



DeRenzis & Associates, LLP

~ Certified Public Accountants ~

December 31, 2007  
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 ~

“ My brethren, count it all joy when you fall into various trials, knowing that the testing of your faith produces patience. But let patience have its perfect work, that you may be perfect and complete, lacking nothing. If any of you lacks wisdom, let him ask of God, who gives to all liberally and without reproach, and it will be given to him. But let him ask in faith, with no doubting, for he who doubts is like a wave of the sea driven and tossed by the wind. For let not that man suppose that he will receive anything from the Lord; he is a double-minded man, unstable in all his ways. ”

James 1:2-8



DERENZIS & ASSOCIATES, LLP  
Certified Public Accountants

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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, 2007.

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, 2007 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](http://www.derenzisllp.com)

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

Sincerely,

DeRenzis & Associates, LLP  
Certified Public Accountants

December 2007

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***DAIRY FARM COST STUDY***

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***COST STUDY***  
***SOUTHERN CALIFORNIA***  
***DECEMBER 31, 2007***



**COST STUDY  
SOUTHERN CALIFORNIA**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2007**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 6,175,697	98.68 %	\$ 18.17	\$ 3,666
Calves and heifers, net	54,651	0.87	0.16	32
Patronage dividends	17,127	0.27	0.05	10
U. S. Department of Agriculture	8,374	0.13	0.02	5
Other	2,753	0.04	0.01	2
Total income	<u>\$ 6,258,602</u>	<u>100.00 %</u>	<u>\$ 18.41</u>	<u>\$ 3,715</u>
<b>OPERATING EXPENSES:</b>				
<b>Feed:</b>				
Hay	\$ 1,410,283	22.53 %	\$ 4.16	\$ 837
Grain	1,735,756	27.73	5.11	1,030
Silage	87,300	1.39	0.26	52
Heifer raising	242,309	3.87	0.71	144
Less cost of feeding heifers	<u>(774,660)</u>	<u>(12.38)</u>	<u>(2.28)</u>	<u>(460)</u>
Total feed	<u>\$ 2,700,988</u>	<u>43.16 %</u>	<u>\$ 7.96</u>	<u>\$ 1,603</u>
<b>Herd replacement cost:</b>				
Depreciation on dairy herd	\$ 394,282	6.30 %	\$ 1.16	\$ 234
Loss on sale of cows	<u>61,198</u>	<u>0.98</u>	<u>0.18</u>	<u>36</u>
Total herd replacement cost	<u>\$ 455,480</u>	<u>7.28 %</u>	<u>\$ 1.34</u>	<u>\$ 270</u>
<b>Other operating expenses:</b>				
Interest and rent	\$ 290,226	4.62 %	\$ 0.83	\$ 172
Labor and partners' salary	408,838	6.53	1.20	243
Depreciation - other	116,867	1.87	0.34	69
Milk hauling	108,937	1.74	0.32	65
Advertising and promotion	71,149	1.14	0.21	42
CWT program	24,310	0.39	0.07	14
Supplies	68,923	1.10	0.20	41
Corral cleaning	71,864	1.15	0.21	43
Repairs and maintenance	167,582	2.68	0.49	99
Utilities	84,067	1.34	0.25	50
Taxes	69,295	1.11	0.20	41
Insurance	55,568	0.89	0.16	33
Fuel	52,353	0.84	0.15	31
Legal and accounting	13,889	0.22	0.04	8
Employee benefits	45,207	0.72	0.13	27
Veterinary and medicine	123,369	1.97	0.36	73
Breeding and semen	56,219	0.90	0.17	33
Livestock hauling	1,777	0.03	0.01	1
Deadstock removal	8,435	0.13	0.02	5
Testing and trimming	27,509	0.44	0.08	16
Miscellaneous	3,929	0.06	0.01	2
Less cost of raising heifers	<u>(213,026)</u>	<u>(3.40)</u>	<u>(0.63)</u>	<u>(126)</u>
Total other operating expenses	<u>\$ 1,657,287</u>	<u>26.48 %</u>	<u>\$ 4.88</u>	<u>\$ 984</u>
Total operating expenses	<u>\$ 4,813,755</u>	<u>76.92 %</u>	<u>\$ 14.18</u>	<u>\$ 2,857</u>
Net income	<u>\$ 1,444,847</u>	<u>23.08 %</u>	<u>\$ 4.23</u>	<u>\$ 858</u>

