



DeRenzis & Associates, LLP
~ Certified Public Accountants ~

June 30, 2016
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 ~

“ But for you who fear my name, the Sun of Righteousness will rise with healing in his wings. And you will go free, leaping with joy like calves let out to pasture. On the day when I act, you will tread upon the wicked as if they were dust under your feet,” says the Lord of Heaven’s Armies. ”

Malachi 4:2-3



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, 2016.

The data is compiled from dairy operations in 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, 2016 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

*DeRenzis & Associates, LLP
Certified Public Accountants*

DAIRY FARM COST STUDY

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COST STUDY
CENTRAL VALLEY CALIFORNIA
JUNE 30, 2016

**COST STUDY
CENTRAL VALLEY CALIFORNIA**

**AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:					
Milk	\$ 5,556,121	95.11 %	\$	13.60	\$ 1,559
Calves and heifers, net	89,851	1.54		0.22	25
Patronage dividends	99,926	1.71		0.24	28
Other	<u>95,814</u>	<u>1.64</u>		<u>0.23</u>	<u>27</u>
 Total income	 \$ <u>5,841,712</u>	 <u>100.00</u> %	 \$	 <u>14.29</u>	 \$ <u>1,639</u>
 OPERATING EXPENSES:					
Feed:					
Hay	\$ 873,890	14.96 %	\$	2.14	\$ 245
Grain	2,717,584	46.52		6.65	763
Silage	818,619	14.01		2.00	230
Haylage	80,690	1.38		0.20	23
Heifer raising	330,040	5.65		0.81	93
Less cost of feeding heifers	<u>(1,072,401)</u>	<u>(18.34)</u>		<u>(2.63)</u>	<u>(301)</u>
 Total feed	 \$ <u>3,748,422</u>	 <u>64.18</u> %	 \$	 <u>9.17</u>	 \$ <u>1,053</u>
 Herd replacement cost:					
Depreciation on dairy herd	\$ 517,081	8.84 %	\$	1.27	\$ 145
Loss on sale of cows	<u>123,145</u>	<u>2.11</u>		<u>0.30</u>	<u>35</u>
 Total herd replacement cost	 \$ <u>640,226</u>	 <u>10.95</u> %	 \$	 <u>1.57</u>	 \$ <u>180</u>
 Other operating expenses, Schedule 1					
	\$ <u>2,023,028</u>	<u>34.64</u> %	\$	<u>4.93</u>	\$ <u>568</u>
 Total operating expenses	 \$ <u>6,411,676</u>	 <u>109.77</u> %	 \$	 <u>15.67</u>	 \$ <u>1,801</u>
 Net loss	 \$ <u><u>(569,964)</u></u>	 <u><u>(9.77)</u></u> %	 \$	 <u><u>(1.38)</u></u>	 \$ <u><u>(162)</u></u>

**COST STUDY
CENTRAL VALLEY CALIFORNIA**

SCHEDULE 1

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 279,368	4.79 %	\$	0.68	\$ 80
<i>Labor and partners' salary</i>	499,365	8.55		1.22	140
<i>Depreciation - other</i>	236,915	4.06		0.58	66
<i>Milk hauling</i>	122,687	2.10		0.30	34
<i>Advertising and promotion</i>	87,498	1.50		0.21	25
<i>CWT program</i>	1,558	0.03		0.00	0
<i>Supplies</i>	118,391	2.03		0.29	33
<i>Bedding</i>	13,069	0.22		0.03	4
<i>Repairs and maintenance</i>	225,109	3.85		0.55	63
<i>Utilities</i>	114,515	1.96		0.28	32
<i>Taxes</i>	95,449	1.63		0.23	27
<i>Insurance</i>	100,520	1.72		0.25	28
<i>Fuel</i>	57,788	0.99		0.14	16
<i>Legal and accounting</i>	22,123	0.38		0.05	6
<i>Employee benefits</i>	20,949	0.36		0.05	6
<i>Veterinary and medicine</i>	142,736	2.44		0.35	40
<i>Breeding and semen</i>	47,961	0.82		0.12	13
<i>Travel</i>	2,527	0.04		0.01	1
<i>Livestock hauling</i>	1,742	0.03		0.00	0
<i>Deadstock removal</i>	2,686	0.05		0.01	1
<i>Testing and trimming</i>	32,262	0.55		0.08	9
<i>Miscellaneous</i>	1,974	0.03		0.00	1
<i>Less cost of raising heifers</i>	<u>(204,164)</u>	<u>(3.49)</u>		<u>(0.50)</u>	<u>(57)</u>
 <i>Total</i>	 \$ <u>2,023,028</u>	 <u>34.64</u> %	 \$	 <u>4.93</u>	 \$ <u>568</u>

