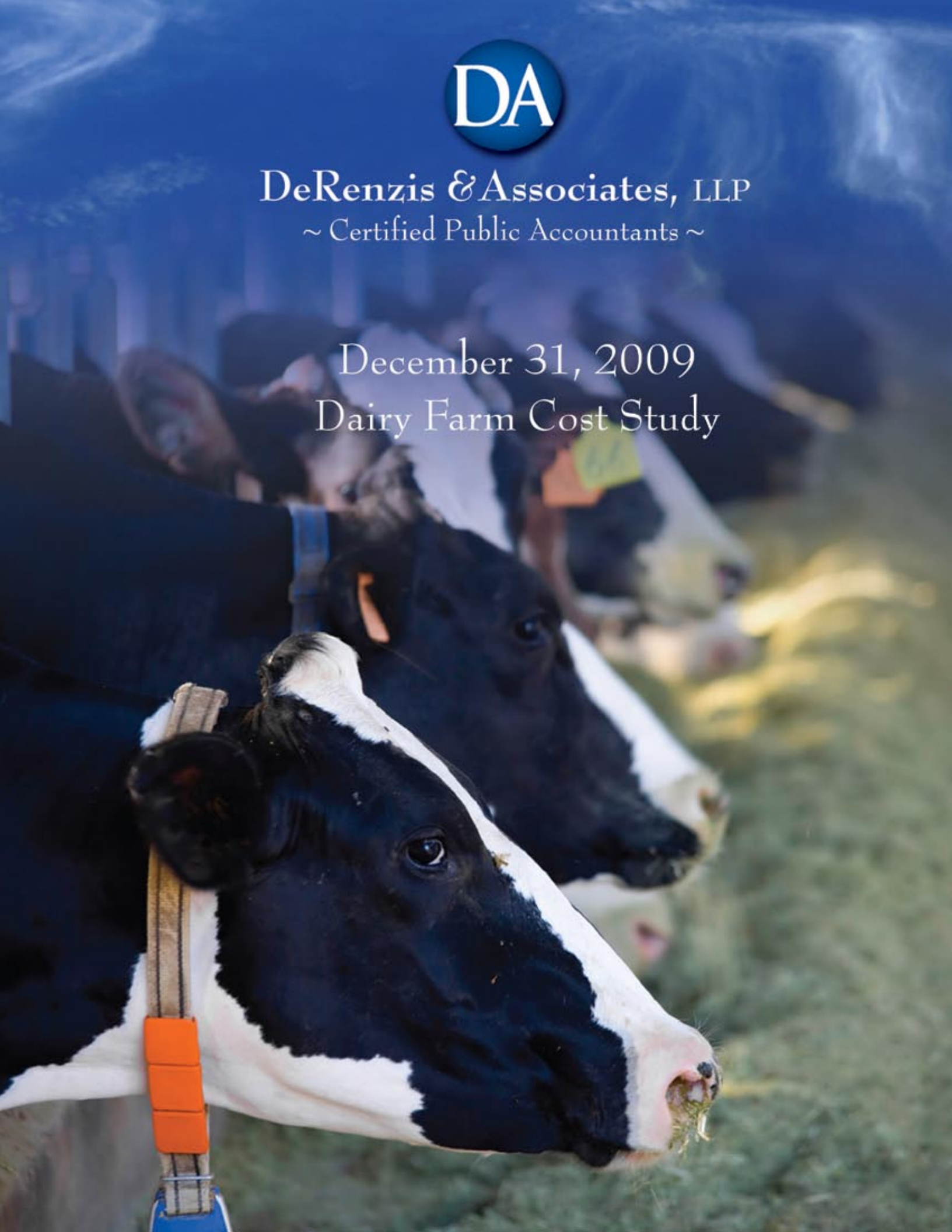




DeRenzis & Associates, LLP
~ Certified Public Accountants ~

December 31, 2009
Dairy Farm Cost Study



Available Services

Accounting:

Accrual basis financial statements, review and compilations

Process all revenue and expense activity both cash and accrual basis

Cashflow, Breakeven and Budgeting reports

Payroll services

Accounting software setup, installation and our continuous support.

Tax Services:

Income tax preparation and tax deferral

Income tax returns for individual, partnership, corporation, trust, gift and estate

IRS audit representation and meeting with auditor

Estate and Trust planning

Consulting Services:

Litigation support

Bank loan acquisition and negotiation

Partnership formation and dissolution



DeRenzis & Associates, LLP
~ Certified Public Accountants ~

And we know that all things work together for good to those who love God, to those who are called according to His purpose. For whom He foreknew, He also predestined to be conformed to the image of His Son, that He might be the firstborn among many brethren. Romans 8:28





DERENZIS & ASSOCIATES, LLP
Certified Public Accountants

Philip J. DeRenzis, C.P.A.
Brian A. DeRenzis, C.P.A.
Kevin E. DeRenzis, C.P.A.
Katie M. Wheeler, C.P.A.
Cyndi A. Locke
Jackie M. Hawkins

To Our Clients and Friends of the Dairy Industry:

The following pages contain the DeRenzis & Associates, LLP Dairy Farm Cost Study for the year ended December 31, 2009.

