



DeRenzis & Associates, LLP
~ Certified Public Accountants ~

June 30, 2011
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 six months ended, June 30, 2011.

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 six months ended June 30, 2011 both on a “per hundredweight of milk” basis and on a “per head” basis. Also included are certain financial ratios and other information for that period.

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

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

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

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

Sincerely,

DeRenzis & Associates, LLP
Certified Public Accountants

September 2011

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DAIRY FARM COST STUDY

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COST STUDY
SOUTHERN CALIFORNIA
JUNE 30, 2011

**COST STUDY
SOUTHERN CALIFORNIA**

**AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:					
Milk	\$ 2,953,537	97.91 %	\$	18.56	\$ 1,883
Calves and heifers, net	20,236	0.67		0.12	13
Patronage dividends	41,353	1.37		0.26	26
Other	<u>1,550</u>	<u>0.05</u>		<u>0.01</u>	<u>1</u>
 Total income	 \$ <u>3,016,676</u>	 <u>100.00</u> %	 \$	 <u>18.95</u>	 \$ <u>1,923</u>
 OPERATING EXPENSES:					
Feed:					
Hay	\$ 773,836	25.66 %	\$	4.87	\$ 493
Grain	1,077,987	35.73		6.77	687
Silage	65,762	2.18		0.41	42
Heifer raising	135,573	4.49		0.85	86
Less cost of feeding heifers	<u>(387,926)</u>	<u>(12.86)</u>		<u>(2.44)</u>	<u>(247)</u>
 Total feed	 \$ <u>1,665,232</u>	 <u>55.20</u> %	 \$	 <u>10.46</u>	 \$ <u>1,061</u>
 Herd replacement cost:					
Depreciation on dairy herd	\$ 229,608	7.62 %	\$	1.45	\$ 146
Loss on sale of cows	<u>29,109</u>	<u>0.96</u>		<u>0.18</u>	<u>19</u>
 Total herd replacement cost	 \$ <u>258,717</u>	 <u>8.58</u> %	 \$	 <u>1.63</u>	 \$ <u>165</u>
 Other operating expenses, Schedule 1					
	\$ <u>707,109</u>	<u>23.44</u> %	\$	<u>4.44</u>	\$ <u>451</u>
 Total operating expenses	 \$ <u>2,631,058</u>	 <u>87.22</u> %	 \$	 <u>16.53</u>	 \$ <u>1,677</u>
 Net income	 \$ <u><u>385,618</u></u>	 <u><u>12.78</u></u> %	 \$	 <u><u>2.42</u></u>	 \$ <u><u>246</u></u>

**COST STUDY
SOUTHERN CALIFORNIA**

SCHEDULE 1

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 111,260	3.67	%	\$ 0.68	\$ 70
<i>Labor and partners' salary</i>	180,152	5.97		1.13	115
<i>Depreciation - other</i>	26,622	0.88		0.17	17
<i>Milk hauling</i>	57,203	1.90		0.36	36
<i>Advertising & promotion</i>	32,215	1.07		0.20	21
<i>Supplies</i>	32,140	1.07		0.20	20
<i>Corral cleaning</i>	33,330	1.10		0.21	21
<i>Repairs and maintenance</i>	88,641	2.94		0.56	57
<i>Utilities</i>	33,162	1.10		0.21	21
<i>Taxes</i>	32,154	1.07		0.20	21
<i>Insurance</i>	22,911	0.76		0.14	15
<i>Fuel</i>	27,964	0.93		0.18	18
<i>Legal and accounting</i>	8,999	0.30		0.06	6
<i>Employee benefits</i>	12,549	0.42		0.08	8
<i>Veterinary and medicine</i>	47,412	1.57		0.30	30
<i>Breeding and semen</i>	22,045	0.73		0.14	14
<i>Deadstock removal</i>	3,640	0.12		0.02	2
<i>Testing and trimming</i>	13,905	0.46		0.09	9
<i>Miscellaneous</i>	1,173	0.04		0.01	1
<i>Less cost of raising heifers</i>	<u>(80,368)</u>	<u>(2.66)</u>		<u>(0.50)</u>	<u>(51)</u>
 <i>Total</i>	 \$ <u>707,109</u>	 <u>23.44</u>	 %	 \$ <u>4.44</u>	 \$ <u>451</u>

