



DeRenzis & Associates, LLP  
~ Certified Public Accountants ~

December 31, 2014  
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 ~

“ Whosoever will come after me, let him deny himself, and take up his cross, and follow me. For whosoever will save his life shall lose it; but whosoever will save his life shall lose it; but whosoever shall lose his life for my sake and the gospel's, the same shall save it. For what shall it profit a man if he shall gain the whole world, and lose his own soul? ”

Mark 8:35-36



*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, 2014.*

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

*This report includes a comparison of the results in the regions stated above for the year ended December 31, 2014 both on a “per hundredweight of milk” basis and on a “per head” basis. Also included are 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 at [www.derenzisllp.com](http://www.derenzisllp.com)*

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

*Sincerely,*

*DeRenzis & Associates, LLP*

*DeRenzis & Associates, LLP  
Certified Public Accountants*

*June 2015*

***DAIRY FARM COST STUDY***

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***COST STUDY***  
***CENTRAL VALLEY CALIFORNIA***  
***DECEMBER 31, 2014***



**COST STUDY  
CENTRAL VALLEY CALIFORNIA**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|   | <u>AMOUNT</u>                  | <u>PERCENT</u>            |        | <u>PER CWT.<br/>OF MILK</u> | <u>PER<br/>AVERAGE<br/>HERD SIZE</u> |
|---|--------------------------------|---------------------------|--------|-----------------------------|--------------------------------------|
| <b>OPERATING INCOME:</b>                    |                                |                           |        |                             |                                      |
| Milk  | \$ 18,999,477                  | 94.95 %                   | \$     | 21.74                       | \$ 4,878                             |
| Calves and heifers, net                     | 568,953                        | 2.85                      |        | 0.65                        | 146                                  |
| Patronage dividends                         | 290,382                        | 1.45                      |        | 0.33                        | 75                                   |
| Other                                       | <u>150,829</u>                 | <u>0.75</u>               |        | <u>0.17</u>                 | <u>39</u>                            |
| <br>Total income                            | <br>\$ <u>20,009,641</u>       | <br><u>100.00</u> %       | <br>\$ | <br><u>22.89</u>            | <br>\$ <u>5,138</u>                  |
| <br><b>OPERATING EXPENSES:</b>              |                                |                           |        |                             |                                      |
| Feed:                                       |                                |                           |        |                             |                                      |
| Hay   | \$ 2,284,342                   | 11.42 %                   | \$     | 2.61                        | \$ 586                               |
| Grain                                       | 7,274,212                      | 36.35                     |        | 8.32                        | 1,868                                |
| Silage                                      | 2,030,883                      | 10.15                     |        | 2.32                        | 521                                  |
| Haylage                                     | 120,166                        | 0.60                      |        | 0.14                        | 31                                   |
| Heifer raising                              | 534,456                        | 2.67                      |        | 0.61                        | 137                                  |
| Less cost of feeding heifers                | <u>(2,159,739)</u>             | <u>(10.77)</u>            |        | <u>(2.47)</u>               | <u>(554)</u>                         |
| <br>Total feed                              | <br>\$ <u>10,084,320</u>       | <br><u>50.42</u> %        | <br>\$ | <br><u>11.53</u>            | <br>\$ <u>2,589</u>                  |
| <br>Herd replacement cost:                  |                                |                           |        |                             |                                      |
| Depreciation on dairy herd                  | \$ 1,020,482                   | 5.09 %                    | \$     | 1.17                        | \$ 262                               |
| Gain on sale of cows                        | <u>(78,891)</u>                | <u>(0.39)</u>             |        | <u>(0.09)</u>               | <u>(20)</u>                          |
| <br>Total herd replacement cost             | <br>\$ <u>941,591</u>          | <br><u>4.70</u> %         | <br>\$ | <br><u>1.08</u>             | <br>\$ <u>242</u>                    |
| <br>Other operating expenses,<br>Schedule 1 |                                |                           |        |                             |                                      |
|   | \$ <u>4,435,438</u>            | <u>22.17</u> %            | \$     | <u>5.06</u>                 | \$ <u>1,137</u>                      |
| <br>Total operating expenses                | <br>\$ <u>15,461,349</u>       | <br><u>77.29</u> %        | <br>\$ | <br><u>17.67</u>            | <br>\$ <u>3,968</u>                  |
| <br>Net income                              | <br>\$ <u><u>4,548,292</u></u> | <br><u><u>22.71</u></u> % | <br>\$ | <br><u><u>5.22</u></u>      | <br>\$ <u><u>1,170</u></u>           |

**COST STUDY  
CENTRAL VALLEY CALIFORNIA**

**SCHEDULE 1**

**SCHEDULE OF OTHER OPERATING EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|                                     | <u>AMOUNT</u>           | <u>PERCENT</u>     |        | <u>PER CWT.<br/>OF MILK</u> | <u>PER AVERAGE<br/>HERD SIZE</u> |
|-------------------------------------|-------------------------|--------------------|--------|-----------------------------|----------------------------------|
| <i>Interest and rent</i>            | \$ 680,108              | 3.41 %             | \$     | 0.77                        | \$ 174                           |
| <i>Labor and partners' salary</i>   | 972,863                 | 4.86               |        | 1.11                        | 250                              |
| <i>Depreciation - other</i>         | 445,177                 | 2.22               |        | 0.51                        | 114                              |
| <i>Milk hauling</i>                 | 302,834                 | 1.51               |        | 0.35                        | 78                               |
| <i>Advertising and promotion</i>    | 200,133                 | 1.00               |        | 0.23                        | 51                               |
| <i>Supplies</i>                     | 267,610                 | 1.34               |        | 0.31                        | 69                               |
| <i>Corral cleaning</i>              | 16,968                  | 0.08               |        | 0.02                        | 4                                |
| <i>Repairs and maintenance</i>      | 492,670                 | 2.46               |        | 0.56                        | 126                              |
| <i>Utilities</i>                    | 307,729                 | 1.54               |        | 0.35                        | 79                               |
| <i>Taxes</i>                        | 195,630                 | 0.98               |        | 0.22                        | 50                               |
| <i>Insurance</i>                    | 168,224                 | 0.84               |        | 0.19                        | 43                               |
| <i>Fuel</i>                         | 177,391                 | 0.89               |        | 0.20                        | 46                               |
| <i>Legal and accounting</i>         | 44,563                  | 0.22               |        | 0.05                        | 11                               |
| <i>Employee benefits</i>            | 47,514                  | 0.24               |        | 0.05                        | 12                               |
| <i>Veterinary and medicine</i>      | 349,676                 | 1.75               |        | 0.40                        | 90                               |
| <i>Breeding and semen</i>           | 94,253                  | 0.47               |        | 0.11                        | 24                               |
| <i>Travel</i>                       | 4,860                   | 0.02               |        | 0.01                        | 1                                |
| <i>Livestock hauling</i>            | 1,513                   | 0.01               |        | 0.00                        | 0                                |
| <i>Deadstock removal</i>            | 7,084                   | 0.04               |        | 0.01                        | 2                                |
| <i>Testing and trimming</i>         | 72,067                  | 0.36               |        | 0.08                        | 19                               |
| <i>Miscellaneous</i>                | 7,911                   | 0.04               |        | 0.01                        | 2                                |
| <i>Less cost of raising heifers</i> | <u>(421,340)</u>        | <u>(2.11)</u>      |        | <u>(0.48)</u>               | <u>(108)</u>                     |
| <br><i>Total</i>                    | <br>\$ <u>4,435,438</u> | <br><u>22.17</u> % | <br>\$ | <br><u>5.06</u>             | <br>\$ <u>1,137</u>              |

