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Dairy Farm Operating Trends

September 30, 2004



MOORE STEPHENS WURTH FRAZER AND TORBET, LLP
Certified Public Accountants and Consultants

Creating New Horizons By Building Relationships and Exceeding Expectations

To Our Valued Clients and Other Friends in the Dairy Industry

The following pages contain the Moore Stephens Wurth Frazer and Torbet, LLP's Dairy Farm Operating Trends for the nine months ended September 30, 2004.

The data is compiled from dairy operations in Southern California, the San Joaquin Valley, Arizona, Idaho, and New Mexico with a combined milk production of over 1.5 billion pounds and more than 100,000 head of mature cows in the current year.

This report includes a comparison of the results in the regions listed above for the year ended September 30, 2004 both on a "per hundredweight of milk" basis and on a "per head" basis. Also included are selected financial ratios and other information for the period.

This publication is designed as a reference tool and a management aid for dairy farm managers and advisors. Moore Stephens Wurth Frazer and Torbet, LLP believes the information to be reliable, but is not responsible for errors in reported source information.

Our publication continues to be recognized as the top industry source for relevant dairy statistics. This report is provided to and widely utilized by dairy farmers, lending institutions, universities, colleges and other agribusiness industries.

We appreciate all of your past and present support and thank you for your continued reliance on Moore Stephens Wurth Frazer and Torbet, LLP. If you have any comments or questions, please contact Sharon A. Davis at our City of Industry office at (909) 594-2713 or Bob Matlick or Mike Edwards at our Visalia office at (559) 732-4135.

Sincerely,

Moore Stephens Wurth Frazer and Torbet LLP

MOORE STEPHENS WURTH FRAZER AND TORBET, LLP
Certified Public Accountants and Consultants

September 2004



DAIRY FARM OPERATING TRENDS

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CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004
 (BASED ON AVERAGE AMOUNTS PER HEAD)

	Southern California	San Joaquin Valley	Arizona
Income:			
Milk sales	\$ 2,371	\$ 2,432	\$ 2,343
Calves and other	50	168	63
Total income	\$ 2,421	\$ 2,600	\$ 2,406
Cost of operations:			
Feed:			
Grain	\$ 684	\$ 713	\$ 566
Hay and other	303	327	347
Total feed	\$ 987	\$ 1,040	\$ 913
Labor, (including fringe costs)	\$ 267	\$ 224	\$ 192
Herd replacement costs	\$ 168	\$ 161	\$ 230
Other costs:			
Milk hauling	\$ 47	\$ 40	\$ 87
State and association charges	37	38	39
Veterinary, breeding, testing, etc.	52	57	34
Supplies	64	85	80
Repairs and maintenance	90	77	58
Utilities	34	43	43
Occupancy costs	98	66	108
Depreciation - equipment	20	57	33
Interest	46	73	94
Miscellaneous	51	69	81
Total other costs	\$ 539	\$ 605	\$ 657
Total cost of operations	\$ 1,961	\$ 2,030	\$ 1,992
Net income	\$ 460	\$ 570	\$ 414

See accompanying explanation of income and cost factors.

Your
September 30, 2004
Amounts

Idaho

New Mexico

\$ 2,512	\$ 2,333	\$
45	127	
\$ 2,557	\$ 2,460	\$
\$ 651	\$ 645	\$
334	250	
\$ 985	\$ 895	\$
\$ 188	\$ 251	\$
\$ 262	\$ 241	\$
\$ 37	\$ 92	\$
39	33	
55	22	
115	117	
59	37	
25	40	
44	38	
55	50	
104	96	
85	57	
\$ 618	\$ 582	\$
\$ 2,053	\$ 1,969	\$
\$ 504	\$ 491	\$

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004
(BASED ON AVERAGE AMOUNTS
PER HUNDREDWEIGHT OF MILK)