**COST STUDY  
SOUTHERN CALIFORNIA**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b><u>MILK PRODUCTION</u></b>					
<i>Pounds of whole milk produced</i>	33,979,652	30,143,243	28,587,261	27,521,719	28,998,469
<i>Average butterfat test</i>	3.67%	3.68%	3.61%	3.57%	3.60%
<i>Average solids-non-fat test</i>	8.72%	8.76%	8.70%	8.72%	8.72%
<i>Average daily pounds per milking cow</i>	65	65	62	63	63
<b><u>DAIRY HERD</u></b>					
<i>Average herd size:</i>					
<i>Milking cows</i>	1,425	1,275	1,255	1,190	1,270
<i>Dry cows</i>	245	215	200	205	225
<i>Bulls</i>	11	14	14	11	13
<i>Springers and bulls purchased:</i>					
<i>Number of head</i>	36	52	137	107	76
<i>Total amount paid</i>	\$ 75,598	\$ 93,033	\$ 256,395	\$ 205,718	\$ 116,308
<i>Average per head</i>	\$ 2,100	\$ 1,789	\$ 1,871	\$ 1,923	\$ 1,530
<i>Self-raised heifers transferred to milking herd</i>	478	410	450	402	422
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	413	384	386	380	477
<i>Total amount received</i>	\$ 266,437	\$ 243,537	\$ 255,133	\$ 247,501	\$ 253,790
<i>Average per head</i>	\$ 645	\$ 634	\$ 661	\$ 651	\$ 532
<i>Dead cows</i>	83	70	86	82	74
<i>Herd turnover rate</i>	29%	30%	32%	33%	37%
<b><u>PRODUCT PRICE</u></b>					
<i>Average price received per cwt. of milk shipped</i>	\$ 18.17	\$ 11.64	\$ 14.10	\$ 14.88	\$ 11.57