**COST STUDY
CENTRAL VALLEY CALIFORNIA**

SUPPLEMENTARY DATA

	<u>6/30/16</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	40,847,641	78,016,475	87,392,933	88,421,486	72,904,639
<i>Average butterfat test</i>	3.64%	3.77%	3.61%	3.64%	3.64%
<i>Average solids-non-fat test</i>	8.84%	8.88%	8.89%	8.88%	8.86%
<i>Average daily pounds per milking cow</i>	73	71	74	71	70
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,075	3,015	3,330	3,410	2,860
<i>Dry cows</i>	440	465	515	495	460
<i>Bulls</i>	50	44	47	51	42
<i>Springers, cows and bulls purchased:</i>					
<i>Number of head</i>	75	121	155	214	244
<i>Total amount paid</i>	\$ 133,831	\$ 189,406	\$ 210,725	\$ 276,418	\$ 271,979
<i>Average per head</i>	\$ 1,784	\$ 1,565	\$ 1,360	\$ 1,292	\$ 1,115
<i>Self-raised heifers transferred to milking herd</i>	628	1,437	1,381	1,412	1,260
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	599	1,168	1,275	1,386	1,194
<i>Total amount received</i>	\$ 482,177	\$ 1,227,982	\$ 1,423,252	\$ 1,172,724	\$ 969,232
<i>Average per head</i>	\$ 805	\$ 1,051	\$ 1,116	\$ 846	\$ 812
<i>Dead cows</i>	114	257	256	242	193
<i>Herd turnover rate</i>	40%	40%	39%	41%	41%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 13.60	\$ 15.12	\$ 21.74	\$ 18.36	\$ 16.45

COST STUDY
WASHINGTON
JUNE 30, 2016

**COST STUDY
WASHINGTON**

**AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:					
Milk	\$ 3,412,913	95.67 %	\$	15.70	\$ 1,746
Calves and heifers, net	33,938	0.94		0.16	17
Patronage dividends	86,000	2.41		0.40	44
Other	<u>34,501</u>	<u>0.98</u>		<u>0.16</u>	<u>18</u>
 Total income	 \$ <u>3,567,352</u>	 <u>100.00</u> %	 \$	 <u>16.42</u>	 \$ <u>1,825</u>
 OPERATING EXPENSES:					
Feed:					
Hay	\$ 213,076	5.97 %	\$	0.98	\$ 109
Grain	1,437,922	40.31		6.61	736
Silage	330,468	9.26		1.52	169
Haylage	294,821	8.26		1.36	151
Heifer raising	173,765	4.87		0.80	89
Less cost of feeding heifers	<u>(533,117)</u>	<u>(14.94)</u>		<u>(2.45)</u>	<u>(273)</u>
 Total feed	 \$ <u>1,916,935</u>	 <u>53.73</u> %	 \$	 <u>8.82</u>	 \$ <u>981</u>
 Herd replacement cost:					
Depreciation on dairy herd	\$ 236,763	6.64 %	\$	1.09	\$ 121
Loss on sale of cows	<u>86,770</u>	<u>2.43</u>		<u>0.40</u>	<u>44</u>
 Total herd replacement cost	 \$ <u>323,533</u>	 <u>9.07</u> %	 \$	 <u>1.49</u>	 \$ <u>165</u>
 Other operating expenses, Schedule 2					
	\$ <u>1,671,143</u>	<u>46.84</u> %	\$	<u>7.66</u>	\$ <u>855</u>
 Total operating expenses	 \$ <u>3,911,611</u>	 <u>109.64</u> %	 \$	 <u>17.97</u>	 \$ <u>2,001</u>
 Net loss	 \$ <u><u>(344,259)</u></u>	 <u><u>(9.64)</u></u> %	 \$	 <u><u>(1.55)</u></u>	 \$ <u><u>(174)</u></u>

