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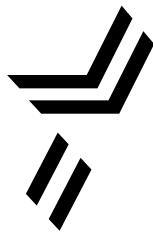
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# Dairy Farm Operating Trends

**December 31, 2008**



**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 year ended December 31, 2008.*

*The data is compiled from dairy operations in Southern California, the San Joaquin Valley, Kern County, Arizona, Idaho, New Mexico and the Panhandle with a combined milk production of over 5 billion pounds and more than 245,000 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 December 31, 2008 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 or Tim Gulling at our City of Industry office at (909) 594-2713 and Bob Matlick or Mike Edwards at our Visalia office at (559) 732-4135.*

*For more information regarding our firm, our Agribusiness department and our publication, please visit our website at [www.mswft.com](http://www.mswft.com).*

Sincerely,

*Moore Stephens Wurth Frazer and Torbet LLP*

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

**April 2009**

# DAIRY FARM OPERATING TRENDS

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### Comparative Net Income (Loss) By Region:

Milk prices decreased dramatically in 2008 resulting in net losses for all regions below. In addition, feed costs, fuel and most other operating costs rose during 2008.

Net income (loss) per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
2008	\$ (333)	\$ (152)	\$ (45)	\$ 86	\$ 351	\$ 214	\$ 209
2007	576	747	826	694	813	689	542
Change	\$ (909)	\$ (899)	\$ (871)	\$ (608)	\$ (462)	\$ (475)	\$ (339)

### Comparative Feed Cost By Region:

Feed costs continued their rapid price increase brought on by domestic and global competition for these finitely produced commodities, rising fuel costs and the value of the dollar falling world wide also contributed to the increased feed costs.

Feed cost per head:	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
2008	\$ 2,178	\$ 2,050	\$ 2,114	\$ 1,853	\$ 2,030	\$ 1,812	\$ 1,644
2007	1,711	1,700	1,564	1,622	1,663	1,451	1,285
Change	\$ 467	\$ 350	\$ 550	\$ 231	\$ 367	\$ 361	\$ 359

### **Comparative Production By Region:**

Milk production per cow increased in San Joaquin Valley, Kern County, New Mexico and the Panhandle, while decreasing in Southern California, Arizona and Idaho.

Lbs. per milk cow per day	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
2008	66.1	70.5	67.2	65.3	70.2	66.0	59.9
2007	66.4	69.0	65.8	72.4	76.5	64.5	58.6
Change	(0.3)	1.5	1.4	(7.1)	(6.3)	1.5	1.3

### **Herd Turnover Rate By Region:**

Herd turnover rates increased in all regions in 2008, except in Arizona and the Panhandle, where it decreased.

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
2008	35.7%	36.1%	34.5%	32.7%	33.9%	33.5%	23.6%
2007	30.3%	31.2%	29.5%	35.7%	31.9%	31.4%	27.1%
Change	5.4%	4.9%	5.0%	-3.0%	2.0%	2.1%	-3.5%

### **Average Cost of Replacement Per Head By Region:**

The cost of replacements increased in most areas during 2008, with the exception of San Joaquin Valley, Kern County and New Mexico.

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
2008	\$ 2,350	\$ 1,847	\$ -	\$ 2,187	\$ 1,655	\$ 1,603	\$ 1,825
2007	\$ 2,014	\$ 2,088	\$ (1,869)	\$ 1,916	\$ 1,358	\$ 2,050	\$ 1,770
Change	\$ 336	\$ (241)	\$ (447)	\$ 271	\$ 297	\$ (447)	\$ 55

# CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

## COMPARISON BY AREA FOR THE YEAR ENDED DECEMBER 31, 2008 (BASED ON AVERAGE AMOUNTS PER HEAD)

	Southern California	San Joaquin Valley	Kern County
Income:			
Milk sales	\$ 3,508	\$ 3,677	\$ 3,496
Calves and other	60	32	28
Total income	\$ 3,568	\$ 3,709	\$ 3,524
Cost of operations:			
Feed:			
Grain	\$ 1,492	\$ 1,492	\$ 1,411
Hay and other	686	558	703
Total feed	\$ 2,178	\$ 2,050	\$ 2,114
Labor, (including fringe costs)	\$ 388	\$ 337	\$ 276
Herd replacement costs	\$ 325	\$ 260	\$ 251
Other costs:			
Milk hauling	\$ 88	\$ 69	\$ 71
State and association charges	38	67	51
Veterinary, breeding, testing, etc.	72	122	57
Supplies	122	134	102
Repairs and maintenance	144	133	102
Utilities	71	79	72
Occupancy costs	117	141	110
Depreciation - equipment	36	78	67
Interest	129	151	105
Miscellaneous	193	240	191
Total other costs	\$ 1,010	\$ 1,214	\$ 928
Total cost of operations	\$ 3,901	\$ 3,861	\$ 3,569
Net income (loss)	\$ (333)	\$ (152)	\$ (45)

Your  
December 31, 2008  
Amounts

Arizona	Idaho	New Mexico	Panhandle	
\$ 3,702 63	\$ 4,046 42	\$ 3,526 57	\$ 3,522 18	\$
\$ 3,765	\$ 4,088	\$ 3,583	\$ 3,540	\$
\$ 1,289 564	\$ 1,310 720	\$ 1,330 482	\$ 1,150 493	\$
\$ 1,853	\$ 2,030	\$ 1,812	\$ 1,643	\$
\$ 322	\$ 366	\$ 310	\$ 327	\$
\$ 351	\$ 259	\$ 236	\$ 315	\$
\$ 78 120 81 148 115 81 109 57 202 162	\$ 68 62 89 168 151 50 97 83 133 181	\$ 147 76 77 102 116 59 79 58 98 199	\$ 141 59 78 127 88 49 123 62 157 161	\$
\$ 1,153	\$ 1,082	\$ 1,011	\$ 1,045	\$
\$ 3,679	\$ 3,737	\$ 3,369	\$ 3,330	\$
\$ 86	\$ 351	\$ 214	\$ 210	\$

# CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(BASED ON AVERAGE AMOUNTS  
PER HUNDREDWEIGHT OF MILK)

	Southern California	San Joaquin Valley	Kern County
<b>Income:</b>			
Milk sales	\$ 17.22	\$ 16.84	\$ 17.37
Calves and other	0.28	0.14	0.14
<b>Total income</b>	<b>\$ 17.50</b>	<b>\$ 16.98</b>	<b>\$ 17.51</b>
<b>Cost of operations:</b>			
<b>Feed:</b>			
Grain	\$ 7.33	\$ 6.83	\$ 7.01
Hay and other	3.36	2.55	3.49
<b>Total feed</b>	<b>\$ 10.69</b>	<b>\$ 9.38</b>	<b>\$ 10.50</b>
<b>Labor, (including fringe costs)</b>	<b>\$ 1.90</b>	<b>\$ 1.54</b>	<b>\$ 1.36</b>
<b>Herd replacement costs</b>	<b>\$ 1.60</b>	<b>\$ 1.19</b>	<b>\$ 1.25</b>
<b>Other costs:</b>			
Milk hauling	\$ 0.43	\$ 0.31	\$ 0.35
State and association charges	0.19	0.30	0.25
Veterinary, breeding, testing, etc.	0.35	0.56	0.29
Supplies	0.60	0.61	0.50
Repairs and maintenance	0.72	0.61	0.51
Utilities	0.35	0.36	0.36
Occupancy costs	0.58	0.64	0.55
Depreciation - equipment	0.17	0.35	0.34
Interest	0.63	0.69	0.52
Miscellaneous	0.93	1.09	0.93
<b>Total other costs</b>	<b>\$ 4.95</b>	<b>\$ 5.52</b>	<b>\$ 4.60</b>
<b>Total cost of operations</b>	<b>\$ 19.14</b>	<b>\$ 17.63</b>	<b>\$ 17.71</b>
<b>Net income (loss)</b>	<b>\$ (1.64)</b>	<b>\$ (0.65)</b>	<b>\$ (0.20)</b>

Your  
December 31, 2008  
Amounts

Arizona	Idaho	New Mexico	Panhandle	
\$ 18.11 0.30	\$ 18.15 0.18	\$ 17.92 0.29	\$ 19.11 0.09	\$
\$ 18.41	\$ 18.33	\$ 18.21	\$ 19.20	\$
\$ 6.31 2.76	\$ 5.87 3.22	\$ 6.76 2.46	\$ 6.24 2.67	\$
\$ 9.07	\$ 9.09	\$ 9.22	\$ 8.91	\$
\$ 1.59	\$ 1.65	\$ 1.58	\$ 1.77	\$
\$ 1.72	\$ 1.16	\$ 1.20	\$ 1.71	\$
\$ 0.38 0.59 0.40 0.72 0.56 0.40 0.53 0.28 0.98 0.80	\$ 0.31 0.28 0.39 0.75 0.67 0.23 0.44 0.37 0.60 0.81	\$ 0.75 0.38 0.39 0.52 0.59 0.30 0.40 0.29 0.50 0.99	\$ 0.77 0.32 0.41 0.69 0.48 0.27 0.66 0.34 0.85 0.90	\$
\$ 5.64	\$ 4.85	\$ 5.11	\$ 5.69	\$
\$ 18.02	\$ 16.75	\$ 17.11	\$ 18.08	\$
\$ 0.39	\$ 1.58	\$ 1.10	\$ 1.12	\$

## SUMMARY OF FINANCIAL STATISTICS

### COMPARISON BY AREA FOR THE YEAR ENDED DECEMBER 31, 2008

	Southern California	San Joaquin Valley	Kern County
1. Current Ratio	0.60:1	1.25:1	1.84:1
2. Debt Per Cow	\$ 1,291	\$ 1,581	\$ 1,966
3. Debt to Equity Ratio	1.98:1	1.30:1	1.01:1
4. Return on Total Assets	-6.9%	-2.4%	-0.6%

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 ratio represents total debt divided by total equity.
4. The return on total assets represents the net income divided by the total assets, stated at cost.

Arizona	Idaho	New Mexico	Panhandle	Your 2008 Results
0.48:1	1.45:1	1.22:1	0.83:1	
\$ 2,476	\$ 1,792	\$ 1,027	\$ 1,930	
2.44:1	1.34:1	1.08:1	2.13:1	
0.9%	5.5%	4.0%	3.3%	

## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2008, 2007, AND 2006  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD				
	2008		2007		2006
Income:					
Milk sales	\$ 3,508		\$ 3,795		\$ 2,595
Calves and other	60		49		101
<b>Total income</b>	<b>\$ 3,568</b>		<b>\$ 3,844</b>		<b>\$ 2,696</b>
Cost of operations:					
Feed:					
Grain	\$ 1,492		\$ 1,137		\$ 1,052
Hay and other	686		574		413
<b>Total feed</b>	<b>\$ 2,178</b>		<b>\$ 1,711</b>		<b>\$ 1,465</b>
Labor, (including fringe costs)	\$ 388		\$ 377		\$ 397
Herd replacement costs	\$ 325		\$ 255		\$ 221
Other costs:					
Milk hauling	\$ 88		\$ 83		\$ 84
State and association charges	38		39		40
Veterinary, breeding, testing, etc.	72		66		70
Supplies	122		111		111
Repairs and maintenance	144		128		112
Utilities	71		70		71
Occupancy costs	117		127		143
Depreciation - equipment	36		30		32
Interest	129		156		142
Miscellaneous	193		115		110
<b>Total other costs</b>	<b>\$ 1,010</b>		<b>\$ 925</b>		<b>\$ 915</b>
<b>Total cost of operations</b>	<b>\$ 3,901</b>		<b>\$ 3,268</b>		<b>\$ 2,998</b>
<b>Net income (loss)</b>	<b>\$ (333)</b>		<b>\$ 576</b>		<b>\$ (302)</b>

**PER CWT. OF MILK****YOUR 2008  
RESULTS**

2008	2007	2006	PER HEAD	PER CWT. OF MILK
\$ 17.22 0.28	\$ 18.46 0.23	\$ 12.25 0.48		
\$ 17.50	\$ 18.69	\$ 12.73		
\$ 7.33 3.36	\$ 5.53 2.78	\$ 4.96 1.94		
\$ 10.69	\$ 8.31	\$ 6.90		
\$ 1.90	\$ 1.83	\$ 1.86		
\$ 1.60	\$ 1.24	\$ 1.05		
\$ 0.43 0.19 0.35 0.60 0.72 0.35 0.58 0.17 0.63 0.93	\$ 0.40 0.19 0.32 0.55 0.63 0.34 0.62 0.14 0.76 0.56	\$ 0.39 0.19 0.33 0.52 0.52 0.34 0.67 0.15 0.67 0.52		
\$ 4.95	\$ 4.51	\$ 4.30		
\$ 19.14	\$ 15.89	\$ 14.11		
\$ (1.64)	\$ 2.80	\$ (1.38)		

## SUMMARY OF FINANCIAL STATISTICS

### SOUTHERN CALIFORNIA

	December 31, 2008	December 31, 2007	December 31, 2006
1. Current Ratio	0.60 : 1	1.24 : 1	0.95 : 1
2. Debt Per Cow	\$ 1,291	\$ 1,046	\$ 1,280
3. Debt to Equity Ratio	1.98 : 1	1.03 : 1	1.86 : 1
4. Return on Total Assets	-6.9%	12.7%	-7.5%

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.