	Southern California	San Joaquin Valley	Arizona
Income:			
Milk sales	\$ 15.54	\$ 15.26	\$ 16.02
Calves and other	0.33	1.06	0.43
Total income	\$ 15.87	\$ 16.32	\$ 16.45
Cost of operations:			
Feed:			
Grain	\$ 4.48	\$ 4.47	\$ 3.87
Hay and other	1.99	2.05	2.38
Total feed	\$ 6.47	\$ 6.52	\$ 6.25
Labor, (including fringe costs)	\$ 1.76	\$ 1.41	\$ 1.31
Herd replacement costs	\$ 1.10	\$ 1.01	\$ 1.58
Other costs:			
Milk hauling	\$ 0.31	\$ 0.25	\$ 0.60
State and association charges	0.24	0.24	0.27
Veterinary, breeding, testing, etc.	0.34	0.36	0.23
Supplies	0.42	0.53	0.55
Repairs and maintenance	0.59	0.49	0.40
Utilities	0.23	0.27	0.29
Occupancy costs	0.65	0.42	0.74
Depreciation - equipment	0.13	0.36	0.23
Interest	0.30	0.46	0.65
Miscellaneous	0.34	0.44	0.56
Total other costs	\$ 3.55	\$ 3.82	\$ 4.52
Total cost of operations	\$ 12.88	\$ 12.76	\$ 13.66
Net income	\$ 2.99	\$ 3.56	\$ 2.79

Your
September 30, 2004
Amounts

Idaho

New Mexico

\$ 15.41	\$ 0.27	\$ 15.04	0.83	\$
\$ 15.68		\$ 15.87		\$
\$ 3.99	\$ 2.05	\$ 4.16	1.61	\$
\$ 6.04		\$ 5.77		\$
\$ 1.14		\$ 1.61		\$
\$ 1.61		\$ 1.56		\$
\$ 0.23	\$ 0.24	\$ 0.59	0.21	\$
0.34		0.14		
0.70		0.75		
0.36		0.24		
0.15		0.26		
0.27		0.25		
0.34		0.32		
0.64		0.62		
0.53		0.35		
\$ 3.80		\$ 3.73		\$
\$ 12.59		\$ 12.67		\$
\$ 3.09		\$ 3.20		\$

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE NINE MONTHS ENDED
 SEPTEMBER 30, 2004, 2003, AND 2002
 SOUTHERN CALIFORNIA
 (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	2004	2003	2002
Income:			
Milk sales	\$ 15.54	\$ 11.61	\$ 11.83
Calves and other	0.33	0.19	0.20
Total income	\$ 15.87	\$ 11.80	\$ 12.03
Cost of operations:			
Feed:			
Grain	\$ 4.48	\$ 4.04	\$ 4.15
Hay and other	1.99	1.82	2.07
Total feed	\$ 6.47	\$ 5.86	\$ 6.22
Labor, (including fringe costs)	\$ 1.76	\$ 1.51	\$ 1.36
Herd replacement costs	\$ 1.10	\$ 1.21	\$ 1.20
Other costs:			
Milk hauling	\$ 0.31	\$ 0.35	\$ 0.37
State and association charges	0.24	0.20	0.18
Veterinary, breeding, testing, etc.	0.34	0.29	0.29
Supplies	0.42	0.41	0.41
Repairs and maintenance	0.59	0.41	0.58
Utilities	0.23	0.23	0.22
Occupancy costs	0.65	0.62	0.59
Depreciation - equipment	0.13	0.11	0.10
Interest	0.30	0.29	0.27
Miscellaneous	0.34	0.28	0.27
Total other costs	\$ 3.55	\$ 3.19	\$ 3.28
Total cost of operations	\$ 12.88	\$ 11.77	\$ 12.06
Net income (loss)	\$ 2.99	\$ 0.03	\$ (0.03)

SUMMARY OF FINANCIAL STATISTICS

SOUTHERN CALIFORNIA

	September 30, 2004	September 30, 2003	September 30, 2002
1. Current Ratio	1.15 :1	0.97 :1	1.25 :1
2. Debt Per Cow	\$ 699	\$ 791	\$ 595
3. Debt to Equity Ratio	0.81 :1	0.62 :1	0.46 :1
4. Return on Total Assets	17.32%	0.29%	-0.06%

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost. For the nine month periods presented, it has been annualized.