**COST STUDY
SOUTHERN CALIFORNIA**

SUPPLEMENTARY DATA

	<u>6/30/11</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	15,915,953	34,413,626	36,156,941	33,045,125	33,979,652
<i>Average butterfat test</i>	3.66%	3.59%	3.62%	3.65%	3.67%
<i>Average solids-non-fat test</i>	8.79%	8.80%	8.83%	8.77%	8.72%
<i>Average daily pounds per milking cow</i>	66	61	65	65	65
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	1,325	1,545	1,520	1,385	1,425
<i>Dry cows</i>	235	270	275	235	250
<i>Bulls</i>	10	15	17	13	11
<i>Springers and bulls purchased:</i>					
<i>Number of head</i>	2	1	1	6	36
<i>Total amount paid</i>	\$ 1,853	\$ 1,161	\$ 1,157	\$ 8,853	\$ 75,598
<i>Average per head</i>	\$ 927	\$ 1,161	\$ 1,157	\$ 1,476	\$ 2,100
<i>Self-raised heifers transferred to milking herd</i>	239	516	511	564	478
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	223	490	502	410	413
<i>Total amount received</i>	\$ 186,149	\$ 337,470	\$ 268,786	\$ 237,227	\$ 266,437
<i>Average per head</i>	\$ 833	\$ 688	\$ 535	\$ 578	\$ 645
<i>Dead cows</i>	40	94	93	80	83
<i>Herd turnover rate</i>	34%	32%	33%	30%	29%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 18.56	\$ 15.07	\$ 11.86	\$ 16.98	\$ 18.17

COST STUDY
CENTRAL VALLEY CALIFORNIA
JUNE 30, 2011

**COST STUDY
CENTRAL VALLEY CALIFORNIA**

**AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:					
Milk	\$ 8,425,347	97.53	%	\$ 17.91	\$ 2,035
Milk futures contracts	(46,774)	(0.54)		(0.10)	(11)
Calves and heifers, net	40,082	0.46		0.08	10
U.S. Department of Agriculture	222	0.00		0.00	0
Patronage dividends	214,223	2.48		0.46	52
Other	<u>6,064</u>	<u>0.07</u>		<u>0.01</u>	<u>1</u>
 Total income	 \$ <u>8,639,164</u>	 <u>100.00</u>	 %	 \$ <u>18.36</u>	 \$ <u>2,087</u>
 OPERATING EXPENSES:					
Feed:					
Hay	\$ 990,681	11.48	%	\$ 2.11	\$ 239
Grain	3,426,309	39.66		7.28	828
Silage	846,913	9.80		1.80	205
Haylage	12,408	0.14		0.03	3
Heifer raising	265,333	3.07		0.56	64
Less cost of feeding heifers	<u>(964,155)</u>	<u>(11.16)</u>		<u>(2.05)</u>	<u>(233)</u>
 Total feed	 \$ <u>4,577,489</u>	 <u>52.99</u>	 %	 \$ <u>9.73</u>	 \$ <u>1,106</u>
 Herd replacement cost:					
Depreciation on dairy herd	\$ 528,291	6.11	%	\$ 1.12	\$ 128
Loss on sale of cows	<u>125,861</u>	<u>1.46</u>		<u>0.27</u>	<u>30</u>
 Total herd replacement cost	 \$ <u>654,152</u>	 <u>7.57</u>	 %	 \$ <u>1.39</u>	 \$ <u>158</u>
 Other operating expenses, Schedule 2					
	\$ <u>2,311,286</u>	<u>26.75</u>	%	\$ <u>4.91</u>	\$ <u>558</u>
 Total operating expenses	 \$ <u>7,542,927</u>	 <u>87.31</u>	 %	 \$ <u>16.03</u>	 \$ <u>1,822</u>
 Net income	 \$ <u><u>1,096,237</u></u>	 <u><u>12.69</u></u>	 %	 \$ <u><u>2.33</u></u>	 \$ <u><u>265</u></u>