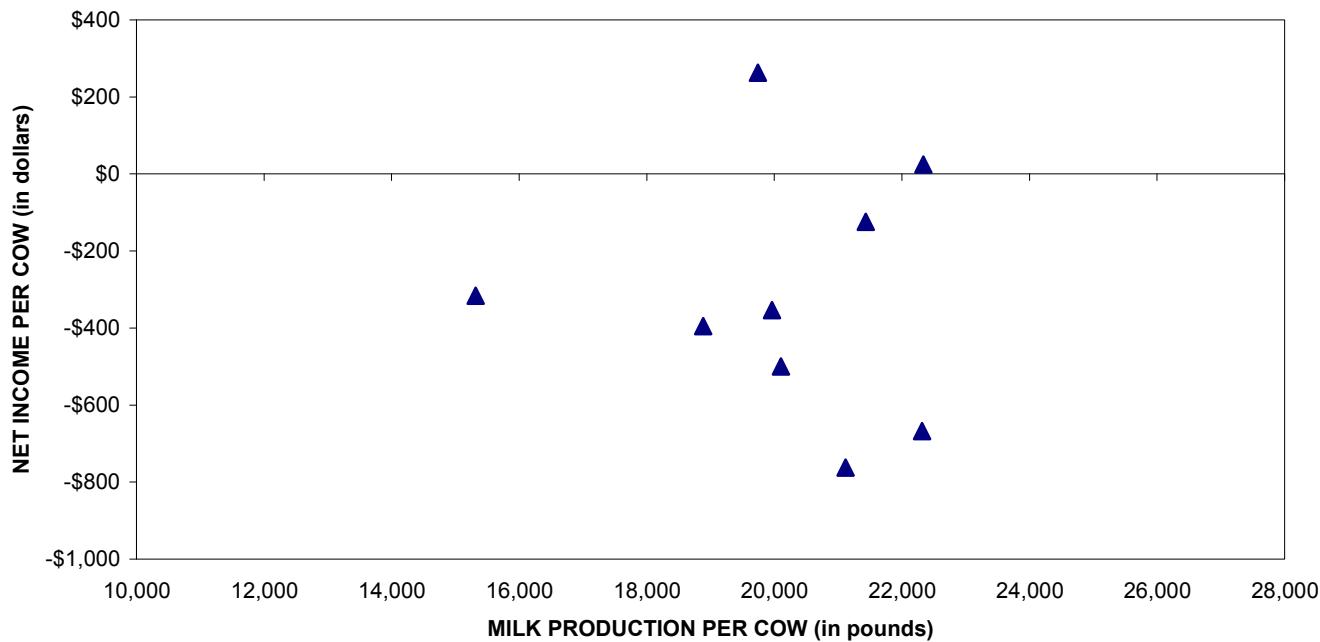
# SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2008, 2007, AND 2006  
SOUTHERN CALIFORNIA  
(BASED ON AVERAGE AMOUNTS)

	2008	2007	2006
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	20,363	24,219	21,195
Daily pounds of milk, per milking cow	66.1	66.4	68.4
Butterfat test	3.45 %	3.52 %	3.57 %
Solids-non-fat test	8.71 %	8.67 %	8.69 %
Blend price per hundredweight	\$ 17.22	\$ 18.46	\$ 12.25
Milk receipts, per milking cow	\$ 4,156	\$ 4,471	\$ 3,057
<b>HERD INFORMATION:</b>			
Herd size - total	1,203	1,229	1,214
Percent of dry cows	15.5 %	15.1 %	15.1 %
Herd turnover rate	35.7 %	30.3 %	35.3 %
Composition of herd:			
Purchased cows	4 %	9 %	9 %
Self-raised cows	96 %	91 %	91 %
Cost of purchased cows	\$ 2,350	\$ 2,014	\$ 2,106
Beef price received	\$ 530	\$ 638	\$ 606
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	42.6 %	29.9 %	40.5 %
Hay and other	19.5 %	15.1 %	15.9 %
Totals	62.1 %	45.0 %	56.4 %

## PROFITABILITY BY MILK PRODUCTION PER COW

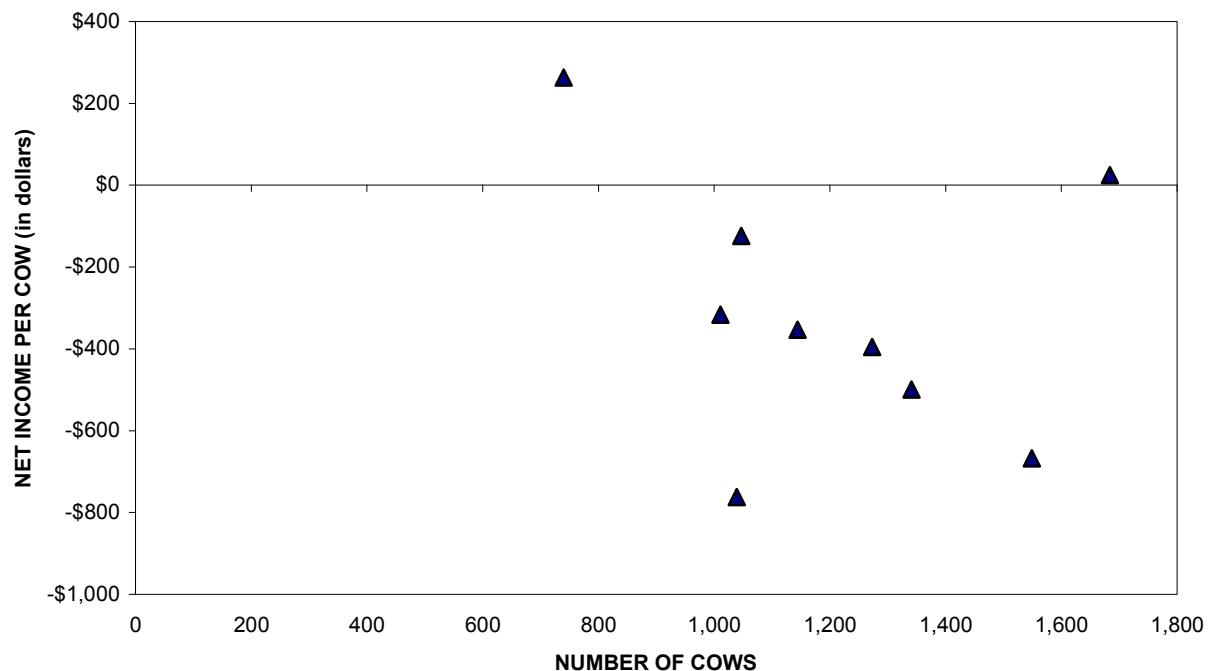
### Southern California



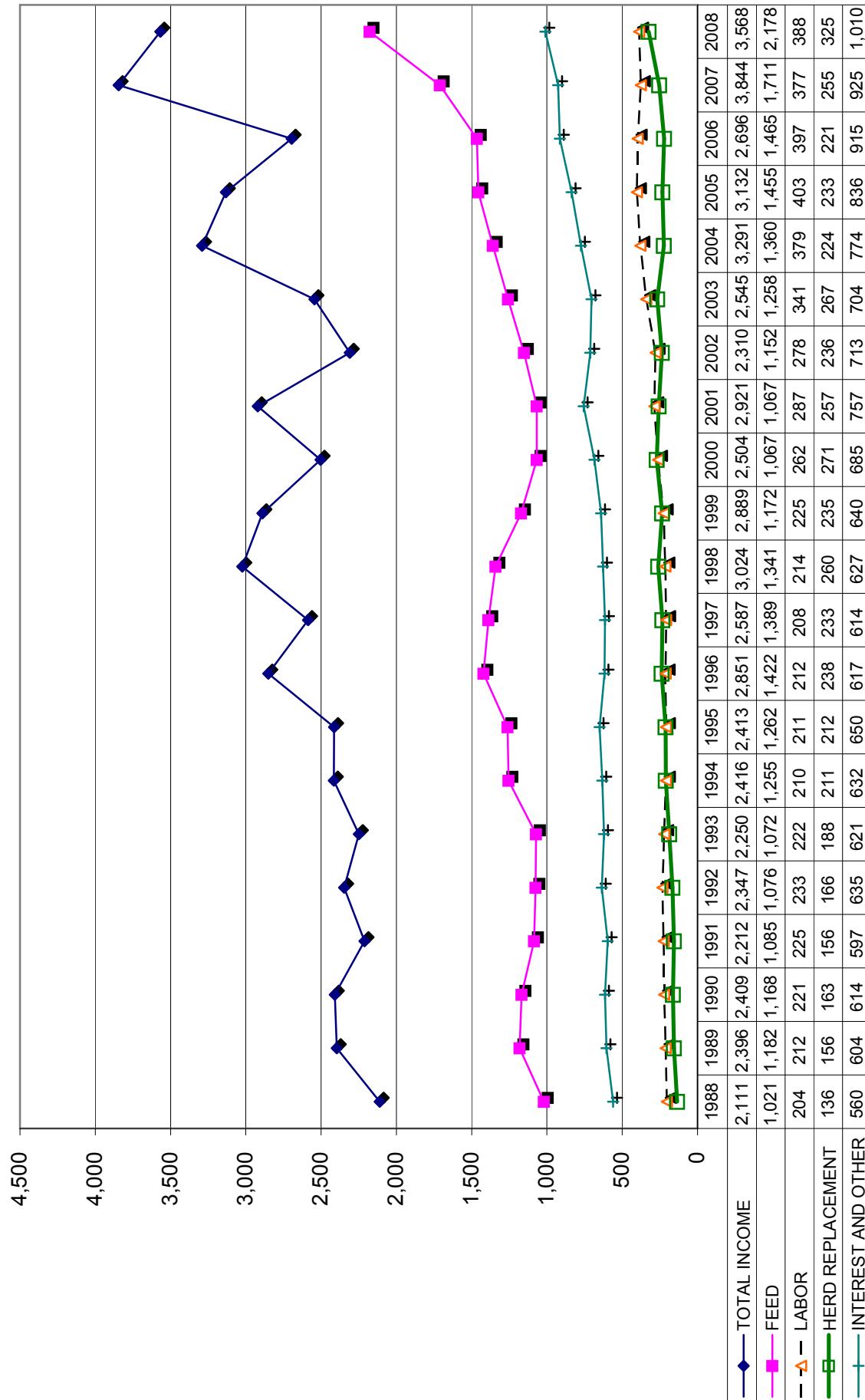
Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

