



DeRenzis & Associates, LLP

~ Certified Public Accountants ~

June 30, 2008

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  
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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, June 30, 2008.

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 June 30, 2008 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

June 2008

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***DAIRY FARM COST STUDY***

***TABLE OF CONTENTS***

***June 30, 2008***

***FINANCIAL STATISTICS:***

<i>Southern California</i>	<i>Pages 1 thru 3</i>
<i>Central Valley California</i>	<i>Pages 4 thru 6</i>
<i>Washington</i>	<i>Pages 7 thru 9</i>
<i>Idaho</i>	<i>Pages 10 thru 12</i>
<i>New Mexico</i>	<i>Pages 13 thru 15</i>
<i>West Texas</i>	<i>Pages 16 thru 18</i>

***COST STUDY***  
***SOUTHERN CALIFORNIA***  
***JUNE 30, 2008***



**COST STUDY  
SOUTHERN CALIFORNIA**

**AVERAGE INCOME AND EXPENSES  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2008**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 2,855,190	98.40 %	\$ 17.80	\$ 1,842
Calves and heifers, net	10,357	0.36	0.06	7
Patronage dividends	24,579	0.85	0.15	16
U. S. Department of Agriculture	10,241	0.35	0.06	7
Other	1,302	0.04	0.01	1
Total income	<u>\$ 2,901,669</u>	<u>100.00 %</u>	<u>\$ 18.08</u>	<u>\$ 1,872</u>
<b>OPERATING EXPENSES:</b>				
<i>Feed:</i>				
Hay	\$ 743,373	25.62 %	\$ 4.65	\$ 480
Grain	1,030,275	35.51	6.42	665
Silage	68,384	2.36	0.43	44
Heifer raising	150,549	5.19	0.94	97
Less cost of feeding heifers	<u>(421,775)</u>	<u>(14.54)</u>	<u>(2.63)</u>	<u>(272)</u>
Total feed	<u>\$ 1,570,806</u>	<u>54.14 %</u>	<u>\$ 9.80</u>	<u>\$ 1,013</u>
<i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 185,624	6.40 %	\$ 1.16	\$ 120
Loss on sale of cows	<u>59,465</u>	<u>2.05</u>	<u>0.37</u>	<u>38</u>
Total herd replacement cost	<u>\$ 245,089</u>	<u>8.45 %</u>	<u>\$ 1.53</u>	<u>\$ 158</u>
<i>Other operating expenses:</i>				
Interest and rent	\$ 101,723	3.49 %	\$ 0.61	\$ 66
Labor and partners' salary	206,731	7.12	1.29	133
Depreciation - other	55,494	1.91	0.35	36
Milk hauling	57,182	1.97	0.36	37
Advertising and promotion	55,526	1.91	0.35	36
CWT program	14,243	0.49	0.09	9
Supplies	36,835	1.27	0.23	24
Corral cleaning	30,334	1.05	0.19	20
Repairs and maintenance	82,604	2.85	0.52	53
Utilities	36,893	1.27	0.23	24
Taxes	37,856	1.30	0.24	24
Insurance	27,845	0.96	0.17	18
Fuel	28,845	0.99	0.18	19
Legal and accounting	6,986	0.24	0.04	5
Employee benefits	20,991	0.72	0.13	14
Veterinary and medicine	63,620	2.19	0.40	41
Breeding and semen	23,822	0.82	0.15	15
Travel	90	0.00	0.00	0
Livestock hauling	1,434	0.05	0.01	1
Deadstock removal	3,952	0.14	0.02	3
Testing and trimming	12,222	0.42	0.08	8
Miscellaneous	1,151	0.04	0.01	1
Less cost of raising heifers	<u>(91,253)</u>	<u>(3.14)</u>	<u>(0.57)</u>	<u>(59)</u>
Total other operating expenses	<u>\$ 815,127</u>	<u>28.09 %</u>	<u>\$ 5.08</u>	<u>\$ 526</u>
Total operating expenses	<u>\$ 2,631,022</u>	<u>90.68 %</u>	<u>\$ 16.41</u>	<u>\$ 1,697</u>
Net income	<u>\$ 270,647</u>	<u>9.32 %</u>	<u>\$ 1.67</u>	<u>\$ 175</u>