**COST STUDY
CENTRAL VALLEY CALIFORNIA**

SCHEDULE 2

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 477,316	5.51	%	\$ 1.03	\$ 116
<i>Labor and partners' salary</i>	492,360	5.70		1.05	119
<i>Equipment leases</i>	1,902	0.02		0.00	0
<i>Depreciation - other</i>	260,048	3.01		0.55	63
<i>Milk hauling</i>	149,667	1.73		0.32	36
<i>Advertising & promotion</i>	104,195	1.21		0.22	25
<i>CWT program</i>	29,878	0.35		0.06	7
<i>Supplies</i>	142,481	1.65		0.30	34
<i>Corral cleaning</i>	11,775	0.14		0.03	3
<i>Repairs and maintenance</i>	249,965	2.89		0.53	60
<i>Utilities</i>	111,543	1.29		0.24	27
<i>Taxes</i>	86,922	1.01		0.18	21
<i>Insurance</i>	61,648	0.71		0.13	15
<i>Fuel</i>	98,610	1.14		0.21	24
<i>Legal and accounting</i>	16,057	0.19		0.03	4
<i>Employee benefits</i>	20,606	0.24		0.04	5
<i>Veterinary and medicine</i>	137,476	1.59		0.29	33
<i>Breeding and semen</i>	56,486	0.65		0.12	14
<i>Travel</i>	1,361	0.02		0.00	0
<i>Livestock hauling</i>	3,113	0.04		0.01	1
<i>Deadstock removal</i>	5,729	0.07		0.01	1
<i>Testing and trimming</i>	39,085	0.45		0.08	9
<i>Miscellaneous</i>	2,500	0.03		0.01	1
<i>Less cost of raising heifers</i>	<u>(249,437)</u>	<u>(2.89)</u>		<u>(0.53)</u>	<u>(60)</u>
 <i>Total</i>	 \$ <u>2,311,286</u>	 <u>26.75</u>	 %	 \$ <u>4.91</u>	 \$ <u>558</u>

**COST STUDY
CENTRAL VALLEY CALIFORNIA**

SUPPLEMENTARY DATA

	<u>6/30/11</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	47,050,589	87,358,951	77,090,297	86,329,433	97,779,383
<i>Average butterfat test</i>	3.62%	3.61%	3.59%	3.65%	3.62%
<i>Average solids-non-fat test</i>	8.87%	8.84%	8.81%	8.81%	8.78%
<i>Average daily pounds per milking cow</i>	73	69	68	69	70
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,565	3,465	3,120	3,415	3,820
<i>Dry cows</i>	525	585	520	535	650
<i>Bulls</i>	50	50	49	40	44
<i>Cows and bulls purchased:</i>					
<i>Number of head</i>	88	144	134	506	184
<i>Total amount paid</i>	\$ 108,386	\$ 178,048	\$ 166,421	\$ 1,107,831	\$ 358,921
<i>Average per head</i>	\$ 1,238	\$ 1,238	\$ 1,241	\$ 2,189	\$ 1,951
<i>Self-raised heifers transferred to milking herd</i>	664	1,432	1,173	1,221	1,507
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	671	1,218	1,096	1,131	1,207
<i>Total amount received</i>	\$ 565,793	\$ 845,691	\$ 611,337	\$ 656,280	\$ 744,683
<i>Average per head</i>	\$ 844	\$ 694	\$ 558	\$ 580	\$ 617
<i>Dead cows</i>	100	213	176	237	258
<i>Herd turnover rate</i>	37%	35%	34%	34%	32%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 17.91	\$ 14.67	\$ 11.65	\$ 16.72	\$ 17.95

COST STUDY
WASHINGTON
JUNE 30, 2011

***COST STUDY
WASHINGTON***

***AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011***

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>OPERATING INCOME:</i>					
<i>Milk</i>	\$ 5,178,348	94.18 %		\$ 19.69	\$ 2,222
<i>Calves and heifers, net</i>	10,610	0.19		0.04	4
<i>Patronage dividends</i>	301,359	5.48		1.15	129
<i>Other</i>	<u>8,305</u>	<u>0.15</u>		<u>0.03</u>	<u>4</u>
 <i>Total income</i>	 \$ <u>5,498,622</u>	 <u>100.00</u> %		 \$ <u>20.91</u>	 \$ <u>2,359</u>
 <i>OPERATING EXPENSES:</i>					
<i>Feed:</i>					
<i>Hay</i>	\$ 548,247	9.96 %		\$ 2.09	\$ 236
<i>Grain</i>	1,937,969	35.24		7.37	831
<i>Silage</i>	292,353	5.32		1.11	125
<i>Haylage</i>	140,100	2.55		0.53	60
<i>Heifer raising</i>	129,563	2.36		0.49	56
<i>Less cost of feeding heifers</i>	<u>(495,097)</u>	<u>(9.00)</u>		<u>(1.88)</u>	<u>(212)</u>
 <i>Total feed</i>	 \$ <u>2,553,135</u>	 <u>46.43</u> %		 \$ <u>9.71</u>	 \$ <u>1,096</u>
 <i>Herd replacement cost:</i>					
<i>Depreciation on dairy herd</i>	\$ 305,063	5.55 %		\$ 1.16	\$ 131
<i>Loss on sale of cows</i>	<u>98,601</u>	<u>1.79</u>		<u>0.38</u>	<u>42</u>
 <i>Total herd replacement cost</i>	 \$ <u>403,664</u>	 <u>7.34</u> %		 \$ <u>1.54</u>	 \$ <u>173</u>
 <i>Other operating expenses, Schedule 3</i>					
	\$ <u>1,949,301</u>	<u>35.45</u> %		\$ <u>7.41</u>	\$ <u>836</u>
 <i>Total operating expenses</i>	 \$ <u>4,906,100</u>	 <u>89.22</u> %		 \$ <u>18.66</u>	 \$ <u>2,105</u>
 <i>Net income</i>	 \$ <u><u>592,522</u></u>	 <u><u>10.78</u></u> %		 \$ <u><u>2.25</u></u>	 \$ <u><u>254</u></u>