***COST STUDY***  
***CENTRAL VALLEY CALIFORNIA***  
***DECEMBER 31, 2007***



**COST STUDY  
CENTRAL VALLEY CALIFORNIA**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2007**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 17,547,695	98.51 %	\$ 17.95	\$ 3,887
Calves and heifers, net	74,092	0.42	0.08	16
Patronage dividends	137,880	0.77	0.14	31
Other	52,784	0.30	0.05	12
Total income	<u>\$ 17,812,451</u>	<u>100.00 %</u>	<u>\$ 18.22</u>	<u>\$ 3,946</u>
<b>OPERATING EXPENSES:</b>				
<i>Feed:</i>				
Hay	\$ 2,188,534	12.29 %	\$ 2.24	\$ 485
Grain	5,110,728	28.69	5.23	1,132
Silage	1,385,455	7.78	1.42	307
Haylage	58,634	0.33	0.06	13
Heifer raising	518,665	2.91	0.53	115
Less cost of feeding heifers	<u>(1,948,844)</u>	<u>(10.94)</u>	<u>(1.99)</u>	<u>(432)</u>
Total feed	<u>\$ 7,313,172</u>	<u>41.06 %</u>	<u>\$ 7.49</u>	<u>\$ 1,620</u>
<i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 1,027,306	5.77 %	\$ 1.05	\$ 228
Loss on sale of cows	<u>352,780</u>	<u>1.98</u>	<u>0.36</u>	<u>78</u>
Total herd replacement cost	<u>\$ 1,380,086</u>	<u>7.75 %</u>	<u>\$ 1.41</u>	<u>\$ 306</u>
<i>Other operating expenses:</i>				
Interest and rent	\$ 1,115,546	6.24 %	\$ 1.12	\$ 247
Labor and partners' salary	1,003,856	5.64	1.03	222
Equipment leases	16,598	0.09	0.02	4
Depreciation - other	541,339	3.04	0.55	120
Milk hauling	290,530	1.63	0.30	64
Advertising and promotion	228,909	1.29	0.23	51
CWT program	97,779	0.55	0.10	22
Supplies	234,348	1.32	0.24	52
Corral cleaning	17,139	0.10	0.02	4
Repairs and maintenance	417,141	2.34	0.43	92
BST	7,995	0.04	0.01	2
Utilities	263,165	1.48	0.27	58
Taxes	176,789	0.99	0.18	39
Insurance	132,132	0.74	0.14	29
Fuel	160,039	0.90	0.16	35
Legal and accounting	21,099	0.12	0.02	5
Employee benefits	51,848	0.29	0.05	11
Veterinary and medicine	287,094	1.61	0.29	64
Breeding and semen	185,198	1.04	0.19	41
Travel	4,945	0.03	0.01	1
Livestock hauling	8,250	0.05	0.01	2
Deadstock removal	8,142	0.05	0.01	2
Testing and trimming	84,256	0.47	0.09	19
Miscellaneous	6,324	0.04	0.01	1
Less cost of raising heifers	<u>(551,223)</u>	<u>(3.09)</u>	<u>(0.56)</u>	<u>(122)</u>
Total other operating expenses	<u>\$ 4,809,238</u>	<u>27.00 %</u>	<u>\$ 4.92</u>	<u>\$ (1,065)</u>
Total operating expenses	<u>\$ 13,502,496</u>	<u>75.81 %</u>	<u>\$ 13.82</u>	<u>\$ 2,991</u>
Net income	<u>\$ 4,309,955</u>	<u>24.19 %</u>	<u>\$ 4.40</u>	<u>\$ 955</u>

**COST STUDY  
CENTRAL VALLEY CALIFORNIA**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b><u>MILK PRODUCTION</u></b>					
Pounds of whole milk produced	97,779,383	89,320,459	90,660,944	90,378,830	97,777,287
Average butterfat test	3.62%	3.62%	3.57%	3.64%	3.58%
Average solids-non-fat test	8.78%	8.80%	8.73%	8.79%	8.74%
Average daily pounds per milking cow	70	68	66	67	67
<b><u>DAIRY HERD</u></b>					
Average herd size:					
Milking cows	3,820	3,600	3,740	3,710	4,000
Dry cows	650	645	635	605	660
Bulls	44	65	55	52	77
Cows and bulls purchased:					
Number of head	184	86	534	534,543	544
Total amount paid	\$ 358,921	\$ 153,161	\$ 1,069,240	\$ 996,432	\$ 749,659
Average per head	\$ 1,951	\$ 1,781	\$ 2,002	\$ 1,835	\$ 1,378
Self-raised heifers transferred to milking herd	1,507	1,364	1,478	1,317	1,845
Cows and bulls sold:					
Number of head	1,207	1,124	1,324	1,244	1,632
Total amount received	\$ 744,683	\$ 691,833	\$ 804,060	\$ 758,668	\$ 784,438
Average per head	\$ 617	\$ 616	\$ 607	\$ 610	\$ 481
Dead cows	258	252	256	255	298
Herd turnover rate	32%	32%	36%	34%	41%
<b><u>PRODUCT PRICE</u></b>					
Average price received per cwt. of milk shipped	\$ 17.95	\$ 11.53	\$ 13.84	\$ 14.75	\$ 11.37