**COST STUDY  
CENTRAL VALLEY CALIFORNIA**

**SUPPLEMENTARY DATA**

|  | <u>2014</u>  | <u>2013</u>  | <u>2012</u> | <u>2011</u>  | <u>2010</u> |
|--|--------------|--------------|-------------|--------------|-------------|
| <b><u>MILK PRODUCTION</u></b>                          |              |              |             |              |             |
| <i>Pounds of whole milk produced</i>                   | 87,392,933   | 88,421,486   | 72,904,639  | 91,522,547   | 87,358,951  |
| <i>Average butterfat test</i>                          | 3.61%        | 3.64%        | 3.64%       | 3.62%        | 3.61%       |
| <i>Average solids-non-fat test</i>                     | 8.89%        | 8.88%        | 8.86%       | 8.86%        | 8.84%       |
| <i>Average daily pounds per milking cow</i>            | 74           | 71           | 70          | 71           | 69          |
| <b><u>DAIRY HERD</u></b>                               |              |              |             |              |             |
| <i>Average herd size:</i>                              |              |              |             |              |             |
| <i>Milking cows</i>                                    | 3,330        | 3,410        | 2,860       | 3,535        | 3,465       |
| <i>Dry cows</i>  | 515          | 495          | 460         | 570          | 585         |
| <i>Bulls</i>   | 47           | 51           | 42          | 51           | 50          |
| <i>Cows and bulls purchased:</i>                       |              |              |             |              |             |
| <i>Number of head</i>                                  | 155          | 214          | 244         | 156          | 144         |
| <i>Total amount paid</i>                               | \$ 210,725   | \$ 276,418   | \$ 271,979  | \$ 190,063   | \$ 178,048  |
| <i>Average per head</i>                                | \$ 1,360     | \$ 1,292     | \$ 1,115    | \$ 1,218     | \$ 1,236    |
| <i>Self-raised heifers transferred to milking herd</i> | 1,381        | 1,412        | 1,260       | 1,435        | 1,432       |
| <i>Cows and bulls sold:</i>                            |              |              |             |              |             |
| <i>Number of head</i>                                  | 1,275        | 1,386        | 1,194       | 1,358        | 1,218       |
| <i>Total amount received</i>                           | \$ 1,423,252 | \$ 1,172,724 | \$ 969,232  | \$ 1,056,708 | \$ 845,691  |
| <i>Average per head</i>                                | \$ 1,116     | \$ 846       | \$ 812      | \$ 778       | \$ 694      |
| <i>Dead cows</i>                                       | 256          | 242          | 193         | 211          | 213         |
| <i>Herd turnover rate</i>                              | 39%          | 41%          | 41%         | 37%          | 35%         |
| <b><u>PRODUCT PRICE</u></b>                            |              |              |             |              |             |
| <i>Average price received per cwt. of milk shipped</i> | \$ 21.74     | \$ 18.36     | \$ 16.45    | \$ 18.42     | \$ 14.67    |



***COST STUDY***  
***WASHINGTON***  
***DECEMBER 31, 2014***

**COST STUDY  
WASHINGTON**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|   | <u>AMOUNT</u>                  | <u>PERCENT</u>            |        | <u>PER CWT.<br/>OF MILK</u> | <u>PER<br/>AVERAGE<br/>HERD SIZE</u> |
|---|--------------------------------|---------------------------|--------|-----------------------------|--------------------------------------|
| <b>OPERATING INCOME:</b>                    |                                |                           |        |                             |                                      |
| Milk  | \$ 12,465,551                  | 96.39 %                   | \$     | 25.10                       | \$ 5,529                             |
| Calves and heifers, net                     | 377,821                        | 2.92                      |        | 0.76                        | 168                                  |
| Patronage dividends                         | 87,013                         | 0.67                      |        | 0.18                        | 39                                   |
| Other                                       | <u>2,192</u>                   | <u>0.02</u>               |        | <u>0.00</u>                 | <u>1</u>                             |
| <br>Total income                            | <br>\$ <u>12,932,577</u>       | <br><u>100.00 %</u>       | <br>\$ | <br><u>26.04</u>            | <br>\$ <u>5,737</u>                  |
| <br><b>OPERATING EXPENSES:</b>              |                                |                           |        |                             |                                      |
| Feed:                                       |                                |                           |        |                             |                                      |
| Hay   | \$ 839,571                     | 6.49 %                    | \$     | 1.69                        | \$ 372                               |
| Grain                                       | 4,703,506                      | 36.37                     |        | 9.47                        | 2,086                                |
| Silage                                      | 921,350                        | 7.12                      |        | 1.86                        | 409                                  |
| Haylage                                     | 556,582                        | 4.30                      |        | 1.12                        | 247                                  |
| Heifer raising                              | 167,268                        | 1.29                      |        | 0.34                        | 74                                   |
| Less cost of feeding heifers                | <u>(1,108,791)</u>             | <u>(8.57)</u>             |        | <u>(2.23)</u>               | <u>(492)</u>                         |
| <br>Total feed                              | <br>\$ <u>6,079,486</u>        | <br><u>47.00 %</u>        | <br>\$ | <br><u>12.25</u>            | <br>\$ <u>2,696</u>                  |
| <br>Herd replacement cost:                  |                                |                           |        |                             |                                      |
| Depreciation on dairy herd                  | \$ 525,412                     | 4.06 %                    | \$     | 1.06                        | \$ 233                               |
| Gain on sale of cows                        | <u>(25,403)</u>                | <u>(0.20)</u>             |        | <u>(0.05)</u>               | <u>(11)</u>                          |
| <br>Total herd replacement cost             | <br>\$ <u>500,009</u>          | <br><u>3.86 %</u>         | <br>\$ | <br><u>1.01</u>             | <br>\$ <u>222</u>                    |
| <br>Other operating expenses,<br>Schedule 2 |                                |                           |        |                             |                                      |
|   | \$ <u>4,012,629</u>            | <u>31.02 %</u>            | \$     | <u>8.10</u>                 | \$ <u>1,780</u>                      |
| <br>Total operating expenses                | <br>\$ <u>10,592,124</u>       | <br><u>81.88 %</u>        | <br>\$ | <br><u>21.36</u>            | <br>\$ <u>4,698</u>                  |
| <br>Net income                              | <br>\$ <u><u>2,340,453</u></u> | <br><u><u>18.12 %</u></u> | <br>\$ | <br><u><u>4.68</u></u>      | <br>\$ <u><u>1,039</u></u>           |

