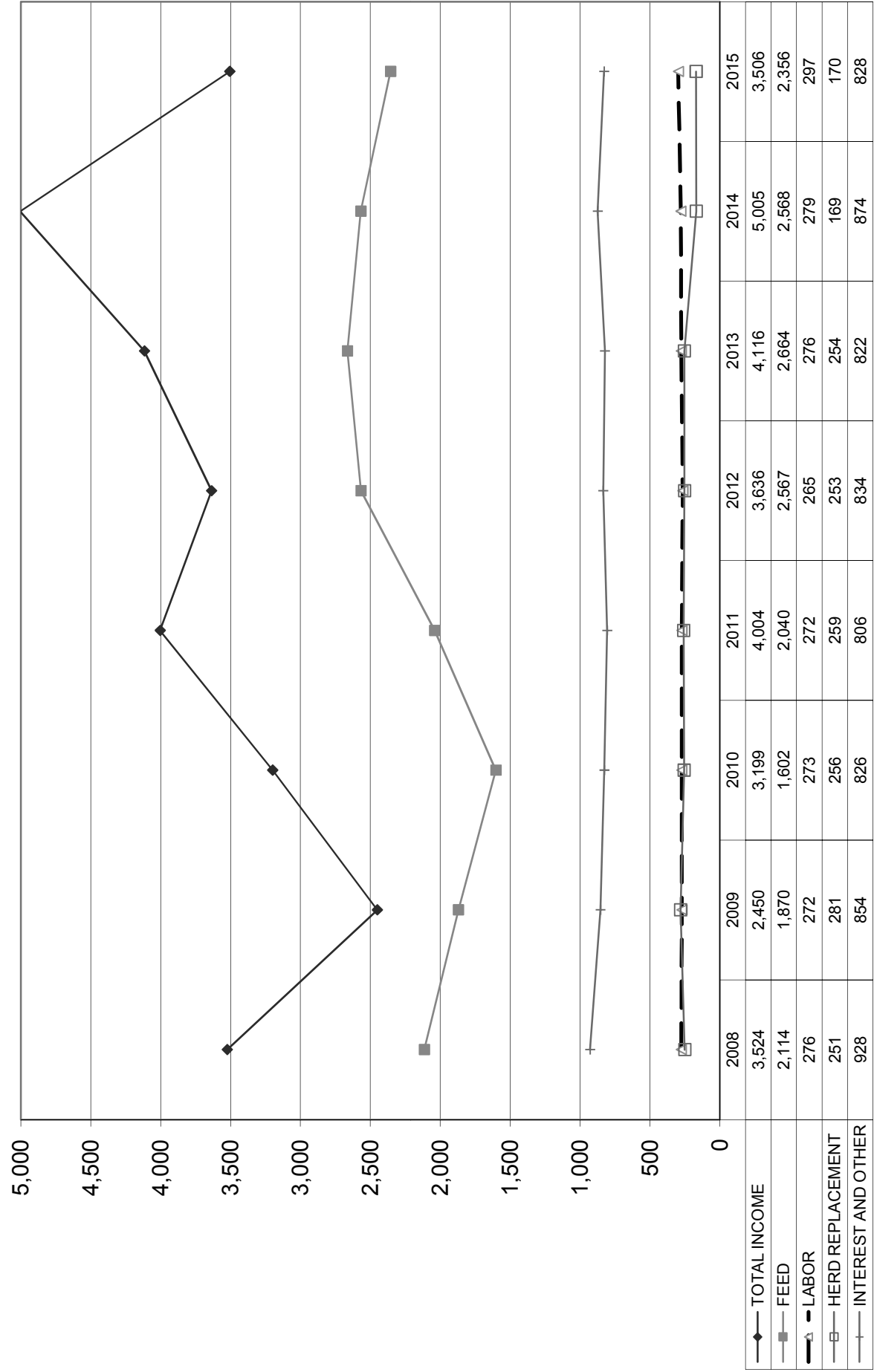
December 31, 2015      December 31, 2014      December 31, 2013

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

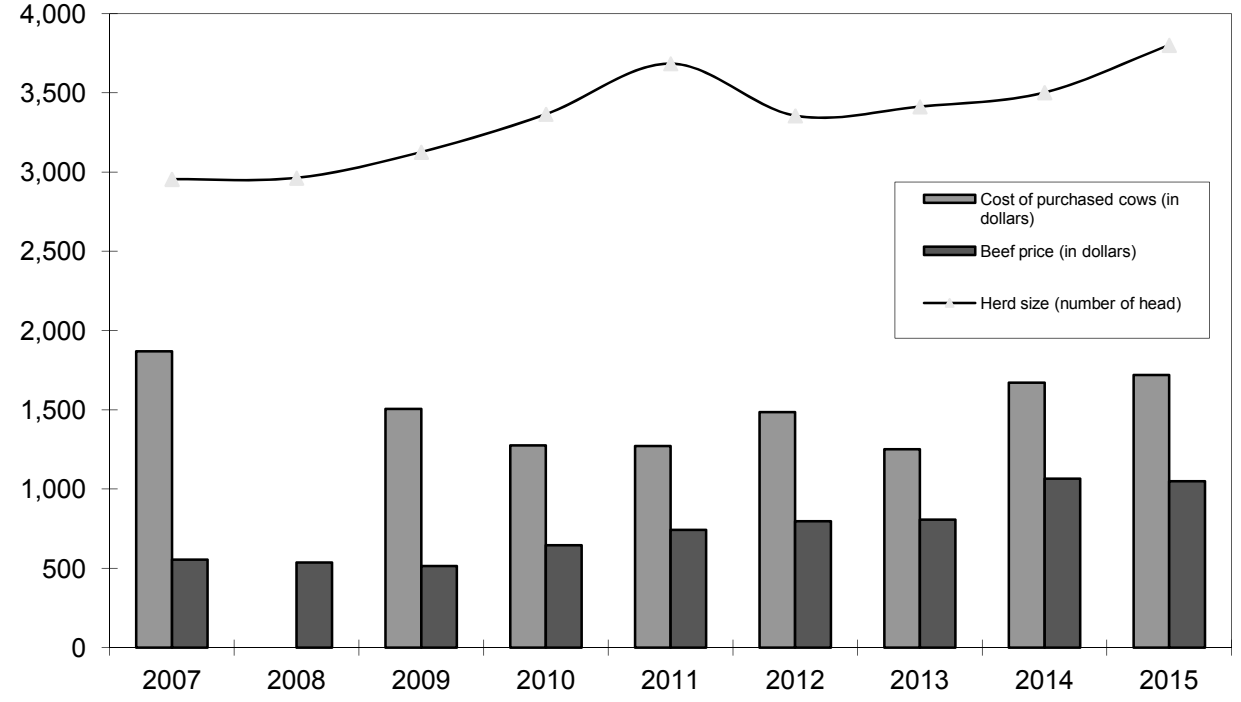
December 31, 2012      December 31, 2011      December 31, 2010      December 31, 2009

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Income:				
Milk Sales	\$ 16.97	\$ 19.02	\$ 15.31	\$ 12.27
Calves and other	0.25	0.19	0.15	0.10
<b>Total income</b>	<b>\$ 17.22</b>	<b>\$ 19.21</b>	<b>\$ 15.46</b>	<b>\$ 12.37</b>
Total cost of operations:				
Feed	\$ 12.15	\$ 9.78	\$ 7.75	\$ 9.45
Labor	1.25	1.31	1.31	1.38
Herd replacement costs	1.20	1.24	1.24	1.42
Other costs	3.92	3.86	3.97	4.32
<b>Total costs of operations</b>	<b>\$ 18.52</b>	<b>\$ 16.19</b>	<b>\$ 14.27</b>	<b>\$ 16.57</b>
<b>Net income (loss)</b>	<b>\$ (1.30)</b>	<b>\$ 3.02</b>	<b>\$ 1.19</b>	<b>\$ (4.20)</b>
Cost of operations as a percentage of income	107.55%	84.28%	92.30%	133.95%
Feed costs as a percentage of milk sales	71.60%	51.42%	50.62%	77.02%
Net income (loss) per milking cow per month	\$ (8.21)	\$ 82.44	\$ 20.47	\$ (88.01)
Cumulative net income per cwt. from 2009 to 2015				