**COST STUDY
WASHINGTON**

SCHEDULE 2

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 209,375	5.84	%	\$ 0.92	\$ 108
<i>Labor and partners' salary</i>	479,640	13.45		2.21	245
<i>Straw</i>	24,357	0.68		0.11	12
<i>Depreciation - other</i>	137,903	3.87		0.63	71
<i>Milk hauling</i>	112,926	3.17		0.52	58
<i>Advertising and promotion</i>	55,304	1.55		0.25	28
<i>CWT program</i>	8,697	0.24		0.04	4
<i>Supplies</i>	106,714	2.99		0.49	55
<i>Bedding</i>	3,589	0.10		0.02	2
<i>Repairs and maintenance</i>	207,641	5.82		0.96	106
<i>Utilities</i>	65,088	1.82		0.30	33
<i>Taxes</i>	55,521	1.56		0.26	28
<i>Insurance</i>	42,095	1.18		0.19	22
<i>Fuel</i>	47,189	1.32		0.22	24
<i>Legal and accounting</i>	19,365	0.54		0.09	10
<i>Employee benefits</i>	29,470	0.83		0.14	15
<i>Veterinary and medicine</i>	108,397	3.04		0.50	55
<i>Breeding and semen</i>	38,743	1.09		0.18	20
<i>Travel</i>	1,254	0.04		0.01	1
<i>Livestock hauling</i>	5,227	0.15		0.02	3
<i>Deadstock removal</i>	2,920	0.08		0.01	1
<i>Testing and trimming</i>	29,554	0.83		0.14	15
<i>Miscellaneous</i>	1,262	0.04		0.01	1
<i>Less cost of raising heifers</i>	<u>(121,088)</u>	<u>(3.39)</u>		<u>(0.56)</u>	<u>(62)</u>
 <i>Total</i>	 \$ <u>1,671,143</u>	 <u>46.84</u>	 %	 \$ <u>7.71</u>	 \$ <u>855</u>

**COST STUDY
WASHINGTON**

SUPPLEMENTARY DATA

	<u>6/30/16</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	21,737,684	45,050,132	49,661,815	51,316,317	54,425,162
<i>Average butterfat test</i>	4.01%	4.02%	4.07%	4.01%	3.82%
<i>Average protein test</i>	3.30%	3.26%	3.34%	3.29%	3.18%
<i>Average daily pounds per milking cow</i>	72	71	71	72	74
<i>Average somatic cell count</i>	227,000	200,000	198,000	203,000	206,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	1,670	1,705	1,920	1,950	2,020
<i>Dry cows</i>	280	225	330	325	340
<i>Bulls</i>	3	4	8	11	8
<i>Springers, cows and bulls purchased:</i>					
<i>Number of head</i>	NONE	NONE	161	161	113
<i>Total amount paid</i>			\$ 313,339	\$ 240,652	\$ 181,778
<i>Average per head</i>			\$ 1,946	\$ 1,495	\$ 1,609
<i>Self-raised heifers transferred to milking herd</i>	334	835	907	758	802
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	320	659	704	830	858
<i>Total amount received</i>	\$ 248,187	\$ 638,672	\$ 694,587	\$ 582,365	\$ 640,949
<i>Average per head</i>	\$ 776	\$ 970	\$ 987	\$ 702	\$ 747
<i>Dead cows</i>	66	122	141	149	158
<i>Herd turnover rate</i>	39%	40%	37%	42%	43%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 15.70	\$ 17.20	\$ 25.10	\$ 20.90	\$ 18.46