***COST STUDY***  
***WASHINGTON***  
***DECEMBER 31, 2007***

**COST STUDY  
WASHINGTON**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2007**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 6,912,357	97.24 %	\$ 16.45	\$ 3,883
Calves and heifers, net	128,096	1.80	0.30	72
Patronage dividends	43,354	0.61	0.10	24
U. S. Department of Agriculture	9,527	0.13	0.02	5
Other	15,436	0.22	0.04	9
<b>Total income</b>	<b>\$ 7,108,770</b>	<b>100.00 %</b>	<b>\$ 16.91</b>	<b>\$ 3,993</b>
<b>OPERATING EXPENSES:</b>				
<b>Feed:</b>				
Hay	\$ 750,289	10.55 %	\$ 1.79	\$ 422
Grain	1,995,240	28.07	4.75	1,121
Silage	428,126	6.02	1.02	241
Haylage	129,174	1.82	0.31	73
Heifer raising	265,112	3.73	0.63	149
Less cost of feeding heifers	(712,042)	(10.02)	(1.69)	(400)
<b>Total feed</b>	<b>\$ 2,855,899</b>	<b>40.17 %</b>	<b>\$ 6.81</b>	<b>\$ 1,606</b>
<b>Herd replacement cost:</b>				
Depreciation on dairy herd	\$ 389,948	5.49 %	\$ 0.93	\$ 219
Loss on sale of cows	153,118	2.15	0.36	86
<b>Total herd replacement cost</b>	<b>\$ 543,066</b>	<b>7.64 %</b>	<b>\$ 1.29</b>	<b>\$ 305</b>
<b>Other operating expenses:</b>				
Interest and rent	\$ 495,260	6.97 %	\$ 1.16	\$ 278
Labor and partners' salary	627,489	8.83	1.49	353
Equipment leases	17,601	0.25	0.04	10
Straw and bedding	61,919	0.87	0.15	35
Depreciation - other	290,412	4.09	0.69	163
Milk hauling	142,422	2.00	0.34	80
Advertising and promotion	90,423	1.27	0.22	51
CWT program	24,373	0.34	0.06	14
Supplies	216,559	3.05	0.52	122
Repairs and maintenance	295,751	4.16	0.70	166
BST	51,449	0.72	0.12	29
Utilities	113,202	1.59	0.27	64
Taxes	96,702	1.36	0.23	54
Insurance	49,884	0.70	0.12	28
Fuel	106,045	1.49	0.25	60
Legal and accounting	22,878	0.32	0.05	13
Employee benefits	57,006	0.80	0.14	32
Veterinary and medicine	247,226	3.48	0.59	139
Breeding and semen	60,252	0.85	0.14	34
Travel	5,958	0.08	0.01	3
Livestock hauling	11,278	0.16	0.03	6
Deadstock removal	12,555	0.18	0.03	7
Testing and trimming	43,902	0.62	0.10	25
Miscellaneous	1,981	0.03	0.00	1
Less cost of raising heifers	(220,090)	(3.10)	(0.52)	(124)
<b>Total other operating expenses</b>	<b>\$ 2,922,437</b>	<b>41.11 %</b>	<b>\$ 6.95</b>	<b>\$ 1,643</b>
<b>Total operating expenses</b>	<b>\$ 6,321,402</b>	<b>88.92 %</b>	<b>\$ 15.05</b>	<b>\$ 3,554</b>
<b>Net income</b>	<b>\$ 787,368</b>	<b>11.08 %</b>	<b>\$ 1.86</b>	<b>\$ 439</b>

**COST STUDY  
WASHINGTON**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b><u>MILK PRODUCTION</u></b>					
Pounds of whole milk produced	42,024,994	N/A	N/A	N/A	N/A
Average butterfat test	3.58%				
Average protein test	3.03%				
Average daily pounds per milking cow	76				
Average somatic cell count	181,000				
<b><u>DAIRY HERD</u></b>					
Average herd size:					
Milking cows	1,510				
Dry cows	255				
Bulls	16				
Cows and bulls purchased:					
Number of head	101				
Total amount paid	\$ 207,513				
Average per head	\$ 2,055				
Self-raised heifers transferred to milking herd	471				
Cows and bulls sold:					
Number of head	402				
Total amount received	\$ 222,460				
Average per head	\$ 554				
Dead cows	139				
Herd turnover rate	30%				
<b><u>PRODUCT PRICE</u></b>					
Average price received per cwt. of milk shipped	\$ 16.45				