**COST STUDY  
SOUTHERN CALIFORNIA**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>6/30/08</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>MILK PRODUCTION</u></b>					
<i>Pounds of whole milk produced</i>	16,037,565	33,979,652	30,143,243	28,587,261	27,521,719
<i>Average butterfat test</i>	3.73%	3.67%	3.68%	3.61%	3.57%
<i>Average solids-non-fat test</i>	8.77%	8.72%	8.76%	8.70%	8.72%
<i>Average daily pounds per milking cow</i>	67	65	65	62	63
<b><u>DAIRY HERD</u></b>					
<i>Average herd size:</i>					
<i>Milking cows</i>	1,305	1,425	1,275	1,255	1,190
<i>Dry cows</i>	230	250	215	200	205
<i>Bulls</i>	12	11	14	14	11
<i>Springers and bulls purchased:</i>					
<i>Number of head</i>	5	36	52	137	107
<i>Total amount paid</i>	\$ 8,011	\$ 75,598	\$ 93,033	\$ 256,395	\$ 205,718
<i>Average per head</i>	\$ 1,602	\$ 2,100	\$ 1,789	\$ 1,871	\$ 1,923
<i>Self-raised heifers transferred to milking herd</i>	253	478	410	450	402
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	230	413	384	386	380
<i>Total amount received</i>	\$ 130,737	\$ 266,437	\$ 243,537	\$ 255,133	\$ 247,501
<i>Average per head</i>	\$ 568	\$ 645	\$ 634	\$ 661	\$ 651
<i>Dead cows</i>	42	83	70	86	82
<i>Herd turnover rate</i>	35%	29%	30%	32%	33%
<b><u>PRODUCT PRICE</u></b>					
<i>Average price received per cwt. of milk shipped</i>	\$ 17.80	\$ 18.17	\$ 11.64	\$ 14.10	\$ 14.88

***COST STUDY***  
***CENTRAL VALLEY CALIFORNIA***  
***JUNE 30, 2008***



**COST STUDY  
CENTRAL VALLEY CALIFORNIA**

**AVERAGE INCOME AND EXPENSES  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2008**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 7,747,925	98.49 %	\$ 17.28	\$ 1,848
Calves and heifers, net	16,011	0.20	0.04	4
Patronage dividends	46,522	0.59	0.10	11
Other	56,993	0.72	0.13	14
Total income	<u>\$ 7,867,451</u>	<u>100.00 %</u>	<u>\$ 17.55</u>	<u>\$ 1,877</u>
<b>OPERATING EXPENSES:</b>				
<i>Feed:</i>				
Hay	\$ 1,156,844	14.70 %	\$ 2.58	\$ 276
Grain	2,883,395	36.65	6.43	688
Silage	769,802	9.78	1.72	184
Heifer raising	305,755	3.89	0.68	73
Less cost of feeding heifers	<u>(1,100,660)</u>	<u>(13.99)</u>	<u>(2.45)</u>	<u>(263)</u>
Total feed	<u>\$ 4,015,136</u>	<u>51.03 %</u>	<u>\$ 8.96</u>	<u>\$ 958</u>
<i>Herd replacement cost:</i>				
Depreciation on dairy herd	\$ 492,044	6.25 %	\$ 1.10	\$ 117
Loss on sale of cows	<u>172,656</u>	<u>2.19</u>	<u>0.38</u>	<u>41</u>
Total herd replacement cost	<u>\$ 664,700</u>	<u>8.44 %</u>	<u>\$ 1.48</u>	<u>\$ 158</u>
<i>Other operating expenses:</i>				
Interest and rent	\$ 466,531	5.91 %	\$ 1.02	\$ 111
Labor and partners' salary	478,518	6.08	1.07	114
Equipment leases	2,880	0.04	0.01	1
Depreciation - other	249,684	3.17	0.56	60
Milk hauling	147,524	1.88	0.33	35
Advertising and promotion	188,809	2.40	0.42	45
CWT program	37,364	0.47	0.08	9
Supplies	115,699	1.47	0.26	28
Corral cleaning	12,941	0.16	0.03	3
Repairs and maintenance	209,923	2.67	0.47	50
Utilities	123,996	1.58	0.28	30
Taxes	82,183	1.04	0.18	20
Insurance	70,728	0.90	0.16	17
Fuel	100,609	1.28	0.22	24
Legal and accounting	9,053	0.12	0.02	2
Employee benefits	22,393	0.28	0.05	5
Veterinary and medicine	160,957	2.05	0.36	38
Breeding and semen	86,709	1.10	0.19	21
Travel	2,653	0.03	0.01	1
Livestock hauling	2,977	0.04	0.01	1
Deadstock removal	4,840	0.06	0.01	1
Testing and trimming	34,960	0.44	0.08	8
Miscellaneous	4,685	0.06	0.01	1
Less cost of raising heifers	<u>(246,700)</u>	<u>(3.14)</u>	<u>(0.55)</u>	<u>(59)</u>
Total other operating expenses	<u>\$ 2,369,920</u>	<u>30.12 %</u>	<u>\$ 5.28</u>	<u>\$ 565</u>
Total operating expenses	<u>\$ 7,049,756</u>	<u>89.59 %</u>	<u>\$ 15.72</u>	<u>\$ 1,681</u>
Net income	<u>\$ 817,695</u>	<u>10.41 %</u>	<u>\$ 1.83</u>	<u>\$ 196</u>