**COST STUDY
WASHINGTON**

SCHEDULE 3

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 292,604	5.32	%	\$ 1.11	\$ 126
<i>Labor and partners' salary</i>	447,356	8.14		1.70	192
<i>Equipment leases</i>	10,203	0.19		0.04	4
<i>Straw</i>	39,433	0.72		0.15	17
<i>Depreciation - other</i>	211,542	3.85		0.80	91
<i>Milk hauling</i>	150,343	2.73		0.57	65
<i>Advertising and promotion</i>	70,500	1.28		0.27	30
<i>Supplies</i>	137,228	2.50		0.52	59
<i>Bedding</i>	9,963	0.18		0.04	4
<i>Repairs and maintenance</i>	188,743	3.43		0.72	81
<i>Utilities</i>	87,905	1.60		0.33	38
<i>Taxes</i>	85,717	1.56		0.33	37
<i>Insurance</i>	35,181	0.64		0.13	15
<i>Fuel and oil</i>	87,747	1.60		0.33	38
<i>Legal and accounting</i>	21,108	0.38		0.08	9
<i>Employee benefits</i>	27,964	0.51		0.11	12
<i>Veterinary and medicine</i>	117,413	2.14		0.45	50
<i>Breeding and semen</i>	38,159	0.69		0.15	16
<i>Travel</i>	5,201	0.09		0.02	2
<i>Livestock hauling</i>	5,214	0.09		0.02	2
<i>Deadstock removal</i>	5,423	0.10		0.02	2
<i>Testing and trimming</i>	27,019	0.49		0.10	12
<i>Miscellaneous</i>	3,005	0.05		0.01	1
<i>Less cost of raising heifers</i>	<u>(155,670)</u>	<u>(2.83)</u>		<u>(0.59)</u>	<u>(67)</u>
 <i>Total</i>	 \$ <u>1,949,301</u>	 <u>35.45</u>	 %	 \$ <u>7.41</u>	 \$ <u>836</u>

**COST STUDY
WASHINGTON**

SUPPLEMENTARY DATA

	<u>6/30/11</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	26,293,190	51,560,206	50,218,026	52,095,198	42,024,994
<i>Average butterfat test</i>	3.72%	3.58%	3.58%	3.59%	3.58%
<i>Average protein test</i>	3.12%	3.07%	3.04%	3.06%	3.03%
<i>Average daily pounds per milking cow</i>	73	75	75	76	76
<i>Average somatic cell count</i>	249,000	249,000	213,000	229,000	181,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	2,000	1,875	1,830	1,875	1,510
<i>Dry cows</i>	320	335	350	350	255
<i>Bulls</i>	10	10	8	17	16
<i>Cows and bulls purchased:</i>					
<i>Number of head</i>	78	44	NONE	1	101
<i>Total amount paid</i>	\$ 59,710	\$ 52,999		\$ 2,000	\$ 207,513
<i>Average per head</i>	\$ 766	\$ 1,205		\$ 2,000	\$ 2,055
<i>Self-raised heifers transferred to milking herd</i>	526	964	873	798	471
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	431	671	740	565	402
<i>Total amount received</i>	\$ 316,722	\$ 397,814	\$ 355,540	\$ 287,723	\$ 222,460
<i>Average per head</i>	\$ 734	\$ 593	\$ 480	\$ 509	\$ 554
<i>Dead cows</i>	75	184	196	148	139
<i>Herd turnover rate</i>	43%	39%	43%	32%	30%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 19.69	\$ 15.99	\$ 12.88	\$ 16.16	\$ 18.46