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE NINE MONTHS ENDED
 SEPTEMBER 30, 2004, 2003, AND 2002
 SAN JOAQUIN VALLEY
 (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	2004	2003	2002
Income:			
Milk sales	\$ 15.26	\$ 11.54	\$ 11.63
Calves and other	1.06	0.28	0.34
Total income	\$ 16.32	\$ 11.82	\$ 11.97
Cost of operations:			
Feed:			
Grain	\$ 4.47	\$ 4.43	\$ 4.19
Hay and other	2.05	1.54	1.73
Total feed	\$ 6.52	\$ 5.97	\$ 5.92
Labor, (including fringe costs)	\$ 1.41	\$ 1.31	\$ 1.16
Herd replacement costs	\$ 1.01	\$ 1.20	\$ 1.18
Other costs:			
Milk hauling	\$ 0.25	\$ 0.24	\$ 0.27
State and association charges	0.24	0.20	0.18
Veterinary, breeding, testing, etc.	0.36	0.36	0.30
Supplies	0.53	0.47	0.46
Repairs and maintenance	0.49	0.40	0.37
Utilities	0.27	0.28	0.29
Occupancy costs	0.42	0.42	0.45
Depreciation - equipment	0.36	0.36	0.29
Interest	0.46	0.46	0.52
Miscellaneous	0.44	0.34	0.30
Total other costs	\$ 3.82	\$ 3.53	\$ 3.43
Total cost of operations	\$ 12.76	\$ 12.01	\$ 11.69
Net income (loss)	\$ 3.56	\$ (0.19)	\$ 0.28

SUMMARY OF FINANCIAL STATISTICS

SAN JOAQUIN VALLEY

	September 30, 2004	September 30, 2003	September 30, 2002
1. Current Ratio	1.90 :1	1.29 :1	1.42 :1
2. Debt Per Cow	\$ 1,380	\$ 1,374	\$ 1,429
3. Debt to Equity Ratio	0.73 :1	0.93 :1	0.86 :1
4. Return on Total Assets	12.0%	-0.7%	1.0%

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost. For the nine month periods presented, it has been annualized.

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE NINE MONTHS ENDED
 SEPTEMBER 30, 2004, 2003, AND 2002
 ARIZONA
 (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	2004	2003	2002
Income:			
Milk sales	\$ 16.02	\$ 11.67	\$ 11.95
Calves and other	0.43	0.33	0.32
Total income	\$ 16.45	\$ 12.00	\$ 12.27
Cost of operations:			
Feed:			
Grain	\$ 3.87	\$ 3.72	\$ 3.75
Hay and other	2.38	2.04	2.05
Total feed	\$ 6.25	\$ 5.76	\$ 5.80
Labor, (including fringe costs)	\$ 1.31	\$ 1.22	\$ 1.18
Herd replacement costs	\$ 1.58	\$ 1.89	\$ 1.57
Other costs:			
Milk hauling	\$ 0.60	\$ 0.51	\$ 0.49
State and association charges	0.27	0.31	0.23
Veterinary, breeding, testing, etc.	0.23	0.24	0.21
Supplies	0.55	0.49	0.51
Repairs and maintenance	0.40	0.35	0.36
Utilities	0.29	0.25	0.25
Occupancy costs	0.74	0.61	0.58
Depreciation - equipment	0.23	0.20	0.19
Interest	0.65	0.66	0.60
Miscellaneous	0.56	0.45	0.52
Total other costs	\$ 4.52	\$ 4.07	\$ 3.94
Total cost of operations	\$ 13.66	\$ 12.94	\$ 12.49
Net income (loss)	\$ 2.79	\$ (0.94)	\$ (0.22)

SUMMARY OF FINANCIAL STATISTICS

ARIZONA

	September 30, 2004	September 30, 2003	September 30, 2002
1. Current Ratio	0.81 :1	0.67 :1	0.74 :1
2. Debt Per Cow	\$ 1,486	\$ 1,597	\$ 1,533
3. Debt to Equity Ratio	1.78 :1	2.42 :1	2.14 :1
4. Return on Total Assets	13.0%	-4.8%	-1.2%

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost. For the nine month periods presented, it has been annualized.