COST STUDY

IDAHO

JUNE 30, 2016

**COST STUDY
IDAHO**

**AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
OPERATING INCOME:					
Milk	\$ 6,319,458	96.70	%	\$ 14.67	\$ 1,798
Calves and heifers, net	67,652	1.05		0.16	19
Patronage dividends	60,384	0.92		0.14	17
Other	<u>86,618</u>	<u>1.33</u>		<u>0.20</u>	<u>25</u>
 Total income	 \$ <u>6,534,112</u>	 <u>100.00</u>	 %	 \$ <u>15.17</u>	 \$ <u>1,859</u>
 OPERATING EXPENSES:					
Feed:					
Hay	\$ 808,201	12.37	%	\$ 1.88	\$ 230
Grain	2,496,088	38.20		5.79	710
Silage	841,896	12.88		1.95	239
Haylage	289,357	4.43		0.67	82
Heifer raising	546,540	8.36		1.27	155
Less cost of feeding heifers	<u>(1,164,747)</u>	<u>(17.83)</u>		<u>(2.70)</u>	<u>(331)</u>
 Total feed	 \$ <u>3,817,335</u>	 <u>58.41</u>	 %	 \$ <u>8.86</u>	 \$ <u>1,085</u>
 Herd replacement cost:					
Depreciation on dairy herd	\$ 517,951	7.93	%	\$ 1.20	\$ 147
Loss on sale of cows	<u>163,712</u>	<u>2.51</u>		<u>0.38</u>	<u>47</u>
 Total herd replacement cost	 \$ <u>681,663</u>	 <u>10.44</u>	 %	 \$ <u>1.58</u>	 \$ <u>194</u>
 Other operating expenses, Schedule 3					
	\$ <u>2,450,676</u>	<u>37.53</u>	%	\$ <u>5.71</u>	\$ <u>696</u>
 Total operating expenses	 \$ <u>6,949,674</u>	 <u>106.38</u>	 %	 \$ <u>16.15</u>	 \$ <u>1,975</u>
 Net loss	 \$ <u><u>(415,562)</u></u>	 <u><u>(6.38)</u></u>	 %	 \$ <u><u>(0.98)</u></u>	 \$ <u><u>(116)</u></u>

**COST STUDY
IDAHO**

SCHEDULE 3

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 266,355	4.09	%	\$ 0.62	\$ 76
<i>Labor and partners' salary</i>	658,175	10.07		1.53	187
<i>Straw</i>	103,552	1.58		0.24	29
<i>Depreciation - other</i>	265,651	4.07		0.62	76
<i>Milk hauling</i>	139,820	2.14		0.32	40
<i>Advertising and promotion</i>	82,389	1.26		0.19	23
<i>CWT program</i>	6,520	0.10		0.02	2
<i>Supplies</i>	129,392	1.98		0.30	37
<i>Bedding</i>	13,534	0.21		0.03	4
<i>Repairs and maintenance</i>	285,730	4.37		0.66	81
<i>Utilities</i>	78,731	1.20		0.18	22
<i>Taxes</i>	74,449	1.14		0.17	21
<i>Insurance</i>	41,683	0.64		0.10	12
<i>Fuel</i>	68,134	1.04		0.16	19
<i>Legal and accounting</i>	22,597	0.35		0.05	6
<i>Employee benefits</i>	15,410	0.24		0.04	4
<i>Veterinary and medicine</i>	170,323	2.61		0.40	48
<i>Breeding and semen</i>	77,262	1.18		0.18	22
<i>Travel</i>	2,180	0.03		0.01	1
<i>Livestock hauling</i>	10,174	0.16		0.02	3
<i>Deadstock removal</i>	2,481	0.04		0.01	1
<i>Testing and trimming</i>	38,253	0.59		0.09	11
<i>Miscellaneous</i>	7,308	0.11		0.02	2
<i>Less cost of raising heifers</i>	<u>(109,427)</u>	<u>(1.67)</u>		<u>(0.25)</u>	<u>(31)</u>
 <i>Total</i>	 \$ <u>2,450,676</u>	 <u>37.53</u>	 %	 \$ <u>5.71</u>	 \$ <u>696</u>

**COST STUDY
IDAHO**

SUPPLEMENTARY DATA

	<u>6/30/16</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk</i>	43,082,209	83,596,609	64,282,523	59,262,894	70,652,332
<i>Average butterfat test</i>	3.81%	3.81%	3.81%	3.84%	3.75%
<i>Average protein test</i>	3.09%	3.10%	3.08%	3.10%	3.07%
<i>Average daily pounds per milking cow</i>	77	76	75	71	76
<i>Average somatic cell count</i>	137,000	123,000	143,000	124,000	119,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,065	2,995	2,370	2,300	2,535
<i>Dry cows</i>	445	415	340	315	365
<i>Bulls</i>	5	5	12	9	10
<i>Cows and bulls purchased:</i>					
<i>Number of head</i>	173	214	307	226	244
<i>Total amount paid</i>	\$ 296,727	\$ 454,317	\$ 628,070	\$ 347,989	\$ 349,315
<i>Average per head</i>	\$ 1,715	\$ 2,122	\$ 2,045	\$ 1,540	\$ 1,432
<i>Self-raised heifers transferred to milking herd</i>	656	950	950	905	1,137
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	518	1,035	838	899	1,014
<i>Total amount received</i>	\$ 423,110	\$ 1,058,702	\$ 882,713	\$ 657,187	\$ 724,922
<i>Average per head</i>	\$ 817	\$ 1,023	\$ 1,053	\$ 731	\$ 715
<i>Dead cows</i>	83	193	192	130	185
<i>Herd turnover rate</i>	34%	36%	38%	39%	41%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 14.67	\$ 16.89	\$ 23.67	\$ 19.59	\$ 18.24