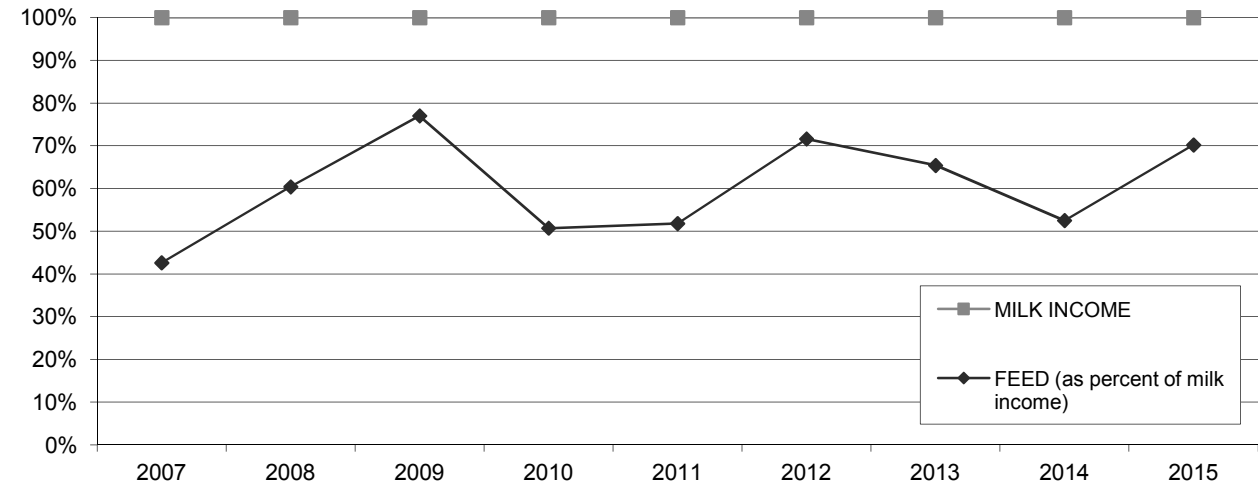
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
KERN COUNTY  
INCOME AND OPERATING COSTS  
2008 - 2015**



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



**FEED COST vs. MILK INCOME  
KERN COUNTY**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

	PER HEAD		
	2015	2014	2013
Income:			
Milk sales	\$ 3,703	\$ 5,113	\$ 4,351
Calves and other	203	263	80
<b>Total income</b>	<b>\$ 3,906</b>	<b>\$ 5,376</b>	<b>\$ 4,431</b>
Cost of operations:			
Feed:			
Grain	\$ 1,495	\$ 1,544	\$ 1,741
Hay and other	653	806	786
<b>Total feed</b>	<b>\$ 2,148</b>	<b>\$ 2,350</b>	<b>\$ 2,527</b>
Labor, (including fringe costs)	\$ 450	\$ 451	\$ 408
Herd replacement costs	\$ 198	\$ 151	\$ 221
Other costs:			
Milk hauling	\$ 98	\$ 92	\$ 97
State and association charges	75	97	55
Veterinary, breeding, testing, etc.	60	56	52
Supplies	183	162	140
Repairs and maintenance	139	155	121
Utilities	87	81	84
Occupancy costs	57	60	97
Depreciation - equipment	65	66	61
Interest	104	138	148
Miscellaneous	269	256	213
<b>Total other costs</b>	<b>\$ 1,137</b>	<b>\$ 1,163</b>	<b>\$ 1,068</b>
<b>Total cost of operations</b>	<b>\$ 3,933</b>	<b>\$ 4,115</b>	<b>\$ 4,224</b>
<b>Net income (loss)</b>	<b>\$ (27)</b>	<b>\$ 1,261</b>	<b>\$ 207</b>

See accompanying explanation of income and cost factors.

	PER CWT. OF MILK			YOUR 2015 RESULTS	
	2015	2014	2013	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 16.33	\$ 23.35	\$ 20.10	\$	\$
Calves and other	0.87	1.20	0.35		
<b>Total income</b>	<b>\$ 17.20</b>	<b>\$ 24.55</b>	<b>\$ 20.45</b>	<b>\$</b>	<b>\$</b>
Cost of operations:					
Feed:					
Grain	\$ 6.61	\$ 7.05	\$ 8.05	\$	\$
Hay and other	2.88	3.69	3.63		
<b>Total feed</b>	<b>\$ 9.49</b>	<b>\$ 10.74</b>	<b>\$ 11.68</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 1.97	\$ 2.06	\$ 1.89	\$	\$
Herd replacement costs	\$ 0.87	\$ 0.69	\$ 1.02	\$	\$
Other costs:					
Milk hauling	\$ 0.43	\$ 0.42	\$ 0.45	\$	\$
State and association charges	0.33	0.45	0.26		
Veterinary, breeding, testing, etc.	0.27	0.25	0.24		
Supplies	0.81	0.74	0.65		
Repairs and maintenance	0.61	0.71	0.56		
Utilities	0.39	0.37	0.39		
Occupancy costs	0.25	0.27	0.45		
Depreciation - equipment	0.29	0.30	0.28		
Interest	0.46	0.63	0.69		
Miscellaneous	1.17	1.16	0.99		
<b>Total other costs</b>	<b>\$ 5.01</b>	<b>\$ 5.30</b>	<b>\$ 4.96</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 17.34</b>	<b>\$ 18.79</b>	<b>\$ 19.55</b>	<b>\$</b>	<b>\$</b>
<b>Net income (loss)</b>	<b>\$ (0.14)</b>	<b>\$ 5.76</b>	<b>\$ 0.90</b>	<b>\$</b>	<b>\$</b>

## SUMMARY OF FINANCIAL STATISTICS

### ARIZONA

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

- 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, 2015, 2014, AND 2013  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

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

## INCOME AND COST OF OPERATIONS

ARIZONA  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

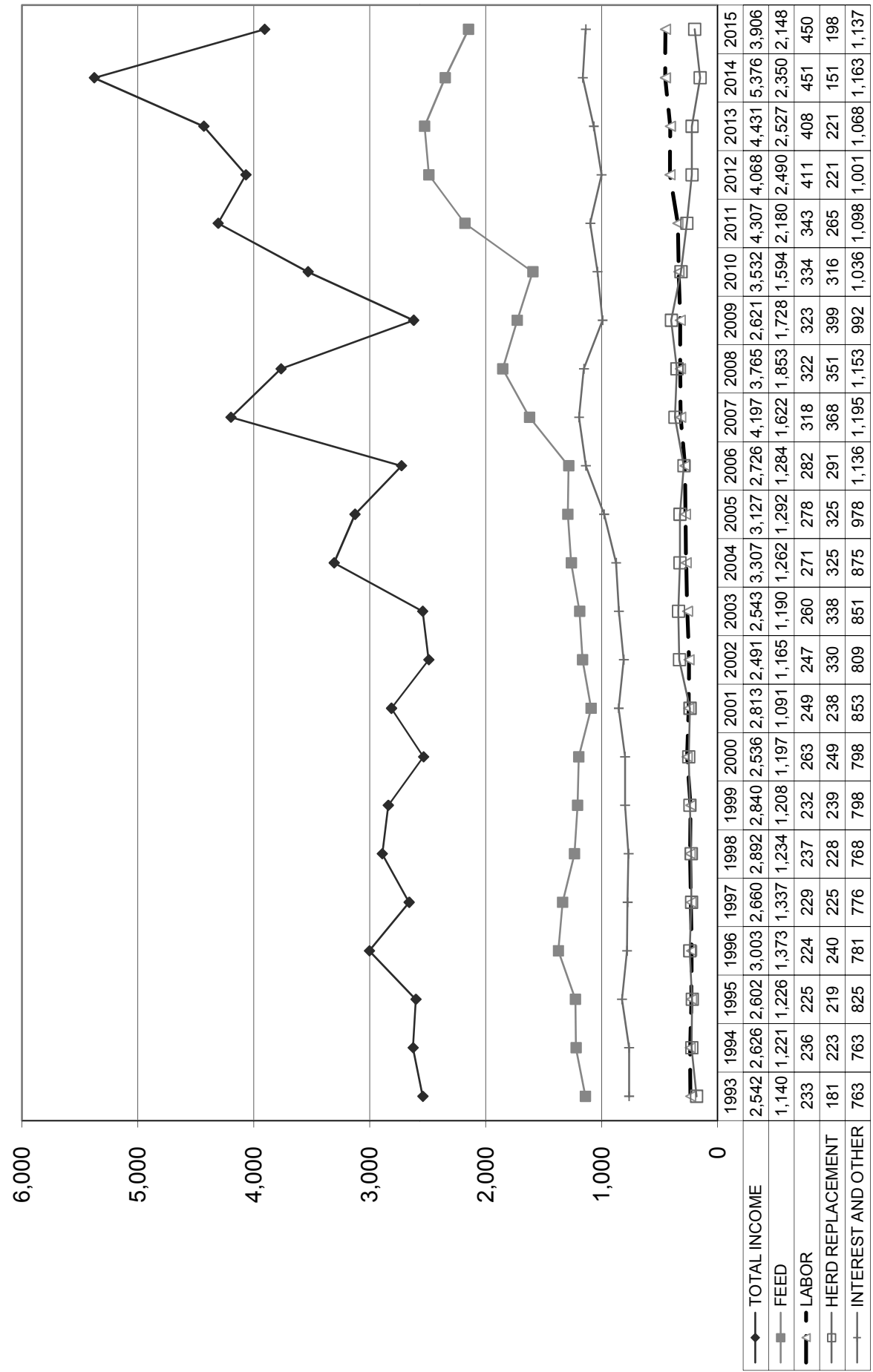
December 31, 2015      December 31, 2014      December 31, 2013