## PROFITABILITY BY HERD SIZE

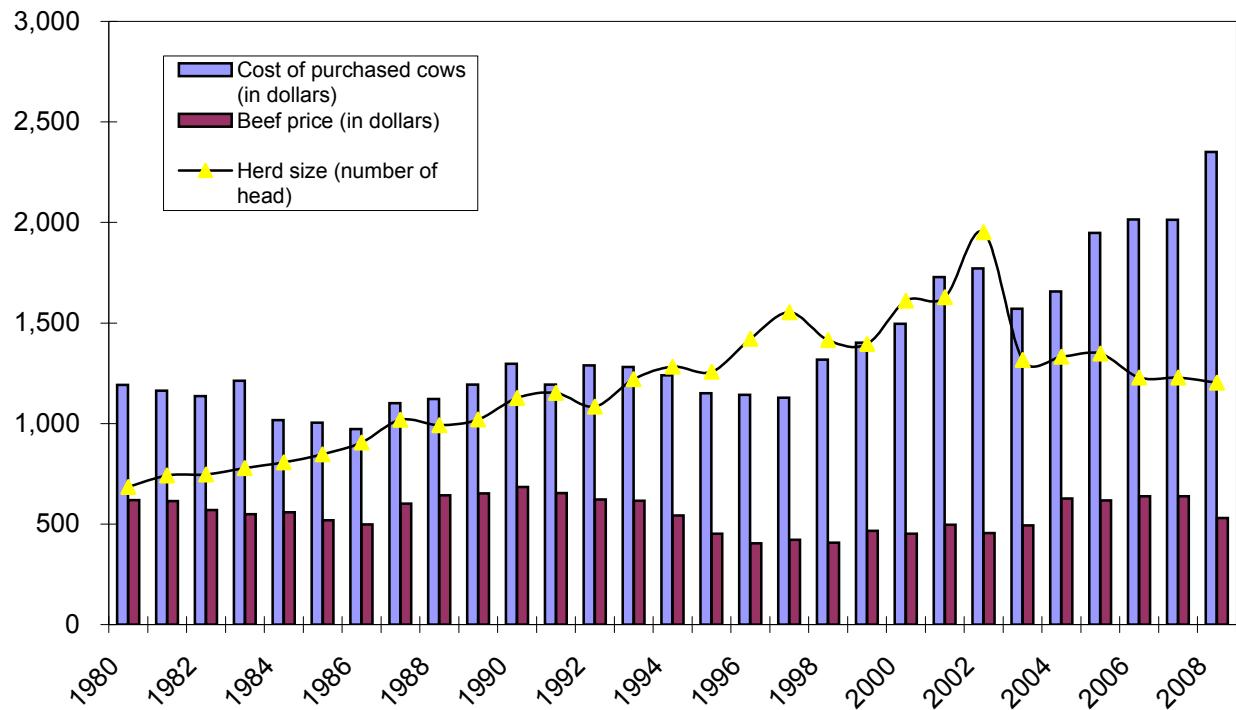
### Southern California



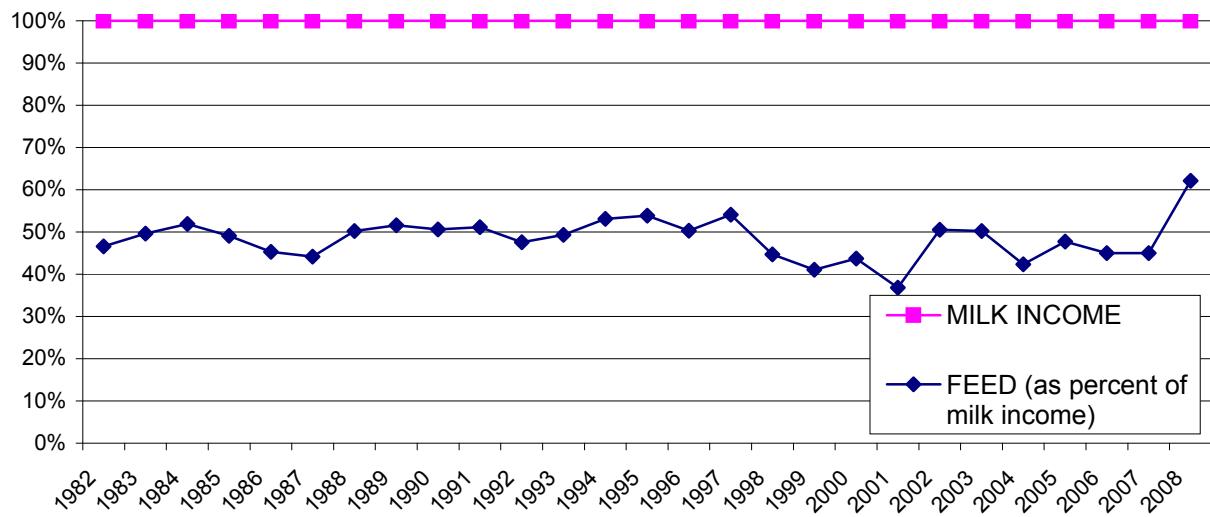
LONG-TERM TREND - ON A "PER HEAD" BASIS  
 SOUTHERN CALIFORNIA  
 INCOME AND OPERATING COSTS  
 1988 - 2008



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE**  
**SOUTHERN CALIFORNIA**



**FEED COST vs. MILK INCOME**  
**SOUTHERN CALIFORNIA**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
 DECEMBER 31, 2008, 2007, AND 2006  
 SAN JOAQUIN VALLEY  
 (BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2008	2007	2006
Income:			
Milk sales	\$ 3,677	\$ 4,007	\$ 2,437
Calves and other	32	79	78
Total income	\$ 3,709	\$ 4,086	\$ 2,515
Cost of operations:			
Feed:			
Grain	\$ 1,492	\$ 1,160	\$ 971
Hay and other	558	540	362
Total feed	\$ 2,050	\$ 1,700	\$ 1,333
Labor, (including fringe costs)	\$ 337	\$ 313	\$ 305
Herd replacement costs	\$ 260	\$ 225	\$ 221
Other costs:			
Milk hauling	\$ 69	\$ 68	\$ 56
State and association charges	67	47	48
Veterinary, breeding, testing, etc.	122	98	87
Supplies	134	136	114
Repairs and maintenance	133	133	117
Utilities	79	71	61
Occupancy costs	141	111	118
Depreciation - equipment	78	76	66
Interest	151	173	161
Miscellaneous	240	188	136
Total other costs	\$ 1,214	\$ 1,101	\$ 964
Total cost of operations	\$ 3,861	\$ 3,339	\$ 2,823
Net income (loss)	\$ (152)	\$ 747	\$ (308)

**PER CWT. OF MILK****YOUR 2008  
RESULTS****PER HEAD****PER CWT.  
OF MILK****2008****2007****2006**

\$	16.84	\$	18.48	\$	11.82
	0.14		0.35		0.38

\$	16.98	\$	18.83	\$	12.20
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\$	6.83	\$	5.35	\$	4.71
	2.55		2.49		1.76

\$	9.38	\$	7.84	\$	6.47
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\$	1.54	\$	1.44	\$	1.48
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\$	1.19	\$	1.04	\$	1.07
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\$	0.31	\$	0.31	\$	0.27
	0.30		0.21		0.23
	0.56		0.45		0.43
	0.61		0.63		0.56
	0.61		0.62		0.57
	0.36		0.33		0.30
	0.64		0.51		0.57
	0.35		0.35		0.32
	0.69		0.80		0.78
	1.09		0.82		0.65

\$	5.52	\$	5.03	\$	4.68
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\$	17.63	\$	15.35	\$	13.70
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\$	(0.65)	\$	3.48	\$	(1.50)
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## SUMMARY OF FINANCIAL STATISTICS

### SAN JOAQUIN VALLEY

	December 31, 2008	December 31, 2007	December 31, 2006
1. Current Ratio	1.25 : 1	1.47 : 1	0.70 : 1
2. Debt Per Cow	\$ 1,581	\$ 1,503	\$ 1,370
3. Debt to Equity Ratio	1.30 : 1	1.00 : 1	1.81 : 1
4. Return on Total Assets	-2.4%	11.4%	-5.2%

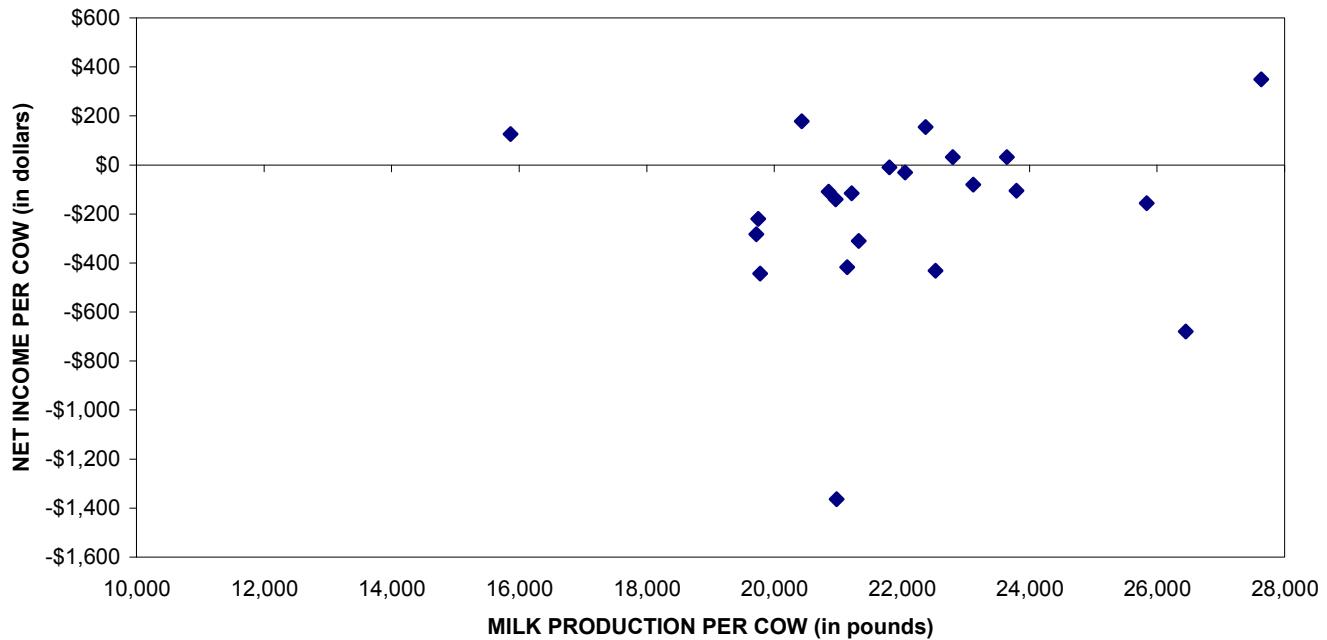
1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return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

# SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
 DECEMBER 31, 2008, 2007, AND 2006  
 SAN JOAQUIN VALLEY  
 (BASED ON AVERAGE AMOUNTS)

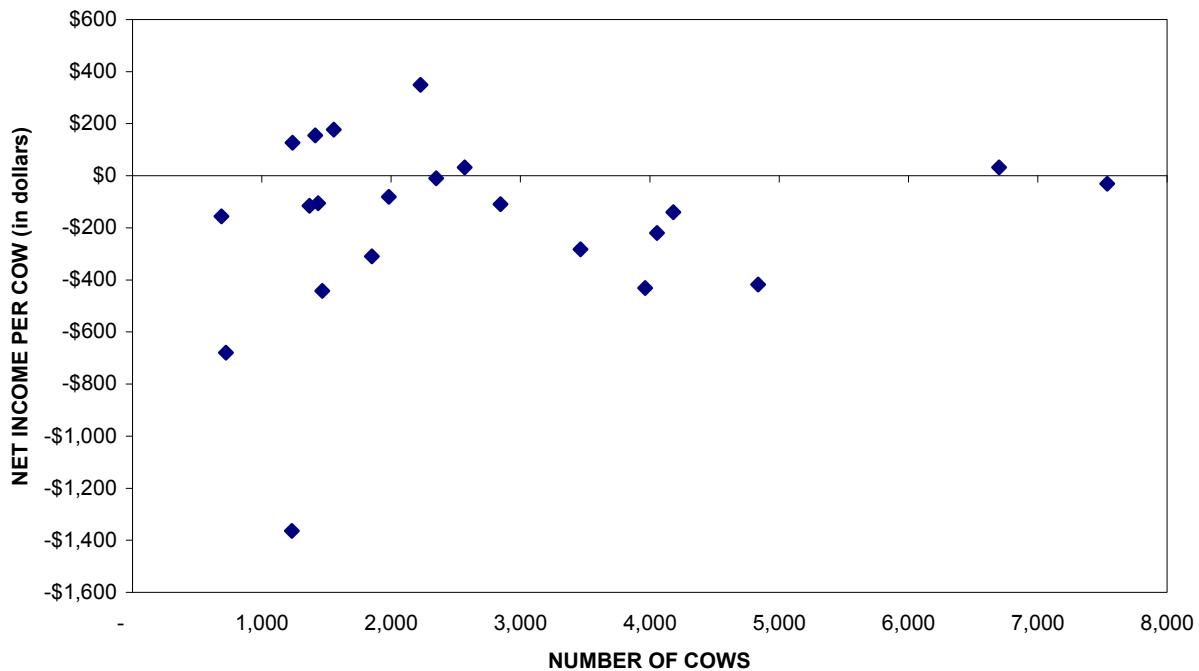
	2008	2007	2006
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)			
	21,831	21,686	20,615
Daily pounds of milk, per milking cow	70.5	69.0	67.1
Butterfat test	3.61 %	3.58 %	3.86 %
Solids-non-fat test	8.76 %	8.80 %	8.79 %
Blend price per hundredweight	\$ 16.84	\$ 18.48	\$ 11.82
Milk receipts, per milking cow	\$ 4,331	\$ 4,655	\$ 2,895
<b>HERD INFORMATION:</b>			
Herd size - total	2,720	2,361	3,327
Percent of dry cows	15.1 %	13.9 %	15.8 %
Herd turnover rate	36.1 %	31.2 %	35.0 %
Composition of herd:			
Purchased cows	20 %	11 %	23 %
Self-raised cows	80 %	89 %	77 %
Cost of purchased cows	\$ 1,847	\$ 2,088	\$ 1,857
Beef price received	\$ 607	\$ 624	\$ 619
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	40.6 %	29.0 %	39.8 %
Hay and other	15.1 %	13.5 %	14.8 %
Totals	55.7 %	42.5 %	54.6 %