**COST STUDY  
WASHINGTON**

**SCHEDULE 2**

**SCHEDULE OF OTHER OPERATING EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|                                     | <u>AMOUNT</u>           | <u>PERCENT</u>   |       | <u>PER CWT.<br/>OF MILK</u> | <u>PER AVERAGE<br/>HERD SIZE</u> |
|-------------------------------------|-------------------------|------------------|-------|-----------------------------|----------------------------------|
| <i>Interest and rent</i>            | \$ 552,769              | 4.27             | %     | \$ 1.11                     | \$ 245                           |
| <i>Labor and partners' salary</i>   | 986,739                 | 7.63             |       | 1.99                        | 438                              |
| <i>Straw</i>                        | 102,335                 | 0.79             |       | 0.21                        | 45                               |
| <i>Depreciation - other</i>         | 282,073                 | 2.18             |       | 0.57                        | 125                              |
| <i>Milk hauling</i>                 | 332,326                 | 2.57             |       | 0.67                        | 147                              |
| <i>Advertising and promotion</i>    | 126,019                 | 0.97             |       | 0.25                        | 56                               |
| <i>CWT program</i>                  | 19,865                  | 0.15             |       | 0.04                        | 9                                |
| <i>Supplies</i>                     | 236,431                 | 1.83             |       | 0.48                        | 105                              |
| <i>Bedding</i>                      | 12,973                  | 0.10             |       | 0.03                        | 6                                |
| <i>Repairs and maintenance</i>      | 582,866                 | 4.51             |       | 1.17                        | 259                              |
| <i>Utilities</i>                    | 196,656                 | 1.52             |       | 0.40                        | 87                               |
| <i>Taxes</i>                        | 118,737                 | 0.92             |       | 0.24                        | 53                               |
| <i>Insurance</i>                    | 80,399                  | 0.62             |       | 0.16                        | 36                               |
| <i>Fuel</i>                         | 173,918                 | 1.34             |       | 0.35                        | 77                               |
| <i>Legal and accounting</i>         | 50,375                  | 0.39             |       | 0.10                        | 22                               |
| <i>Employee benefits</i>            | 74,086                  | 0.57             |       | 0.15                        | 33                               |
| <i>Veterinary and medicine</i>      | 261,962                 | 2.03             |       | 0.53                        | 116                              |
| <i>Breeding and semen</i>           | 91,217                  | 0.71             |       | 0.18                        | 40                               |
| <i>Travel</i>                       | 9,689                   | 0.07             |       | 0.02                        | 4                                |
| <i>Livestock hauling</i>            | 3,953                   | 0.03             |       | 0.01                        | 2                                |
| <i>Deadstock removal</i>            | 3,567                   | 0.03             |       | 0.01                        | 2                                |
| <i>Testing and trimming</i>         | 65,783                  | 0.51             |       | 0.13                        | 29                               |
| <i>Miscellaneous</i>                | 2,680                   | 0.02             |       | 0.01                        | 1                                |
| <i>Less cost of raising heifers</i> | <u>(354,789)</u>        | <u>(2.74)</u>    |       | <u>(0.71)</u>               | <u>(157)</u>                     |
| <br><i>Total</i>                    | <br>\$ <u>4,012,629</u> | <br><u>31.02</u> | <br>% | <br>\$ <u>8.10</u>          | <br>\$ <u>1,780</u>              |

**COST STUDY  
WASHINGTON**

**SUPPLEMENTARY DATA**

|  | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| <b><u>MILK PRODUCTION</u></b>                          |             |             |             |             |             |
| <i>Pounds of whole milk produced</i>                   | 49,661,815  | 51,316,317  | 54,425,162  | 54,591,641  | 51,560,206  |
| <i>Average butterfat test</i>                          | 4.07%       | 4.01%       | 3.82%       | 3.69%       | 3.58%       |
| <i>Average protein test</i>                            | 3.34%       | 3.29%       | 3.18%       | 3.16%       | 3.07%       |
| <i>Average daily pounds per milking cow</i>            | 71          | 72          | 74          | 74          | 75          |
| <i>Average somatic cell count</i>                      | 198,000     | 203,000     | 206,000     | 224,000     | 249,000     |
| <b><u>DAIRY HERD</u></b>                               |             |             |             |             |             |
| <i>Average herd size:</i>                              |             |             |             |             |             |
| <i>Milking cows</i>                                    | 1,920       | 1,950       | 2,020       | 2,015       | 1,875       |
| <i>Dry cows</i>  | 330         | 325         | 340         | 340         | 335         |
| <i>Bulls</i>   | 8           | 11          | 8           | 7           | 10          |
| <i>Cows and bulls purchased:</i>                       |             |             |             |             |             |
| <i>Number of head</i>                                  | 161         | 161         | 113         | 78          | 44          |
| <i>Total amount paid</i>                               | \$ 313,339  | \$ 240,652  | \$ 181,778  | \$ 59,710   | \$ 52,999   |
| <i>Average per head</i>                                | \$ 1,946    | \$ 1,495    | \$ 1,609    | \$ 766      | \$ 1,205    |
| <i>Self-raised heifers transferred to milking herd</i> | 907         | 758         | 802         | 1,024       | 964         |
| <i>Cows and bulls sold:</i>                            |             |             |             |             |             |
| <i>Number of head</i>                                  | 704         | 830         | 858         | 758         | 671         |
| <i>Total amount received</i>                           | \$ 694,587  | \$ 582,365  | \$ 640,949  | \$ 501,885  | \$ 397,814  |
| <i>Average per head</i>                                | \$ 987      | \$ 702      | \$ 747      | \$ 662      | \$ 593      |
| <i>Dead cows</i>                                       | 141         | 149         | 158         | 150         | 184         |
| <i>Herd turnover rate</i>                              | 37%         | 42%         | 43%         | 38%         | 39%         |
| <b><u>PRODUCT PRICE</u></b>                            |             |             |             |             |             |
| <i>Average price received per cwt. of milk shipped</i> | \$ 25.10    | \$ 20.90    | \$ 18.46    | \$ 20.37    | \$ 15.99    |

***COST STUDY***

***IDAHO***

***DECEMBER 31, 2014***

**COST STUDY  
IDAHO**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|   | <u>AMOUNT</u>                  | <u>PERCENT</u>            |        | <u>PER CWT.<br/>OF MILK</u> | <u>PER<br/>AVERAGE<br/>HERD SIZE</u> |
|---|--------------------------------|---------------------------|--------|-----------------------------|--------------------------------------|
| <b>OPERATING INCOME:</b>                    |                                |                           |        |                             |                                      |
| Milk  | \$ 15,216,256                  | 96.40 %                   | \$     | 23.67                       | \$ 5,584                             |
| Calves and heifers, net                     | 465,230                        | 2.95                      |        | 0.72                        | 171                                  |
| Patronage dividends                         | 51,645                         | 0.33                      |        | 0.08                        | 19                                   |
| Other                                       | <u>51,252</u>                  | <u>0.32</u>               |        | <u>0.08</u>                 | <u>19</u>                            |
| <br>Total income                            | <br>\$ <u>15,784,383</u>       | <br><u>100.00 %</u>       | <br>\$ | <br><u>24.55</u>            | <br>\$ <u>5,793</u>                  |
| <br><b>OPERATING EXPENSES:</b>              |                                |                           |        |                             |                                      |
| Feed:                                       |                                |                           |        |                             |                                      |
| Hay   | \$ 1,528,842                   | 9.67 %                    | \$     | 2.38                        | \$ 561                               |
| Grain                                       | 4,953,178                      | 31.38                     |        | 7.71                        | 1,818                                |
| Silage                                      | 1,318,287                      | 8.35                      |        | 2.05                        | 484                                  |
| Haylage                                     | 354,644                        | 2.25                      |        | 0.55                        | 130                                  |
| Heifer raising                              | 561,285                        | 3.56                      |        | 0.87                        | 206                                  |
| Less cost of feeding heifers                | <u>(1,562,775)</u>             | <u>(9.90)</u>             |        | <u>(2.43)</u>               | <u>(574)</u>                         |
| <br>Total feed                              | <br>\$ <u>7,153,461</u>        | <br><u>45.31 %</u>        | <br>\$ | <br><u>11.13</u>            | <br>\$ <u>2,625</u>                  |
| <br>Herd replacement cost:                  |                                |                           |        |                             |                                      |
| Depreciation on dairy herd                  | \$ 712,795                     | 4.52 %                    | \$     | 1.11                        | \$ 262                               |
| Loss on sale of cows                        | <u>49,914</u>                  | <u>0.32</u>               |        | <u>0.08</u>                 | <u>18</u>                            |
| <br>Total herd replacement cost             | <br>\$ <u>762,709</u>          | <br><u>4.84 %</u>         | <br>\$ | <br><u>1.19</u>             | <br>\$ <u>280</u>                    |
| <br>Other operating expenses,<br>Schedule 3 |                                |                           |        |                             |                                      |
|   | \$ <u>3,956,991</u>            | <u>25.09 %</u>            | \$     | <u>6.16</u>                 | \$ <u>1,449</u>                      |
| <br>Total operating<br>expenses             | <br>\$ <u>11,873,161</u>       | <br><u>75.24 %</u>        | <br>\$ | <br><u>18.48</u>            | <br>\$ <u>4,354</u>                  |
| <br>Net income                              | <br>\$ <u><u>3,911,222</u></u> | <br><u><u>24.76 %</u></u> | <br>\$ | <br><u><u>6.07</u></u>      | <br>\$ <u><u>1,439</u></u>           |