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

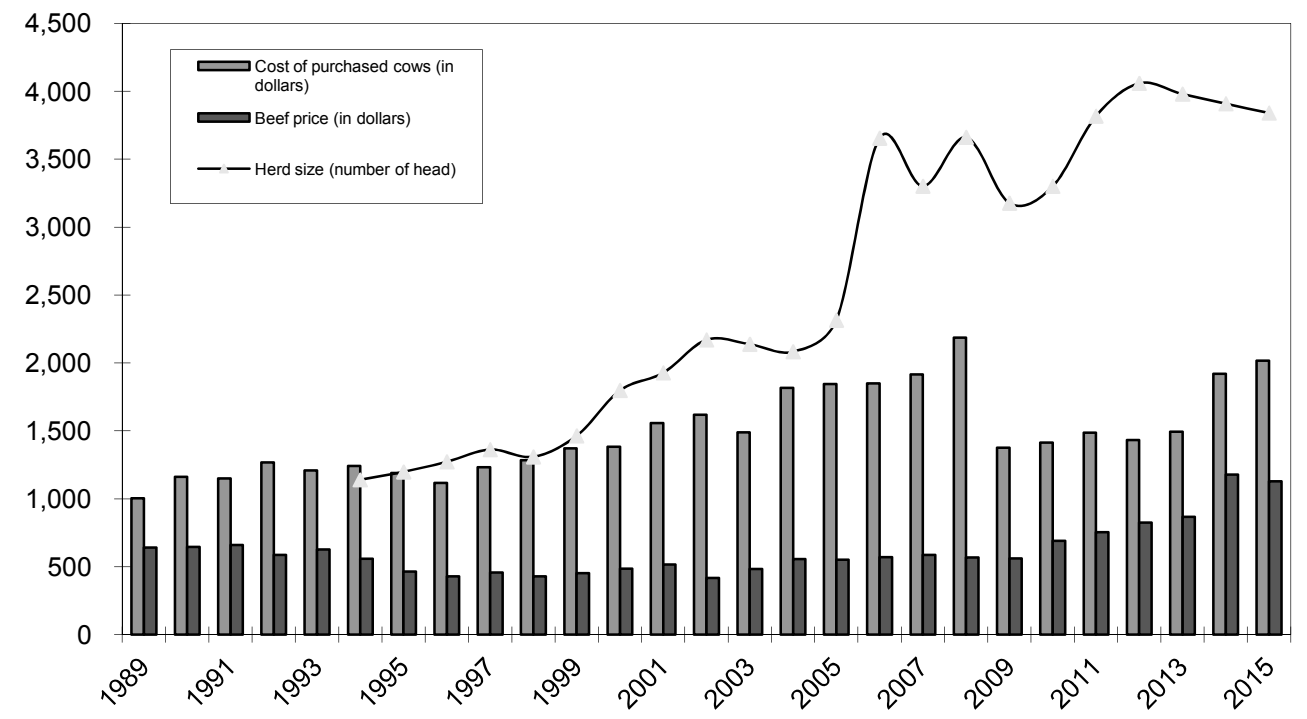
December 31, 2012      December 31, 2011      December 31, 2010      December 31, 2009

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Income:				
Milk Sales	\$ 18.48	\$ 20.74	\$ 16.47	\$ 12.58
Calves and other	0.32	0.28	0.11	0.25
<b>Total income</b>	<b>\$ 18.80</b>	<b>\$ 21.02</b>	<b>\$ 16.58</b>	<b>\$ 12.83</b>
Total cost of operations:				
Feed	\$ 11.49	\$ 10.61	\$ 7.49	\$ 8.46
Labor	1.89	1.67	1.58	1.60
Herd replacement costs	1.02	1.29	1.49	1.95
Other costs	4.64	5.39	4.88	4.88
<b>Total costs of operations</b>	<b>\$ 19.04</b>	<b>\$ 18.96</b>	<b>\$ 15.44</b>	<b>\$ 16.89</b>
<b>Net income (loss)</b>	<b>\$ (0.24)</b>	<b>\$ 2.06</b>	<b>\$ 1.14</b>	<b>\$ (4.06)</b>
Cost of operations as a percentage of income	101.28%	90.20%	93.12%	131.64%
Feed costs as a percentage of milk sales	62.18%	51.16%	45.48%	67.25%
Net income (loss) per milking cow per month	\$ (4.28)	\$ 42.84	\$ 28.71	\$ (84.26)
Cumulative net income per cwt. from 2009 to 2015				

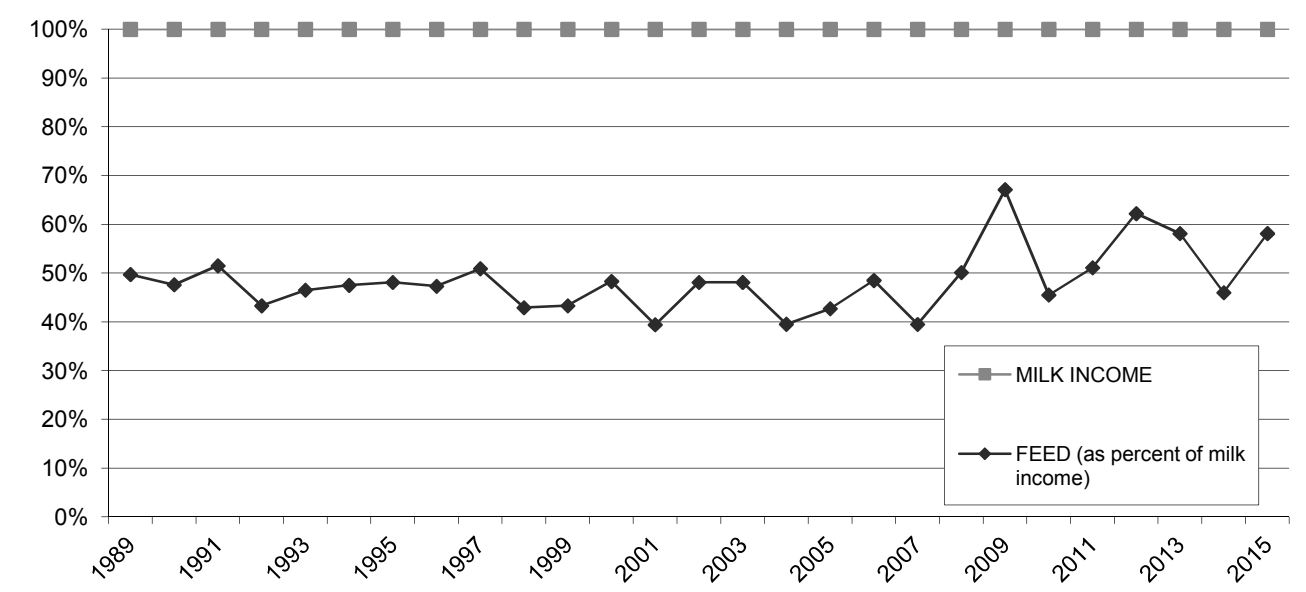
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
ARIZONA  
INCOME AND OPERATING COSTS  
1993 - 2015**



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



**FEED COST vs. MILK INCOME  
ARIZONA**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

	PER HEAD		
	2015	2014	2013
Income:			
Milk sales	\$ 3,809	\$ 5,563	\$ 4,469
Calves and other	190	156	98
<b>Total income</b>	<b>\$ 3,999</b>	<b>\$ 5,719</b>	<b>\$ 4,567</b>
Cost of operations:			
Feed:			
Grain	\$ 1,398	\$ 1,706	\$ 1,658
Hay and other	741	878	862
<b>Total feed</b>	<b>\$ 2,139</b>	<b>\$ 2,584</b>	<b>\$ 2,520</b>
Labor, (including fringe costs)	\$ 381	\$ 434	\$ 382
Herd replacement costs	\$ 261	\$ 164	\$ 258
Other costs:			
Milk hauling	\$ 64	\$ 75	\$ 70
State and association charges	47	51	46
Veterinary, breeding, testing, etc.	108	111	93
Supplies	132	217	184
Repairs and maintenance	155	192	185
Utilities	45	56	48
Occupancy costs	148	97	98
Depreciation - equipment	61	80	79
Interest	60	82	92
Miscellaneous	160	198	182
<b>Total other costs</b>	<b>\$ 980</b>	<b>\$ 1,159</b>	<b>\$ 1,077</b>
<b>Total cost of operations</b>	<b>\$ 3,761</b>	<b>\$ 4,341</b>	<b>\$ 4,237</b>
<b>Net income</b>	<b>\$ 238</b>	<b>\$ 1,378</b>	<b>\$ 330</b>

	PER CWT. OF MILK			YOUR 2015 RESULTS	
	2015	2014	2013	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 15.90	\$ 22.55	\$ 19.05	\$	\$
Calves and other	0.79	0.62	0.40		
<b>Total income</b>	<b>\$ 16.69</b>	<b>\$ 23.17</b>	<b>\$ 19.45</b>	<b>\$</b>	<b>\$</b>
Cost of operations:					
Feed:					
Grain	\$ 5.84	\$ 6.91	\$ 7.06	\$	\$
Hay and other	3.09	3.57	3.67		
<b>Total feed</b>	<b>\$ 8.93</b>	<b>\$ 10.48</b>	<b>\$ 10.73</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 1.60	\$ 1.75	\$ 1.63	\$	\$
Herd replacement costs	\$ 1.09	\$ 0.66	\$ 1.10	\$	\$
Other costs:					
Milk hauling	\$ 0.27	\$ 0.30	\$ 0.30	\$	\$
State and association charges	0.20	0.21	0.20		
Veterinary, breeding, testing, etc.	0.45	0.45	0.40		
Supplies	0.55	0.88	0.78		
Repairs and maintenance	0.65	0.78	0.79		
Utilities	0.19	0.23	0.21		
Occupancy costs	0.62	0.39	0.41		
Depreciation - equipment	0.25	0.32	0.34		
Interest	0.25	0.33	0.39		
Miscellaneous	0.66	0.80	0.77		
<b>Total other costs</b>	<b>\$ 4.09</b>	<b>\$ 4.69</b>	<b>\$ 4.59</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 15.71</b>	<b>\$ 17.58</b>	<b>\$ 18.05</b>	<b>\$</b>	<b>\$</b>
<b>Net income</b>	<b>\$ 0.98</b>	<b>\$ 5.59</b>	<b>\$ 1.40</b>	<b>\$</b>	<b>\$</b>