## PROFITABILITY BY MILK PRODUCTION PER COW San Joaquin

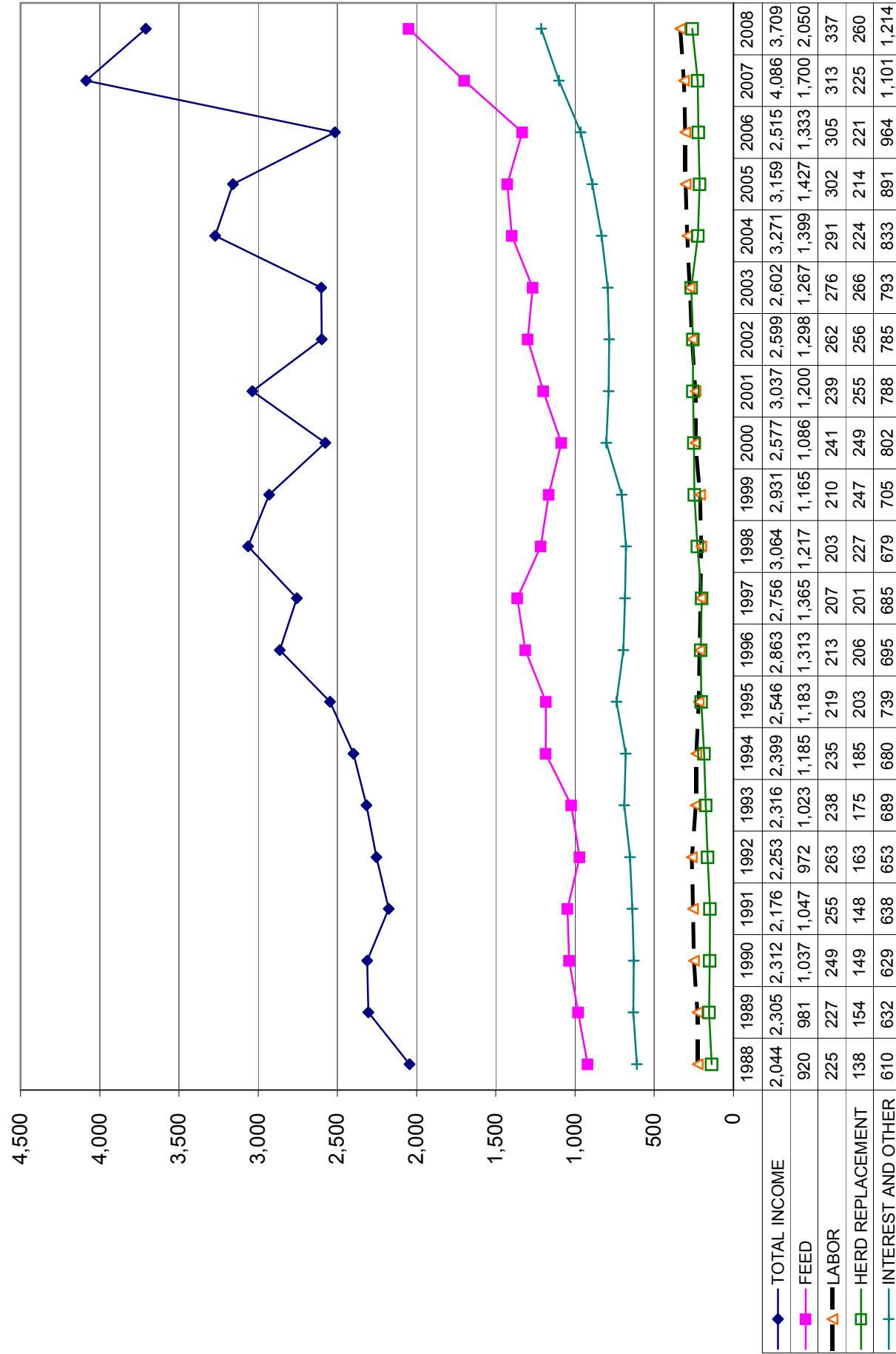


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

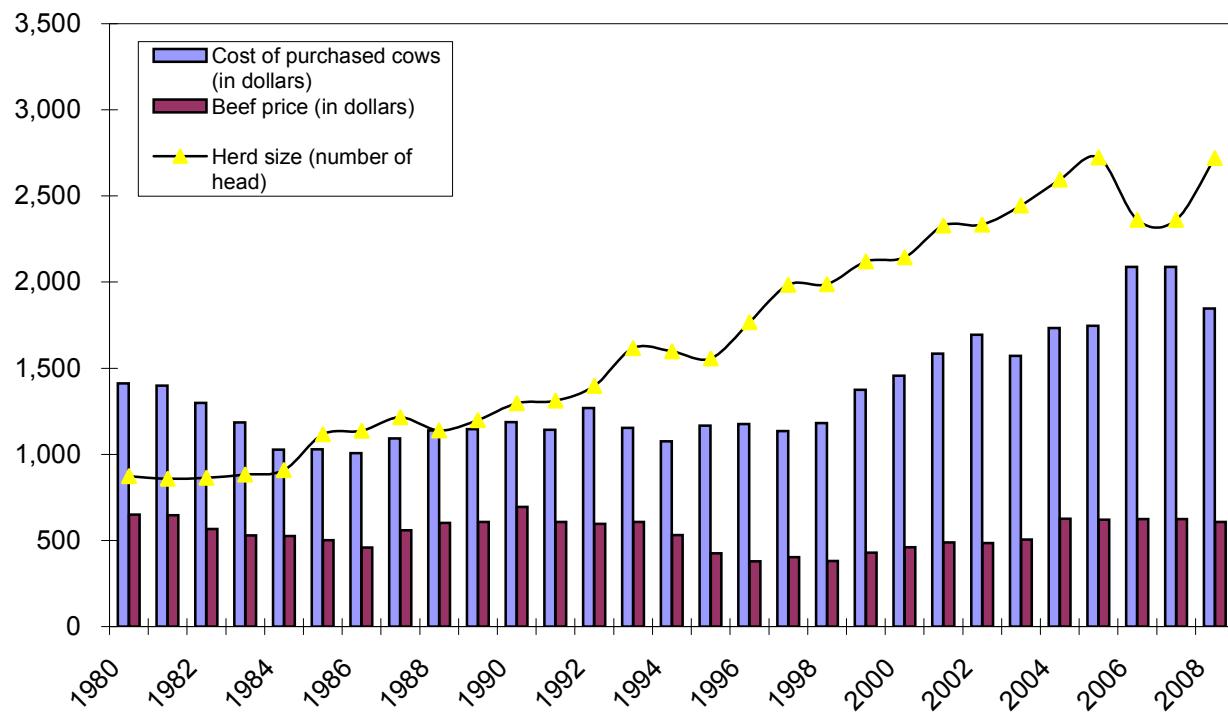
## PROFITABILITY BY HERD SIZE San Joaquin



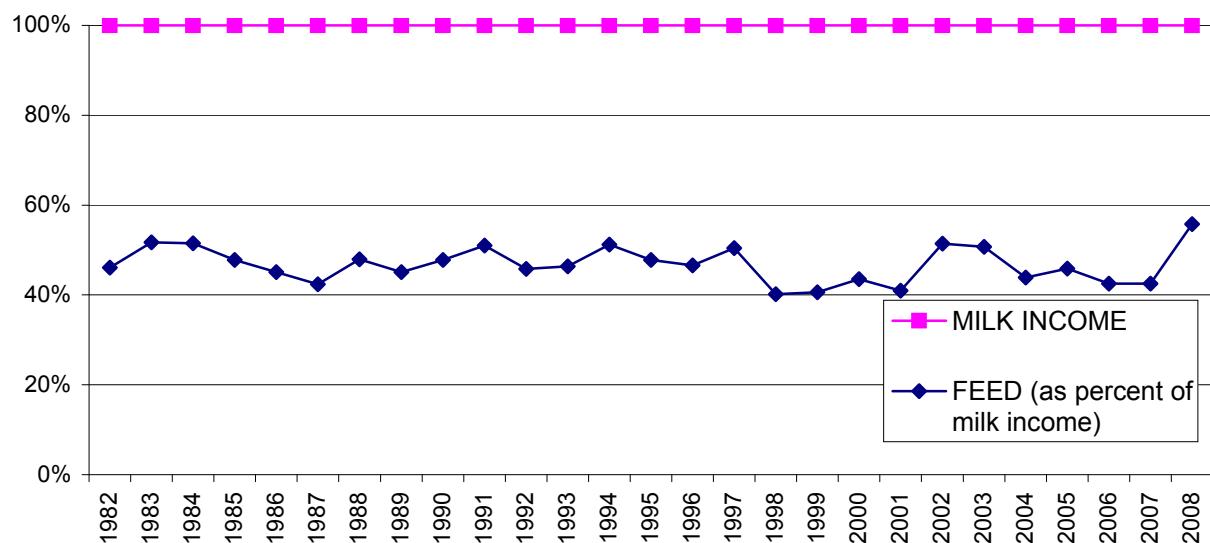
**LONG-TERM TREND - ON A "PER HEAD" BASIS**  
**SAN JOAQUIN VALLEY**  
**INCOME AND OPERATING COSTS**  
**1988 - 2008**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE,  
AND HERD SIZE  
SAN JOAQUIN VALLEY**



**FEED COST vs. MILK INCOME  
SAN JOAQUIN VALLEY**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2008, 2007, AND 2006  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD			2006	
			2008		
	2008	2007			
Income:					
Milk sales	\$ 3,496	\$ 3,675		\$ 2,376	
Calves and other	28	69		58	
Total income	\$ 3,524	\$ 3,744		\$ 2,434	
Cost of operations:					
Feed:					
Grain	\$ 1,411	\$ 1,087		\$ 932	
Hay and other	703	477		404	
Total feed	\$ 2,114	\$ 1,564		\$ 1,336	
Labor, (including fringe costs)	\$ 276	\$ 263		\$ 267	
Herd replacement costs	\$ 251	\$ 236		\$ 235	
Other costs:					
Milk hauling	\$ 71	\$ 66		\$ 53	
State and association charges	51	48		41	
Veterinary, breeding, testing, etc.	57	51		47	
Supplies	102	99		90	
Repairs and maintenance	102	103		95	
Utilities	72	58		56	
Occupancy costs	110	104		86	
Depreciation - equipment	67	63		68	
Interest	105	150		144	
Miscellaneous	191	113		83	
Total other costs	\$ 928	\$ 855		\$ 763	
Total cost of operations	\$ 3,569	\$ 2,918		\$ 2,601	
Net income (loss)	\$ (45)	\$ 826		\$ (167)	

**PER CWT. OF MILK****YOUR 2008  
RESULTS**

2008	2007	2006	PER HEAD	PER CWT. OF MILK
\$ 17.37 0.14	\$ 18.53 0.35	\$ 12.21 0.31		
\$ 17.51	\$ 18.88	\$ 12.52		
\$ 7.01 3.49	\$ 5.48 2.41	\$ 4.80 2.09		
\$ 10.50	\$ 7.89	\$ 6.89		
\$ 1.36	\$ 1.33	\$ 1.37		
\$ 1.25	\$ 1.19	\$ 1.21		
\$ 0.35 0.25 0.29 0.50 0.51 0.36 0.55 0.34 0.52 0.93	\$ 0.33 0.24 0.26 0.50 0.52 0.29 0.53 0.32 0.76 0.56	\$ 0.27 0.21 0.25 0.46 0.49 0.29 0.45 0.35 0.74 0.41		
\$ 4.60	\$ 4.31	\$ 3.92		
\$ 17.71	\$ 14.72	\$ 13.39		
\$ (0.20)	\$ 4.16	\$ (0.87)		

## SUMMARY OF FINANCIAL STATISTICS

### KERN COUNTY

	December 31, 2008	December 31, 2007	December 31, 2006
1. Current Ratio	1.84 : 1	1.79 : 1	1.14 : 1
2. Debt Per Cow	\$ 1,966	\$ 1,507	\$ 1,205
3. Debt to Equity Ratio	1.01 : 1	0.87 : 1	0.91 : 1
4. Return on Total Assets	-0.6%	10.6%	-2.3%