**COST STUDY  
IDAHO**

**SCHEDULE 3**

**SCHEDULE OF OTHER OPERATING EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|                                     | <u>AMOUNT</u>           | <u>PERCENT</u>     |        | <u>PER CWT.<br/>OF MILK</u> | <u>PER AVERAGE<br/>HERD SIZE</u> |
|-------------------------------------|-------------------------|--------------------|--------|-----------------------------|----------------------------------|
| <i>Interest and rent</i>            | \$ 440,489              | 2.80 %             | \$     | 0.70                        | \$ 162                           |
| <i>Labor and partners' salary</i>   | 1,016,096               | 6.44               |        | 1.58                        | 373                              |
| <i>Equipment leases</i>             | 7,030                   | 0.04               |        | 0.01                        | 3                                |
| <i>Straw</i>                        | 119,554                 | 0.76               |        | 0.19                        | 44                               |
| <i>Depreciation - other</i>         | 371,888                 | 2.36               |        | 0.58                        | 136                              |
| <i>Milk hauling</i>                 | 245,845                 | 1.56               |        | 0.38                        | 90                               |
| <i>Advertising and promotion</i>    | 127,573                 | 0.81               |        | 0.20                        | 47                               |
| <i>CWT program</i>                  | 12,091                  | 0.08               |        | 0.02                        | 4                                |
| <i>Supplies</i>                     | 271,034                 | 1.72               |        | 0.42                        | 99                               |
| <i>Bedding</i>                      | 14,186                  | 0.09               |        | 0.02                        | 5                                |
| <i>Corral cleaning</i>              | 18,887                  | 0.12               |        | 0.03                        | 7                                |
| <i>Repairs and maintenance</i>      | 428,825                 | 2.72               |        | 0.67                        | 157                              |
| <i>BST</i>                          | 67,836                  | 0.43               |        | 0.11                        | 25                               |
| <i>Utilities</i>                    | 175,523                 | 1.11               |        | 0.27                        | 64                               |
| <i>Taxes</i>                        | 118,405                 | 0.75               |        | 0.18                        | 43                               |
| <i>Insurance</i>                    | 66,174                  | 0.42               |        | 0.10                        | 24                               |
| <i>Fuel</i>                         | 190,799                 | 1.21               |        | 0.30                        | 70                               |
| <i>Legal and accounting</i>         | 39,482                  | 0.25               |        | 0.06                        | 14                               |
| <i>Employee benefits</i>            | 27,379                  | 0.17               |        | 0.04                        | 10                               |
| <i>Veterinary and medicine</i>      | 240,216                 | 1.52               |        | 0.37                        | 88                               |
| <i>Breeding and semen</i>           | 117,121                 | 0.74               |        | 0.18                        | 43                               |
| <i>Travel</i>                       | 6,436                   | 0.04               |        | 0.01                        | 2                                |
| <i>Livestock hauling</i>            | 7,211                   | 0.05               |        | 0.01                        | 3                                |
| <i>Deadstock removal</i>            | 3,434                   | 0.02               |        | 0.01                        | 1                                |
| <i>Testing and trimming</i>         | 66,719                  | 0.42               |        | 0.10                        | 24                               |
| <i>Miscellaneous</i>                | 5,708                   | 0.04               |        | 0.01                        | 2                                |
| <i>Less cost of raising heifers</i> | <u>(248,950)</u>        | <u>(1.58)</u>      |        | <u>(0.39)</u>               | <u>(91)</u>                      |
| <br><i>Total</i>                    | <br>\$ <u>3,956,991</u> | <br><u>25.09</u> % | <br>\$ | <br><u>6.16</u>             | <br>\$ <u>1,449</u>              |

**COST STUDY  
IDAHO**

**SUPPLEMENTARY DATA**

|  | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| <b><u>MILK PRODUCTION</u></b>                          |             |             |             |             |             |
| <i>Pounds of whole milk</i>                            | 64,282,523  | 59,262,894  | 70,652,332  | 66,905,806  | 60,574,256  |
| <i>Average butterfat test</i>                          | 3.81%       | 3.84%       | 3.75%       | 3.70%       | 3.59%       |
| <i>Average protein test</i>                            | 3.08%       | 3.10%       | 3.07%       | 3.06%       | 3.01%       |
| <i>Average daily pounds per milking cow</i>            | 75          | 71          | 76          | 74          | 72          |
| <i>Average somatic cell count</i>                      | 143,000     | 124,000     | 119,000     | 159,000     | 161,000     |
| <b><u>DAIRY HERD</u></b>                               |             |             |             |             |             |
| <i>Average herd size:</i>                              |             |             |             |             |             |
| <i>Milking cows</i>                                    | 2,370       | 2,300       | 2,535       | 2,480       | 2,305       |
| <i>Dry cows</i>  | 340         | 315         | 365         | 350         | 345         |
| <i>Bulls</i>   | 12          | 9           | 10          | 13          | 25          |
| <i>Cows and bulls purchased:</i>                       |             |             |             |             |             |
| <i>Number of head</i>                                  | 307         | 226         | 244         | 71          | 38          |
| <i>Total amount paid</i>                               | \$ 628,070  | \$ 347,989  | \$ 349,315  | \$ 83,201   | \$ 49,521   |
| <i>Average per head</i>                                | \$ 2,045    | \$ 1,540    | \$ 1,432    | \$ 1,172    | \$ 1,303    |
| <i>Self-raised heifers transferred to milking herd</i> | 950         | 905         | 1,137       | 1,079       | 979         |
| <i>Cows and bulls sold:</i>                            |             |             |             |             |             |
| <i>Number of head</i>                                  | 838         | 899         | 1,014       | 959         | 728         |
| <i>Total amount received</i>                           | \$ 882,713  | \$ 657,187  | \$ 724,922  | \$ 626,395  | \$ 434,516  |
| <i>Average per head</i>                                | \$ 1,053    | \$ 731      | \$ 715      | \$ 653      | \$ 597      |
| <i>Dead cows</i>                                       | 192         | 130         | 185         | 182         | 190         |
| <i>Herd turnover rate</i>                              | 38%         | 39%         | 41%         | 40%         | 34%         |
| <b><u>PRODUCT PRICE</u></b>                            |             |             |             |             |             |
| <i>Average price received per cwt. of milk shipped</i> | \$ 23.67    | \$ 19.59    | \$ 18.24    | \$ 18.78    | \$ 14.74    |