## SUMMARY OF FINANCIAL STATISTICS

	IDAHO		
	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	1.04 : 1	1.04 : 1	1.01 : 1
2. Herd Line Debt Per Cow	\$ 383	\$ 581	\$ 603
3. Total Debt Per Cow	\$ 2,427	\$ 2,546	\$ 2,468
4. Debt to Equity Ratio	0.97 : 1	0.8 : 1	1.06 : 1
5. Return on Total Assets	3.5%	16.7%	4.8%
6. Income per milking cow per month	\$ 27.14	\$ 138.34	\$ 40.28

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

## INCOME AND COST OF OPERATIONS

IDAHO  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

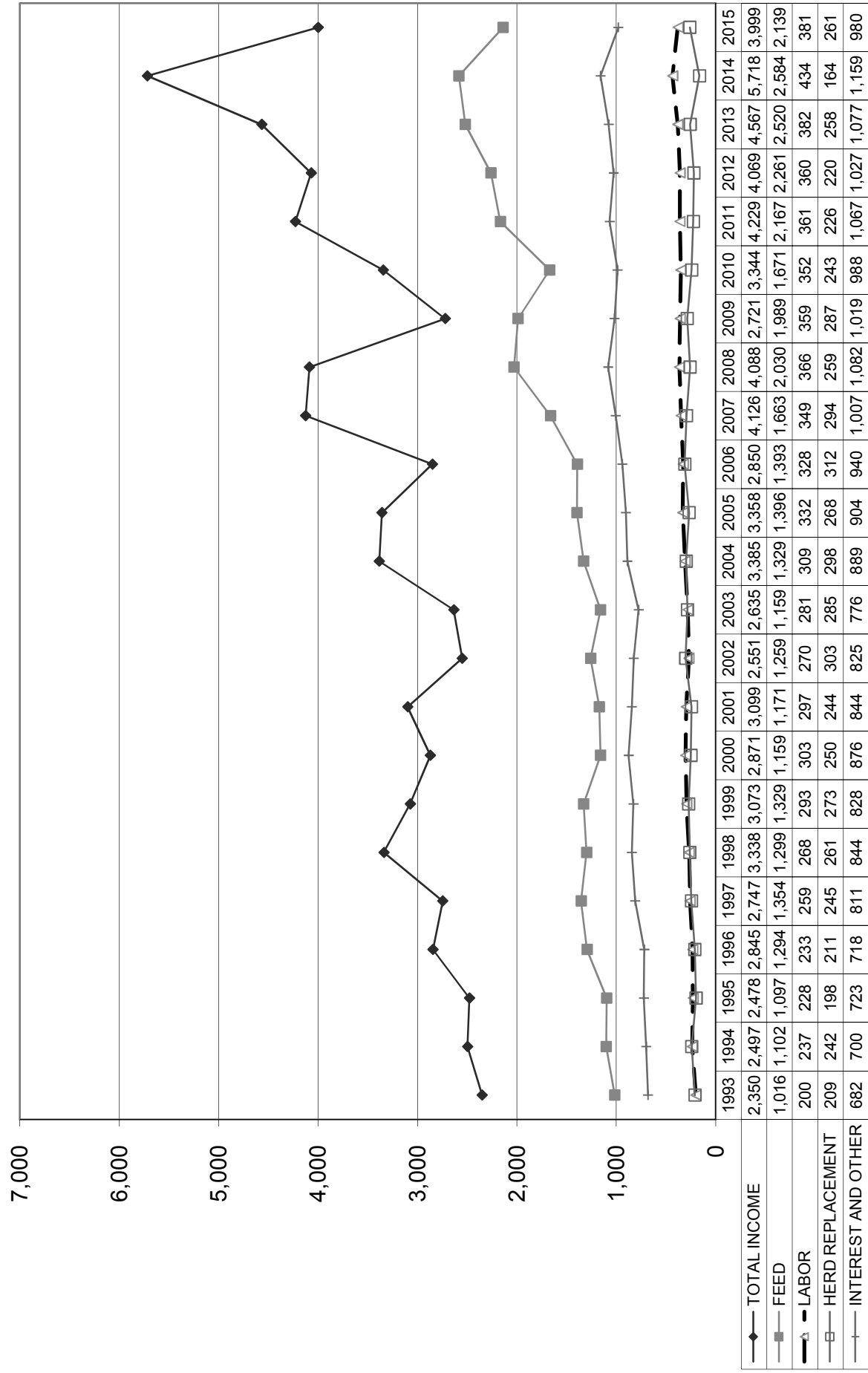
December 31, 2015      December 31, 2014      December 31, 2013

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

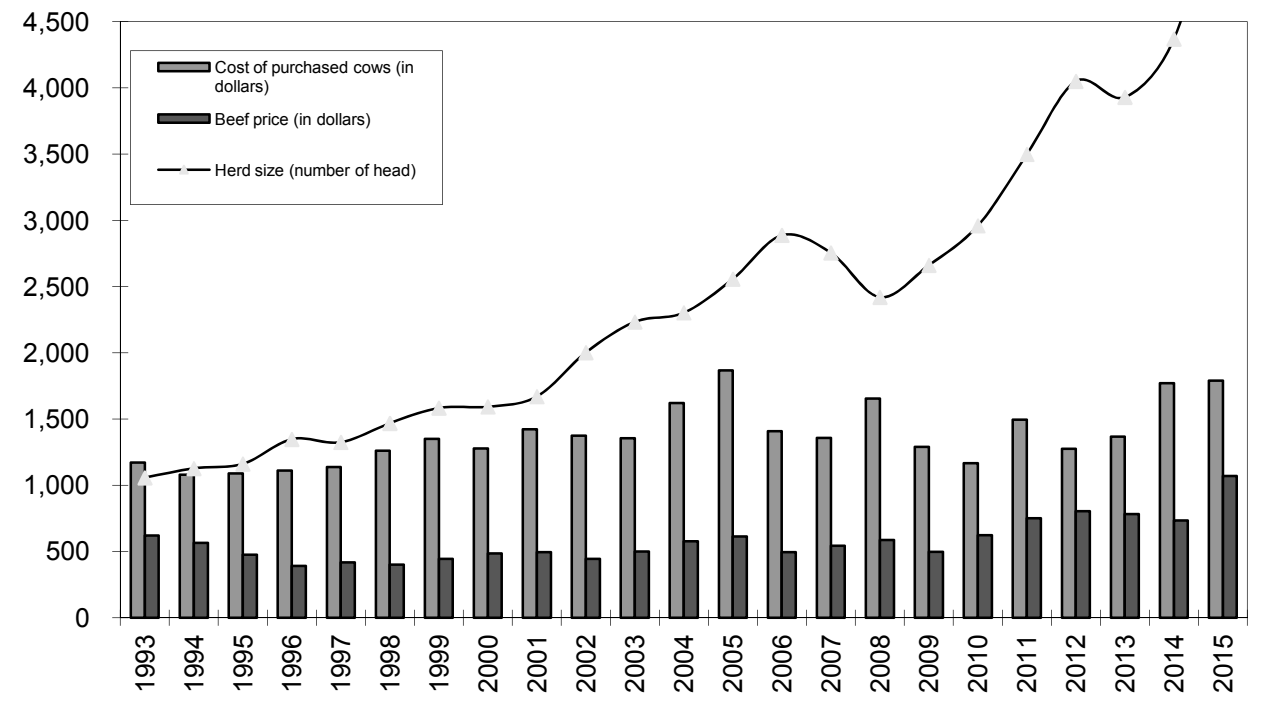
December 31, 2012      December 31, 2011      December 31, 2010      December 31, 2009

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Income:				
Milk Sales	\$ 18.07	\$ 18.88	\$ 15.15	\$ 12.27
Calves and other	0.43	0.20	0.16	0.25
<b>Total income</b>	<b>\$ 18.50</b>	<b>\$ 19.08</b>	<b>\$ 15.31</b>	<b>\$ 12.52</b>
Total cost of operations:				
Feed	\$ 10.29	\$ 9.78	\$ 7.66	\$ 9.14
Labor	1.64	1.63	1.62	1.65
Herd replacement costs	1.00	1.02	1.12	1.32
Other costs	4.67	4.77	4.49	4.70
<b>Total costs of operations</b>	<b>\$ 17.60</b>	<b>\$ 17.20</b>	<b>\$ 14.89</b>	<b>\$ 16.81</b>
<b>Net income (loss)</b>	<b>\$ 0.90</b>	<b>\$ 1.88</b>	<b>\$ 0.42</b>	<b>\$ (4.29)</b>
Cost of operations as a percentage of income	95.14%	90.15%	97.26%	134.27%
Feed costs as a percentage of milk sales	56.95%	51.80%	50.56%	74.49%
Net income (loss) per milking cow per month	\$ 32.95	\$ 56.87	\$ 18.16	\$ (81.62)
Cumulative net income per cwt. from 2009 to 2015				