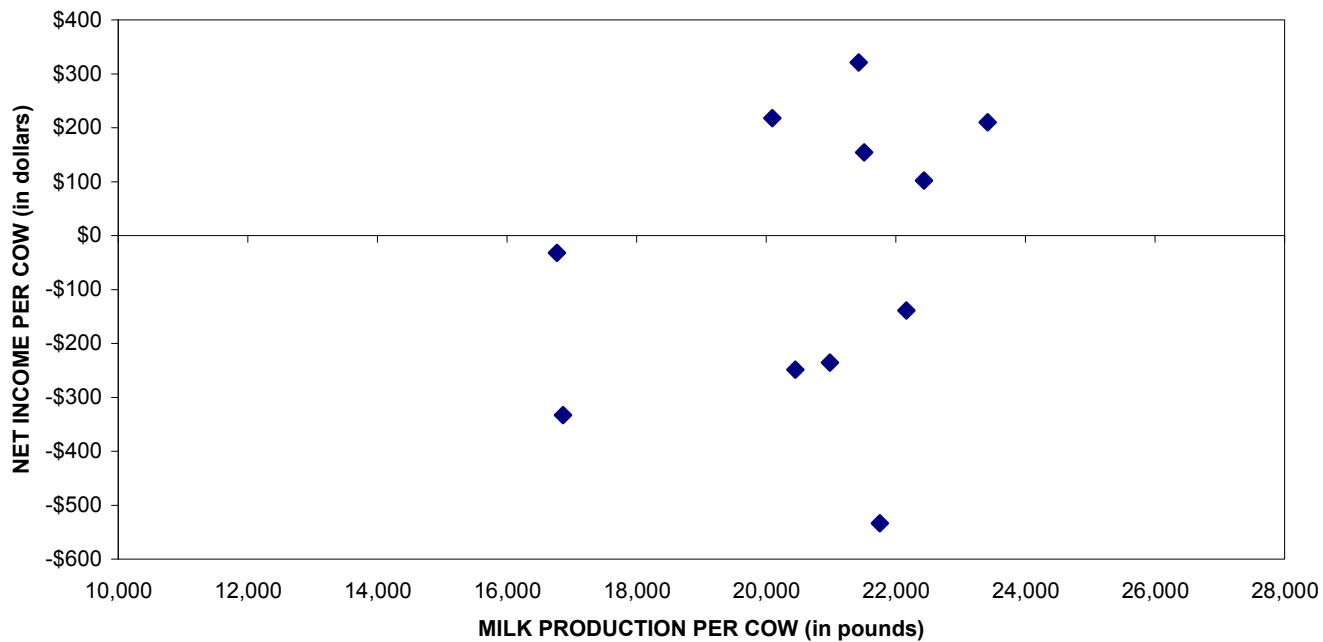
1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return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

# SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2008, 2007 AND 2006  
KERN COUNTY  
(BASED ON AVERAGE AMOUNTS)

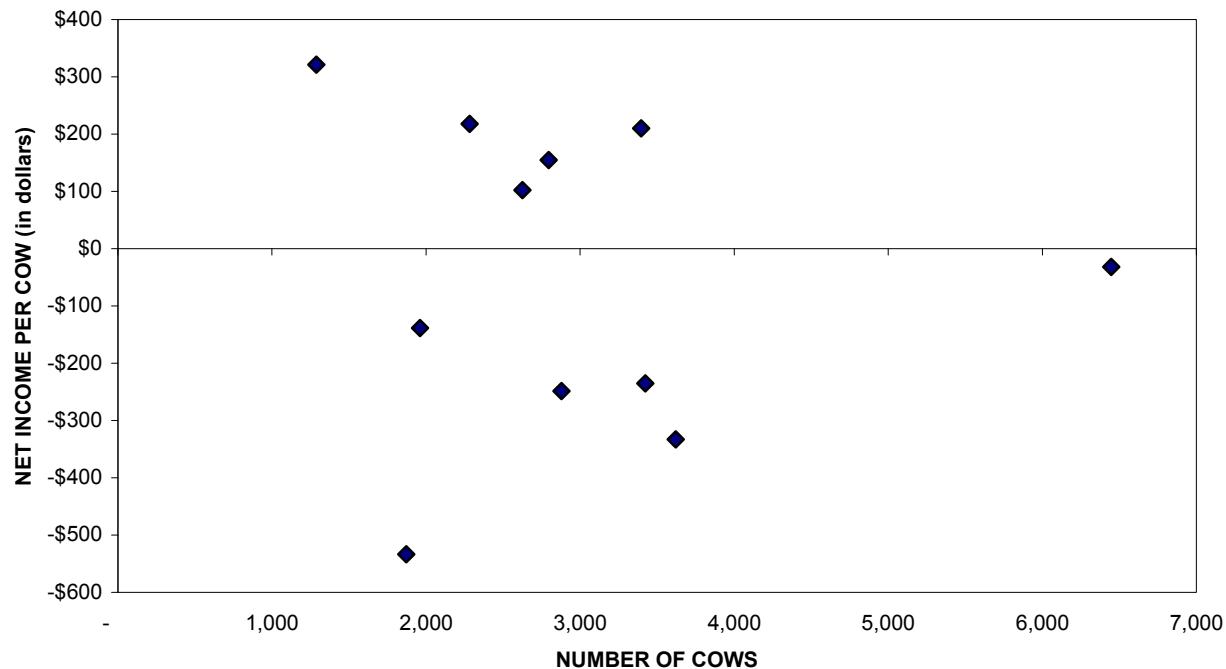
	2008	2007	2006
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	20,132	19,828	19,433
Daily pounds of milk, per milking cow	67.2	65.8	65.0
Butterfat test	3.69 %	3.71 %	3.90 %
Solids-non-fat test	8.78 %	8.78 %	8.76 %
Blend price per hundredweight	\$ 17.37	\$ 18.53	\$ 12.21
Milk receipts, per milking cow	\$ 4,257	\$ 4,451	\$ 2,900
<b>HERD INFORMATION:</b>			
Herd size - total	2,963	2,955	2,845
Percent of dry cows	17.9 %	17.4 %	18.1 %
Herd turnover rate	34.5 %	29.5 %	32.1 %
Composition of herd:			
Purchased cows	8 %	10 %	15 %
Self-raised cows	92 %	90 %	85 %
Cost of purchased cows	\$ -	\$ 1,869	\$ 1,922
Beef price received	\$ 536	\$ 555	\$ 559
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	40.4 %	29.6 %	39.2 %
Hay and other	20.1 %	13.0 %	17.1 %
Totals	60.5 %	42.6 %	56.3 %

## PROFITABILITY BY MILK PRODUCTION PER COW Kern County

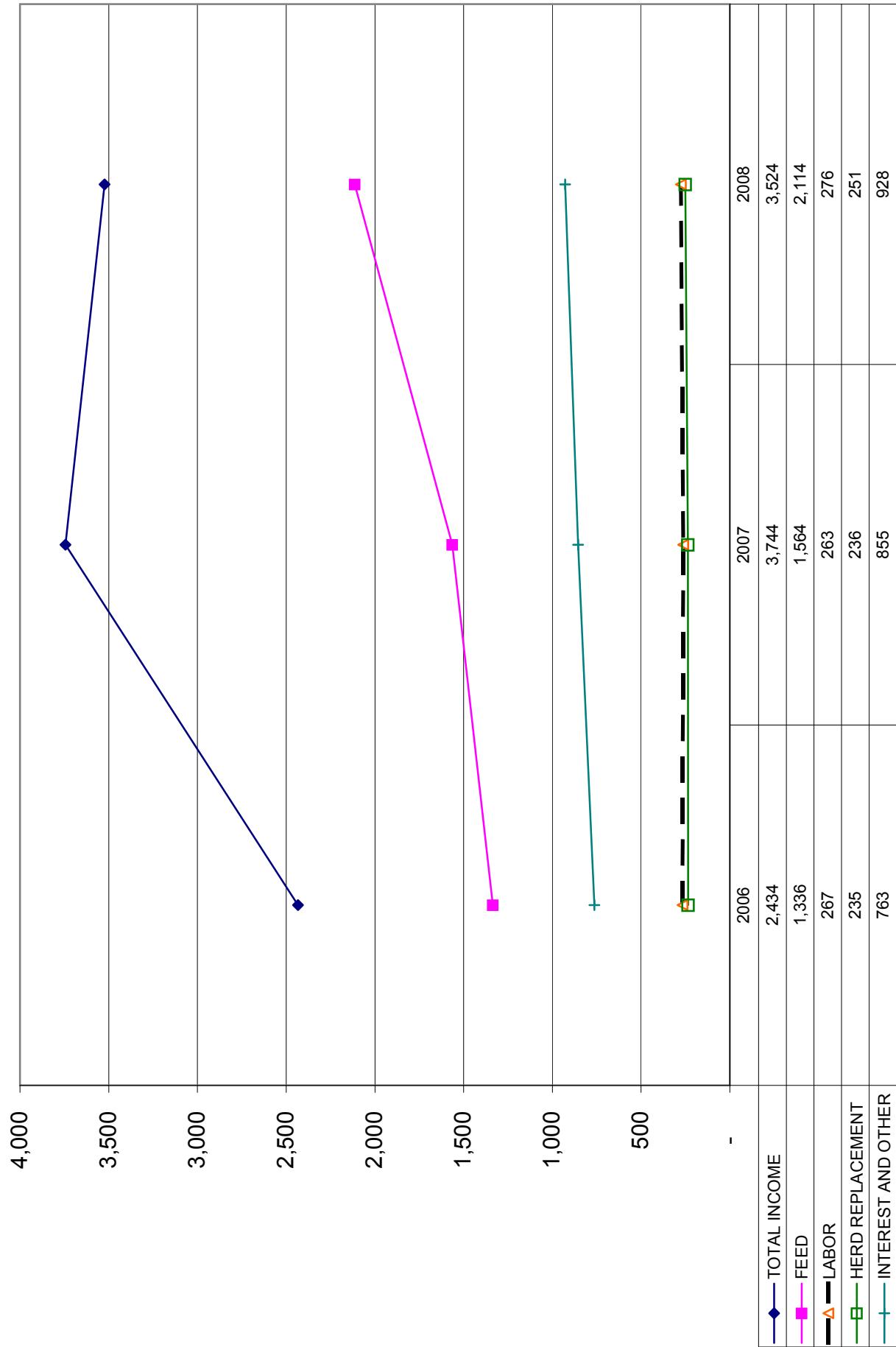


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

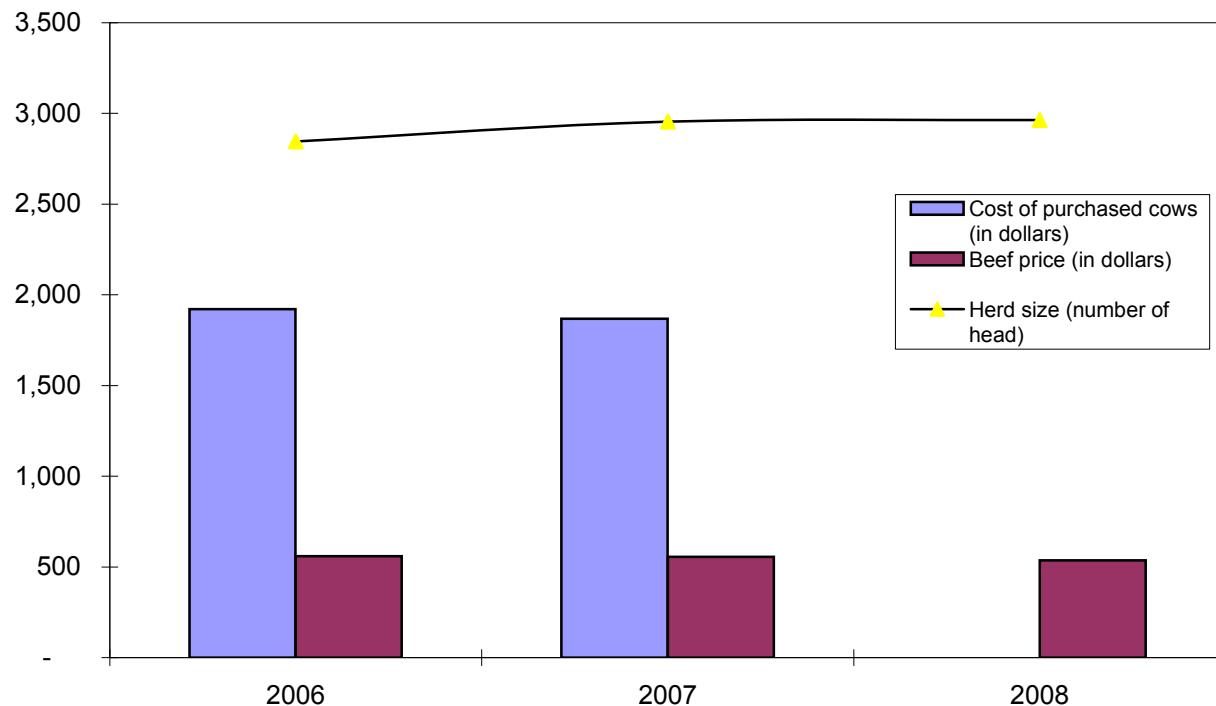
## PROFITABILITY BY HERD SIZE Kern County