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE NINE MONTHS ENDED
 SEPTEMBER 30, 2004, 2003 AND 2002
 IDAHO
 (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	2004	2003	2002
Income:			
Milk sales	\$ 15.41	\$ 11.51	\$ 11.43
Calves and other	0.27	0.17	0.25
Total income	\$ 15.68	\$ 11.68	\$ 11.68
Cost of operations:			
Feed:			
Grain	\$ 3.99	\$ 3.48	\$ 3.65
Hay and other	2.05	1.91	2.34
Total feed	\$ 6.04	\$ 5.39	\$ 5.99
Labor, (including fringe costs)	\$ 1.14	\$ 1.19	\$ 1.06
Herd replacement costs	\$ 1.61	\$ 1.56	\$ 1.96
Other costs:			
Milk hauling	\$ 0.23	\$ 0.22	\$ 0.22
State and association charges	0.24	0.23	0.23
Veterinary, breeding, testing, etc.	0.34	0.25	0.28
Supplies	0.70	0.62	0.60
Repairs and maintenance	0.36	0.40	0.32
Utilities	0.15	0.18	0.22
Occupancy costs	0.27	0.34	0.28
Depreciation - equipment	0.34	0.28	0.35
Interest	0.64	0.46	0.74
Miscellaneous	0.53	0.31	0.42
Total other costs	\$ 3.80	\$ 3.29	\$ 3.66
Total cost of operations	\$ 12.59	\$ 11.43	\$ 12.67
Net income (loss)	\$ 3.09	\$ 0.25	\$ (0.99)

SUMMARY OF FINANCIAL STATISTICS

IDAHO

	September 30, 2004	September 30, 2003	September 30, 2002
1. Current Ratio	1.06 :1	1.31 :1	0.85 :1
2. Debt Per Cow	\$ 2,382	\$ 1,645	\$ 2,256
3. Debt to Equity Ratio	1.93 :1	1.49 :1	1.74 :1
4. Return on Total Assets	12.8%	1.7%	-3.6%

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost. For the nine month periods presented, it has been annualized.

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE NINE MONTHS ENDED
 SEPTEMBER 30, 2004, 2003, AND 2002
 NEW MEXICO
 (BASED ON A PER HUNDREDWEIGHT OF MILK BASIS)

	2004	2003	2002
Income:			
Milk sales	\$ 15.04	\$ 11.34	\$ 12.18
Calves and other	0.83	0.27	0.42
Total income	\$ 15.87	\$ 11.61	\$ 12.60
Cost of operations:			
Feed:			
Grain	\$ 4.16	\$ 4.22	\$ 4.05
Hay and other	1.61	1.92	1.76
Total feed	\$ 5.77	\$ 6.14	\$ 5.81
Labor, (including fringe costs)	\$ 1.61	\$ 1.51	\$ 1.49
Herd replacement costs	\$ 1.56	\$ 1.73	\$ 1.67
Other costs:			
Milk hauling	\$ 0.59	\$ 0.56	\$ 0.47
State and association charges	0.21	0.22	0.17
Veterinary, breeding, testing, etc.	0.14	0.20	0.18
Supplies	0.75	0.62	0.79
Repairs and maintenance	0.24	0.24	0.32
Utilities	0.26	0.24	0.21
Occupancy costs	0.25	0.31	0.35
Depreciation - equipment	0.32	0.31	0.25
Interest	0.62	0.54	0.53
Miscellaneous	0.35	0.34	0.31
Total other costs	\$ 3.73	\$ 3.58	\$ 3.58
Total cost of operations	\$ 12.67	\$ 12.96	\$ 12.55
Net income (loss)	\$ 3.20	\$ (1.35)	\$ 0.05

SUMMARY OF FINANCIAL STATISTICS

NEW MEXICO

	September 30, 2004	September 30, 2003	September 30, 2002
1. Current Ratio	0.82 :1	0.66 :1	0.65 :1
2. Debt Per Cow	\$ 1,243	\$ 1,282	\$ 1,084
3. Debt to Equity Ratio	1.32 :1	2.20 :1	1.81 :1
4. Return on Total Assets	15.1%	-6.9%	0.3%

1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost. For the nine month periods presented, it has been annualized.