**COST STUDY  
CENTRAL VALLEY CALIFORNIA**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>6/30/08</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>MILK PRODUCTION</u></b>					
Pounds of whole milk produced	44,848,991	97,779,383	89,320,459	90,660,944	90,378,830
Average butterfat test	3.66%	3.62%	3.62%	3.57%	3.64%
Average solids-non-fat test	8.78%	8.78%	8.80%	8.73%	8.79%
Average daily pounds per milking cow	69	70	68	66	67
<b><u>DAIRY HERD</u></b>					
Average herd size:					
Milking cows	3,550	3,820	3,600	3,740	3,710
Dry cows	585	650	645	635	605
Bulls	58	44	65	55	52
Cows and bulls purchased:					
Number of head	220	184	86	534	534,543
Total amount paid	\$ 496,720	\$ 358,921	\$ 153,161	\$ 1,069,240	\$ 996,432
Average per head	\$ 2,258	\$ 1,951	\$ 1,781	\$ 2,002	\$ 1,835
Self-raised heifers transferred to milking herd	633	1,507	1,364	1,478	1,317
Cows and bulls sold:					
Number of head	607	1,207	1,124	1,324	1,244
Total amount received	\$ 356,117	\$ 744,683	\$ 691,833	\$ 804,060	\$ 758,668
Average per head	\$ 587	\$ 617	\$ 616	\$ 607	\$ 610
Dead cows	108	258	252	256	255
Herd turnover rate	34%	32%	32%	36%	34%
<b><u>PRODUCT PRICE</u></b>					
Average price received per cwt. of milk shipped	\$ 17.28	\$ 17.95	\$ 11.53	\$ 13.84	\$ 14.75