COST STUDY

IDAHO

JUNE 30, 2011

**COST STUDY
IDAHO**

**AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:					
Milk	\$ 5,521,682	97.34	%	\$ 17.59	\$ 2,061
Calves and heifers, net	28,264	0.50		0.09	10
Patronage dividends	115,252	2.03		0.37	43
Other	<u>7,252</u>	<u>0.13</u>		<u>0.02</u>	<u>3</u>
 Total income	 \$ <u>5,672,450</u>	 <u>100.00</u>	 %	 \$ <u>18.07</u>	 \$ <u>2,117</u>
 OPERATING EXPENSES:					
Feed:					
Hay	\$ 646,900	11.42	%	\$ 2.06	\$ 241
Grain	1,942,964	34.25		6.19	725
Silage	457,106	8.06		1.46	171
Haylage	109,113	1.92		0.35	41
Heifer raising	308,841	5.44		0.98	115
Less cost of feeding heifers	<u>(730,928)</u>	<u>(12.89)</u>		<u>(2.33)</u>	<u>(273)</u>
 Total feed	 \$ <u>2,733,996</u>	 <u>48.20</u>	 %	 \$ <u>8.71</u>	 \$ <u>1,020</u>
 Herd replacement cost:					
Depreciation on dairy herd	\$ 358,368	6.32	%	\$ 1.14	\$ 134
Loss on sale of cows	<u>103,356</u>	<u>1.82</u>		<u>0.33</u>	<u>39</u>
 Total herd replacement cost	 \$ <u>461,724</u>	 <u>8.14</u>	 %	 \$ <u>1.47</u>	 \$ <u>173</u>
 Other operating expenses, Schedule 4					
	\$ <u>1,667,011</u>	<u>29.39</u>	%	\$ <u>5.31</u>	\$ <u>622</u>
 Total operating expenses	 \$ <u>4,862,731</u>	 <u>85.73</u>	 %	 \$ <u>15.49</u>	 \$ <u>1,815</u>
 Net income	 \$ <u><u>809,719</u></u>	 <u><u>14.27</u></u>	 %	 \$ <u><u>2.58</u></u>	 \$ <u><u>302</u></u>

**COST STUDY
IDAHO**

SCHEDULE 4

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 193,177	3.41	%	\$ 0.62	\$ 72
<i>Labor and partners' salary</i>	393,268	6.93		1.25	147
<i>Equipment leases</i>	6,667	0.12		0.02	2
<i>Straw</i>	64,377	1.13		0.21	24
<i>Depreciation - other</i>	247,893	4.37		0.79	93
<i>Milk hauling</i>	110,076	1.94		0.35	41
<i>Advertising and promotion</i>	61,007	1.08		0.19	23
<i>Supplies</i>	82,146	1.45		0.26	31
<i>Bedding</i>	1,290	0.02		0.00	0
<i>Corral cleaning</i>	16,910	0.30		0.05	6
<i>Repairs and maintenance</i>	149,667	2.64		0.48	56
<i>BST</i>	32,054	0.57		0.10	12
<i>Utilities</i>	57,941	1.02		0.18	22
<i>Taxes</i>	60,635	1.07		0.19	23
<i>Insurance</i>	26,904	0.47		0.09	10
<i>Fuel and oil</i>	70,651	1.25		0.23	26
<i>Legal and accounting</i>	14,510	0.26		0.05	5
<i>Employee benefits</i>	10,831	0.19		0.03	4
<i>Veterinary and medicine</i>	118,540	2.09		0.38	44
<i>Breeding and semen</i>	50,954	0.90		0.16	19
<i>Travel</i>	2,182	0.04		0.01	1
<i>Livestock hauling</i>	2,491	0.04		0.01	1
<i>Deadstock removal</i>	2,438	0.04		0.01	1
<i>Testing and trimming</i>	35,692	0.63		0.11	13
<i>Miscellaneous</i>	2,220	0.04		0.01	1
<i>Less cost of raising heifers</i>	<u>(147,510)</u>	<u>(2.60)</u>		<u>(0.47)</u>	<u>(55)</u>
 <i>Total</i>	 \$ <u><u>1,667,011</u></u>	 <u><u>29.40</u></u>	 %	 \$ <u><u>5.31</u></u>	 \$ <u><u>622</u></u>