COST STUDY
NEW MEXICO
JUNE 30, 2016

***COST STUDY
NEW MEXICO***

***AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016***

	<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>	\$ 5,568,010	96.92 %	\$	14.56	\$ 1,552
<i>Calves and heifers, net</i>	65,799	1.14		0.17	18
<i>Patronage dividends</i>	85,697	1.49		0.22	24
<i>Other</i>	<u>25,951</u>	<u>0.45</u>		<u>0.07</u>	<u>7</u>
<i>Total income</i>	\$ <u>5,745,457</u>	<u>100.00 %</u>	\$	<u>15.02</u>	\$ <u>1,601</u>
<i>OPERATING EXPENSES:</i>					
<i>Feed:</i>					
<i>Hay</i>	\$ 737,105	12.83 %	\$	1.93	\$ 205
<i>Grain</i>	2,546,849	44.33		6.66	710
<i>Silage</i>	1,050,315	18.28		2.75	293
<i>Heifer raising</i>	168,488	2.93		0.44	47
<i>Less cost of feeding heifers</i>	<u>(1,106,592)</u>	<u>(19.26)</u>		<u>(2.89)</u>	<u>(308)</u>
<i>Total feed</i>	\$ <u>3,396,165</u>	<u>59.11 %</u>	\$	<u>8.89</u>	\$ <u>947</u>
<i>Herd replacement cost:</i>					
<i>Depreciation on dairy herd</i>	\$ 572,701	9.97 %	\$	1.50	\$ 160
<i>Loss on sale of cows</i>	<u>245,191</u>	<u>4.27</u>		<u>0.64</u>	<u>68</u>
<i>Total herd replacement cost</i>	\$ <u>817,892</u>	<u>14.24 %</u>	\$	<u>2.14</u>	\$ <u>228</u>
<i>Other operating expenses,</i>					
<i>Schedule 4</i>	\$ <u>2,157,277</u>	<u>37.48 %</u>	\$	<u>5.64</u>	\$ <u>603</u>
<i>Total operating expenses</i>	\$ <u>6,371,334</u>	<u>110.83 %</u>	\$	<u>16.67</u>	\$ <u>1,778</u>
<i>Net loss</i>	\$ <u><u>(625,877)</u></u>	<u><u>(10.83) %</u></u>	\$	<u><u>(1.65)</u></u>	\$ <u><u>(177)</u></u>

**COST STUDY
NEW MEXICO**

SCHEDULE 4

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 212,750	3.64	%	\$ 0.54	\$ 60
<i>Labor and partners' salary</i>	604,897	10.53		1.58	169
<i>Depreciation - other</i>	207,043	3.60		0.54	58
<i>Milk hauling</i>	260,998	4.54		0.68	73
<i>Advertising and promotion</i>	95,582	1.66		0.25	27
<i>CWT program</i>	7,580	0.13		0.02	2
<i>Supplies</i>	163,847	2.85		0.43	46
<i>Repairs and maintenance</i>	254,522	4.43		0.67	71
<i>Utilities</i>	78,684	1.37		0.21	22
<i>Taxes</i>	93,135	1.62		0.24	26
<i>Insurance</i>	50,647	0.88		0.13	14
<i>Fuel</i>	65,074	1.13		0.17	18
<i>Legal and accounting</i>	19,692	0.34		0.05	5
<i>Employee benefits</i>	21,160	0.37		0.06	6
<i>Veterinary and medicine</i>	151,812	2.64		0.40	42
<i>Breeding and semen</i>	75,008	1.31		0.20	21
<i>Travel</i>	2,652	0.05		0.01	1
<i>Livestock hauling</i>	1,556	0.03		0.00	0
<i>Deadstock removal</i>	3,776	0.07		0.01	1
<i>Testing and trimming</i>	45,793	0.80		0.12	13
<i>Miscellaneous</i>	2,002	0.03		0.01	1
<i>Less cost of raising heifers</i>	<u>(260,933)</u>	<u>(4.54)</u>		<u>(0.68)</u>	<u>(73)</u>
 <i>Total</i>	 \$ <u>2,157,277</u>	 <u>37.48</u>	 %	 \$ <u>5.64</u>	 \$ <u>603</u>