The data is compiled from dairy operations in Southern California, Central Valley California, Washington, Idaho, New Mexico and West Texas.

This report includes a comparison of the results in the regions stated above for the year ended December 31, 2009 both on a “per hundredweight of milk” basis and on a “per head” basis. Also included are certain financial ratios and other information for that period.

This publication of DeRenzis & Associates, LLP is designed as a reference tool and a management aid to benefit those who value such information. DeRenzis & Associates, LLP believes this information to be accurate and reliable, but is not responsible for errors in the reported information.

We appreciate your time in reviewing this information and hope it becomes useful. If you have any questions or comments please feel free to contact our firm.

For more information, prior year cost studies and pertinent data and forms, please visit our web site of www.derenzisllp.com

May God bless you and thank you for your dedication to our country.

Sincerely,

DeRenzis & Associates, LLP
Certified Public Accountants

March 2010

15328 Central Avenue
Chino, California 91710

909.993.5300 tel
909.993.5305 fax

DAIRY FARM COST STUDY

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DECEMBER 31, 2009

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COST STUDY
SOUTHERN CALIFORNIA
DECEMBER 31, 2009

**COST STUDY
SOUTHERN CALIFORNIA**

**AVERAGE INCOME AND EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:				
Milk	\$ 4,288,854	96.84 %	\$ 11.86	\$ 2,368
Calves and heifers, net	9,742	0.22	0.03	5
U.S. Department of Agriculture	109,686	2.48	0.30	61
Patronage dividends	13,610	0.31	0.04	8
Other	<u>6,714</u>	<u>0.15</u>	<u>0.02</u>	<u>4</u>
 Total income	 \$ <u>4,428,606</u>	 <u>100.00 %</u>	 \$ <u>12.25</u>	 \$ <u>2,446</u>
 OPERATING EXPENSES:				
<i>Feed:</i>				
Hay	\$ 1,700,515	38.40 %	\$ 4.70	\$ 940
Grain	2,057,186	46.45	5.69	1,136
Silage	109,882	2.48	0.30	61
Heifer raising	326,496	7.37	0.90	180
Less cost of feeding heifers	<u>(906,037)</u>	<u>(20.46)</u>	<u>(2.51)</u>	<u>(500)</u>
 Total feed	 \$ <u>3,288,042</u>	 <u>74.24 %</u>	 \$ <u>9.08</u>	 \$ <u>1,817</u>
 <i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 491,858	11.11 %	\$ 1.36	\$ 272
Loss on sale of cows	<u>121,690</u>	<u>2.75</u>	<u>0.34</u>	<u>67</u>
 Total herd replacement cost	 \$ <u>613,548</u>	 <u>13.86 %</u>	 \$ <u>1.70</u>	 \$ <u>339</u>
 Other operating expenses, Schedule I	 \$ <u>1,735,080</u>	 <u>39.18 %</u>	 \$ <u>4.80</u>	 \$ <u>958</u>
 Total operating expenses	 \$ <u>5,636,670</u>	 <u>127.28 %</u>	 \$ <u>15.58</u>	 \$ <u>3,114</u>
 Net loss	 \$ <u><u>(1,208,064)</u></u>	 <u><u>(27.28) %</u></u>	 \$ <u><u>(3.33)</u></u>	 \$ <u><u>(668)</u></u>

**COST STUDY
SOUTHERN CALIFORNIA**

SCHEDULE 1

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 259,964	5.88 %	\$ 0.71	\$ 143
<i>Labor and partners' salary</i>	457,492	10.33	1.27	253
<i>Depreciation - other</i>	83,161	1.88	0.23	46
<i>Milk hauling</i>	118,698	2.68	0.33	66
<i>Advertising & promotion</i>	84,825	1.92	0.23	47
<i>CWT program</i>	15,940	0.36	0.04	9
<i>Supplies</i>	79,373	1.79	0.22	44
<i>Corral cleaning</i>	96,764	2.18	0.27	53
<i>Repairs and maintenance</i>	192,390	4.34	0.53	106
<i>Utilities</i>	86,332	1.95	0.24	48
<i>Taxes</i>	74,703	1.69	0.21	41
<i>Insurance</i>	62,427	1.41	0.17	34
<i>Fuel</i>	44,853	1.01	0.12	25
<i>Legal and accounting</i>	16,373	0.37	0.05	9
<i>Employee benefits</i>	38,800	0.88	0.11	21
<i>Veterinary and medicine</i>	124,494	2.81	0.34	69
<i>Breeding and semen</i>	49,160	1.11	0.14	27
<i>Livestock hauling</i>	426	0.01	0.00	0
<i>Deadstock removal</i>	10,168	0.23	0.03	6
<i>Testing and trimming</i>	29,373	0.66	0.08	16
<i>Miscellaneous</i>	2,237	0.05	0.01	1
<i>Less cost of raising heifers</i>	<u>(192,873)</u>	<u>(4.36)</u>	<u>(0.53)</u>	<u>(106)</u>
 <i>Total</i>	 <u>\$ 1,735,080</u>	 <u>39.18 %</u>	 <u>\$ 4.80</u>	 <u>\$ 958</u>