***COST STUDY***  
***NEW MEXICO***  
***DECEMBER 31, 2014***

**COST STUDY  
NEW MEXICO**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|                                  | <u>AMOUNT</u>              | <u>PERCENT</u>      |   | <u>PER CWT.<br/>OF MILK</u> | <u>PER<br/>AVERAGE<br/>HERD SIZE</u> |
|----------------------------------|----------------------------|---------------------|---|-----------------------------|--------------------------------------|
| <i>OPERATING INCOME:</i>         |                            |                     |   |                             |                                      |
| Milk                             | \$ 18,575,767              | 95.98               | % | \$ 22.69                    | \$ 5,053                             |
| Calves and heifers, net          | 565,516                    | 2.92                |   | 0.69                        | 154                                  |
| Patronage dividends              | 83,920                     | 0.43                |   | 0.10                        | 23                                   |
| Other                            | <u>130,395</u>             | <u>0.67</u>         |   | <u>0.16</u>                 | <u>35</u>                            |
| Total income                     | \$ <u>19,355,598</u>       | <u>100.00</u>       | % | \$ <u>23.64</u>             | \$ <u>5,265</u>                      |
| <i>OPERATING EXPENSES:</i>       |                            |                     |   |                             |                                      |
| <i>Feed:</i>                     |                            |                     |   |                             |                                      |
| Hay                              | \$ 2,203,618               | 11.38               | % | \$ 2.69                     | \$ 599                               |
| Grain                            | 6,871,397                  | 35.50               |   | 8.39                        | 1,869                                |
| Silage                           | 2,425,927                  | 12.53               |   | 2.96                        | 660                                  |
| Heifer raising                   | 384,705                    | 1.99                |   | 0.47                        | 105                                  |
| Less cost of feeding heifers     | <u>(2,216,470)</u>         | <u>(11.45)</u>      |   | <u>(2.71)</u>               | <u>(603)</u>                         |
| Total feed                       | \$ <u>9,669,177</u>        | <u>49.95</u>        | % | \$ <u>11.80</u>             | \$ <u>2,630</u>                      |
| <i>Herd replacement cost:</i>    |                            |                     |   |                             |                                      |
| Depreciation on dairy herd       | \$ 1,032,022               | 5.33                | % | \$ 1.26                     | \$ 281                               |
| Loss on sale of cows             | <u>112,378</u>             | <u>0.58</u>         |   | <u>0.14</u>                 | <u>31</u>                            |
| Total herd replacement cost      | \$ <u>1,144,400</u>        | <u>5.91</u>         | % | \$ <u>1.40</u>              | \$ <u>312</u>                        |
| <i>Other operating expenses,</i> |                            |                     |   |                             |                                      |
| Schedule 4                       | \$ <u>4,346,078</u>        | <u>22.42</u>        | % | \$ <u>5.30</u>              | \$ <u>1,182</u>                      |
| Total operating expenses         | \$ <u>15,159,655</u>       | <u>78.28</u>        | % | \$ <u>18.50</u>             | \$ <u>4,124</u>                      |
| Net income                       | \$ <u><u>4,195,943</u></u> | <u><u>21.72</u></u> | % | \$ <u><u>5.14</u></u>       | \$ <u><u>1,141</u></u>               |

**COST STUDY  
NEW MEXICO**

**SCHEDULE 4**

**SCHEDULE OF OTHER OPERATING EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|                                     | <u>AMOUNT</u>           | <u>PERCENT</u>     |        | <u>PER CWT.<br/>OF MILK</u> | <u>PER<br/>AVERAGE<br/>HERD SIZE</u> |
|-------------------------------------|-------------------------|--------------------|--------|-----------------------------|--------------------------------------|
| <i>Interest and rent</i>            | \$ 509,496              | 2.59 %             | \$     | 0.62                        | \$ 140                               |
| <i>Labor and partners' salary</i>   | 1,166,715               | 6.03               |        | 1.42                        | 317                                  |
| <i>Depreciation - other</i>         | 338,581                 | 1.75               |        | 0.41                        | 92                                   |
| <i>Milk hauling</i>                 | 596,133                 | 3.08               |        | 0.73                        | 162                                  |
| <i>Advertising and promotion</i>    | 202,905                 | 1.05               |        | 0.25                        | 55                                   |
| <i>CWT program</i>                  | 16,665                  | 0.09               |        | 0.02                        | 5                                    |
| <i>Supplies</i>                     | 290,073                 | 1.50               |        | 0.35                        | 79                                   |
| <i>Corral cleaning</i>              | 41,815                  | 0.22               |        | 0.05                        | 11                                   |
| <i>Repairs and maintenance</i>      | 409,779                 | 2.12               |        | 0.50                        | 111                                  |
| <i>Utilities</i>                    | 188,108                 | 0.97               |        | 0.23                        | 51                                   |
| <i>Taxes</i>                        | 160,335                 | 0.83               |        | 0.20                        | 44                                   |
| <i>Insurance</i>                    | 66,317                  | 0.34               |        | 0.08                        | 18                                   |
| <i>Fuel</i>                         | 216,008                 | 1.12               |        | 0.26                        | 59                                   |
| <i>Legal and accounting</i>         | 37,190                  | 0.19               |        | 0.05                        | 10                                   |
| <i>Employee benefits</i>            | 38,546                  | 0.20               |        | 0.05                        | 10                                   |
| <i>Veterinary and medicine</i>      | 327,501                 | 1.69               |        | 0.40                        | 89                                   |
| <i>Breeding and semen</i>           | 111,944                 | 0.58               |        | 0.14                        | 30                                   |
| <i>Travel</i>                       | 3,122                   | 0.02               |        | 0.00                        | 1                                    |
| <i>Livestock hauling</i>            | 926                     | 0.00               |        | 0.00                        | 0                                    |
| <i>Deadstock removal</i>            | 6,050                   | 0.03               |        | 0.01                        | 2                                    |
| <i>Testing and trimming</i>         | 99,432                  | 0.51               |        | 0.12                        | 27                                   |
| <i>Miscellaneous</i>                | 3,554                   | 0.02               |        | 0.00                        | 1                                    |
| <i>Less cost of raising heifers</i> | <u>(485,117)</u>        | <u>(2.51)</u>      |        | <u>(0.59)</u>               | <u>(132)</u>                         |
| <br><i>Total</i>                    | <br>\$ <u>4,346,078</u> | <br><u>22.42</u> % | <br>\$ | <br><u>5.30</u>             | <br>\$ <u>1,182</u>                  |