***COST STUDY***  
***WASHINGTON***  
***JUNE 30, 2008***

**COST STUDY  
WEST TEXAS**

**AVERAGE INCOME AND EXPENSES  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2008**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 7,415,867	99.24 %	\$ 18.27	\$ 1,982
Calves and heifers, net	13,078	0.18	0.03	4
Patronage dividends	38,080	0.51	0.09	10
Other	4,974	0.07	0.01	1
Total income	<u>\$ 7,471,999</u>	<u>100.00 %</u>	<u>\$ 18.40</u>	<u>\$ 1,997</u>
<b>OPERATING EXPENSES:</b>				
<b>Feed:</b>				
Hay	\$ 784,673	10.50 %	\$ 1.93	\$ 210
Grain	2,172,218	29.07	5.35	581
Silage	707,054	9.46	1.74	189
Heifer raising	147,545	1.97	0.36	39
Less cost of feeding heifers	<u>(816,085)</u>	<u>(10.92)</u>	<u>(2.01)</u>	<u>(218)</u>
Total feed	<u>\$ 2,995,405</u>	<u>40.08 %</u>	<u>\$ 7.37</u>	<u>\$ 801</u>
<b>Herd replacement cost:</b>				
Depreciation on dairy herd	\$ 430,226	5.76 %	\$ 1.06	\$ 115
Loss on sale of cows	339,632	4.55	0.84	91
Total herd replacement cost	<u>\$ 769,858</u>	<u>10.31 %</u>	<u>\$ 1.90</u>	<u>\$ 206</u>
<b>Other operating expenses:</b>				
Interest and rent	\$ 311,632	4.15 %	\$ 0.75	\$ 83
Labor and partners' salary	470,840	6.30	1.16	126
Equipment leases	17,762	0.24	0.04	5
Depreciation - other	148,100	1.98	0.36	40
Milk hauling	355,236	4.75	0.88	95
Advertising and promotion	134,611	1.80	0.33	36
CWT program	40,581	0.54	0.10	11
Supplies	111,887	1.50	0.28	30
Corral cleaning	39,039	0.52	0.10	10
Repairs and maintenance	149,294	2.00	0.37	40
Utilities	80,436	1.08	0.20	22
Taxes	71,356	0.95	0.18	19
Insurance	36,802	0.49	0.09	10
Fuel	109,730	1.47	0.27	29
Legal and accounting	10,057	0.13	0.02	3
Employee benefits	15,258	0.20	0.04	4
Veterinary and medicine	159,871	2.14	0.39	43
Breeding and semen	66,485	0.89	0.16	18
Travel	5,653	0.08	0.01	2
Livestock hauling	308	0.00	0.00	0
Deadstock removal	1,957	0.03	0.00	1
Testing and trimming	40,854	0.55	0.10	11
Miscellaneous	3,223	0.04	0.01	1
Less cost of raising heifers	<u>(222,700)</u>	<u>(2.98)</u>	<u>(0.55)</u>	<u>(60)</u>
Total other operating expenses	<u>\$ 2,158,270</u>	<u>28.88 %</u>	<u>\$ 5.32</u>	<u>\$ 577</u>
Total operating expenses	<u>\$ 5,923,533</u>	<u>79.27 %</u>	<u>\$ 14.59</u>	<u>\$ 1,584</u>
Net income	<u>\$ 1,548,466</u>	<u>20.73 %</u>	<u>\$ 3.81</u>	<u>\$ 413</u>

**COST STUDY  
WASHINGTON**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>6/30/08</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>MILK PRODUCTION</u></b>					
<i>Pounds of whole milk produced</i>	21,093,396	42,024,994	N/A	N/A	N/A
<i>Average butterfat test</i>	3.63%	3.58%			
<i>Average protein test</i>	3.06%	3.03%			
<i>Average daily pounds per milking cow</i>	76	76			
<i>Average somatic cell count</i>	171,000	181,000			
<b><u>DAIRY HERD</u></b>					
<i>Average herd size:</i>					
<i>Milking cows</i>	1,535	1,510			
<i>Dry cows</i>	265	255			
<i>Bulls</i>	15	16			
<i>Cows and bulls purchased:</i>					
<i>Number of head</i>	16	101			
<i>Total amount paid</i>	\$ 37,634	\$ 207,513			
<i>Average per head</i>	\$ 2,428	\$ 2,055			
<i>Self-raised heifers transferred to milking herd</i>	334	471			
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	231	402			
<i>Total amount received</i>	\$ 117,869	\$ 222,460			
<i>Average per head</i>	\$ 510	\$ 554			
<i>Dead cows</i>	60	139			
<i>Herd turnover rate</i>	32%	30%			
<b><u>PRODUCT PRICE</u></b>					
<i>Average price received per cwt. of milk shipped</i>	\$ 18.14	\$ 18.46			