**COST STUDY
SOUTHERN CALIFORNIA**

SUPPLEMENTARY DATA

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	36,156,941	33,045,125	33,979,652	30,143,243	28,587,261
<i>Average butterfat test</i>	3.62%	3.65%	3.67%	3.68%	3.61%
<i>Average solids-non-fat test</i>	8.83%	8.77%	8.72%	8.76%	8.70%
<i>Average daily pounds per milking cow</i>	65	65	65	65	62
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	1,520	1,385	1,425	1,275	1,255
<i>Dry cows</i>	275	235	250	215	200
<i>Bulls</i>	17	13	11	14	14
<i>Springers and bulls purchased:</i>					
<i>Number of head</i>	1	6	36	52	137
<i>Total amount paid</i>	\$ 1,157	\$ 8,853	\$ 75,598	\$ 93,033	\$ 256,395
<i>Average per head</i>	\$ 1,157	\$ 1,476	\$ 2,100	\$ 1,789	\$ 1,871
<i>Self-raised heifers transferred to milking herd</i>	511	564	478	410	450
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	502	410	413	384	386
<i>Total amount received</i>	\$ 268,786	\$ 237,227	\$ 266,437	\$ 243,537	\$ 255,133
<i>Average per head</i>	\$ 535	\$ 578	\$ 645	\$ 634	\$ 661
<i>Dead cows</i>	93	80	83	70	86
<i>Herd turnover rate</i>	33%	30%	29%	30%	32%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 11.86	\$ 16.98	\$ 18.17	\$ 11.64	\$ 14.10

COST STUDY
CENTRAL VALLEY CALIFORNIA
DECEMBER 31, 2009

**COST STUDY
CENTRAL VALLEY CALIFORNIA**

**AVERAGE INCOME AND EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:				
Milk	\$ 8,980,386	98.35 %	\$ 11.65	\$ 2,434
Calves and heifers, net	(792)	(0.01)	0.00	0
U.S. Department of Agriculture	107,094	1.17	0.15	29
Patronage dividends	27,105	0.30	0.04	7
Other	<u>18,424</u>	<u>0.19</u>	<u>0.02</u>	<u>5</u>
 Total income	 \$ <u>9,132,217</u>	 <u>100.00 %</u>	 \$ <u>11.86</u>	 \$ <u>2,475</u>
 OPERATING EXPENSES:				
<i>Feed:</i>				
Hay	\$ 2,050,414	22.46 %	\$ 2.65	\$ 556
Grain	4,786,951	52.42	6.21	1,298
Silage	1,518,637	16.63	1.97	412
Haylage	26,548	0.29	0.03	7
Heifer raising	677,008	7.41	0.88	184
Less cost of feeding heifers	<u>(2,049,474)</u>	<u>(22.44)</u>	<u>(2.66)</u>	<u>(556)</u>
 Total feed	 \$ <u>7,010,084</u>	 <u>76.77 %</u>	 \$ <u>9.08</u>	 \$ <u>1,901</u>
 <i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 938,049	10.27 %	\$ 1.22	\$ 254
Loss on sale of cows	<u>343,842</u>	<u>3.77</u>	<u>0.45</u>	<u>93</u>
 Total herd replacement cost	 \$ <u>1,281,891</u>	 <u>14.04 %</u>	 \$ <u>1.67</u>	 \$ <u>347</u>
 <i>Other operating expenses, Schedule 2</i>				
	<u>\$ 3,772,152</u>	<u>41.31 %</u>	<u>\$ 4.89</u>	<u>\$ 1,022</u>
 Total operating expenses	 \$ <u>12,064,127</u>	 <u>132.12 %</u>	 \$ <u>15.64</u>	 \$ <u>3,270</u>
 Net loss	 <u>\$ (2,931,910)</u>	 <u>(32.12) %</u>	 <u>\$ (3.78)</u>	 <u>\$ (795)</u>

**COST STUDY
CENTRAL VALLEY CALIFORNIA**

SCHEDULE 2

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 803,136	8.81 %	\$ 1.03	\$ 220
<i>Labor and partners' salary</i>	807,857	8.85	1.05	219
<i>Equipment leases</i>	4,100	0.04	0.01	1
<i>Depreciation - other</i>	416,243	4.56	0.54	113
<i>Milk hauling</i>	215,423	2.36	0.28	58
<i>Advertising & promotion</i>	248,630	2.72	0.32	67
<i>CWT program</i>	69,943	0.77	0.09	19
<i>Supplies</i>	194,989	2.14	0.25	53
<i>Corral cleaning</i>	14,019	0.15	0.02	4
<i>Repairs and maintenance</i>	322,506	3.53	0.42	87
<i>Utilities</i>	222,399	2.44	0.29	60
<i>Taxes</i>	144,348	1.58	0.19	39
<i>Insurance</i>	115,503	1.26	0.15	31
<i>Fuel</i>	110,614	1.21	0.14	30
<i>Legal and accounting</i>	23,051	0.25	0.03	6
<i>Employee benefits</i>	33,055	0.36	0.04	9
<i>Veterinary and medicine</i>	226,754	2.48	0.29	61
<i>Breeding and semen</i>	96,612	1.06	0.13	26
<i>Travel</i>	1,935	0.02	0.00	1
<i>Livestock hauling</i>	4,783	0.05	0.01	1
<i>Deadstock removal</i>	8,312	0.09	0.01	2
<i>Testing and trimming</i>	73,590	0.81	0.10	20
<i>Miscellaneous</i>	7,663	0.08	0.01	2
<i>Less cost of raising heifers</i>	<u>(393,313)</u>	<u>(4.31)</u>	<u>(0.51)</u>	<u>(107)</u>
 <i>Total</i>	 <u>\$ 3,772,152</u>	 <u>41.31 %</u>	 <u>\$ 4.89</u>	 <u>\$ 1,022</u>