**COST STUDY  
NEW MEXICO**

**SUPPLEMENTARY DATA**

|  | <u>2014</u>  | <u>2013</u> | <u>2012</u>  | <u>2011</u> | <u>2010</u> |
|--|--------------|-------------|--------------|-------------|-------------|
| <b><u>MILK PRODUCTION</u></b>                          |              |             |              |             |             |
| <i>Pounds of whole milk produced</i>                   | 81,875,504   | 71,342,930  | 72,792,566   | 72,792,566  | 74,793,492  |
| <i>Average butterfat test</i>                          | 3.56%        | 3.57%       | 3.53%        | 3.54%       | 3.49%       |
| <i>Average protein test</i>                            | 3.11%        | 3.11%       | 3.07%        | 3.03%       | 3.04%       |
| <i>Average daily pounds per milking cow</i>            | 73           | 70          | 70           | 70          | 67          |
| <i>Average somatic cell count</i>                      | 162,000      | 175,000     | 177,000      | 171,000     | 201,000     |
| <b><u>DAIRY HERD</u></b>                               |              |             |              |             |             |
| <i>Average herd size:</i>                              |              |             |              |             |             |
| <i>Milking cows</i>                                    | 3,090        | 2,777       | 2,840        | 2,845       | 3,075       |
| <i>Dry cows</i>  | 555          | 484         | 490          | 470         | 545         |
| <i>Bulls</i>   | 32           | 30          | 29           | 27          | 40          |
| <i>Srpingers and bulls purchased:</i>                  |              |             |              |             |             |
| <i>Number of head</i>                                  | 320          | 157         | 411          | 87          | 234         |
| <i>Total amount paid</i>                               | \$ 558,483   | \$ 183,076  | \$ 613,980   | \$ 117,345  | \$ 285,132  |
| <i>Average per head</i>                                | \$ 1,745     | \$ 1,168    | \$ 1,495     | \$ 1,349    | \$ 1,221    |
| <i>Self-raised heifers transferred to milking herd</i> | 1,255        | 1,138       | 1,086        | 1,214       | 1,462       |
| <i>Cows and bulls sold:</i>                            |              |             |              |             |             |
| <i>Number of head</i>                                  | 1,204        | 1,148       | 1,252        | 1,030       | 1,100       |
| <i>Total amount received</i>                           | \$ 1,365,468 | \$ 970,564  | \$ 1,056,734 | \$ 739,511  | \$ 616,875  |
| <i>Average per head</i>                                | \$ 1,134     | \$ 845      | \$ 844       | \$ 718      | \$ 561      |
| <i>Dead cows</i>                                       | 217          | 200         | 224          | 186         | 223         |
| <i>Herd turnover rate</i>                              | 39%          | 34%         | 44%          | 36%         | 36%         |
| <b><u>PRODUCT PRICE</u></b>                            |              |             |              |             |             |
| <i>Average price received per cwt. of milk shipped</i> | \$ 22.69     | \$ 19.18    | \$ 17.99     | \$ 19.68    | \$ 16.29    |



***COST STUDY***  
***WEST TEXAS***  
***DECEMBER 31, 2014***

**COST STUDY  
WEST TEXAS**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|   | <u>AMOUNT</u>                  | <u>PERCENT</u>            |        | <u>PER CWT.<br/>OF MILK</u> | <u>PER<br/>AVERAGE<br/>HERD SIZE</u> |
|---|--------------------------------|---------------------------|--------|-----------------------------|--------------------------------------|
| <b>OPERATING INCOME:</b>                    |                                |                           |        |                             |                                      |
| Milk  | \$ 20,586,548                  | 95.74 %                   | \$     | 23.10                       | \$ 5,158                             |
| Calves and heifers, net                     | 723,061                        | 3.36                      |        | 0.81                        | 181                                  |
| Patronage dividends                         | 76,689                         | 0.36                      |        | 0.09                        | 19                                   |
| Other                                       | <u>116,258</u>                 | <u>0.54</u>               |        | <u>0.13</u>                 | <u>29</u>                            |
| <br>Total income                            | <br>\$ <u>21,502,556</u>       | <br><u>100.00</u> %       | <br>\$ | <br><u>24.13</u>            | <br>\$ <u>5,387</u>                  |
| <br><b>OPERATING EXPENSES:</b>              |                                |                           |        |                             |                                      |
| Feed:                                       |                                |                           |        |                             |                                      |
| Hay   | \$ 1,913,464                   | 8.90 %                    | \$     | 2.15                        | \$ 479                               |
| Grain                                       | 7,037,863                      | 32.73                     |        | 7.90                        | 1,763                                |
| Silage                                      | 2,618,357                      | 12.18                     |        | 2.94                        | 656                                  |
| Haylage                                     | 34,113                         | 0.16                      |        | 0.04                        | 9                                    |
| Heifer raising                              | 715,937                        | 3.33                      |        | 0.80                        | 179                                  |
| Less cost of feeding heifers                | <u>(2,347,316)</u>             | <u>(10.92)</u>            |        | <u>(2.63)</u>               | <u>(588)</u>                         |
| <br>Total feed                              | <br>\$ <u>9,972,418</u>        | <br><u>46.38</u> %        | <br>\$ | <br><u>11.20</u>            | <br>\$ <u>2,498</u>                  |
| <br>Herd replacement cost:                  |                                |                           |        |                             |                                      |
| Depreciation on dairy herd                  | \$ 1,040,088                   | 4.84 %                    | \$     | 1.17                        | \$ 261                               |
| Gain on sale of cows                        | <u>(9,238)</u>                 | <u>(0.04)</u>             |        | <u>(0.01)</u>               | <u>(2)</u>                           |
| <br>Total herd replacement cost             | <br>\$ <u>1,030,850</u>        | <br><u>4.80</u> %         | <br>\$ | <br><u>1.16</u>             | <br>\$ <u>259</u>                    |
| <br>Other operating expenses,<br>Schedule 5 |                                |                           |        |                             |                                      |
|   | \$ <u>4,997,975</u>            | <u>23.26</u> %            | \$     | <u>5.59</u>                 | \$ <u>1,254</u>                      |
| <br>Total operating expenses                | <br>\$ <u>16,001,243</u>       | <br><u>74.44</u> %        | <br>\$ | <br><u>17.95</u>            | <br>\$ <u>4,011</u>                  |
| <br>Net income                              | <br>\$ <u><u>5,501,313</u></u> | <br><u><u>25.56</u></u> % | <br>\$ | <br><u><u>6.18</u></u>      | <br>\$ <u><u>1,376</u></u>           |