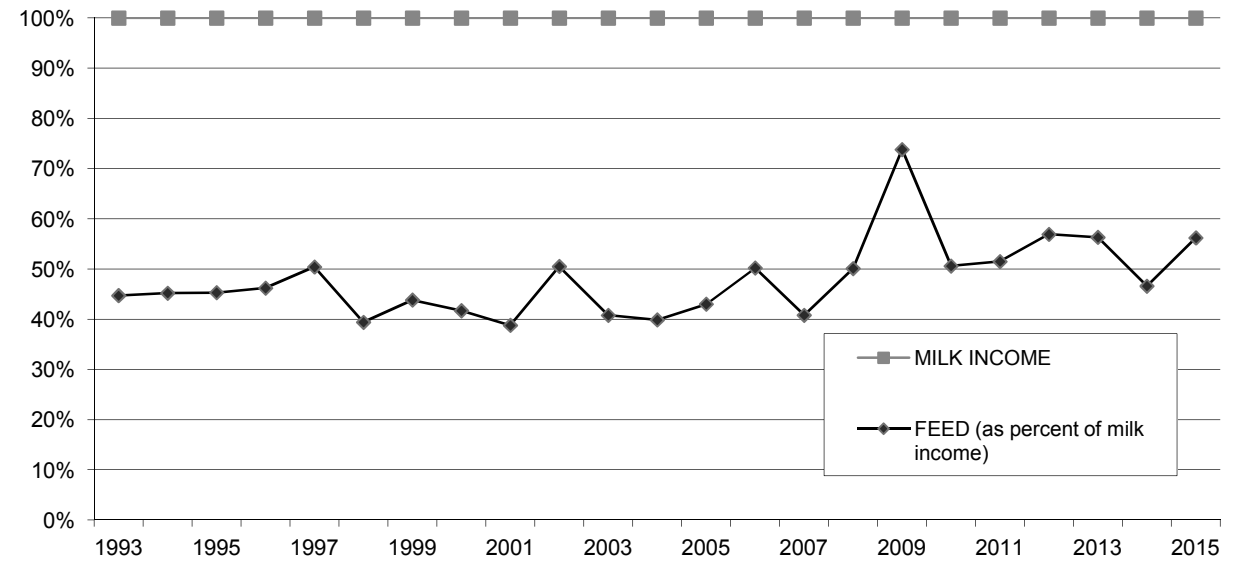
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
IDAHO  
INCOME AND OPERATING COSTS  
1993 - 2015**



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



**FEED COST vs. MILK INCOME  
IDAHO**



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

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

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

	PER CWT. OF MILK			YOUR 2015 RESULTS	
	2015	2014	2013	PER HEAD	PER CWT. OF MILK
Income:					
Milk sales	\$ 16.50	\$ 23.46	\$ 19.53	\$	\$
Calves and other	0.75	1.03	0.43		
<b>Total income</b>	<b>\$ 17.25</b>	<b>\$ 24.49</b>	<b>\$ 19.96</b>	<b>\$</b>	<b>\$</b>
Cost of operations:					
Feed:					
Grain	\$ 6.75	\$ 8.04	\$ 8.51	\$	\$
Hay and other	3.64	3.94	3.65		
<b>Total feed</b>	<b>\$ 10.39</b>	<b>\$ 11.98</b>	<b>\$ 12.16</b>	<b>\$</b>	<b>\$</b>
Labor, (including fringe costs)	\$ 2.05	\$ 1.81	\$ 1.62	\$	\$
Herd replacement costs	\$ 0.95	\$ 0.57	\$ 0.82	\$	\$
Other costs:					
Milk hauling	\$ 0.97	\$ 1.00	\$ 0.91	\$	\$
State and association charges	0.38	0.37	0.37		
Veterinary, breeding, testing, etc.	0.60	0.60	0.49		
Supplies	0.58	0.47	0.45		
Repairs and maintenance	0.74	0.72	0.53		
Utilities	0.38	0.39	0.34		
Occupancy costs	0.42	0.40	0.36		
Depreciation - equipment	0.35	0.31	0.29		
Interest	0.46	0.46	0.47		
Miscellaneous	0.92	1.31	0.99		
<b>Total other costs</b>	<b>\$ 5.80</b>	<b>\$ 6.03</b>	<b>\$ 5.20</b>	<b>\$</b>	<b>\$</b>
<b>Total cost of operations</b>	<b>\$ 19.19</b>	<b>\$ 20.39</b>	<b>\$ 19.80</b>	<b>\$</b>	<b>\$</b>
<b>Net income (loss)</b>	<b>\$ (1.94)</b>	<b>\$ 4.10</b>	<b>\$ 0.16</b>	<b>\$</b>	<b>\$</b>

See accompanying explanation of income and cost factors.

## SUMMARY OF FINANCIAL STATISTICS

### NEW MEXICO

	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	0.85 : 1	1.13 : 1	1.12 : 1
2. Herd Line Debt Per Cow	\$ 605	\$ 521	\$ 749
3. Total Debt Per Cow	\$ 2,227	\$ 2,009	\$ 2,493
4. Debt to Equity Ratio	0.99 : 1	0.80 : 1	1.37 : 1
5. Return on Total Assets	-5.2%	11.6%	0.5%
6. Income (loss) per milking cow per month	\$ (14.91)	\$ 99.60	\$ 23.28

- 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, 2015, 2014, AND 2013  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

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

## INCOME AND COST OF OPERATIONS

NEW MEXICO  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

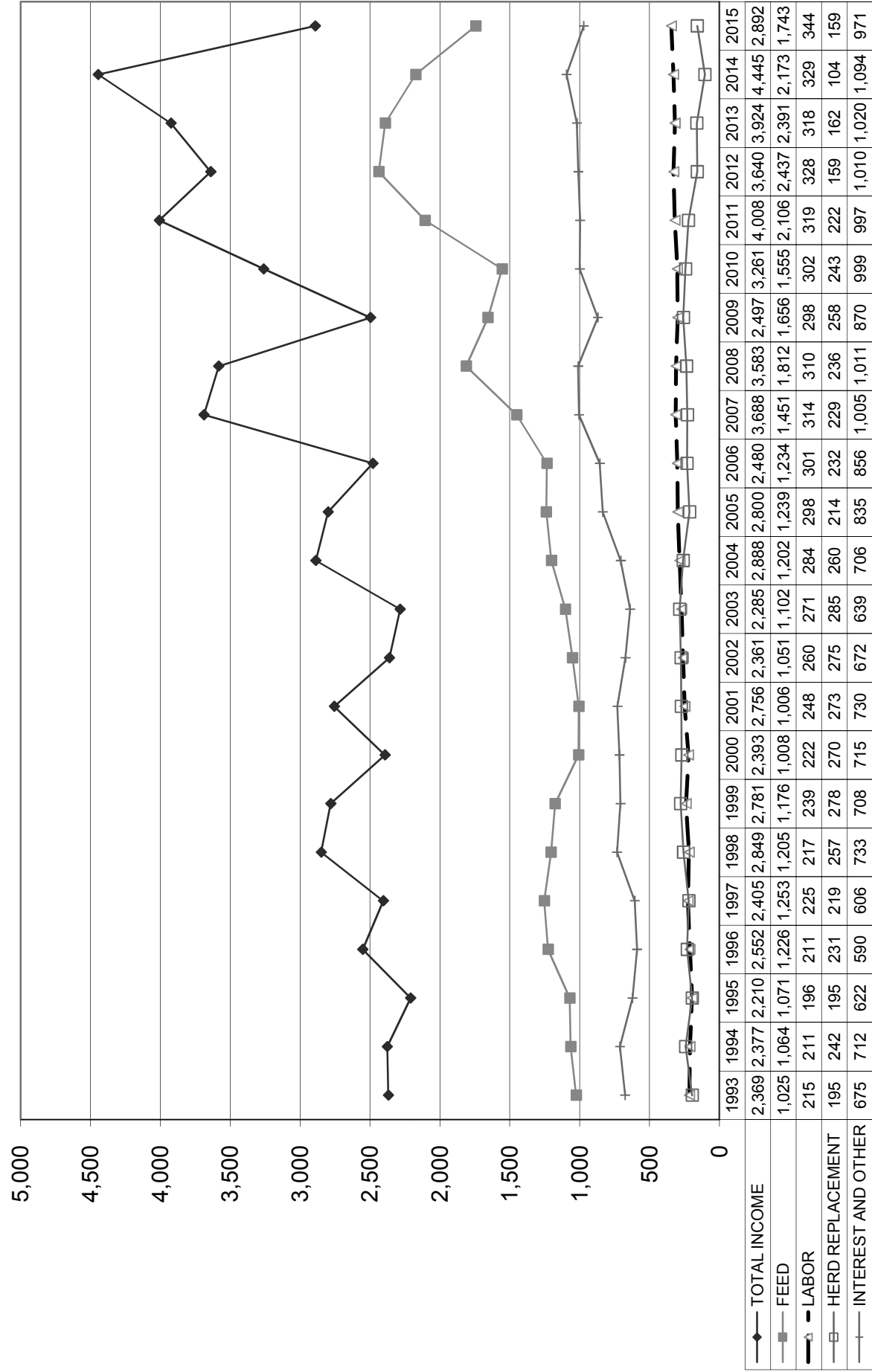
December 31, 2015      December 31, 2014      December 31, 2013