**COST STUDY
CENTRAL VALLEY CALIFORNIA**

SUPPLEMENTARY DATA

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	77,090,297	86,329,433	97,779,383	89,320,459	90,660,944
<i>Average butterfat test</i>	3.59%	3.65%	3.62%	3.62%	3.57%
<i>Average solids-non-fat test</i>	8.81%	8.81%	8.78%	8.80%	8.73%
<i>Average daily pounds per milking cow</i>	68	69	70	68	66
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,120	3,415	3,820	3,600	3,740
<i>Dry cows</i>	520	535	650	645	635
<i>Bulls</i>	49	40	44	65	55
<i>Cows and bulls purchased:</i>					
<i>Number of head</i>	134	506	184	86	534
<i>Total amount paid</i>	\$ 166,421	\$ 1,107,831	\$ 358,921	\$ 153,161	\$ 1,069,240
<i>Average per head</i>	\$ 1,241	\$ 2,189	\$ 1,951	\$ 1,781	\$ 2,002
<i>Self-raised heifers transferred to milking herd</i>					
	1,173	1,221	1,507	1,364	1,478
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	1,096	1,131	1,207	1,124	1,324
<i>Total amount received</i>	\$ 611,337	\$ 656,280	\$ 744,683	\$ 691,833	\$ 804,060
<i>Average per head</i>	\$ 558	\$ 580	\$ 617	\$ 616	\$ 607
<i>Dead cows</i>	176	237	258	252	256
<i>Herd turnover rate</i>	34%	34%	32%	32%	36%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 11.65	\$ 16.72	\$ 17.95	\$ 11.53	\$ 13.84

COST STUDY
WASHINGTON
DECEMBER 31, 2009

**COST STUDY
WASHINGTON**

**AVERAGE INCOME AND EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:				
Milk	\$ 6,466,266	96.49 %	\$ 12.88	\$ 2,955
Calves and heifers, net	(74,496)	(1.11)	(0.15)	(35)
U.S. Department of Agriculture	100,378	1.50	0.20	46
Patronage dividends	201,078	3.00	0.40	92
Other	<u>8,190</u>	<u>0.12</u>	<u>0.02</u>	<u>4</u>
 Total income	 \$ <u>6,701,416</u>	 <u>100.00 %</u>	 \$ <u>13.35</u>	 \$ <u>3,062</u>
 OPERATING EXPENSES:				
<i>Feed:</i>				
Hay	\$ 1,165,403	17.39 %	\$ 2.32	\$ 533
Grain	3,205,038	47.83	6.38	1,465
Silage	505,858	7.55	1.01	231
Haylage	358,015	5.34	0.71	164
Heifer raising	241,954	3.61	0.48	111
Less cost of feeding heifers	<u>(1,278,119)</u>	<u>(19.07)</u>	<u>(2.55)</u>	<u>(584)</u>
 Total feed	 \$ <u>4,198,149</u>	 <u>62.65 %</u>	 \$ <u>8.35</u>	 \$ <u>1,920</u>
 <i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 545,421	8.14 %	\$ 1.09	\$ 249
Loss on sale of cows	<u>393,619</u>	<u>5.87</u>	<u>0.78</u>	<u>180</u>
 Total herd replacement cost	 \$ <u>939,040</u>	 <u>14.01 %</u>	 \$ <u>1.87</u>	 \$ <u>429</u>
 <i>Other operating expenses, Schedule 3</i>				
	\$ <u>3,305,510</u>	<u>49.34 %</u>	\$ <u>6.57</u>	\$ <u>1,513</u>
 Total operating expenses	 \$ <u>8,442,699</u>	 <u>126.00 %</u>	 \$ <u>16.79</u>	 \$ <u>3,862</u>
 Net loss	 \$ <u><u>(1,741,283)</u></u>	 <u><u>(26.00) %</u></u>	 \$ <u><u>(3.44)</u></u>	 \$ <u><u>(800)</u></u>