**COST STUDY
NEW MEXICO**

SUPPLEMENTARY DATA

	<u>6/30/16</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	38,234,949	78,520,724	81,875,504	71,342,930	72,792,566
<i>Average butterfat test</i>	3.58%	3.57%	3.56%	3.57%	3.53%
<i>Average protein test</i>	3.12%	3.10%	3.11%	3.11%	3.07%
<i>Average daily pounds per milking cow</i>	69	70	73	70	70
<i>Average somatic cell count</i>	229,000	213,000	162,000	175,000	177,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,040	3,075	3,090	2,775	2,840
<i>Dry cows</i>	525	550	555	485	490
<i>Bulls</i>	26	29	32	30	29
<i>Springers, cows and bulls purchased:</i>					
<i>Number of head</i>	209	287	320	157	411
<i>Total amount paid</i>	\$ 363,224	\$ 550,137	\$ 558,483	\$ 183,076	\$ 613,980
<i>Average per head</i>	\$ 1,738	\$ 1,918	\$ 1,745	\$ 1,168	\$ 1,495
<i>Self-raised heifers transferred to milking herd</i>	644	1,358	1,255	1,138	1,086
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	482	1,372	1,204	1,148	1,252
<i>Total amount received</i>	\$ 406,739	\$ 1,409,708	\$ 1,365,468	\$ 970,564	\$ 1,056,734
<i>Average per head</i>	\$ 844	\$ 1,028	\$ 1,134	\$ 845	\$ 844
<i>Dead cows</i>	90	288	217	200	224
<i>Herd turnover rate</i>	32%	45%	39%	34%	44%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 14.56	\$ 16.14	\$ 22.69	\$ 19.18	\$ 17.99

COST STUDY
WEST TEXAS
JUNE 30, 2016

***COST STUDY
WEST TEXAS***

***AVERAGE INCOME AND EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016***

	<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>	\$ 7,205,003	97.03 %	\$	15.24	\$ 1,597
<i>Calves and heifers, net</i>	88,835	1.20		0.19	20
<i>Patronage dividends</i>	84,016	1.13		0.18	19
<i>Other</i>	<u>47,844</u>	<u>0.64</u>		<u>0.10</u>	<u>11</u>
 <i>Total income</i>	 \$ <u>7,425,698</u>	 <u>100.00</u> %	 \$	 <u>15.71</u>	 \$ <u>1,647</u>
 <i>OPERATING EXPENSES:</i>					
<i>Feed:</i>					
<i>Hay</i>	\$ 366,081	4.93 %	\$	0.77	\$ 81
<i>Grain</i>	2,760,490	37.17		5.84	612
<i>Silage</i>	1,285,378	17.31		2.72	285
<i>Haylage</i>	55,845	0.75		0.12	12
<i>Heifer raising</i>	193,183	2.60		0.41	43
<i>Less cost of feeding heifers</i>	<u>(882,845)</u>	<u>(11.89)</u>		<u>(1.87)</u>	<u>(196)</u>
 <i>Total feed</i>	 \$ <u>3,778,132</u>	 <u>50.87</u> %	 \$	 <u>7.99</u>	 \$ <u>837</u>
 <i>Herd replacement cost:</i>					
<i>Depreciation on dairy herd</i>	\$ 640,162	8.62 %	\$	1.35	\$ 142
<i>Loss on sale of cows</i>	<u>233,344</u>	<u>3.14</u>		<u>0.49</u>	<u>52</u>
 <i>Total herd replacement cost</i>	 \$ <u>873,506</u>	 <u>11.76</u> %	 \$	 <u>1.84</u>	 \$ <u>194</u>
 <i>Other operating expenses, Schedule 5</i>					
	\$ <u>3,459,652</u>	<u>46.59</u> %	\$	<u>7.29</u>	\$ <u>768</u>
 <i>Total operating expenses</i>	 \$ <u>8,111,290</u>	 <u>109.22</u> %	 \$	 <u>17.12</u>	 \$ <u>1,799</u>
 <i>Net loss</i>	 \$ <u><u>(685,592)</u></u>	 <u><u>(9.22)</u></u> %	 \$	 <u><u>(1.41)</u></u>	 \$ <u><u>(152)</u></u>