***COST STUDY***  
***IDAHO***

***DECEMBER 31, 2007***



**COST STUDY  
IDAHO**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2007**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 8,635,721	98.81 %	\$ 16.95	\$ 3,750
Calves and heifers, net	72,869	0.83	0.14	32
Patronage dividends	10,638	0.12	0.02	5
U. S. Department of Agriculture	3,807	0.04	0.01	2
Other	17,295	0.20	0.03	8
Total income	<u>\$ 8,740,330</u>	<u>100.00 %</u>	<u>\$ 17.15</u>	<u>\$ 3,797</u>
<b>OPERATING EXPENSES:</b>				
<b>Feed:</b>				
Hay	\$ 1,043,878	11.94 %	\$ 2.05	\$ 453
Grain	2,333,088	26.69	4.58	1,013
Silage	629,549	7.20	1.24	273
Haylage	123,186	1.41	0.24	53
Heifer raising	220,095	2.52	0.43	96
Less cost of feeding heifers	<u>(657,590)</u>	<u>(7.52)</u>	<u>(1.29)</u>	<u>(286)</u>
Total feed	<u>\$ 3,692,206</u>	<u>42.24 %</u>	<u>\$ 7.25</u>	<u>\$ 1,602</u>
<b>Herd replacement cost:</b>				
Depreciation on dairy herd	\$ 561,316	6.42 %	\$ 1.10	\$ 244
Loss on sale of cows	<u>220,867</u>	<u>2.53</u>	<u>0.43</u>	<u>96</u>
Total herd replacement cost	<u>\$ 782,183</u>	<u>8.95 %</u>	<u>\$ 1.53</u>	<u>\$ 340</u>
<b>Other operating expenses:</b>				
Interest and rent	\$ 523,430	5.99 %	\$ 1.01	\$ 227
Labor and partners' salary	678,340	7.76	1.33	295
Equipment leases	24,004	0.27	0.05	10
Straw	58,036	0.66	0.11	25
Depreciation - other	355,812	4.07	0.70	155
Milk hauling	143,273	1.64	0.28	62
Advertising and promotion	91,528	1.05	0.18	40
CWT program	29,418	0.34	0.06	13
Supplies	141,191	1.62	0.28	61
Corral cleaning	8,438	0.10	0.02	4
Repairs and maintenance	242,905	2.78	0.48	105
BST	60,403	0.69	0.12	26
Utilities	70,699	0.81	0.14	31
Taxes	89,942	1.03	0.18	39
Insurance	49,019	0.56	0.10	21
Fuel	94,065	1.08	0.18	41
Legal and accounting	25,139	0.29	0.05	11
Employee benefits	16,643	0.19	0.03	7
Veterinary and medicine	165,213	1.89	0.32	72
Breeding and semen	88,219	1.01	0.17	38
Travel	2,996	0.03	0.01	1
Livestock hauling	4,444	0.05	0.01	2
Deadstock removal	4,724	0.05	0.01	2
Testing and trimming	44,719	0.51	0.09	19
Miscellaneous	2,992	0.03	0.01	1
Less cost of raising heifers	<u>(488,379)</u>	<u>(5.59)</u>	<u>(0.96)</u>	<u>(212)</u>
Total other operating expenses	<u>\$ 2,527,210</u>	<u>28.91 %</u>	<u>\$ 4.96</u>	<u>\$ 1,097</u>
Total operating expenses	<u>\$ 7,001,599</u>	<u>80.10 %</u>	<u>\$ 13.74</u>	<u>\$ 3,039</u>
Net income	<u>\$ 1,738,731</u>	<u>19.90 %</u>	<u>\$ 3.41</u>	<u>\$ 753</u>