**COST STUDY
WASHINGTON**

SCHEDULE 3

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	%	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 474,156	7.09	%	\$ 0.93	\$ 219
<i>Labor and partners' salary</i>	765,291	11.42		1.52	350
<i>Equipment leases</i>	32,211	0.48		0.06	15
<i>Straw</i>	53,645	0.80		0.11	25
<i>Depreciation - other</i>	429,537	6.41		0.86	196
<i>Milk hauling</i>	168,719	2.52		0.34	77
<i>Advertising and promotion</i>	122,370	1.83		0.24	56
<i>CWT program</i>	50,218	0.75		0.10	23
<i>Supplies</i>	256,314	3.82		0.51	117
<i>Bedding</i>	40,056	0.60		0.08	18
<i>Repairs and maintenance</i>	365,465	5.45		0.73	167
<i>Utilities</i>	142,727	2.13		0.28	65
<i>Taxes</i>	116,107	1.73		0.23	53
<i>Insurance</i>	73,750	1.10		0.15	34
<i>Fuel and oil</i>	104,635	1.56		0.21	48
<i>Legal and accounting</i>	16,685	0.25		0.03	8
<i>Employee benefits</i>	48,854	0.73		0.10	22
<i>Veterinary and medicine</i>	251,896	3.76		0.50	115
<i>Breeding and semen</i>	55,789	0.83		0.11	25
<i>Travel</i>	7,030	0.10		0.01	3
<i>Livestock hauling</i>	9,645	0.14		0.02	4
<i>Deadstock removal</i>	13,078	0.20		0.03	6
<i>Testing and trimming</i>	40,662	0.61		0.08	19
<i>Miscellaneous</i>	4,056	0.06		0.01	2
<i>Less cost of raising heifers</i>	<u>(337,386)</u>	<u>(5.03)</u>		<u>(0.67)</u>	<u>(154)</u>
 <i>Total</i>	 \$ <u>3,305,510</u>	 <u>49.34</u>	 %	 \$ <u>6.57</u>	 \$ <u>1,513</u>

**COST STUDY
WASHINGTON**

SUPPLEMENTARY DATA

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	50,218,026	52,095,198	42,024,994	N/A	N/A
<i>Average butterfat test</i>	3.58%	3.59%	3.58%		
<i>Average protein test</i>	3.04%	3.06%	3.03%		
<i>Average daily pounds per milking cow</i>	75	76	76		
<i>Average somatic cell count</i>	213,000	229,000	181,000		
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	1,830	1,875	1,510		
<i>Dry cows</i>	350	350	255		
<i>Bulls</i>	8	17	16		
<i>Cows and bulls purchased:</i>					
<i>Number of head</i>	NONE	1	101		
<i>Total amount paid</i>	\$	2,000	\$ 207,513		
<i>Average per head</i>	\$	2,000	\$ 2,055		
<i>Self-raised heifers transferred to milking herd</i>	873	798	471		
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	740	565	402		
<i>Total amount received</i>	\$ 355,540	\$ 287,723	\$ 222,460		
<i>Average per head</i>	\$ 480	\$ 509	\$ 554		
<i>Dead cows</i>	196	148	139		
<i>Herd turnover rate</i>	43%	32%	30%		
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 12.88	\$ 16.16	\$ 18.46		

COST STUDY

IDAHO

DECEMBER 31, 2009

**COST STUDY
IDAHO**

**AVERAGE INCOME AND EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:				
Milk	\$ 7,137,741	98.28 %	\$ 11.94	\$ 2,656
Calves and heifers, net	(54,634)	(0.75)	(0.09)	(20)
U.S. Department of Agriculture	89,520	1.23	0.15	33
Patronage dividends	72,053	0.99	0.12	27
Other	<u>18,519</u>	<u>0.25</u>	<u>0.03</u>	<u>6</u>
 Total income	 \$ <u>7,263,199</u>	 <u>100.00 %</u>	 \$ <u>12.15</u>	 \$ <u>2,702</u>
 OPERATING EXPENSES:				
<i>Feed:</i>				
Hay	\$ 1,648,510	22.71 %	\$ 2.76	\$ 613
Grain	3,472,917	47.82	5.81	1,292
Silage	907,294	12.49	1.52	338
Haylage	205,424	2.83	0.34	76
Heifer raising	548,190	7.55	0.92	204
Less cost of feeding heifers	<u>(1,553,058)</u>	<u>(21.38)</u>	<u>(2.60)</u>	<u>(578)</u>
 Total feed	 \$ <u>5,229,277</u>	 <u>72.02 %</u>	 \$ <u>8.75</u>	 \$ <u>1,945</u>
 <i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 689,164	9.48 %	\$ 1.15	\$ 256
Loss on sale of cows	<u>418,939</u>	<u>5.77</u>	<u>0.70</u>	<u>156</u>
 Total herd replacement cost	 \$ <u>1,108,103</u>	 <u>15.25 %</u>	 \$ <u>1.85</u>	 \$ <u>412</u>
 <i>Other operating expenses, Schedule 4</i>				
	\$ <u>3,059,481</u>	<u>42.12 %</u>	\$ <u>5.12</u>	\$ <u>1,139</u>
 Total operating expenses	 \$ <u>9,396,861</u>	 <u>129.39 %</u>	 \$ <u>15.72</u>	 \$ <u>3,496</u>
 Net loss	 \$ <u>(2,133,662)</u>	 <u>(29.39) %</u>	 \$ <u>(3.57)</u>	 \$ <u>(794)</u>