EXPLANATION OF INCOME AND COST FACTORS

Basis of presentation	Information is included both on a "per head" basis and a "per hundredweight of milk" basis. The "per head" statistics are based on the total average number of milking and dry cows in a herd for the period.
Milk sales	Includes milk income, quality and production bonuses, patronage dividends, and USDA program payments.
Calves and other income	This is primarily composed of the sale of calves, heifers, other livestock and equipment, and net crop income.
Feed	Grain includes all minerals and BST expense.
Labor	Includes wages and fringe costs such as payroll taxes, workers' compensation insurance, medical insurance, union benefits, etc. Compensation to owner-employees or partners is not included.
Herd replacement cost	Represents the difference between the actual price paid for purchased cows (or estimated cost of self-raised cows) at the time the cows were added to the milking herd less the sales price received for cows disposed of. This difference is amortized over the productive life of the cows.
Occupancy cost	Includes property taxes and depreciation of buildings on owner occupied facilities, rent paid and depreciation of improvements on leased facilities. It does not include interest paid on real property.
Miscellaneous cost	Includes auto and truck expenses, insurance, professional fees, quality penalties and other dairy expenses not otherwise classified.
Net income	Is stated before a provision for income taxes or a return on the dairy owner's investment.

OUR FIRM AND THE DAIRY INDUSTRY

Moore Stephens Wurth Frazer and Torbet, LLP has been associated with the dairy industry since the early 1950's. At that time, many immigrants from Europe were arriving in California's "Dairy Valley" and establishing their farming operations. These early dairies averaged 50 cows and the families provided most of the labor.

Moore Stephens Wurth Frazer and Torbet, LLP's partners, situated in "Dairy Valley", were instrumental in the creation of federal and state laws to help dairymen. We have consistently supported pro-agricultural organizations in their efforts to help shape policy and better the living and working environments for dairy families.

As development expanded in the dairy farming area, our firm helped many dairies relocate throughout California and other Western states. Many families we are servicing now have their third generation stepping into the operation's management. We have grown with these families into their multiple operations, often totaling 10,000 cows or more. Today, Moore Stephens Wurth Frazer and Torbet, LLP has clients in California, Arizona, Texas, New Mexico, Colorado, Idaho, Nevada, Oregon, Washington and Kansas. Also, we actively consult with many dairies throughout the United States.

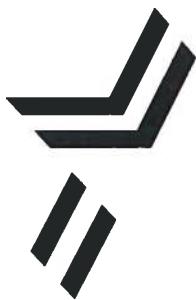
As we look to the future, the trend to larger more efficient dairies will continue. Along with this trend, the dairy industry is facing continued challenges in its expansion and relocation activities including the ability to construct new dairies. The dairy industry brings many jobs to an area and allows associated businesses to grow and flourish. This creates further conflict between the local communities and the environmentalists.

The environmental issues are extremely important and the dairies need to monitor and control the impact on the surrounding community including air quality, water quality and odor issues. The regulatory controls and enforcement will increase in impact to the dairies in 2005.

All of these factors culminate in a substantial amount of capital required to maintain a dairy farm and will put increasing pressure on dairy operators to make critical financial decisions. Moore Stephens Wurth Frazer and Torbet, LLP will be instrumental in providing the assistance needed to make these decisions.

We are proud of our dairy clients' social, political and charitable contributions to their communities.

NOTES



MOORE STEPHENS WURTH FRAZER AND TORBET, LLP
Certified Public Accountants and Consultants

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