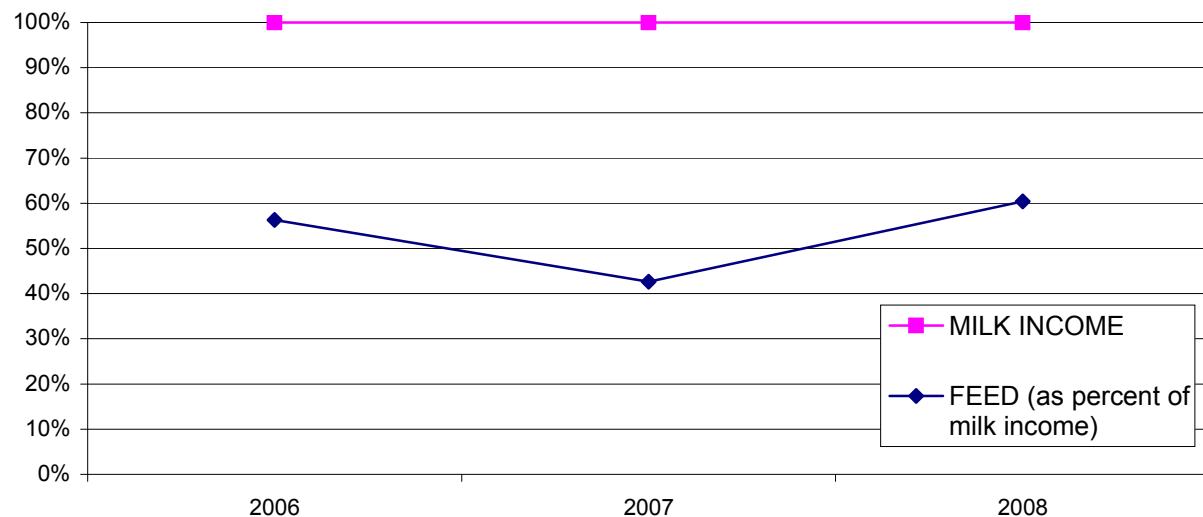
**LONG-TERM TREND - ON A "PER HEAD" BASIS**  
**KERN COUNTY**  
**INCOME AND OPERATING COSTS**  
**2006 - 2008**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE,  
AND HERD SIZE  
KERN COUNTY**



**FEED COST vs. MILK INCOME  
KERN COUNTY**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
 DECEMBER 31, 2008, 2007, AND 2006  
 ARIZONA  
 (BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2008	2007	2006
Income:			
Milk sales	\$ 3,702	\$ 4,115	\$ 2,643
Calves and other	63	82	83
Total income	\$ 3,765	\$ 4,197	\$ 2,726
Cost of operations:			
Feed:			
Grain	\$ 1,289	\$ 996	\$ 802
Hay and other	564	626	482
Total feed	\$ 1,853	\$ 1,622	\$ 1,284
Labor, (including fringe costs)	\$ 322	\$ 318	\$ 282
Herd replacement costs	\$ 351	\$ 368	\$ 291
Other costs:			
Milk hauling	\$ 78	\$ 116	\$ 88
State and association charges	120	90	98
Veterinary, breeding, testing, etc.	81	75	46
Supplies	148	142	122
Repairs and maintenance	115	95	93
Utilities	81	75	69
Occupancy costs	109	122	129
Depreciation - equipment	57	44	62
Interest	202	277	279
Miscellaneous	162	159	150
Total other costs	\$ 1,153	\$ 1,195	\$ 1,136
Total cost of operations	\$ 3,679	\$ 3,503	\$ 2,993
Net income (loss)	\$ 86	\$ 694	\$ (267)

**PER CWT. OF MILK****YOUR 2008  
RESULTS**

2008	2007	2006	PER HEAD	PER CWT. OF MILK
\$ 18.11 0.30	\$ 19.87 0.40	\$ 12.92 0.40		
\$ 18.41	\$ 20.27	\$ 13.32		
\$ 6.31 2.76	\$ 4.82 3.03	\$ 3.92 2.36		
\$ 9.07	\$ 7.85	\$ 6.28		
\$ 1.59	\$ 1.54	\$ 1.39		
\$ 1.72	\$ 1.78	\$ 1.42		
\$ 0.38 0.59 0.40 0.72 0.56 0.40 0.53 0.28 0.98 0.80	\$ 0.56 0.43 0.36 0.69 0.46 0.36 0.59 0.22 1.33 0.73	\$ 0.43 0.48 0.22 0.60 0.45 0.34 0.62 0.30 1.38 0.74		
\$ 5.64	\$ 5.73	\$ 5.56		
\$ 18.02	\$ 16.90	\$ 14.65		
\$ 0.39	\$ 3.37	\$ (1.33)		

## SUMMARY OF FINANCIAL STATISTICS

### ARIZONA

	December 31, 2008	December 31, 2007	December 31, 2006
1. Current Ratio	0.48 : 1	0.89 : 1	0.34 : 1
2. Debt Per Cow	\$ 2,476	\$ 1,468	\$ 1,828
3. Debt to Equity Ratio	2.44 : 1	2.13 : 1	3.49 : 1
4. Return on Total Assets	0.9%	11.9%	-4.2%

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.

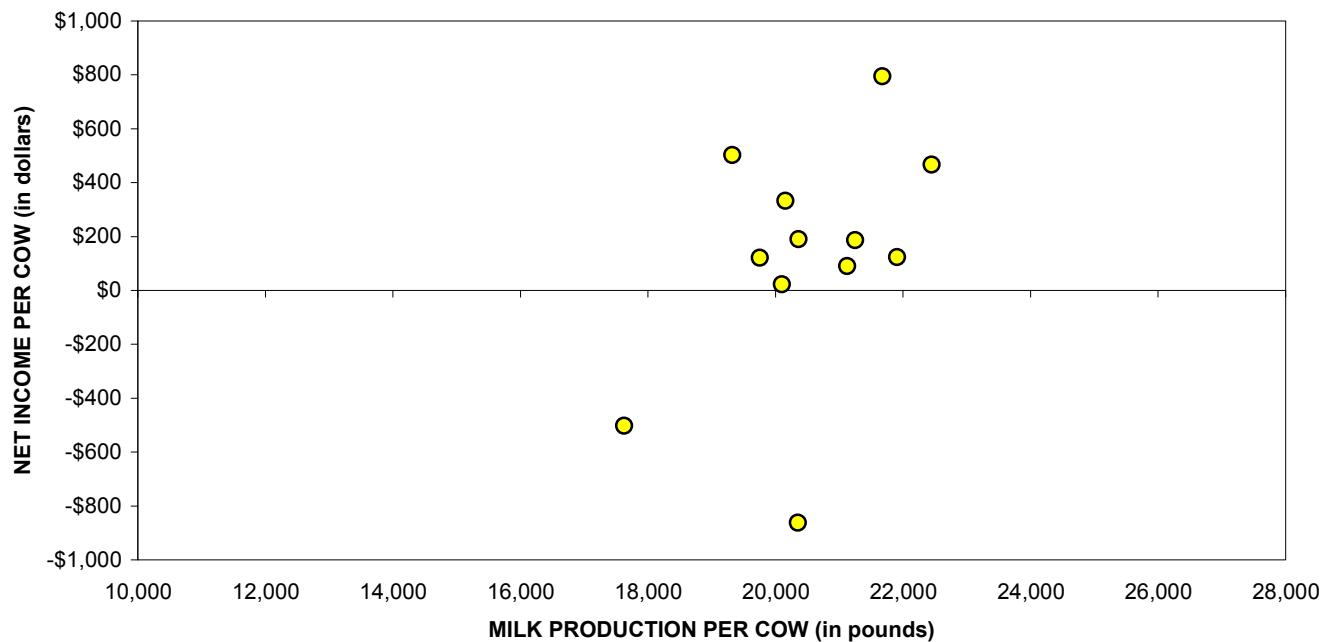
# SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
DECEMBER 31, 2008, 2007, AND 2006  
ARIZONA  
(BASED ON AVERAGE AMOUNTS)

	2008	2007	2006
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)			
	20,427	20,703	20,436
Daily pounds of milk, per milking cow	65.3	72.4	65.9
Butterfat test	3.44 %	3.51 %	3.52 %
Blend price per hundredweight	\$ 18.11	\$ 19.87	\$ 12.92
Milk receipts, per milking cow	\$ 4,301	\$ 5,247	\$ 3,112
<b>HERD INFORMATION:</b>			
Herd size - total	3,662	3,302	3,656
Percent of dry cows	14.3 %	21.7 %	15.1 %
Herd turnover rate	32.7 %	35.7 %	34.7 %
Composition of herd:			
Purchased cows	35 %	53 %	50 %
Self-raised cows	65 %	47 %	50 %
Cost of purchased cows	\$ 2,187	\$ 1,916	\$ 1,849
Beef price received	\$ 568	\$ 587	\$ 570
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	34.8 %	24.3 %	30.3 %
Hay and other	15.2 %	15.2 %	18.2 %
Totals	50.0 %	39.5 %	48.5 %