**COST STUDY  
IDAHO**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b><u>MILK PRODUCTION</u></b>					
<i>Pounds of whole milk produced</i>	50,947,846	107,672,983	102,569,884	90,548,260	99,576,703
<i>Average butterfat test</i>	3.57%	3.64%	3.61%	3.70%	3.57%
<i>Average protein test</i>	3.02%	3.07%	3.18%	3.17%	3.04%
<i>Average daily pounds per milking cow</i>	70	72	67	66	68
<i>Average somatic cell count</i>	184,000	157,000	206,000	221,000	213,000
<b><u>DAIRY HERD</u></b>					
<i>Average herd size:</i>					
<i>Milking cows</i>	2,000	4,125	4,180	3,760	4,000
<i>Dry cows</i>	290	570	620	580	655
<i>Bulls</i>	15	45	38	45	46
<i>Cows and bulls purchased:</i>					
<i>Number of head</i>	206	750	818	1,139	956
<i>Total amount paid</i>	\$ 436,055	\$ 1,324,931	\$ 1,711,931	\$ 2,026,733	\$ 1,438,537
<i>Average per head</i>	\$ 2,121	\$ 1,767	\$ 2,092	\$ 1,779	\$ 1,505
<i>Self-raised heifers transferred to milking herd</i>	618	1,471	1,479	889	908
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	482	1,456	1,375	1,419	1,473
<i>Total amount received</i>	\$ 241,993	\$ 732,355	\$ 815,949	\$ 807,721	\$ 717,926
<i>Average per head</i>	\$ 502	\$ 503	\$ 593	\$ 569	\$ 488
<i>Dead cows</i>	131	269	268	282	215
<i>Herd turnover rate</i>	27%	36%	34%	39%	36%
<b><u>PRODUCT PRICE</u></b>					
<i>Average price received per cwt. of milk shipped</i>	\$ 16.95	\$ 12.56	\$ 14.20	\$ 14.90	\$ 12.20

***COST STUDY***

***NEW MEXICO***

***DECEMBER 31, 2007***

**COST STUDY  
NEW MEXICO**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2007**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 12,711,322	99.33 %	\$ 18.90	\$ 3,965
Calves and heifers, net	55,196	0.43	0.08	17
U. S. Department of Agriculture	6,001	0.05	0.01	2
Patronage dividends	7,394	0.06	0.01	2
Other	17,121	0.13	0.03	5
<b>Total income</b>	<b>\$ 12,797,034</b>	<b>100.00 %</b>	<b>\$ 19.03</b>	<b>\$ 3,991</b>
<b>OPERATING EXPENSES:</b>				
<b>Feed:</b>				
Hay	\$ 1,397,338	10.91 %	\$ 2.08	\$ 436
Grain	3,368,030	26.32	5.01	1,051
Silage	1,119,961	8.75	1.67	349
Heifer raising	251,023	1.96	0.37	78
Less cost of feeding heifers	(1,323,282)	(10.34)	(1.97)	(413)
<b>Total feed</b>	<b>\$ 4,813,070</b>	<b>37.60 %</b>	<b>\$ 7.16</b>	<b>\$ 1,501</b>
<b>Herd replacement cost:</b>				
Depreciation on dairy herd	\$ 771,691	6.03 %	\$ 1.15	\$ 241
Loss on sale of cows	698,205	5.46	1.04	218
<b>Total herd replacement cost</b>	<b>\$ 1,469,896</b>	<b>11.49 %</b>	<b>\$ 2.19</b>	<b>\$ 459</b>
<b>Other operating expenses:</b>				
Interest and rent	\$ 695,605	5.42 %	\$ 1.01	\$ 217
Labor and partners' salary	752,170	5.88	1.12	235
Equipment leases	32,801	0.26	0.05	10
Depreciation - other	246,713	1.93	0.37	77
Milk hauling	557,259	4.35	0.83	174
Advertising and promotion	210,897	1.65	0.31	66
CWT program	67,241	0.53	0.10	21
Supplies	199,324	1.56	0.30	62
Corral cleaning	128,713	1.01	0.19	40
Repairs and maintenance	275,470	2.15	0.41	86
Utilities	113,893	0.89	0.17	36
Taxes	122,438	0.96	0.18	38
Insurance	48,355	0.38	0.07	15
Fuel	143,154	1.12	0.21	45
Legal and accounting	21,308	0.17	0.03	7
Employee benefits	23,491	0.18	0.03	7
Veterinary and medicine	266,030	2.08	0.40	83
Breeding and semen	86,548	0.68	0.13	27
Travel	8,374	0.07	0.01	3
Deadstock removal	4,473	0.03	0.01	1
Testing and trimming	62,799	0.49	0.09	20
Miscellaneous	3,090	0.02	0.00	1
Less cost of raising heifers	(397,802)	(3.11)	(0.59)	(124)
<b>Total other operating expenses</b>	<b>\$ 3,672,344</b>	<b>28.70 %</b>	<b>\$ 5.46</b>	<b>\$ 1,146</b>
<b>Total operating expenses</b>	<b>\$ 9,955,310</b>	<b>77.79 %</b>	<b>\$ 14.81</b>	<b>\$ 3,106</b>
<b>Net income</b>	<b>\$ 2,841,724</b>	<b>22.21 %</b>	<b>\$ 4.22</b>	<b>\$ 885</b>