**COST STUDY
IDAHO**

SUPPLEMENTARY DATA

	<u>6/30/11</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk</i>	31,392,249	60,574,256	59,784,664	54,279,181	50,947,846
<i>Average butterfat test</i>	3.72%	3.59%	3.52%	3.52%	3.57%
<i>Average protein test</i>	9.27%	3.01%	3.02%	3.02%	3.02%
<i>Average daily pounds per milking cow</i>	74	72	71	70	70
<i>Average somatic cell count</i>	161,000	161,000	166,000	191,000	184,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	2,335	2,305	2,305	2,125	2,000
<i>Dry cows</i>	335	345	365	310	290
<i>Bulls</i>	10	25	14	15	15
<i>Cows and bulls purchased:</i>					
<i>Number of head</i>	58	38	24	149	206
<i>Total amount paid</i>	\$ 61,985	\$ 49,521	\$ 37,539	\$ 315,178	\$ 436,055
<i>Average per head</i>	\$ 1,069	\$ 1,303	\$ 1,564	\$ 2,115	\$ 2,117
<i>Self-raised heifers transferred to milking herd</i>	498	979	962	792	618
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	447	728	782	586	482
<i>Total amount received</i>	\$ 302,288	\$ 434,516	\$ 344,884	\$ 288,948	\$ 241,993
<i>Average per head</i>	\$ 677	\$ 597	\$ 441	\$ 493	\$ 502
<i>Dead cows</i>	76	190	209	171	131
<i>Herd turnover rate</i>	39%	34%	37%	31%	27%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 17.59	\$ 14.74	\$ 11.94	\$ 17.16	\$ 16.95

COST STUDY
NEW MEXICO
JUNE 30, 2011

***COST STUDY
NEW MEXICO***

***AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011***

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>OPERATING INCOME:</i>					
<i>Milk</i>	\$ 7,772,435	99.11 %		\$ 19.13	\$ 2,074
<i>Calves and heifers, net</i>	37,553	0.48		0.09	11
<i>Patronage dividends</i>	26,510	0.34		0.07	7
<i>Other</i>	<u>5,584</u>	<u>0.07</u>		<u>0.01</u>	<u>1</u>
<i>Total income</i>	\$ <u>7,842,082</u>	<u>100.00 %</u>		\$ <u>19.30</u>	\$ <u>2,093</u>
<i>OPERATING EXPENSES:</i>					
<i>Feed:</i>					
<i>Hay</i>	\$ 979,690	12.48 %		\$ 2.41	\$ 262
<i>Grain</i>	2,609,525	33.28		6.42	696
<i>Silage</i>	860,191	10.97		2.12	230
<i>Haylage</i>	10,182	0.13		0.03	3
<i>Heifer raising</i>	233,319	2.98		0.57	62
<i>Less cost of feeding heifers</i>	<u>(972,305)</u>	<u>(12.40)</u>		<u>(2.39)</u>	<u>(260)</u>
<i>Total feed</i>	\$ <u>3,720,602</u>	<u>47.44 %</u>		\$ <u>9.16</u>	\$ <u>993</u>
<i>Herd replacement cost:</i>					
<i>Depreciation on dairy herd</i>	\$ 486,217	6.20 %		\$ 1.19	\$ 129
<i>Loss on sale of cows</i>	<u>133,354</u>	<u>1.70</u>		<u>0.33</u>	<u>36</u>
<i>Total herd replacement cost</i>	\$ <u>619,571</u>	<u>7.90 %</u>		\$ <u>1.52</u>	\$ <u>165</u>
<i>Other operating expenses, Schedule 5</i>	\$ <u>2,012,059</u>	<u>25.66 %</u>		\$ <u>4.95</u>	\$ <u>537</u>
<i>Total operating expenses</i>	\$ <u>6,352,232</u>	<u>81.00 %</u>		\$ <u>15.63</u>	\$ <u>1,695</u>
<i>Net income</i>	\$ <u><u>1,489,850</u></u>	<u><u>19.00 %</u></u>		\$ <u><u>3.67</u></u>	\$ <u><u>398</u></u>