## PROFITABILITY BY MILK PRODUCTION PER COW

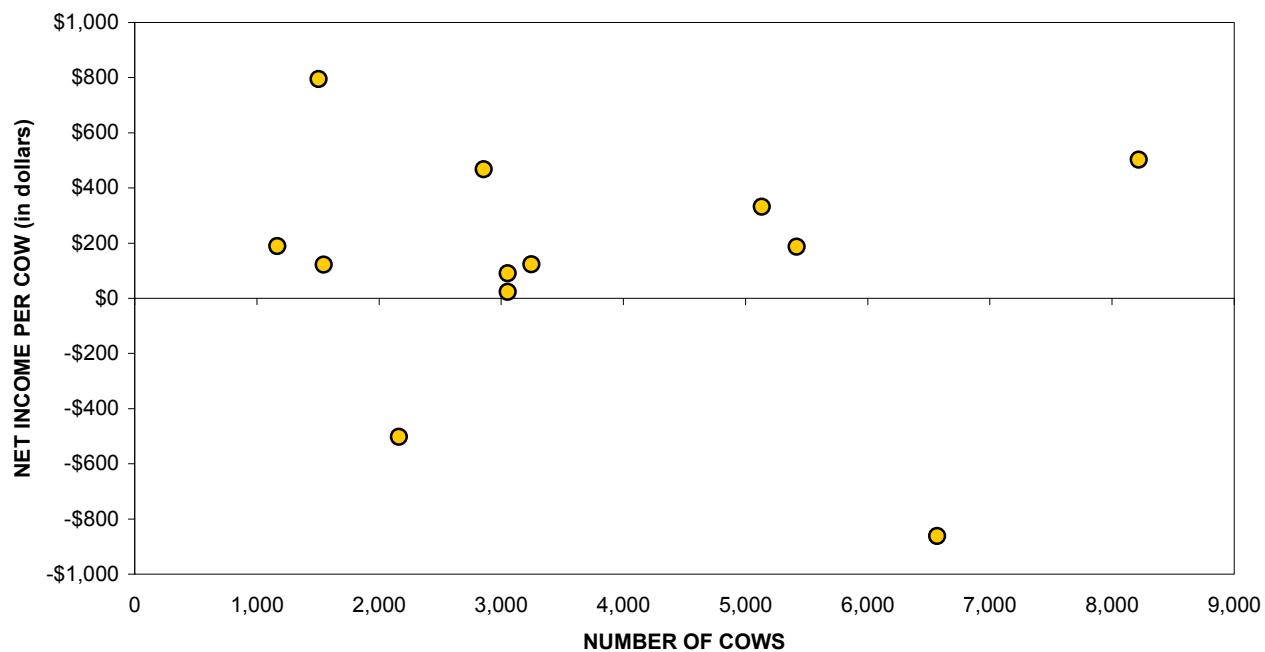
### Arizona



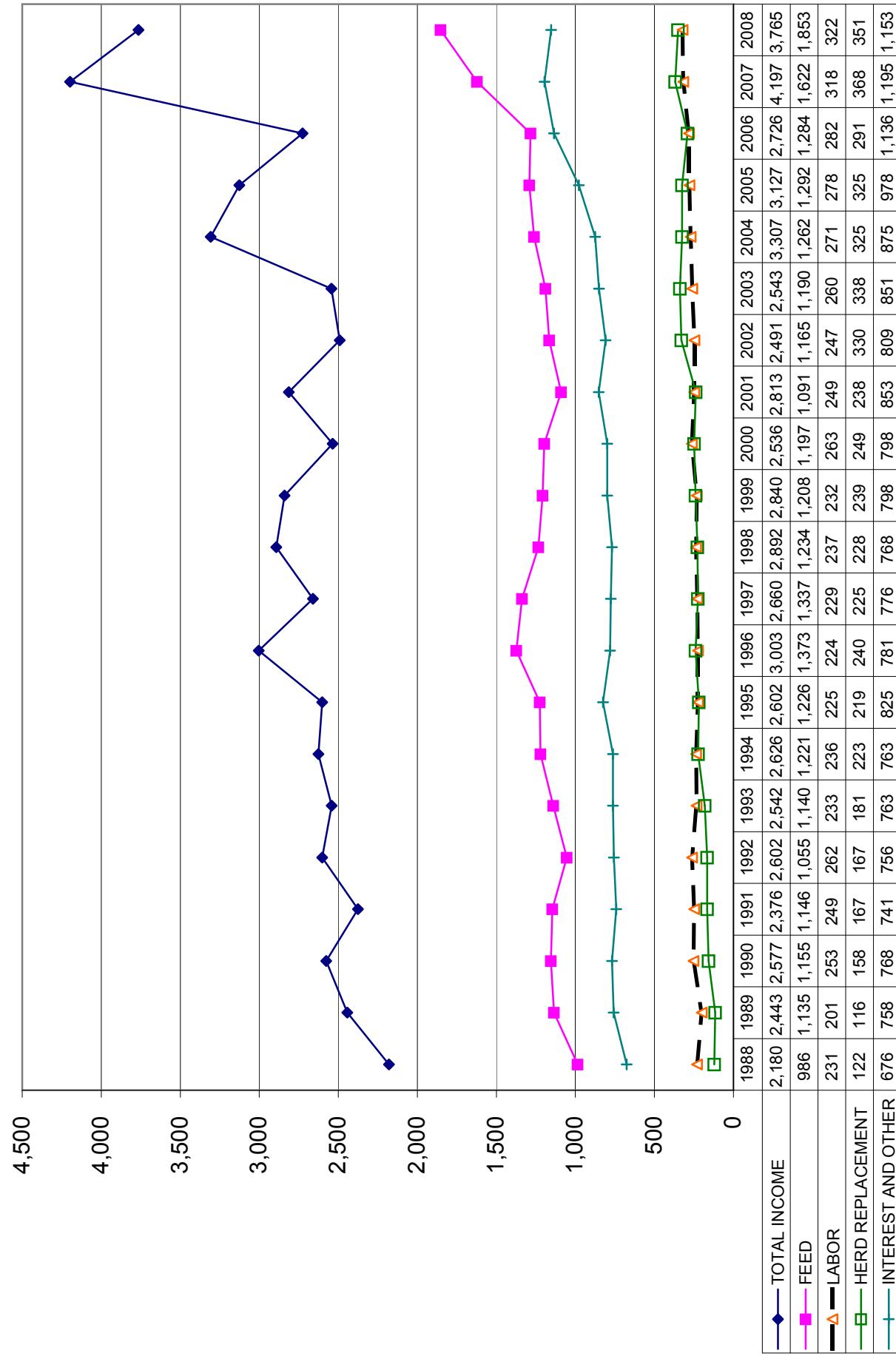
Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

## PROFITABILITY BY HERD SIZE

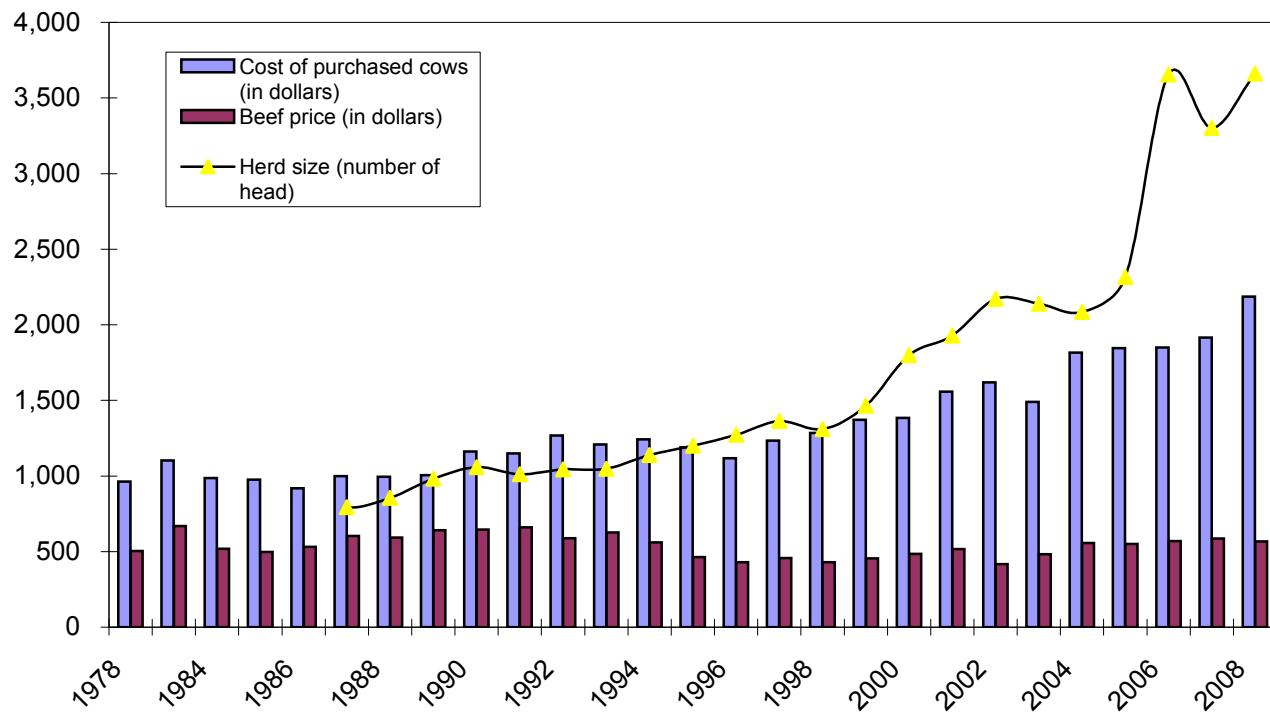
### Arizona



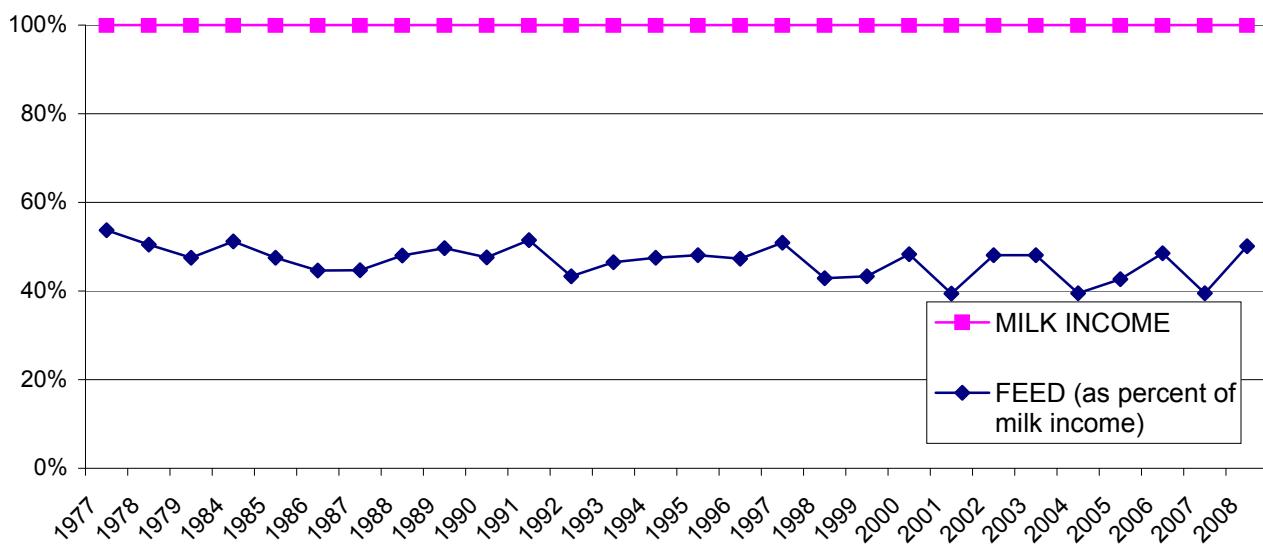
LONG-TERM TREND - ON A "PER HEAD" BASIS  
**ARIZONA**  
**INCOME AND OPERATING COSTS**  
**1988 - 2008**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE,  
AND HERD SIZE  
ARIZONA**



**FEED COST vs. MILK INCOME  
ARIZONA**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
 DECEMBER 31, 2008, 2007, AND 2006  
 IDAHO  
 (BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2008	2007	2006
Income:			
Milk sales	\$ 4,046	\$ 4,073	\$ 2,771
Calves and other	42	53	79
Total income	\$ 4,088	\$ 4,126	\$ 2,850
Cost of operations:			
Feed:			
Grain	\$ 1,310	\$ 1,090	\$ 899
Hay and other	720	573	494
Total feed	\$ 2,030	\$ 1,663	\$ 1,393
Labor, (including fringe costs)	\$ 366	\$ 349	\$ 328
Herd replacement costs	\$ 259	\$ 294	\$ 312
Other costs:			
Milk hauling	\$ 68	\$ 60	\$ 59
State and association charges	62	53	52
Veterinary, breeding, testing, etc.	89	86	90
Supplies	168	168	153
Repairs and maintenance	151	142	109
Utilities	50	37	36
Occupancy costs	97	89	88
Depreciation - equipment	83	76	76
Interest	133	154	139
Miscellaneous	181	142	138
Total other costs	\$ 1,082	\$ 1,007	\$ 940
Total cost of operations	\$ 3,737	\$ 3,313	\$ 2,973
Net income (loss)	\$ 351	\$ 813	\$ (123)

**PER CWT. OF MILK****YOUR 2008  
RESULTS**

2008	2007	2006	PER HEAD	PER CWT. OF MILK
\$ 18.15 0.18	\$ 18.07 0.43	\$ 12.15 0.35		
\$ 18.33	\$ 18.50	\$ 12.50		
\$ 5.87 3.22	\$ 4.84 2.53	\$ 3.94 2.17		
\$ 9.09	\$ 7.37	\$ 6.11		
\$ 1.65	\$ 1.55	\$ 1.43		
\$ 1.16	\$ 1.31	\$ 1.37		
\$ 0.31 0.28 0.39 0.75 0.67 0.23 0.44 0.37 0.60 0.81	\$ 0.27 0.23 0.38 0.75 0.63 0.16 0.39 0.34 0.68 0.63	\$ 0.26 0.23 0.39 0.67 0.48 0.16 0.38 0.33 0.61 0.60		
\$ 4.85	\$ 4.46	\$ 4.11		
\$ 16.75	\$ 14.69	\$ 13.02		
\$ 1.58	\$ 3.81	\$ (0.52)		

## SUMMARY OF FINANCIAL STATISTICS

### IDAHO

	December 31, 2008	December 31, 2007	December 31, 2006
1. Current Ratio	1.45 : 1	1.94 : 1	1.14 : 1
2. Debt Per Cow	\$ 1,792	\$ 1,399	\$ 1,372
3. Debt to Equity Ratio	1.34 : 1	1.00 : 1	1.28 : 1
4. Return on Total Assets	5.5%	14.4%	-3.6%