**COST STUDY  
NEW MEXICO**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b><u>MILK PRODUCTION</u></b>					
Pounds of whole milk produced	67,240,902	69,178,964	67,259,126	65,730,384	67,112,402
Average butterfat test	3.54%	3.52%	3.43%	3.40%	3.42%
Average protein test	3.09%	3.04%	3.01%	3.01%	2.99%
Average daily pounds per milking cow	68	71	69	68	69
Average somatic cell count	186,000	192,000	233,000	243,000	223,000
<b><u>DAIRY HERD</u></b>					
Average herd size:					
Milking cows	2,700	2,680	2,680	2,640	2,680
Dry cows	445	485	470	510	765
Bulls	60	51	40	45	38
Springers and bulls purchased:					
Number of head	453	451	463	463	381
Total amount paid	\$ 860,738	\$ 866,733	\$ 774,099	\$ 790,155	\$ 517,127
Average per head	\$ 1,900	\$ 1,922	\$ 1,672	\$ 1,707	\$ 1,357
Self-raised heifers transferred to milking herd	979	777	963	1,202	922
Cows and bulls sold:					
Number of head	1,004	977	1,124	1,222	1,174
Total amount received	\$ 538,621	\$ 497,688	\$ 589,843	\$ 600,304	\$ 478,515
Average per head	\$ 537	\$ 509	\$ 525	\$ 491	\$ 408
Dead cows	194	171	144	134	137
Herd turnover rate	37%	36%	40%	43%	38%
<b><u>PRODUCT PRICE</u></b>					
Average price received per cwt. of milk shipped	\$ 18.90	\$ 12.28	\$ 14.07	\$ 14.85	\$ 11.96