**COST STUDY
IDAHO**

SCHEDULE 4

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 399,419	5.49 %	\$ 0.67	\$ 148
<i>Labor and partners' salary</i>	796,131	10.96	1.33	296
<i>Equipment leases</i>	25,385	0.35	0.04	9
<i>Straw</i>	133,778	1.84	0.22	50
<i>Depreciation - other</i>	484,933	6.68	0.81	180
<i>Milk hauling</i>	166,340	2.29	0.28	62
<i>Advertising and promotion</i>	107,990	1.49	0.18	40
<i>CWT program</i>	24,090	0.33	0.04	9
<i>Supplies</i>	179,245	2.47	0.30	67
<i>Corral cleaning</i>	9,622	0.13	0.02	4
<i>Repairs and maintenance</i>	260,822	3.59	0.44	97
<i>BST</i>	1,364	0.02	0.00	1
<i>Utilities</i>	113,028	1.56	0.19	42
<i>Taxes</i>	109,118	1.50	0.18	41
<i>Insurance</i>	51,495	0.71	0.09	19
<i>Fuel and oil</i>	98,087	1.35	0.16	37
<i>Legal and accounting</i>	21,966	0.30	0.04	8
<i>Employee benefits</i>	23,697	0.33	0.04	9
<i>Veterinary and medicine</i>	211,955	2.92	0.35	79
<i>Breeding and semen</i>	104,654	1.44	0.18	39
<i>Travel</i>	2,248	0.03	0.00	1
<i>Livestock hauling</i>	3,987	0.05	0.01	1
<i>Deadstock removal</i>	5,765	0.08	0.01	2
<i>Testing and trimming</i>	52,820	0.73	0.09	20
<i>Miscellaneous</i>	5,048	0.07	0.01	2
<i>Less cost of raising heifers</i>	<u>(333,506)</u>	<u>(4.59)</u>	<u>(0.56)</u>	<u>(124)</u>
 <i>Total</i>	 <u>\$ 3,059,481</u>	 <u>42.12 %</u>	 <u>\$ 5.12</u>	 <u>\$ 1,139</u>

**COST STUDY
IDAHO**

SUPPLEMENTARY DATA

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk</i>	59,784,664	54,279,181	50,947,846	107,392,893	102,569,884
<i>Average butterfat test</i>	3.52%	3.52%	3.57%	3.64%	3.61%
<i>Average protein test</i>	3.02%	3.02%	3.02%	3.07%	3.18%
<i>Average daily pounds per milking cow</i>	71	70	70	72	67
<i>Average somatic cell count</i>	166,000	191,000	184,000	157,000	206,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	2,305	2,125	2,000	4,125	4,180
<i>Dry cows</i>	365	310	290	570	620
<i>Bulls</i>	14	15	15	45	38
<i>Cows and bulls purchased:</i>					
<i>Number of head</i>	24	149	206	750	818
<i>Total amount paid</i>	\$ 37,539	\$ 315,178	\$ 436,055	\$ 1,324,931	\$ 1,711,931
<i>Average per head</i>	\$ 1,564	\$ 2,115	\$ 2,117	\$ 1,767	\$ 2,092
<i>Self-raised heifers transferred to milking herd</i>					
	962	792	618	1,471	1,479
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	782	586	482	1,456	1,375
<i>Total amount received</i>	\$ 344,884	\$ 288,948	\$ 241,993	\$ 732,355	\$ 815,949
<i>Average per head</i>	\$ 441	\$ 493	\$ 502	\$ 503	\$ 593
<i>Dead cows</i>	209	171	131	269	268
<i>Herd turnover rate</i>	37%	31%	27%	36%	34%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 11.94	\$ 17.16	\$ 16.95	\$ 12.56	\$ 14.20

COST STUDY
NEW MEXICO
DECEMBER 31, 2009

**COST STUDY
NEW MEXICO**

**AVERAGE INCOME AND EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:				
Milk	\$ 9,522,998	98.13 %	\$ 12.56	\$ 2,700
Calves and heifers, net	(34,222)	(0.36)	(0.05)	(9)
U.S. Department of Agriculture	97,781	1.01	0.13	28
Patronage dividends	100,179	1.04	0.13	28
Other	<u>17,369</u>	<u>0.18</u>	<u>0.03</u>	<u>5</u>
 Total income	 \$ <u>9,704,105</u>	 <u>100.00 %</u>	 \$ <u>12.80</u>	 \$ <u>2,752</u>
 OPERATING EXPENSES:				
<i>Feed:</i>				
Hay	\$ 1,973,261	20.33 %	\$ 2.60	\$ 559
Grain	4,618,429	47.59	6.09	1,309
Silage	1,556,398	16.04	2.05	441
Heifer raising	621,290	6.40	0.82	176
Less cost of feeding heifers	<u>(2,061,479)</u>	<u>(21.24)</u>	<u>(2.72)</u>	<u>(584)</u>
 Total feed	 \$ <u>6,707,899</u>	 <u>69.12 %</u>	 \$ <u>8.84</u>	 \$ <u>1,901</u>
 <i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 890,969	9.18 %	\$ 1.17	\$ 253
Loss on sale of cows	<u>621,052</u>	<u>6.40</u>	<u>0.82</u>	<u>176</u>
 Total herd replacement cost	 \$ <u>1,512,021</u>	 <u>15.58 %</u>	 \$ <u>1.99</u>	 \$ <u>429</u>
 Other operating expenses, Schedule 5	 \$ <u>3,626,834</u>	 <u>37.37 %</u>	 \$ <u>4.78</u>	 \$ <u>1,028</u>
 Total operating expenses	 \$ <u>11,846,754</u>	 <u>122.07 %</u>	 \$ <u>15.61</u>	 \$ <u>3,358</u>
 Net loss	 \$ <u>(2,142,649)</u>	 <u>(22.07) %</u>	 \$ <u>(2.81)</u>	 \$ <u>(606)</u>