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

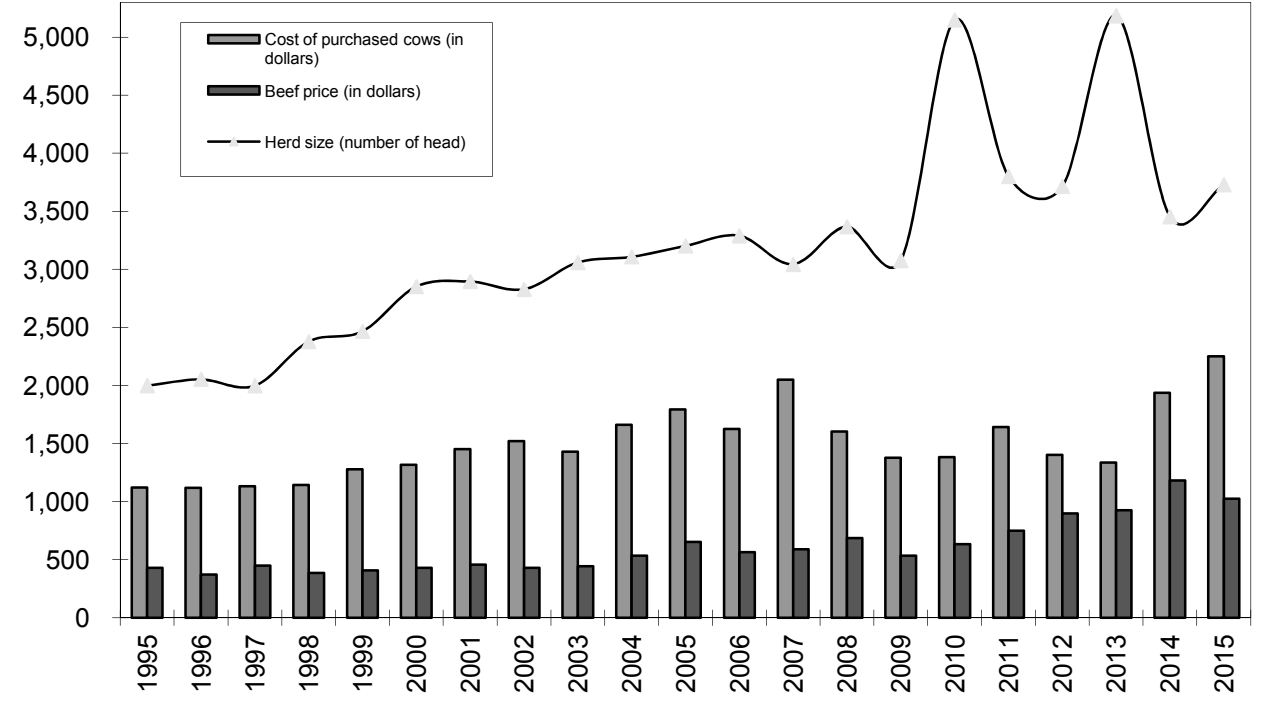
December 31, 2012      December 31, 2011      December 31, 2010      December 31, 2009

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Income:				
Milk Sales	\$ 18.31	\$ 19.89	\$ 17.02	\$ 12.83
Calves and other	0.39	0.29	0.18	0.25
<b>Total income</b>	<b>\$ 18.70</b>	<b>\$ 20.18</b>	<b>\$ 17.20</b>	<b>\$ 13.08</b>
Total cost of operations:				
Feed	\$ 12.54	\$ 10.62	\$ 8.23	\$ 8.68
Labor	1.70	1.62	1.60	1.56
Herd replacement costs	0.82	1.12	1.28	1.35
Other costs	5.20	5.03	5.22	4.53
<b>Total costs of operations</b>	<b>\$ 20.26</b>	<b>\$ 18.39</b>	<b>\$ 16.33</b>	<b>\$ 16.12</b>
<b>Net income (loss)</b>	<b>\$ (1.56)</b>	<b>\$ 1.79</b>	<b>\$ 0.87</b>	<b>\$ (3.04)</b>
Cost of operations as a percentage of income	108.34%	91.13%	94.94%	123.24%
Feed costs as a percentage of milk sales	68.49%	53.39%	48.35%	67.65%
Net income (loss) per milking cow per month	\$ (15.48)	\$ 49.14	\$ 27.80	\$ (55.60)
Cumulative net income per cwt. from 2009 to 2015				

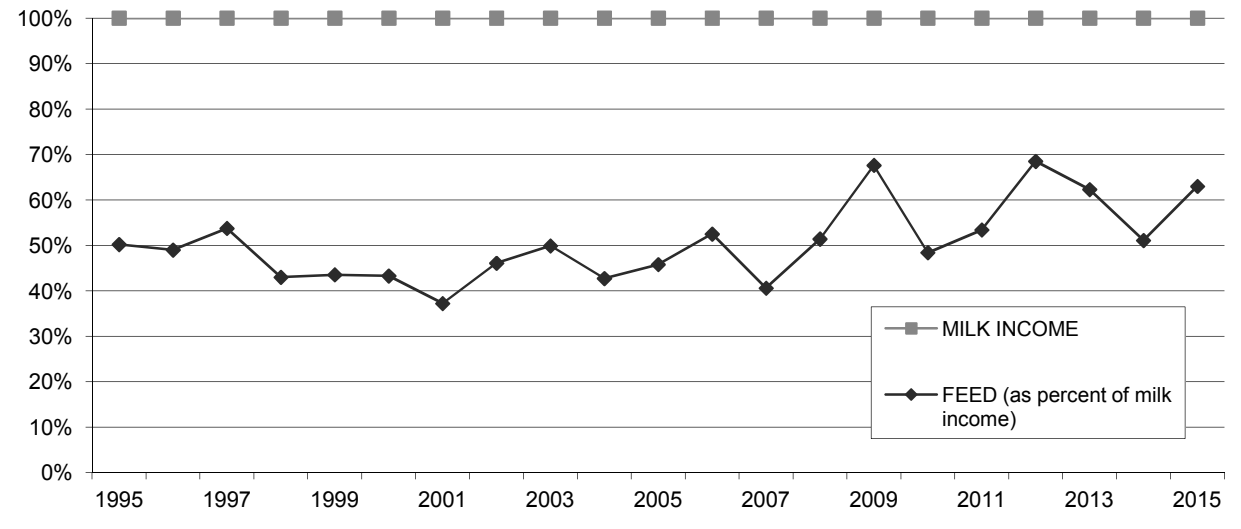
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
NEW MEXICO  
INCOME AND OPERATING COSTS  
1993 - 2015**



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



**FEED COST vs. MILK INCOME  
NEW MEXICO**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

	PER HEAD			PER CWT. OF MILK			YOUR 2015 RESULTS	
	2015	2014	2013	2015	2014	2013	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,789	\$ 5,115	\$ 4,213	\$ 17.69	\$ 23.85	\$ 20.65	\$	\$
Calves and other	146	97	87	0.68	0.46	0.44		
Total income	\$ 3,935	\$ 5,212	\$ 4,300	\$ 18.37	\$ 24.31	\$ 21.09	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,344	\$ 1,544	\$ 1,765	\$ 6.28	\$ 7.20	\$ 8.66	\$	\$
Hay and other	679	769	855	3.17	3.59	4.20		
Total feed	\$ 2,023	\$ 2,313	\$ 2,620	\$ 9.45	\$ 10.79	\$ 12.86	\$	\$
Labor, (including fringe costs)	\$ 420	\$ 354	\$ 335	\$ 1.95	\$ 1.65	\$ 1.65	\$	\$
Herd replacement costs	\$ 215	\$ 144	\$ 236	\$ 1.01	\$ 0.67	\$ 1.16	\$	\$
Other costs:								
Milk hauling	\$ 147	\$ 177	\$ 144	\$ 0.69	\$ 0.82	\$ 0.71	\$	\$
State and association charges	65	66	61	0.30	0.31	0.30		
Veterinary, breeding, testing, etc.	125	90	91	0.58	0.42	0.45		
Supplies	186	135	117	0.87	0.62	0.56		
Repairs and maintenance	161	120	105	0.75	0.56	0.51		
Utilities	42	52	51	0.19	0.24	0.25		
Occupancy costs	115	148	133	0.54	0.68	0.64		
Depreciation - equipment	78	66	63	0.37	0.31	0.31		
Interest	87	76	85	0.41	0.37	0.43		
Miscellaneous	203	219	169	0.95	1.04	0.85		
Total other costs	\$ 1,209	\$ 1,149	\$ 1,019	\$ 5.65	\$ 5.37	\$ 5.01	\$	\$
Total cost of operations	\$ 3,867	\$ 3,960	\$ 4,210	\$ 18.06	\$ 18.48	\$ 20.68	\$	\$
Net income	\$ 68	\$ 1,252	\$ 90	\$ 0.31	\$ 5.83	\$ 0.41	\$	\$

See accompanying explanation of income and cost factors.