**COST STUDY
WEST TEXAS**

SCHEDULE 5

**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE SIX MONTHS ENDED
JUNE 30, 2016**

	<u>AMOUNT</u>	<u>PERCENT</u>		<u>PER CWT. OF MILK</u>	<u>PER AVERAGE HERD SIZE</u>
<i>Interest and rent</i>	\$ 368,994	4.97	%	\$ 0.76	\$ 82
<i>Labor and partners' salary</i>	857,929	11.55		1.81	190
<i>Depreciation - other</i>	287,838	3.88		0.61	64
<i>Milk hauling</i>	525,318	7.07		1.11	116
<i>Advertising and promotion</i>	146,797	1.98		0.31	33
<i>CWT program</i>	596	0.01		0.00	0
<i>Supplies</i>	219,042	2.95		0.46	49
<i>Bedding</i>	51,746	0.70		0.11	11
<i>Repairs and maintenance</i>	408,780	5.50		0.86	91
<i>Utilities</i>	74,162	1.00		0.16	16
<i>Taxes</i>	86,612	1.17		0.18	19
<i>Insurance</i>	92,307	1.24		0.20	20
<i>Fuel</i>	62,573	0.84		0.13	14
<i>Legal and accounting</i>	42,295	0.57		0.09	9
<i>Employee benefits</i>	47,821	0.64		0.10	11
<i>Veterinary and medicine</i>	239,805	3.23		0.51	53
<i>Breeding and semen</i>	101,926	1.37		0.22	23
<i>Travel</i>	6,959	0.09		0.01	2
<i>Deadstock removal</i>	4,925	0.07		0.01	1
<i>Testing and trimming</i>	61,401	0.83		0.13	14
<i>Miscellaneous</i>	2,659	0.04		0.01	1
<i>Less cost of raising heifers</i>	<u>(230,833)</u>	<u>(3.11)</u>		<u>(0.49)</u>	<u>(51)</u>
 <i>Total</i>	 \$ <u>3,459,652</u>	 <u>46.59</u>	 %	 \$ <u>7.29</u>	 \$ <u>768</u>

**COST STUDY
WEST TEXAS**

SUPPLEMENTARY DATA

	<u>6/30/16</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>MILK PRODUCTION</u>					
<i>Pounds of whole milk produced</i>	47,281,771	89,213,978	89,106,678	77,627,967	86,260,185
<i>Average butterfat test</i>	3.79%	3.61%	3.61%	3.62%	3.59%
<i>Average protein test</i>	3.23%	3.12%	3.13%	3.13%	3.10%
<i>Average daily pounds per milking cow</i>	66	70	72	70	70
<i>Average somatic cell count</i>	231,000	229,000	168,000	163,000	174,000
<u>DAIRY HERD</u>					
<i>Average herd size:</i>					
<i>Milking cows</i>	3,925	3,510	3,380	3,040	3,360
<i>Dry cows</i>	570	600	590	510	570
<i>Bulls</i>	18	25	24	26	31
<i>Springers, cows and bulls purchased:</i>					
<i>Number of head</i>	1,451	411	339	303	427
<i>Total amount paid</i>	\$ 2,608,971	\$ 825,345	\$ 611,278	\$ 208,548	\$ 628,741
<i>Average per head</i>	\$ 1,798	\$ 2,009	\$ 1,803	\$ 689	\$ 1,474
<i>Self-raised heifers transferred to milking herd</i>	916	1,597	1,384	1,327	1,431
<i>Cows and bulls sold:</i>					
<i>Number of head</i>	884	1,594	1,374	1,334	1,562
<i>Total amount received</i>	\$ 768,853	\$ 1,714,585	\$ 1,606,761	\$ 1,356,347	\$ 1,342,734
<i>Average per head</i>	\$ 870	\$ 1,075	\$ 1,169	\$ 1,017	\$ 860
<i>Dead cows</i>	111	349	242	223	260
<i>Herd turnover rate</i>	44%	47%	40%	44%	46%
<u>PRODUCT PRICE</u>					
<i>Average price received per cwt. of milk shipped</i>	\$ 15.24	\$ 16.43	\$ 23.10	\$ 19.52	\$ 18.24

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