**COST STUDY
NEW MEXICO**

SCHEDULE 5

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 454,212	4.66 %	\$ 0.62	\$ 131
<i>Labor and partners' salary</i>	864,970	8.91	1.14	245
<i>Equipment leases</i>	13,381	0.14	0.02	4
<i>Depreciation - other</i>	268,582	2.77	0.35	76
<i>Milk hauling</i>	463,003	4.77	0.61	131
<i>Advertising & promotion</i>	382,222	3.94	0.50	108
<i>CWT program</i>	75,834	0.78	0.10	22
<i>Supplies</i>	239,059	2.46	0.32	68
<i>Corral cleaning</i>	72,067	0.74	0.10	20
<i>Repairs and maintenance</i>	290,781	3.00	0.38	82
<i>Utilities</i>	109,328	1.13	0.14	31
<i>Taxes</i>	145,356	1.50	0.19	41
<i>Insurance</i>	54,517	0.56	0.07	15
<i>Fuel</i>	109,603	1.13	0.14	31
<i>Legal and accounting</i>	22,435	0.23	0.03	6
<i>Employee benefits</i>	32,961	0.34	0.04	9
<i>Veterinary and medicine</i>	283,415	2.92	0.37	80
<i>Breeding and semen</i>	94,709	0.98	0.12	27
<i>Deadstock removal</i>	3,431	0.04	0.00	1
<i>Testing and trimming</i>	75,406	0.78	0.10	21
<i>Miscellaneous</i>	6,385	0.07	0.01	2
<i>Less cost of raising heifers</i>	<u>(434,823)</u>	<u>(4.48)</u>	<u>(0.57)</u>	<u>(123)</u>
 <i>Total</i>	 <u>\$ 3,626,834</u>	 <u>37.37 %</u>	 <u>\$ 4.78</u>	 <u>\$ 1,028</u>

**COST STUDY
NEW MEXICO**

SUPPLEMENTARY DATA

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	75,834,442	72,298,204	67,240,902	69,178,964	67,259,126
<i>Average butterfat test</i>	3.49%	3.58%	3.54%	3.52%	3.43%
<i>Average protein test</i>	3.04%	3.03%	3.09%	3.04%	3.01%
<i>Average daily pounds per milking cow</i>	71	70	68	71	69
<i>Average somatic cell count</i>	164,000	204,000	186,000	192,000	233,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	2,940	2,810	2,700	2,680	2,680
<i>Dry cows</i>	535	495	445	485	470
<i>Bulls</i>	55	55	60	51	40
<i>Srpingers and bulls purchased:</i>					
<i>Number of head</i>	165	340	453	451	463
<i>Total amount paid</i>	\$ 238,403	\$ 728,349	\$ 860,738	\$ 866,733	\$ 774,099
<i>Average per head</i>	\$ 1,447	\$ 2,143	\$ 1,900	\$ 1,922	\$ 1,672
<i>Self-raised heifers transferred to milking herd</i>					
	1,244	1,038	979	777	963
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	1,095	1,056	1,004	977	1,124
<i>Total amount received</i>	\$ 536,233	\$ 589,479	\$ 538,621	\$ 497,688	\$ 589,843
<i>Average per head</i>	\$ 490	\$ 558	\$ 537	\$ 509	\$ 525
<i>Dead cows</i>	180	198	194	171	144
<i>Herd turnover rate</i>	36%	37%	37%	36%	40%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 12.56	\$ 17.80	\$ 18.90	\$ 12.28	\$ 14.07