***COST STUDY***

***IDAHO***

***JUNE 30, 2008***

**COST STUDY  
IDAHO**

**AVERAGE INCOME AND EXPENSES  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2008**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 4,604,205	97.40 %	\$ 17.98	\$ 1,980
Calves and heifers, net	3,078	0.07	0.01	1
Patronage dividends	82,152	1.74	0.32	35
U. S. Department of Agriculture	28,861	0.61	0.11	12
Other	8,781	0.19	0.03	4
Total income	<u>\$ 4,727,077</u>	<u>100.00 %</u>	<u>\$ 18.45</u>	<u>\$ 2,032</u>
<b>OPERATING EXPENSES:</b>				
<b>Feed:</b>				
Hay	\$ 534,484	11.31 %	\$ 2.09	\$ 230
Grain	1,487,148	31.46	5.81	640
Silage	368,011	7.79	1.44	158
Haylage	70,060	1.48	0.27	30
Heifer raising	205,604	4.35	0.80	88
Less cost of feeding heifers	<u>(575,561)</u>	<u>(12.18)</u>	<u>(2.25)</u>	<u>(248)</u>
Total feed	<u>\$ 2,089,746</u>	<u>44.21 %</u>	<u>\$ 8.16</u>	<u>\$ 898</u>
<b>Herd replacement cost:</b>				
Depreciation on dairy herd	\$ 285,008	6.03 %	\$ 1.11	\$ 123
Loss on sale of cows	<u>133,808</u>	<u>2.83</u>	<u>0.52</u>	<u>58</u>
Total herd replacement cost	<u>\$ 418,816</u>	<u>8.86 %</u>	<u>\$ 1.63</u>	<u>\$ 181</u>
<b>Other operating expenses:</b>				
Interest and rent	\$ 211,213	4.47 %	\$ 0.80	\$ 91
Labor and partners' salary	335,355	7.09	1.31	144
Equipment leases	9,424	0.20	0.04	4
Straw	67,679	1.43	0.26	29
Depreciation - other	189,379	4.01	0.74	81
Milk hauling	78,593	1.66	0.31	34
Advertising and promotion	46,798	0.99	0.18	20
CWT program	12,499	0.26	0.05	5
Supplies	78,565	1.66	0.31	34
Corral cleaning	6,890	0.15	0.03	3
Repairs and maintenance	126,313	2.67	0.49	54
BST	18,891	0.40	0.07	8
Utilities	49,268	1.04	0.19	21
Taxes	40,313	0.85	0.16	17
Insurance	24,558	0.52	0.10	11
Fuel	54,158	1.15	0.21	23
Legal and accounting	14,885	0.31	0.06	6
Employee benefits	7,537	0.16	0.03	3
Veterinary and medicine	84,029	1.78	0.33	36
Breeding and semen	50,722	1.07	0.20	22
Livestock hauling	2,256	0.05	0.01	1
Deadstock removal	2,438	0.05	0.01	1
Testing and trimming	23,390	0.49	0.09	10
Miscellaneous	2,294	0.05	0.01	1
Less cost of raising heifers	<u>(136,395)</u>	<u>(2.89)</u>	<u>(0.53)</u>	<u>(59)</u>
Total other operating expenses	<u>\$ 1,401,049</u>	<u>29.62 %</u>	<u>\$ 5.47</u>	<u>\$ 603</u>
Total operating expenses	<u>\$ 3,909,611</u>	<u>82.69 %</u>	<u>\$ 15.26</u>	<u>\$ 1,682</u>
Net income	<u>\$ 817,466</u>	<u>17.31 %</u>	<u>\$ 3.19</u>	<u>\$ 350</u>