**COST STUDY  
WEST TEXAS**

**SCHEDULE 5**

**SCHEDULE OF OTHER OPERATING EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|                                     | <u>AMOUNT</u>           | <u>PERCENT</u>     |        | <u>PER CWT.<br/>OF MILK</u> | <u>PER<br/>AVERAGE<br/>HERD SIZE</u> |
|-------------------------------------|-------------------------|--------------------|--------|-----------------------------|--------------------------------------|
| <i>Interest and rent</i>            | \$ 561,961              | 2.63 %             | \$     | 0.63                        | \$ 142                               |
| <i>Labor and partners' salary</i>   | 1,272,452               | 5.92               |        | 1.43                        | 319                                  |
| <i>Equipment leases</i>             | 3,253                   | 0.02               |        | 0.00                        | 1                                    |
| <i>Depreciation - other</i>         | 334,020                 | 1.55               |        | 0.37                        | 84                                   |
| <i>Milk hauling</i>                 | 833,464                 | 3.88               |        | 0.94                        | 209                                  |
| <i>Advertising and promotion</i>    | 245,183                 | 1.14               |        | 0.28                        | 61                                   |
| <i>CWT program</i>                  | 13,110                  | 0.06               |        | 0.01                        | 3                                    |
| <i>Supplies</i>                     | 314,025                 | 1.46               |        | 0.35                        | 79                                   |
| <i>Corral cleaning</i>              | 27,799                  | 0.13               |        | 0.03                        | 7                                    |
| <i>Repairs and maintenance</i>      | 484,626                 | 2.25               |        | 0.54                        | 121                                  |
| <i>Utilities</i>                    | 190,447                 | 0.89               |        | 0.21                        | 48                                   |
| <i>Taxes</i>                        | 156,758                 | 0.73               |        | 0.18                        | 39                                   |
| <i>Insurance</i>                    | 88,024                  | 0.41               |        | 0.10                        | 22                                   |
| <i>Fuel</i>                         | 239,193                 | 1.11               |        | 0.27                        | 60                                   |
| <i>Legal and accounting</i>         | 39,158                  | 0.18               |        | 0.04                        | 10                                   |
| <i>Employee benefits</i>            | 35,865                  | 0.17               |        | 0.04                        | 9                                    |
| <i>Veterinary and medicine</i>      | 359,604                 | 1.67               |        | 0.40                        | 90                                   |
| <i>Breeding and semen</i>           | 141,924                 | 0.66               |        | 0.16                        | 36                                   |
| <i>Travel</i>                       | 7,690                   | 0.04               |        | 0.01                        | 2                                    |
| <i>Livestock hauling</i>            | 796                     | 0.00               |        | 0.00                        | 0                                    |
| <i>Deadstock removal</i>            | 12,054                  | 0.06               |        | 0.01                        | 3                                    |
| <i>Testing and trimming</i>         | 99,533                  | 0.46               |        | 0.11                        | 25                                   |
| <i>Miscellaneous</i>                | 5,279                   | 0.02               |        | 0.01                        | 1                                    |
| <i>Less cost of raising heifers</i> | <u>(468,243)</u>        | <u>(2.18)</u>      |        | <u>(0.53)</u>               | <u>(117)</u>                         |
| <br><i>Total</i>                    | <br>\$ <u>4,997,975</u> | <br><u>23.26</u> % | <br>\$ | <br><u>5.59</u>             | <br>\$ <u>1,254</u>                  |

**COST STUDY  
WEST TEXAS**

**SUPPLEMENTARY DATA**

|  | <b><u>2014</u></b> | <b><u>2013</u></b> | <b><u>2012</u></b> | <b><u>2011</u></b> | <b><u>2010</u></b> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b><u>MILK PRODUCTION</u></b>                          |                    |                    |                    |                    |                    |
| <i>Pounds of whole milk produced</i>                   | 89,106,678         | 77,627,967         | 86,260,185         | 91,859,280         | 74,235,820         |
| <i>Average butterfat test</i>                          | 3.61%              | 3.62%              | 3.59%              | 3.59%              | 3.53%              |
| <i>Average protein test</i>                            | 3.13%              | 3.13%              | 3.10%              | 3.05%              | 3.05%              |
| <i>Average daily pounds per milking cow</i>            | 72                 | 70                 | 70                 | 68                 | 68                 |
| <i>Average somatic cell count</i>                      | 168,000            | 163,000            | 174,000            | 150,000            | 185,000            |
| <b><u>DAIRY HERD</u></b>                               |                    |                    |                    |                    |                    |
| <i>Average herd size:</i>                              |                    |                    |                    |                    |                    |
| <i>Milking cows</i>                                    | 3,380              | 3,040              | 3,360              | 3,685              | 2,980              |
| <i>Dry cows</i>  | 590                | 510                | 570                | 600                | 495                |
| <i>Bulls</i>   | 24                 | 26                 | 31                 | 27                 | 35                 |
| <i>Springers and bulls purchased:</i>                  |                    |                    |                    |                    |                    |
| <i>Number of head</i>                                  | 339                | 303                | 427                | 167                | 281                |
| <i>Total amount paid</i>                               | \$ 611,278         | \$ 208,548         | \$ 628,741         | \$ 226,041         | \$ 347,432         |
| <i>Average per head</i>                                | \$ 1,803           | \$ 689             | \$ 1,474           | \$ 1,353           | \$ 1,238           |
| <i>Self-raised heifers transferred to milking herd</i> | 1,384              | 1,327              | 1,431              | 1,573              | 1,398              |
| <i>Cows and bulls sold:</i>                            |                    |                    |                    |                    |                    |
| <i>Number of head</i>                                  | 1,374              | 1,334              | 1,562              | 1,339              | 1,089              |
| <i>Total amount received</i>                           | \$ 1,606,761       | \$ 1,356,347       | \$ 1,342,734       | \$ 977,381         | \$ 647,182         |
| <i>Average per head</i>                                | \$ 1,169           | \$ 1,017           | \$ 860             | \$ 730             | \$ 595             |
| <i>Dead cows</i>                                       | 242                | 223                | 260                | 227                | 200                |
| <i>Herd turnover rate</i>                              | 40%                | 44%                | 46%                | 36%                | 37%                |
| <b><u>PRODUCT PRICE</u></b>                            |                    |                    |                    |                    |                    |
| <i>Average price received per cwt. of milk shipped</i> | \$ 23.10           | \$ 19.52           | \$ 18.24           | \$ 19.84           | \$ 16.13           |

***COST STUDY***  
***SOUTHERN CALIFORNIA***  
***DECEMBER 31, 2014***

**COST STUDY  
SOUTHERN CALIFORNIA**

**AVERAGE INCOME AND EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|   | <u>AMOUNT</u>                  | <u>PERCENT</u>            |        | <u>PER CWT.<br/>OF MILK</u> | <u>PER<br/>AVERAGE<br/>HERD SIZE</u> |
|---|--------------------------------|---------------------------|--------|-----------------------------|--------------------------------------|
| <b>OPERATING INCOME:</b>                    |                                |                           |        |                             |                                      |
| Milk  | \$ 6,381,509                   | 96.92 %                   | \$     | 21.54                       | \$ 4,747                             |
| Calves and heifers, net                     | 118,163                        | 1.79                      |        | 0.40                        | 88                                   |
| Patronage dividends                         | 69,636                         | 1.06                      |        | 0.24                        | 52                                   |
| Other                                       | <u>14,819</u>                  | <u>0.23</u>               |        | <u>0.05</u>                 | <u>11</u>                            |
| <br>Total income                            | <br>\$ <u>6,584,127</u>        | <br><u>100.00 %</u>       | <br>\$ | <br><u>22.23</u>            | <br>\$ <u>4,898</u>                  |
| <br><b>OPERATING EXPENSES:</b>              |                                |                           |        |                             |                                      |
| Feed:                                       |                                |                           |        |                             |                                      |
| Hay   | \$ 1,850,382                   | 28.10 %                   | \$     | 6.25                        | \$ 1,377                             |
| Grain                                       | 1,983,613                      | 30.13                     |        | 6.70                        | 1,476                                |
| Silage                                      | 169,426                        | 2.57                      |        | 0.57                        | 126                                  |
| Heifer raising                              | 262,644                        | 3.99                      |        | 0.89                        | 195                                  |
| Less cost of feeding heifers                | <u>(770,388)</u>               | <u>(11.70)</u>            |        | <u>(2.60)</u>               | <u>(573)</u>                         |
| <br>Total feed                              | <br>\$ <u>3,495,677</u>        | <br><u>53.09 %</u>        | <br>\$ | <br><u>11.81</u>            | <br>\$ <u>2,601</u>                  |
| <br>Herd replacement cost:                  |                                |                           |        |                             |                                      |
| Depreciation on dairy herd                  | \$ 388,879                     | 5.91 %                    | \$     | 1.31                        | \$ 289                               |
| Gain on sale of cows                        | <u>(154,243)</u>               | <u>(2.34)</u>             |        | <u>(0.52)</u>               | <u>(115)</u>                         |
| <br>Total herd replacement cost             | <br>\$ <u>234,636</u>          | <br><u>3.57 %</u>         | <br>\$ | <br><u>0.79</u>             | <br>\$ <u>174</u>                    |
| <br>Other operating expenses,<br>Schedule 6 |                                |                           |        |                             |                                      |
|   | \$ <u>1,310,285</u>            | <u>19.89 %</u>            | \$     | <u>4.43</u>                 | \$ <u>974</u>                        |
| <br>Total operating expenses                | <br>\$ <u>5,040,598</u>        | <br><u>76.55 %</u>        | <br>\$ | <br><u>17.03</u>            | <br>\$ <u>3,749</u>                  |
| <br>Net income                              | <br>\$ <u><u>1,543,529</u></u> | <br><u><u>23.45 %</u></u> | <br>\$ | <br><u><u>5.20</u></u>      | <br>\$ <u><u>1,149</u></u>           |