***COST STUDY***  
***WEST TEXAS***  
***DECEMBER 31, 2007***



**COST STUDY  
WEST TEXAS**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2007**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 14,191,763	99.16 %	\$ 19.09	\$ 3,860
Calves and heifers, net	79,967	0.56	0.11	22
U. S. Department of Agriculture	5,796	0.04	0.01	2
Patronage dividends	13,561	0.09	0.02	4
Other	21,895	0.15	0.03	6
Total income	<u>\$ 14,312,982</u>	<u>100.00 %</u>	<u>\$ 19.26</u>	<u>\$ 3,892</u>
<b>OPERATING EXPENSES:</b>				
<i>Feed:</i>				
Hay	\$ 1,461,569	10.21 %	\$ 1.97	\$ 398
Grain	3,056,540	21.36	4.11	831
Silage	1,830,534	12.79	2.46	498
Heifer raising	234,889	1.64	0.32	64
Less cost of feeding heifers	<u>(1,400,750)</u>	<u>(9.79)</u>	<u>(1.88)</u>	<u>(381)</u>
Total feed	<u>\$ 5,182,782</u>	<u>36.21 %</u>	<u>\$ 6.98</u>	<u>\$ 1,410</u>
<i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 890,264	6.22 %	\$ 1.20	\$ 242
Loss on sale of cows	<u>914,793</u>	<u>6.39</u>	<u>1.23</u>	<u>249</u>
Total herd replacement cost	<u>\$ 1,805,057</u>	<u>12.61 %</u>	<u>\$ 2.43</u>	<u>\$ 491</u>
<i>Other operating expenses:</i>				
Interest and rent	\$ 866,016	6.03 %	\$ 1.14	\$ 236
Labor and partners' salary	924,139	6.46	1.24	251
Equipment leases	24,601	0.17	0.03	7
Depreciation - other	301,913	2.11	0.41	82
Milk hauling	647,310	4.52	0.87	176
Advertising and promotion	237,336	1.66	0.32	65
CWT program	74,353	0.52	0.10	20
Supplies	219,322	1.53	0.29	60
Corral cleaning	101,877	0.71	0.14	28
Repairs and maintenance	299,609	2.09	0.40	81
Utilities	146,506	1.02	0.20	40
Taxes	120,277	0.84	0.16	33
Insurance	112,518	0.79	0.15	31
Fuel	130,857	0.91	0.18	36
Legal and accounting	26,707	0.19	0.04	7
Employee benefits	18,773	0.13	0.03	5
Veterinary and medicine	326,107	2.28	0.44	89
Breeding and semen	112,375	0.79	0.15	31
Travel	8,660	0.06	0.01	2
Livestock hauling	460	0.00	0.00	0
Deadstock removal	4,758	0.03	0.01	1
Testing and trimming	82,091	0.57	0.11	22
Miscellaneous	3,598	0.03	0.00	1
Less cost of raising heifers	<u>(506,651)</u>	<u>(3.54)</u>	<u>(0.68)</u>	<u>(138)</u>
Total other operating expenses	<u>\$ 4,283,511</u>	<u>29.93 %</u>	<u>\$ 5.76</u>	<u>\$ 1,165</u>
Total operating expenses	<u>\$ 11,271,350</u>	<u>78.75 %</u>	<u>\$ 15.17</u>	<u>\$ 3,066</u>
Net income	<u>\$ 3,041,632</u>	<u>21.25 %</u>	<u>\$ 4.09</u>	<u>\$ 826</u>

**COST STUDY  
WEST TEXAS**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b><u>MILK PRODUCTION</u></b>					
<i>Pounds of whole milk produced</i>	74,352,775	74,135,901	68,925,670	63,843,926	67,762,070
<i>Average butterfat test</i>	3.59%	3.59%	3.51%	3.49%	3.45%
<i>Average protein test</i>	3.09%	3.05%	3.01%	3.01%	2.99%
<i>Average daily pounds per milking cow</i>	65	67	68	67	69
<i>Average somatic cell count</i>	219,000	211,000	253,000	248,000	230,000
<b><u>DAIRY HERD</u></b>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,125	3,010	2,795	2,595	2,690
<i>Dry cows</i>	500	515	475	490	765
<i>Bulls</i>	55	49	39	38	38
<i>Springers and bulls purchased:</i>					
<i>Number of head</i>	492	551	504	610	373
<i>Total amount paid</i>	\$ 922,019	\$ 1,028,533	\$ 879,964	\$ 1,061,289	\$ 503,435
<i>Average per head</i>	\$ 1,874	\$ 1,867	\$ 1,746	\$ 1,740	\$ 1,350
<i>Self-raised heifers transferred to milking herd</i>	1,159	937	931	1,132	906
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	1,176	1,126	1,104	1,098	1,142
<i>Total amount received</i>	\$ 635,421	\$ 569,625	\$ 571,789	\$ 541,059	\$ 469,777
<i>Average per head</i>	\$ 540	\$ 506	\$ 518	\$ 493	\$ 411
<i>Dead cows</i>	218	227	147	136	136
<i>Herd turnover rate</i>	38%	38%	38%	40%	37%
<b><u>PRODUCT PRICE</u></b>					
<i>Average price received per cwt. of milk shipped</i>	\$ 19.09	\$ 12.20	\$ 14.01	\$ 14.86	\$ 11.86

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