## SUMMARY OF FINANCIAL STATISTICS

### PANHANDLE

	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	1.35 : 1	1.35 : 1	0.77 : 1
2. Herd Line Debt Per Cow	\$ 592	\$ 747	\$ 848
3. Total Debt Per Cow	\$ 2,320	\$ 2,667	\$ 2,757
4. Debt to Equity Ratio	1.06 : 1	1.06 : 1	1.74 : 1
5. Return on Total Assets	1.1%	16.6%	1.4%
6. Income per milking cow per month	\$ 16.08	\$ 129.99	\$ 17.31

- 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, 2015, 2014, AND 2013  
PANHANDLE  
(BASED ON AVERAGE AMOUNTS)

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

## INCOME AND COST OF OPERATIONS

PANHANDLE  
(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

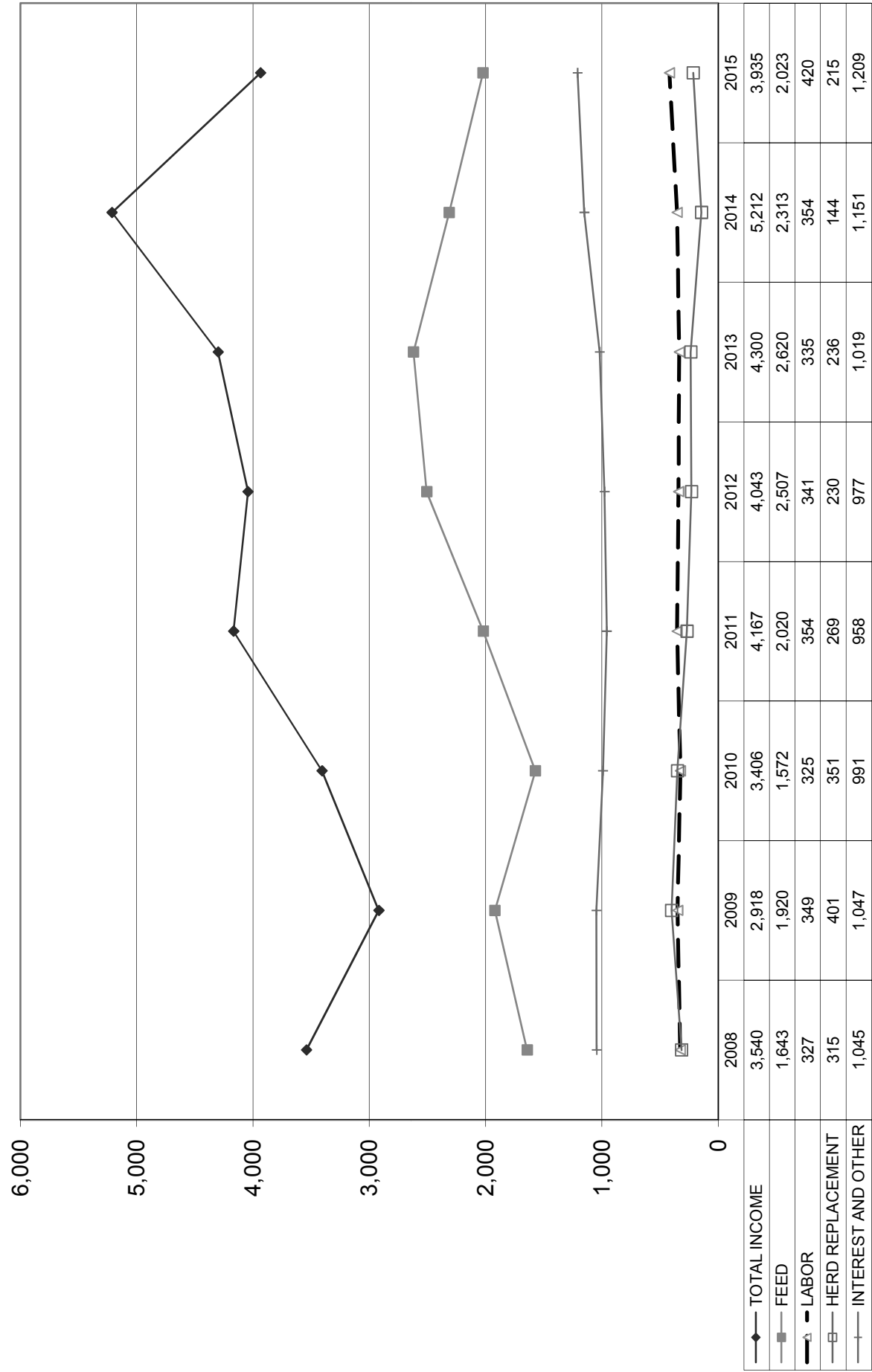
December 31, 2015      December 31, 2014      December 31, 2013

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

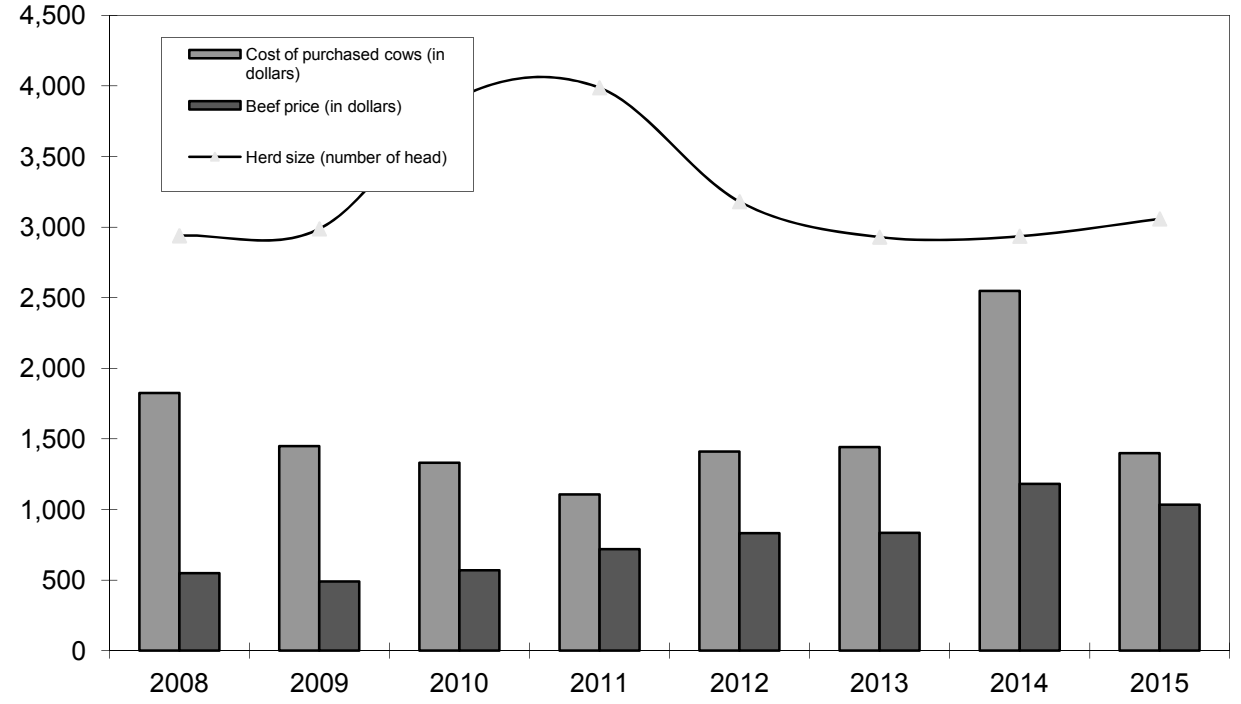
December 31, 2012      December 31, 2011      December 31, 2010      December 31, 2009

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Income:				
Milk Sales	\$ 19.05	\$ 20.57	\$ 16.89	\$ 13.63
Calves and other	0.49	0.26	0.14	0.20
<b>Total income</b>	<b>\$ 19.54</b>	<b>\$ 20.83</b>	<b>\$ 17.03</b>	<b>\$ 13.83</b>
Total cost of operations:				
Feed	\$ 12.12	\$ 10.10	\$ 7.85	\$ 9.09
Labor	1.65	1.76	1.62	1.65
Herd replacement costs	1.11	1.35	1.75	1.90
Other costs	4.75	4.81	4.92	4.92
<b>Total costs of operations</b>	<b>\$ 19.63</b>	<b>\$ 18.02</b>	<b>\$ 16.14</b>	<b>\$ 17.56</b>
<b>Net income (loss)</b>	<b>\$ (0.09)</b>	<b>\$ 2.81</b>	<b>\$ 0.89</b>	<b>\$ (3.73)</b>
Cost of operations as a percentage of income	100.46%	86.51%	94.77%	126.97%
Feed costs as a percentage of milk sales	63.62%	49.10%	46.48%	66.69%
Net income (loss) per milking cow per month	\$ (1.12)	\$ 53.28	\$ 17.85	\$ (61.10)
Cumulative net income per cwt. from 2009 to 2015				