**COST STUDY  
IDAHO**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>6/30/08</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>MILK PRODUCTION</u></b>					
Pounds of whole milk	25,611,691	50,947,846	107,392,893	102,569,884	90,548,260
Average butterfat test	3.51%	3.57%	3.64%	3.61%	3.70%
Average protein test	3.01%	3.02%	3.07%	3.18%	3.17%
Average daily pounds per milking cow	69	70	72	67	66
Average somatic cell count	200,000	184,000	157,000	206,000	221,000
<b><u>DAIRY HERD</u></b>					
Average herd size:					
Milking cows	2,030	2,000	4,125	4,180	3,760
Dry cows	280	290	570	620	580
Bulls	14	15	45	38	45
Cows and bulls purchased:					
Number of head	103	206	750	818	1,139
Total amount paid	\$ 219,961	\$ 436,055	\$ 1,324,931	\$ 1,711,931	\$ 2,026,733
Average per head	\$ 2,137	\$ 2,117	\$ 1,767	\$ 2,092	\$ 1,779
Self-raised heifers transferred to milking herd	382	618	1,471	1,479	889
Cows and bulls sold:					
Number of head	281	482	1,456	1,375	1,419
Total amount received	\$ 140,951	\$ 241,993	\$ 732,355	\$ 815,949	\$ 807,721
Average per head	\$ 502	\$ 502	\$ 503	\$ 593	\$ 569
Dead cows	81	131	269	268	282
Herd turnover rate	32%	27%	36%	34%	39%
<b><u>PRODUCT PRICE</u></b>					
Average price received per cwt. of milk shipped	\$ 17.98	\$ 16.95	\$ 12.56	\$ 14.20	\$ 14.90

***COST STUDY***  
***NEW MEXICO***  
***JUNE 30, 2008***

**COST STUDY  
NEW MEXICO**

**AVERAGE INCOME AND EXPENSES  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2008**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 6,689,158	99.18 %	\$ 18.10	\$ 1,979
Calves and heifers, net	10,714	0.16	0.03	3
Patronage dividends	37,285	0.55	0.10	11
Other	7,058	0.10	0.02	2
<b>Total income</b>	<b>\$ 6,744,215</b>	<b>100.00 %</b>	<b>\$ 18.25</b>	<b>\$ 1,995</b>
<b>OPERATING EXPENSES:</b>				
<b>Feed:</b>				
Hay	\$ 811,401	12.03 %	\$ 2.20	\$ 240
Grain	1,871,581	27.75	5.06	554
Silage	642,920	9.53	1.74	190
Heifer raising	119,955	1.78	0.32	36
Less cost of feeding heifers	(754,920)	(11.19)	(2.04)	(223)
<b>Total feed</b>	<b>\$ 2,690,937</b>	<b>39.90 %</b>	<b>\$ 7.28</b>	<b>\$ 797</b>
<b>Herd replacement cost:</b>				
Depreciation on dairy herd	\$ 383,030	5.68 %	\$ 1.04	\$ 113
Loss on sale of cows	298,736	4.43	0.81	88
<b>Total herd replacement cost</b>	<b>\$ 681,766</b>	<b>10.11 %</b>	<b>\$ 1.85</b>	<b>\$ 201</b>
<b>Other operating expenses:</b>				
Interest and rent	\$ 227,280	3.35 %	\$ 0.60	\$ 67
Labor and partners' salary	389,793	5.78	1.05	115
Equipment leases	13,920	0.21	0.04	4
Depreciation - other	124,287	1.84	0.34	37
Milk hauling	300,294	4.45	0.81	89
Advertising and promotion	122,235	1.81	0.33	36
CWT program	36,954	0.55	0.10	11
Supplies	104,617	1.55	0.28	31
Corral cleaning	52,166	0.77	0.14	15
Repairs and maintenance	135,051	2.00	0.37	40
Utilities	65,859	0.98	0.18	19
Taxes	68,174	1.01	0.18	20
Insurance	22,816	0.34	0.06	7
Fuel	111,171	1.65	0.30	33
Legal and accounting	9,234	0.14	0.02	3
Employee benefits	12,296	0.18	0.03	4
Veterinary and medicine	135,066	2.00	0.37	40
Breeding and semen	56,601	0.84	0.15	17
Travel	3,358	0.05	0.01	1
Livestock hauling	462	0.01	0.00	0
Deadstock removal	1,920	0.03	0.01	1
Testing and trimming	37,012	0.55	0.10	11
Miscellaneous	2,310	0.03	0.01	1
Less cost of raising heifers	(178,271)	(2.64)	(0.48)	(53)
<b>Total other operating expenses</b>	<b>\$ 1,854,607</b>	<b>27.50 %</b>	<b>\$ 5.02</b>	<b>\$ 549</b>
<b>Total operating expenses</b>	<b>\$ 5,227,310</b>	<b>77.51 %</b>	<b>\$ 14.15</b>	<b>\$ 1,547</b>
<b>Net income</b>	<b>\$ 1,516,905</b>	<b>22.49 %</b>	<b>\$ 4.10</b>	<b>\$ 448</b>