COST STUDY
WEST TEXAS
DECEMBER 31, 2009

**COST STUDY
WEST TEXAS**

**AVERAGE INCOME AND EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:				
Milk	\$ 10,083,704	98.20 %	\$ 12.58	\$ 2,682
Calves and heifers, net	(28,578)	(0.28)	(0.04)	(8)
U.S. Department of Agriculture	95,788	0.93	0.12	26
Patronage dividends	103,437	1.02	0.13	28
Other	<u>14,097</u>	<u>0.13</u>	<u>0.01</u>	<u>4</u>
 Total income	 \$ <u>10,268,448</u>	 <u>100.00 %</u>	 \$ <u>12.80</u>	 \$ <u>2,732</u>
 OPERATING EXPENSES:				
<i>Feed:</i>				
Hay	\$ 1,833,854	17.86 %	\$ 2.29	\$ 488
Grain	4,802,680	46.77	5.99	1,277
Silage	1,783,793	17.37	2.23	474
Haylage	31,030	0.30	0.04	8
Heifer raising	541,157	5.27	0.68	144
Less cost of feeding heifers	<u>(2,036,565)</u>	<u>(19.83)</u>	<u>(2.54)</u>	<u>(542)</u>
 Total feed	 \$ <u>6,955,949</u>	 <u>67.74 %</u>	 \$ <u>8.69</u>	 \$ <u>1,849</u>
 <i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 931,720	9.07 %	\$ 1.16	\$ 248
Loss on sale of cows	<u>672,622</u>	<u>6.55</u>	<u>0.83</u>	<u>179</u>
 Total herd replacement cost	 \$ <u>1,604,342</u>	 <u>15.62 %</u>	 \$ <u>1.99</u>	 \$ <u>427</u>
 <i>Other operating expenses, Schedule 6</i>				
	\$ <u>3,981,385</u>	<u>38.77 %</u>	\$ <u>4.97</u>	\$ <u>1,059</u>
 Total operating expenses	 \$ <u>12,541,676</u>	 <u>122.13 %</u>	 \$ <u>15.65</u>	 \$ <u>3,335</u>
 Net loss	 \$ <u>(2,273,228)</u>	 <u>(22.13) %</u>	 \$ <u>(2.85)</u>	 \$ <u>(603)</u>

**COST STUDY
WEST TEXAS**

SCHEDULE 6

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2009**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 559,575	5.42 %	\$ 0.71	\$ 148
<i>Labor and partners' salary</i>	970,304	9.45	1.21	258
<i>Equipment leases</i>	36,477	0.36	0.05	10
<i>Depreciation - other</i>	305,469	2.97	0.38	81
<i>Milk hauling</i>	547,585	5.33	0.68	146
<i>Advertising & promotion</i>	354,123	3.45	0.44	94
<i>CWT program</i>	74,892	0.73	0.09	20
<i>Supplies</i>	240,365	2.34	0.30	64
<i>Corral cleaning</i>	50,999	0.50	0.06	14
<i>Repairs and maintenance</i>	306,026	2.98	0.38	81
<i>Utilities</i>	131,905	1.28	0.16	35
<i>Taxes</i>	137,950	1.34	0.17	37
<i>Insurance</i>	82,945	0.81	0.10	22
<i>Fuel</i>	112,770	1.10	0.14	30
<i>Legal and accounting</i>	20,047	0.20	0.03	5
<i>Employee benefits</i>	36,364	0.35	0.05	10
<i>Veterinary and medicine</i>	306,914	2.99	0.38	82
<i>Breeding and semen</i>	101,752	0.99	0.13	27
<i>Travel</i>	3,839	0.04	0.00	1
<i>Livestock hauling</i>	982	0.01	0.00	0
<i>Deadstock removal</i>	4,297	0.04	0.01	1
<i>Testing and trimming</i>	77,158	0.75	0.10	21
<i>Miscellaneous</i>	6,073	0.06	0.01	2
<i>Less cost of raising heifers</i>	<u>(487,426)</u>	<u>(4.75)</u>	<u>(0.61)</u>	<u>(130)</u>
 <i>Total</i>	 \$ <u>3,981,385</u>	 <u>38.77 %</u>	 \$ <u>4.97</u>	 \$ <u>1,059</u>

**COST STUDY
WEST TEXAS**

SUPPLEMENTARY DATA

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	80,130,106	69,738,128	74,352,775	74,135,901	68,925,670
<i>Average butterfat test</i>	3.51%	3.60%	3.59%	3.59%	3.51%
<i>Average protein test</i>	3.06%	3.04%	3.09%	3.05%	3.01%
<i>Average daily pounds per milking cow</i>	69	69	65	67	68
<i>Average somatic cell count</i>	187,000	218,000	219,000	211,000	253,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,165	2,780	3,125	3,010	2,795
<i>Dry cows</i>	545	465	500	515	475
<i>Bulls</i>	47	43	55	49	39
<i>Springers and bulls purchased:</i>					
<i>Number of head</i>	117	361	492	551	504
<i>Total amount paid</i>	\$ 168,466	\$ 735,395	\$ 922,019	\$ 1,028,533	\$ 879,964
<i>Average per head</i>	\$ 1,440	\$ 2,036	\$ 1,874	\$ 1,867	\$ 1,746
<i>Self-raised heifers transferred to milking herd</i>					
	1,376	1,072	1,159	937	931
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	1,147	1,004	1,176	1,126	1,104
<i>Total amount received</i>	\$ 576,181	\$ 560,690	\$ 635,421	\$ 569,625	\$ 571,789
<i>Average per head</i>	\$ 502	\$ 559	\$ 540	\$ 506	\$ 518
<i>Dead cows</i>	183	185	218	227	147
<i>Herd turnover rate</i>	35%	36%	38%	38%	38%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 12.58	\$ 17.86	\$ 19.09	\$ 12.20	\$ 14.01

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