**COST STUDY  
SOUTHERN CALIFORNIA**

**SCHEDULE 6**

**SCHEDULE OF OTHER OPERATING EXPENSES  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

|                                     | <u>AMOUNT</u>                  | <u>PERCENT</u>          |       | <u>PER CWT.<br/>OF MILK</u> | <u>PER AVERAGE<br/>HERD SIZE</u> |
|-------------------------------------|--------------------------------|-------------------------|-------|-----------------------------|----------------------------------|
| <i>Interest and rent</i>            | \$ 141,379                     | 2.15                    | %     | \$ 0.48                     | \$ 105                           |
| <i>Labor and partners' salary</i>   | 276,101                        | 4.19                    |       | 0.93                        | 205                              |
| <i>Depreciation - other</i>         | 39,468                         | 0.60                    |       | 0.13                        | 29                               |
| <i>Milk hauling</i>                 | 101,996                        | 1.55                    |       | 0.34                        | 76                               |
| <i>Advertising and promotion</i>    | 54,028                         | 0.82                    |       | 0.18                        | 40                               |
| <i>CWT program</i>                  | 3,175                          | 0.05                    |       | 0.01                        | 2                                |
| <i>Supplies</i>                     | 80,476                         | 1.22                    |       | 0.27                        | 60                               |
| <i>Corral cleaning</i>              | 43,723                         | 0.66                    |       | 0.15                        | 33                               |
| <i>Repairs and maintenance</i>      | 197,268                        | 3.00                    |       | 0.67                        | 147                              |
| <i>Utilities</i>                    | 84,769                         | 1.29                    |       | 0.29                        | 63                               |
| <i>Taxes</i>                        | 67,191                         | 1.02                    |       | 0.23                        | 50                               |
| <i>Insurance</i>                    | 74,885                         | 1.14                    |       | 0.25                        | 56                               |
| <i>Fuel</i>                         | 62,038                         | 0.94                    |       | 0.21                        | 46                               |
| <i>Legal and accounting</i>         | 64,847                         | 0.98                    |       | 0.22                        | 48                               |
| <i>Employee benefits</i>            | 13,475                         | 0.20                    |       | 0.05                        | 10                               |
| <i>Veterinary and medicine</i>      | 80,438                         | 1.22                    |       | 0.27                        | 60                               |
| <i>Breeding and semen</i>           | 20,445                         | 0.31                    |       | 0.07                        | 15                               |
| <i>Deadstock removal</i>            | 5,472                          | 0.08                    |       | 0.02                        | 4                                |
| <i>Testing and trimming</i>         | 21,318                         | 0.32                    |       | 0.07                        | 16                               |
| <i>Miscellaneous</i>                | 2,421                          | 0.04                    |       | 0.01                        | 2                                |
| <i>Less cost of raising heifers</i> | <u>(124,628)</u>               | <u>(1.89)</u>           |       | <u>(0.42)</u>               | <u>(93)</u>                      |
| <br><i>Total</i>                    | <br>\$ <u><u>1,310,285</u></u> | <br><u><u>19.89</u></u> | <br>% | <br>\$ <u><u>4.43</u></u>   | <br>\$ <u><u>974</u></u>         |

***COST STUDY  
SOUTHERN CALIFORNIA***

**SUPPLEMENTARY DATA**

|  | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| <b><u>MILK PRODUCTION</u></b>                          |             |             |             |             |             |
| <i>Pounds of whole milk produced</i>                   | 29,624,666  | 23,538,776  | 32,062,297  | 30,119,943  | 34,413,626  |
| <i>Average butterfat test</i>                          | 3.53%       | 3.64%       | 3.55%       | 3.60%       | 3.59%       |
| <i>Average solids-non-fat test</i>                     | 8.57%       | 8.87%       | 8.86%       | 8.79%       | 8.80%       |
| <i>Average daily pounds per milking cow</i>            | 72          | 66          | 67          | 65          | 61          |
| <b><u>DAIRY HERD</u></b>                               |             |             |             |             |             |
| <i>Average herd size:</i>                              |             |             |             |             |             |
| <i>Milking cows</i>                                    | 1,120       | 970         | 1,305       | 1,270       | 1,545       |
| <i>Dry cows</i>  | 220         | 170         | 250         | 225         | 270         |
| <i>Bulls</i>   | 8           | 5           | 8           | 9           | 15          |
| <i>Springers and bulls purchased:</i>                  |             |             |             |             |             |
| <i>Number of head</i>                                  | 2           | 4           | 1           | 64          | 1           |
| <i>Total amount paid</i>                               | \$ 2,400    | \$ 3,553    | \$ 649      | \$ 73,663   | \$ 1,161    |
| <i>Average per head</i>                                | \$ 1,200    | \$ 1,131    | \$ 649      | \$ 1,151    | \$ 1,161    |
| <i>Self-raised heifers transferred to milking herd</i> | 376         | 372         | 470         | 484         | 516         |
| <i>Cows and bulls sold:</i>                            |             |             |             |             |             |
| <i>Number of head</i>                                  | 442         | 393         | 453         | 434         | 490         |
| <i>Total amount received</i>                           | \$ 558,374  | \$ 368,540  | \$ 388,068  | \$ 359,754  | \$ 337,470  |
| <i>Average per head</i>                                | \$ 1,263    | \$ 938      | \$ 857      | \$ 829      | \$ 688      |
| <i>Dead cows</i>                                       | 48          | 42          | 75          | 82          | 94          |
| <i>Herd turnover rate</i>                              | 36%         | 38%         | 34%         | 34%         | 32%         |
| <b><u>PRODUCT PRICE</u></b>                            |             |             |             |             |             |
| <i>Average price received per cwt. of milk shipped</i> | \$ 21.54    | \$ 19.13    | \$ 16.88    | \$ 18.92    | \$ 15.07    |

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DeRenzis & Associates, LLP

15328 Central Avenue, Chino, California 91710

Tel: 909.993.5300 Fax: 909.993.5305

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Chino, California 91710  
[www.Derenzisllp.com](http://www.Derenzisllp.com)