**COST STUDY
NEW MEXICO**

SCHEDULE 5

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 251,646	3.23	%	\$ 0.61	\$ 67
<i>Labor and partners' salary</i>	521,582	6.65		1.28	139
<i>Equipment leases</i>	3,030	0.04		0.01	1
<i>Depreciation - other</i>	183,018	2.33		0.45	49
<i>Milk hauling</i>	309,276	3.94		0.76	83
<i>Advertising & promotion</i>	117,874	1.50		0.29	31
<i>Supplies</i>	138,173	1.76		0.34	37
<i>Corral cleaning</i>	19,757	0.25		0.05	5
<i>Repairs and maintenance</i>	193,070	2.46		0.48	52
<i>Utilities</i>	67,251	0.86		0.17	18
<i>Taxes</i>	79,623	1.02		0.20	21
<i>Insurance</i>	24,842	0.32		0.06	7
<i>Fuel</i>	98,089	1.25		0.24	26
<i>Legal and accounting</i>	14,038	0.18		0.03	4
<i>Employee benefits</i>	23,449	0.30		0.06	6
<i>Veterinary and medicine</i>	146,525	1.87		0.36	39
<i>Breeding and semen</i>	42,241	0.54		0.10	11
<i>Travel</i>	1,821	0.02		0.00	0
<i>Livestock hauling</i>	1,127	0.01		0.00	0
<i>Deadstock removal</i>	2,433	0.03		0.01	1
<i>Testing and trimming</i>	40,949	0.52		0.10	11
<i>Miscellaneous</i>	2,436	0.03		0.01	1
<i>Less cost of raising heifers</i>	<u>(270,191)</u>	<u>(3.45)</u>		<u>(0.66)</u>	<u>(72)</u>
 <i>Total</i>	 \$ <u>2,012,059</u>	 <u>25.66</u>	 %	 \$ <u>4.95</u>	 \$ <u>537</u>

**COST STUDY
NEW MEXICO**

SUPPLEMENTARY DATA

	<u>6/30/11</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	40,636,244	74,793,492	75,834,442	72,298,204	67,240,902
<i>Average butterfat test</i>	3.61%	3.62%	3.49%	3.58%	3.54%
<i>Average protein test</i>	3.01%	3.07%	3.04%	3.03%	3.09%
<i>Average daily pounds per milking cow</i>	70	67	71	70	68
<i>Average somatic cell count</i>	201,000	201,000	164,000	204,000	186,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,215	3,075	2,940	2,810	2,700
<i>Dry cows</i>	505	545	535	495	445
<i>Bulls</i>	30	40	55	55	60
<i>Srpingers and bulls purchased:</i>					
<i>Number of head</i>	28	234	165	340	453
<i>Total amount paid</i>	\$ 31,356	\$ 285,132	\$ 238,403	\$ 728,349	\$ 860,738
<i>Average per head</i>	\$ 1,120	\$ 1,221	\$ 1,447	\$ 2,143	\$ 1,900
<i>Self-raised heifers transferred to milking herd</i>	677	1,462	1,244	1,038	979
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	567	1,100	1,095	1,056	1,004
<i>Total amount received</i>	\$ 431,716	\$ 616,875	\$ 536,233	\$ 589,479	\$ 538,621
<i>Average per head</i>	\$ 762	\$ 561	\$ 490	\$ 558	\$ 537
<i>Dead cows</i>	100	223	180	198	194
<i>Herd turnover rate</i>	36%	36%	36%	37%	37%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 19.13	\$ 16.29	\$ 12.56	\$ 17.80	\$ 18.90

COST STUDY

WEST TEXAS

JUNE 30, 2011

***COST STUDY
WEST TEXAS***

***AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011***

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>OPERATING INCOME:</i>					
<i>Milk</i>	\$ 8,290,536	99.10 %		\$ 19.08	\$ 2,114
<i>Calves and heifers, net</i>	43,638	0.52		0.10	11
<i>Patronage dividends</i>	27,822	0.34		0.06	7
<i>Other</i>	<u>5,200</u>	<u>0.04</u>		<u>0.01</u>	<u>1</u>
 <i>Total income</i>	 \$ <u>8,367,196</u>	 <u>100.00</u> %		 \$ <u>19.25</u>	 \$ <u>2,133</u>
 <i>OPERATING EXPENSES:</i>					
<i>Feed:</i>					
<i>Hay</i>	\$ 854,167	10.21 %		\$ 1.97	\$ 217
<i>Grain</i>	2,848,758	34.05		6.56	726
<i>Silage</i>	891,249	10.65		2.05	227
<i>Haylage</i>	53,112	0.63		0.12	14
<i>Heifer raising</i>	246,879	2.95		0.57	63
<i>Less cost of feeding heifers</i>	<u>(963,082)</u>	<u>(11.51)</u>		<u>(2.22)</u>	<u>(246)</u>
 <i>Total feed</i>	 \$ <u>3,931,083</u>	 <u>46.98</u> %		 \$ <u>9.05</u>	 \$ <u>1,001</u>
 <i>Herd replacement cost:</i>					
<i>Depreciation on dairy herd</i>	\$ 500,236	5.98 %		\$ 1.15	\$ 128
<i>Loss on sale of cows</i>	<u>114,448</u>	<u>1.37</u>		<u>0.26</u>	<u>29</u>
 <i>Total herd replacement cost</i>	 \$ <u>614,684</u>	 <u>7.35</u> %		 \$ <u>1.41</u>	 \$ <u>157</u>
 <i>Other operating expenses, Schedule 6</i>					
	\$ <u>2,147,657</u>	<u>25.67</u> %		\$ <u>4.94</u>	\$ <u>548</u>
 <i>Total operating expenses</i>	 \$ <u>6,693,424</u>	 <u>80.00</u> %		 \$ <u>15.40</u>	 \$ <u>1,706</u>
 <i>Net income</i>	 \$ <u><u>1,673,772</u></u>	 <u><u>20.00</u></u> %		 \$ <u><u>3.85</u></u>	 \$ <u><u>427</u></u>