**COST STUDY  
NEW MEXICO**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>6/30/08</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>MILK PRODUCTION</u></b>					
Pounds of whole milk produced	36,953,988	67,240,902	69,178,964	67,259,126	65,730,384
Average butterfat test	3.52%	3.54%	3.52%	3.43%	3.40%
Average protein test	3.02%	3.09%	3.04%	3.01%	3.01%
Average daily pounds per milking cow	72	68	71	69	68
Average somatic cell count	186,000	186,000	192,000	233,000	243,000
<b><u>DAIRY HERD</u></b>					
Average herd size:					
Milking cows	2,830	2,700	2,680	2,680	2,640
Dry cows	485	445	485	470	510
Bulls	66	60	51	40	45
Springers and bulls purchased:					
Number of head	116	453	451	463	463
Total amount paid	\$ 253,470	\$ 860,738	\$ 866,733	\$ 774,099	\$ 790,155
Average per head	\$ 2,185	\$ 1,900	\$ 1,922	\$ 1,672	\$ 1,707
Self-raised heifers transferred to milking herd	468	979	777	963	1,202
Cows and bulls sold:					
Number of head	530	1,004	977	1,124	1,222
Total amount received	\$ 293,609	\$ 538,621	\$ 497,688	\$ 589,843	\$ 600,304
Average per head	\$ 554	\$ 537	\$ 509	\$ 525	\$ 491
Dead cows	87	194	171	144	134
Herd turnover rate	36%	37%	36%	40%	43%
<b><u>PRODUCT PRICE</u></b>					
Average price received per cwt. of milk shipped	\$ 18.10	\$ 18.90	\$ 12.28	\$ 14.07	\$ 14.85