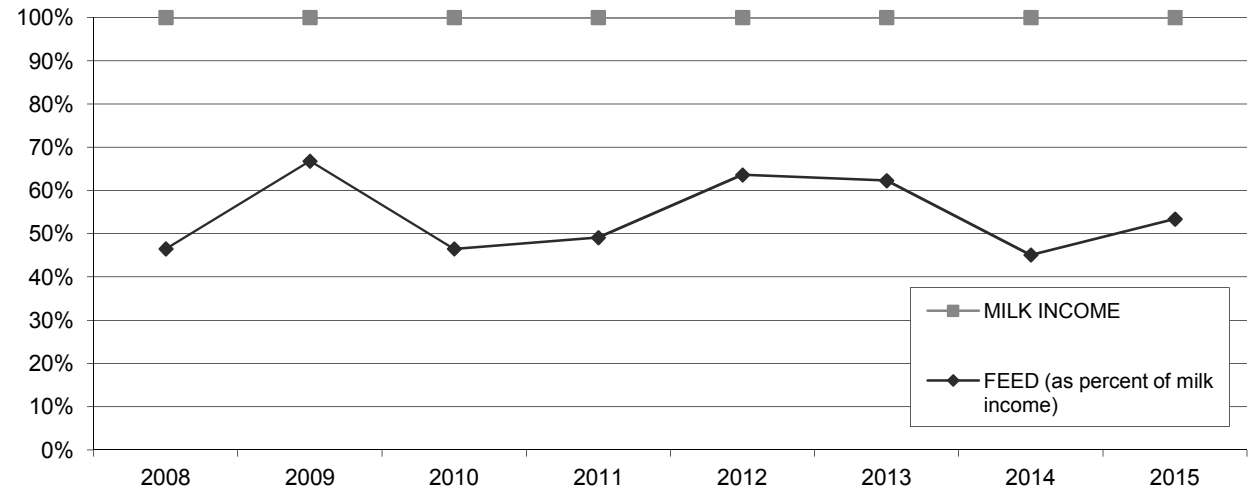
**LONG-TERM TREND - ON A "PER HEAD" BASIS  
PANHANDLE  
INCOME AND OPERATING COSTS  
2008 - 2015**



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



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



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

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

	PER HEAD			PER CWT. OF MILK			YOUR 2015 RESULTS	
	2015	2014	2013	2015	2014	2013	PER HEAD	PER CWT. OF MILK
Income:								
Milk sales	\$ 3,624	\$ 5,133	\$ 4,418	\$ 16.79	\$ 23.19	\$ 20.48	\$	\$
Calves and other	88	92	73	0.40	0.43	0.34		
Total income	\$ 3,712	\$ 5,225	\$ 4,491	\$ 17.19	\$ 23.62	\$ 20.82	\$	\$
Cost of operations:								
Feed:								
Grain	\$ 1,163	\$ 1,490	\$ 1,549	\$ 5.39	\$ 6.73	\$ 7.18	\$	\$
Hay and other	902	987	1,006	4.19	4.45	4.65		
Total feed	\$ 2,065	\$ 2,477	\$ 2,555	\$ 9.58	\$ 11.18	\$ 11.83	\$	\$
Labor, (including fringe costs)	\$ 402	\$ 406	\$ 373	\$ 1.85	\$ 1.83	\$ 1.73	\$	\$
Herd replacement costs	\$ 148	\$ 159	\$ 248	\$ 0.69	\$ 0.72	\$ 1.15	\$	\$
Other costs:								
Milk hauling	\$ 148	\$ 157	\$ 146	\$ 0.68	\$ 0.71	\$ 0.68	\$	\$
State and association charges	69	66	65	0.32	0.30	0.30		
Veterinary, breeding, testing, etc.	126	141	128	0.58	0.64	0.59		
Supplies	137	137	124	0.63	0.62	0.58		
Repairs and maintenance	159	137	121	0.74	0.62	0.56		
Utilities	38	44	42	0.18	0.20	0.19		
Occupancy costs	162	182	182	0.76	0.82	0.85		
Depreciation - equipment	56	74	68	0.26	0.34	0.32		
Interest	70	78	85	0.32	0.35	0.40		
Miscellaneous	162	168	152	0.76	0.76	0.70		
Total other costs	\$ 1,127	\$ 1,184	\$ 1,113	\$ 5.23	\$ 5.36	\$ 5.17	\$	\$
Total cost of operations	\$ 3,742	\$ 4,226	\$ 4,289	\$ 17.35	\$ 19.09	\$ 19.88	\$	\$
Net income (loss)	\$ (30)	\$ 999	\$ 202	\$ (0.16)	\$ 4.53	\$ 0.94	\$	\$

## SUMMARY OF FINANCIAL STATISTICS

### PACIFIC NORTHWEST

	December 31, 2015	December 31, 2014	December 31, 2013
1. Current Ratio	1.23 : 1	1.42 : 1	0.98 : 1
2. Herd Line Debt Per Cow	\$ 741	\$ 619	\$ 786
3. Total Debt Per Cow	\$ 2,157	\$ 2,087	\$ 2,791
4. Debt to Equity Ratio	1.50 : 1	0.81 : 1	1.50 : 1
5. Return on Total Assets	-0.6%	15.1%	3.1%
6. Income (loss) per milking cow per month	\$ (3.06)	\$ 110.56	\$ 32.97

- 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, 2015, 2014, AND 2013  
PACIFIC NORTHWEST  
(BASED ON AVERAGE AMOUNTS)

	2015	2014	2013
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	21,582	22,136	21,578
Daily pounds of milk, per milking cow	69.5	70.4	69.8
Butterfat test	3.85 %	3.79 %	3.80 %
Blend price per hundredweight	\$ 16.76	\$ 23.19	\$ 20.48
Milk receipts, per milking cow	\$ 4,262	\$ 5,956	\$ 5,214
<b>HERD INFORMATION:</b>			
Herd size - total	2,555	2,643	2,938
Percent of dry cows	15.0 %	13.8 %	15.2 %
Herd turnover rate	34.1 %	36.9 %	32.9 %
Composition of herd:			
Purchased cows	11 %	9 %	12 %
Self-raised cows	89 %	91 %	88 %
Cost of purchased cows	\$ 1,934	\$ 1,962	\$ 1,322
Beef price received	\$ 1,107	\$ 1,020	\$ 749
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	32.1 %	29.0 %	35.1 %
Hay and other	25.0 %	19.2 %	22.7 %
Totals	57.1 %	48.2 %	57.8 %

## INCOME AND COST OF OPERATIONS

### PACIFIC NORTHWEST

(BASED ON PER HUNDREDWEIGHT OF MILK BASIS)

December 31,  
2015

December 31,  
2014

December 31,  
2013

December 31,  
2012

December 31,  
2011

December 31,  
2010

Income:						
Milk Sales	\$ 16.79	\$ 23.19	\$ 20.48	\$ 18.56	\$ 20.58	\$ 16.59
Calves and other	0.40	0.43	0.34	0.83	0.57	0.27
Total income	\$ 17.19	\$ 23.62	\$ 20.82	\$ 19.39	\$ 21.15	\$ 16.86
Total cost of operations:						
Feed	\$ 9.58	\$ 11.18	\$ 11.83	\$ 10.53	\$ 9.87	\$ 8.15
Labor	1.85	1.83	1.73	1.70	1.71	1.44
Herd replacement costs	0.69	0.72	1.15	1.29	1.36	1.68
Other costs	5.23	5.36	5.17	5.18	5.22	5.14
Total costs of operations	\$ 17.35	\$ 19.09	\$ 19.88	\$ 18.70	\$ 18.16	\$ 16.41
Net income (loss)	\$ (0.16)	\$ 4.53	\$ 0.94	\$ 0.69	\$ 2.99	\$ 0.45
Cost of operations as a percentage of income	100.93%	80.80%	95.46%	96.44%	85.86%	97.33%
Feed costs as a percentage of milk sales	57.06%	48.21%	57.76%	56.73%	47.96%	49.13%
Net income (loss) per milking cow per month	\$ (3.06)	\$ 110.56	\$ 32.97	\$ 19.67	\$ 74.13	\$ 16.80
Cumulative net income per cwt. from 2010 to 2015	\$ 9.44					

## EXPLANATION OF INCOME AND COST FACTORS

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

## OUR FIRM AND THE DAIRY INDUSTRY

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 2016, milk prices which began to drop at the end of 2014 have continued to drop through the date of these reports brought on by high milk production and inventories, and weaker demand, both domestically and internationally. Major issues for producers in the nation is domestic and global demand, and worldwide competition. Sources of quality labor is getting more competitive, while there is increased demand on higher wages and benefits, that are putting additional strains on producers. Milk and feed futures continue to react with volatility, and obtaining future credit has become increasingly difficult as lending regulations remain strenuous at best. Milk production continues to rise and heifer inventories are rising dramatically as the impact of improved breeding, same-sex semen, and continuous beefing of lower end producing cows, which started several years ago now translates into exploding heifer programs and first calf herds. All of these factors require that producers do as much as they can to conserve resources, improve efficiencies, and make the right decisions day to day for their operations in order to insure a viable future.

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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