**COST STUDY
WEST TEXAS**

SCHEDULE 6

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2011**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 287,523	3.43	%	\$ 0.65	\$ 72
<i>Labor and partners' salary</i>	546,580	6.53		1.26	139
<i>Equipment leases</i>	2,381	0.03		0.01	1
<i>Depreciation - other</i>	171,241	2.05		0.39	44
<i>Milk hauling</i>	350,528	4.19		0.81	89
<i>Advertising & promotion</i>	128,868	1.54		0.30	33
<i>Supplies</i>	144,509	1.73		0.33	37
<i>Corral cleaning</i>	22,235	0.27		0.05	6
<i>Repairs and maintenance</i>	200,017	2.39		0.46	51
<i>Utilities</i>	74,513	0.89		0.17	19
<i>Taxes</i>	76,291	0.91		0.18	19
<i>Insurance</i>	27,270	0.33		0.06	7
<i>Fuel</i>	96,746	1.16		0.22	25
<i>Legal and accounting</i>	15,775	0.19		0.04	4
<i>Employee benefits</i>	21,395	0.26		0.05	5
<i>Veterinary and medicine</i>	148,652	1.78		0.34	38
<i>Breeding and semen</i>	53,034	0.63		0.12	14
<i>Travel</i>	3,951	0.05		0.01	1
<i>Livestock hauling</i>	2,910	0.03		0.01	1
<i>Deadstock removal</i>	2,811	0.03		0.01	1
<i>Testing and trimming</i>	45,267	0.54		0.10	12
<i>Miscellaneous</i>	2,730	0.03		0.01	1
<i>Less cost of raising heifers</i>	<u>(277,570)</u>	<u>(3.32)</u>		<u>(0.64)</u>	<u>(71)</u>
 <i>Total</i>	 \$ <u>2,147,657</u>	 <u>25.67</u>	 %	 \$ <u>4.94</u>	 \$ <u>548</u>

**COST STUDY
WEST TEXAS**

SUPPLEMENTARY DATA

	<u>6/30/11</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	43,449,849	74,235,820	80,130,106	69,738,128	74,352,775
<i>Average butterfat test</i>	3.59%	3.53%	3.51%	3.60%	3.59%
<i>Average protein test</i>	3.00%	3.05%	3.06%	3.04%	3.09%
<i>Average daily pounds per milking cow</i>	71	68	69	69	65
<i>Average somatic cell count</i>	149,800	185,000	187,000	218,000	219,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,370	2,980	3,165	2,780	3,125
<i>Dry cows</i>	525	495	545	465	500
<i>Bulls</i>	30	35	47	43	55
<i>Springers and bulls purchased:</i>					
<i>Number of head</i>	22	281	117	361	492
<i>Total amount paid</i>	\$ 24,637	\$ 347,432	\$ 168,466	\$ 735,395	\$ 922,019
<i>Average per head</i>	\$ 1,120	\$ 1,238	\$ 1,440	\$ 2,036	\$ 1,874
<i>Self-raised heifers transferred to milking herd</i>	728	1,398	1,376	1,072	1,159
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	585	1,089	1,147	1,004	1,176
<i>Total amount received</i>	\$ 457,918	\$ 647,182	\$ 576,181	\$ 560,690	\$ 635,421
<i>Average per head</i>	\$ 783	\$ 595	\$ 502	\$ 559	\$ 540
<i>Dead cows</i>	96	200	183	185	218
<i>Herd turnover rate</i>	35%	37%	35%	36%	38%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 19.08	\$ 16.13	\$ 12.58	\$ 17.86	\$ 19.09

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