***COST STUDY***

***WEST TEXAS***

***JUNE 30, 2008***

**COST STUDY  
WEST TEXAS**

**AVERAGE INCOME AND EXPENSES  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2008**

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<b>OPERATING INCOME:</b>				
Milk	\$ 7,415,867	99.24 %	\$ 18.27	\$ 1,982
Calves and heifers, net	13,078	0.18	0.03	4
Patronage dividends	38,080	0.51	0.09	10
Other	4,974	0.07	0.01	1
Total income	<u>\$ 7,471,999</u>	<u>100.00 %</u>	<u>\$ 18.40</u>	<u>\$ 1,997</u>
<b>OPERATING EXPENSES:</b>				
<b>Feed:</b>				
Hay	\$ 784,673	10.50 %	\$ 1.93	\$ 210
Grain	2,172,218	29.07	5.35	581
Silage	707,054	9.46	1.74	189
Heifer raising	147,545	1.97	0.36	39
Less cost of feeding heifers	<u>(816,085)</u>	<u>(10.92)</u>	<u>(2.01)</u>	<u>(218)</u>
Total feed	<u>\$ 2,995,405</u>	<u>40.08 %</u>	<u>\$ 7.37</u>	<u>\$ 801</u>
<b>Herd replacement cost:</b>				
Depreciation on dairy herd	\$ 430,226	5.76 %	\$ 1.06	\$ 115
Loss on sale of cows	339,632	4.55	0.84	91
Total herd replacement cost	<u>\$ 769,858</u>	<u>10.31 %</u>	<u>\$ 1.90</u>	<u>\$ 206</u>
<b>Other operating expenses:</b>				
Interest and rent	\$ 311,632	4.15 %	\$ 0.75	\$ 83
Labor and partners' salary	470,840	6.30	1.16	126
Equipment leases	17,762	0.24	0.04	5
Depreciation - other	148,100	1.98	0.36	40
Milk hauling	355,236	4.75	0.88	95
Advertising and promotion	134,611	1.80	0.33	36
CWT program	40,581	0.54	0.10	11
Supplies	111,887	1.50	0.28	30
Corral cleaning	39,039	0.52	0.10	10
Repairs and maintenance	149,294	2.00	0.37	40
Utilities	80,436	1.08	0.20	22
Taxes	71,356	0.95	0.18	19
Insurance	36,802	0.49	0.09	10
Fuel	109,730	1.47	0.27	29
Legal and accounting	10,057	0.13	0.02	3
Employee benefits	15,258	0.20	0.04	4
Veterinary and medicine	159,871	2.14	0.39	43
Breeding and semen	66,485	0.89	0.16	18
Travel	5,653	0.08	0.01	2
Livestock hauling	308	0.00	0.00	0
Deadstock removal	1,957	0.03	0.00	1
Testing and trimming	40,854	0.55	0.10	11
Miscellaneous	3,223	0.04	0.01	1
Less cost of raising heifers	<u>(222,700)</u>	<u>(2.98)</u>	<u>(0.55)</u>	<u>(60)</u>
Total other operating expenses	<u>\$ 2,158,270</u>	<u>28.88 %</u>	<u>\$ 5.32</u>	<u>\$ 577</u>
Total operating expenses	<u>\$ 5,923,533</u>	<u>79.27 %</u>	<u>\$ 14.59</u>	<u>\$ 1,584</u>
Net income	<u>\$ 1,548,466</u>	<u>20.73 %</u>	<u>\$ 3.81</u>	<u>\$ 413</u>

**COST STUDY  
WEST TEXAS**

**SCHEDULE 2**

**SUPPLEMENTARY DATA**

	<u>6/30/08</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>MILK PRODUCTION</u></b>					
Pounds of whole milk produced	40,580,533	74,352,775	74,135,901	68,925,670	63,843,926
Average butterfat test	3.58%	3.59%	3.59%	3.51%	3.49%
Average protein test	3.04%	3.09%	3.05%	3.01%	3.01%
Average daily pounds per milking cow	71	65	67	68	67
Average somatic cell count	194,000	219,000	211,000	253,000	248,000
<b><u>DAIRY HERD</u></b>					
Average herd size:					
Milking cows	3,160	3,125	3,010	2,795	2,595
Dry cows	530	500	515	475	490
Bulls	52	55	49	39	38
Springers and bulls purchased:					
Number of head	123	492	551	504	610
Total amount paid	\$ 259,601	\$ 922,019	\$ 1,028,533	\$ 879,964	\$ 1,061,289
Average per head	\$ 2,111	\$ 1,874	\$ 1,867	\$ 1,746	\$ 1,740
Self-raised heifers transferred to milking herd	572	1,159	937	931	1,132
Cows and bulls sold:					
Number of head	577	1,176	1,126	1,104	1,098
Total amount received	\$ 328,240	\$ 635,421	\$ 569,625	\$ 571,789	\$ 541,059
Average per head	\$ 569	\$ 540	\$ 506	\$ 518	\$ 493
Dead cows	99	218	227	147	136
Herd turnover rate	36%	38%	38%	38%	40%
<b><u>PRODUCT PRICE</u></b>					
Average price received per cwt. of milk shipped	\$ 18.27	\$ 19.09	\$ 12.20	\$ 14.01	\$ 14.86



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