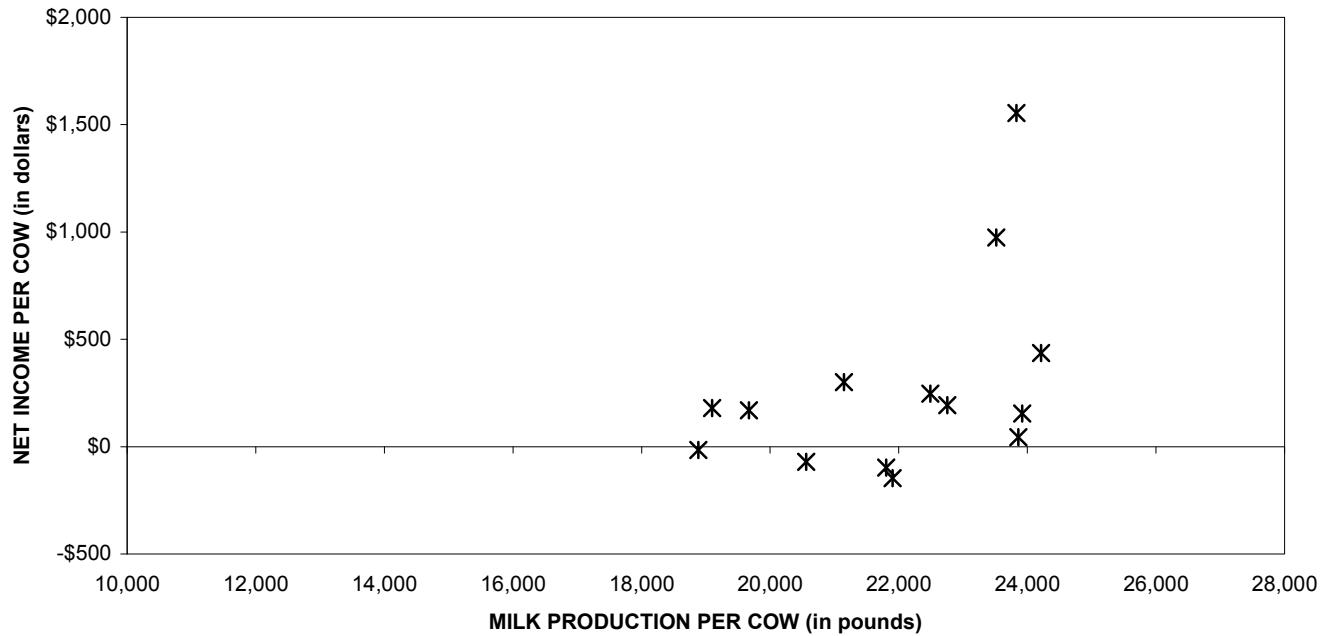
1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return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

# SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
 DECEMBER 31, 2008, 2007, AND 2006  
 IDAHO  
 (BASED ON AVERAGE AMOUNTS)

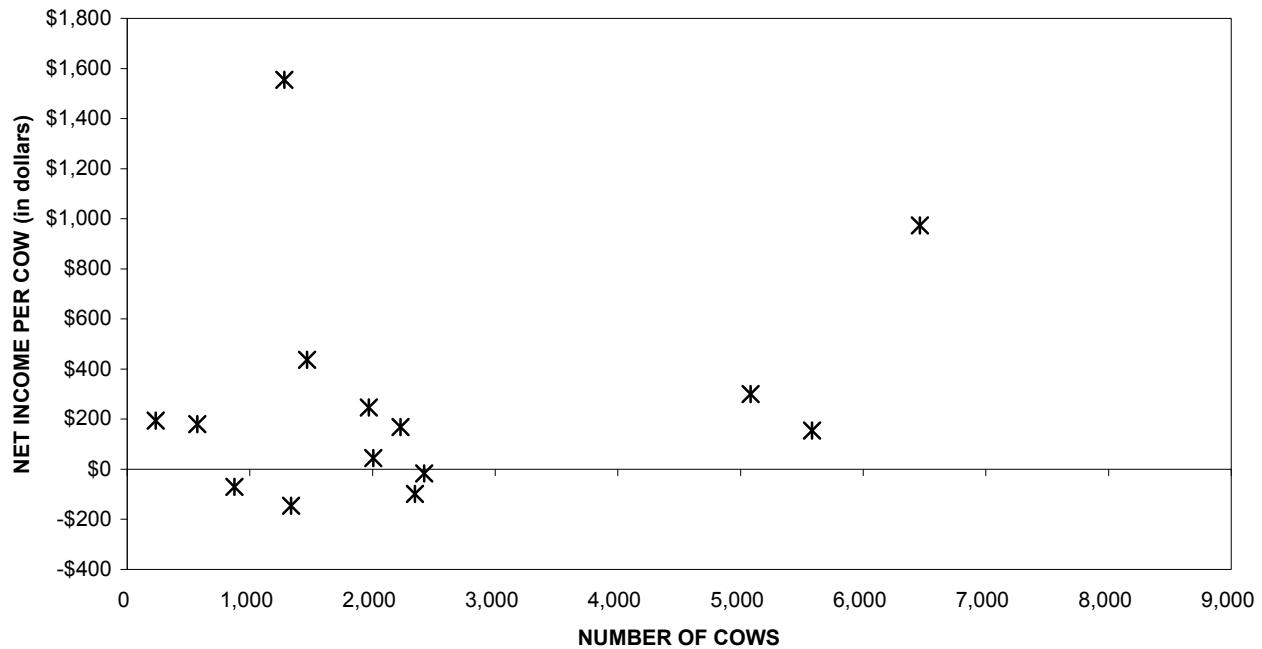
	2008	2007	2006
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)			
	22,307	22,556	22,824
Daily pounds of milk, per milking cow	70.2	76.5	72.1
Butterfat test	3.14 %	3.13 %	3.59 %
Blend price per hundredweight	\$ 18.15	\$ 18.07	\$ 12.15
Milk receipts, per milking cow	\$ 4,650	\$ 5,042	\$ 3,196
<b>HERD INFORMATION:</b>			
Herd size - total	2,419	2,754	2,887
Percent of dry cows	13.0 %	19.2 %	13.3 %
Herd turnover rate	33.9 %	31.9 %	32.2 %
Composition of herd:			
Purchased cows	12 %	15 %	24 %
Self-raised cows	88 %	85 %	76 %
Cost of purchased cows	\$ 1,655	\$ 1,358	\$ 1,409
Beef price received	\$ 587	\$ 544	\$ 494
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	32.3 %	26.8 %	32.4 %
Hay and other	17.7 %	14.0 %	17.8 %
Totals	50.0 %	40.8 %	50.2 %

## PROFITABILITY BY MILK PRODUCTION PER COW Idaho

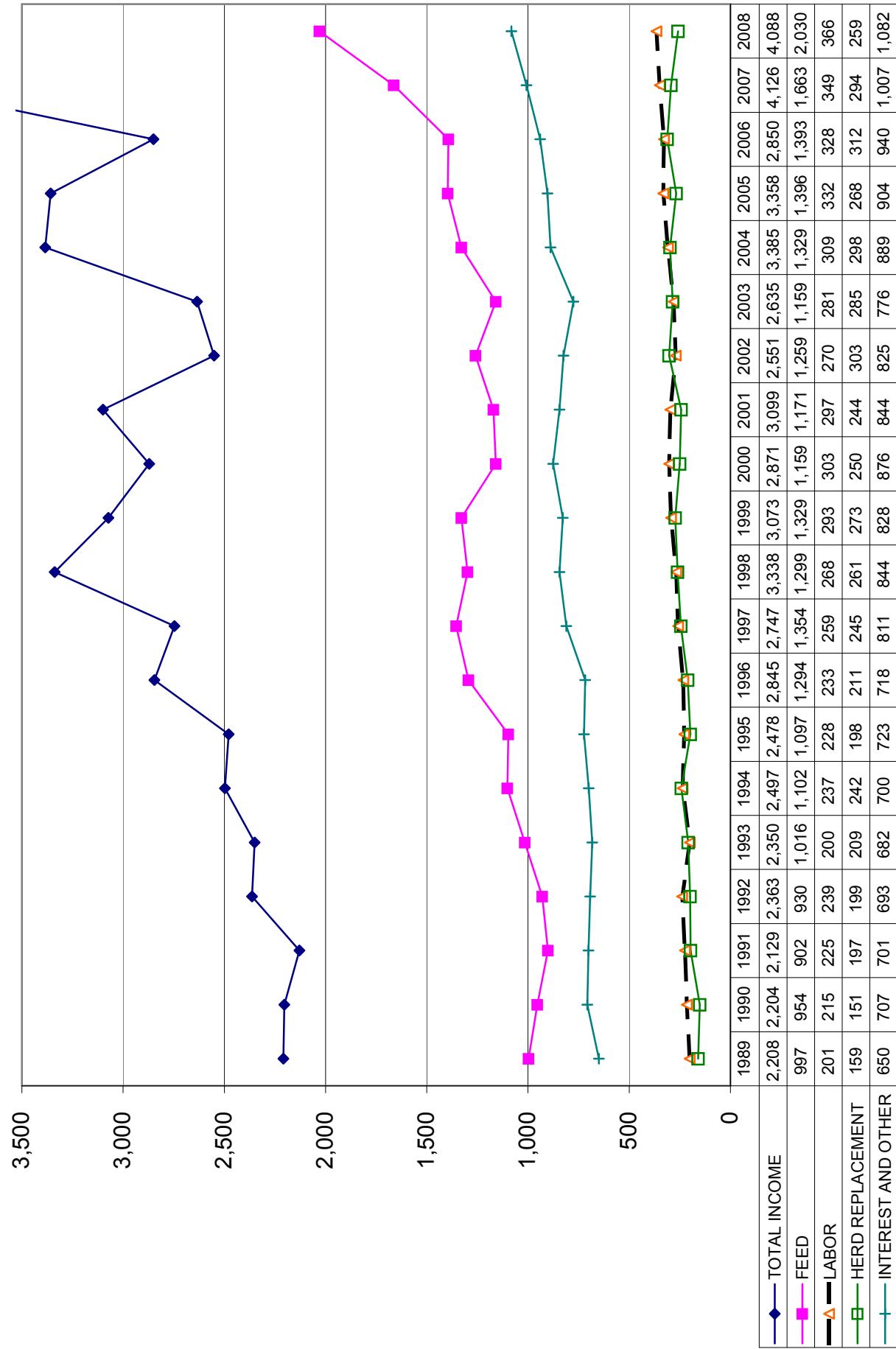


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

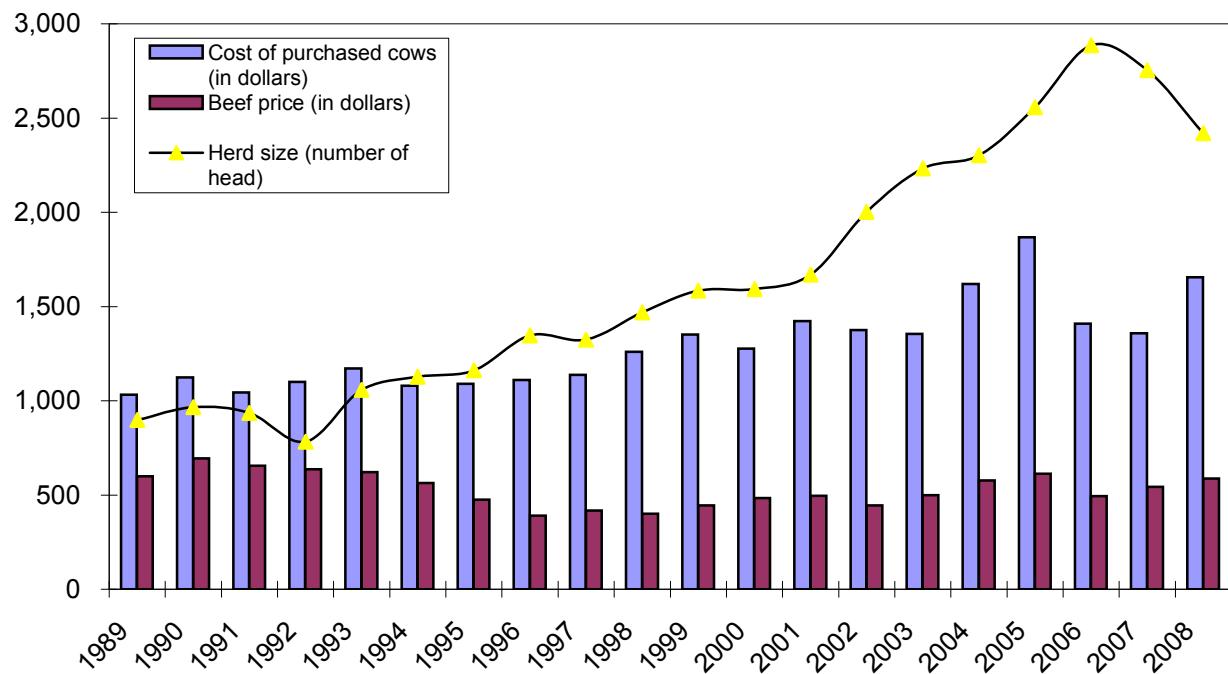
## PROFITABILITY BY HERD SIZE Idaho



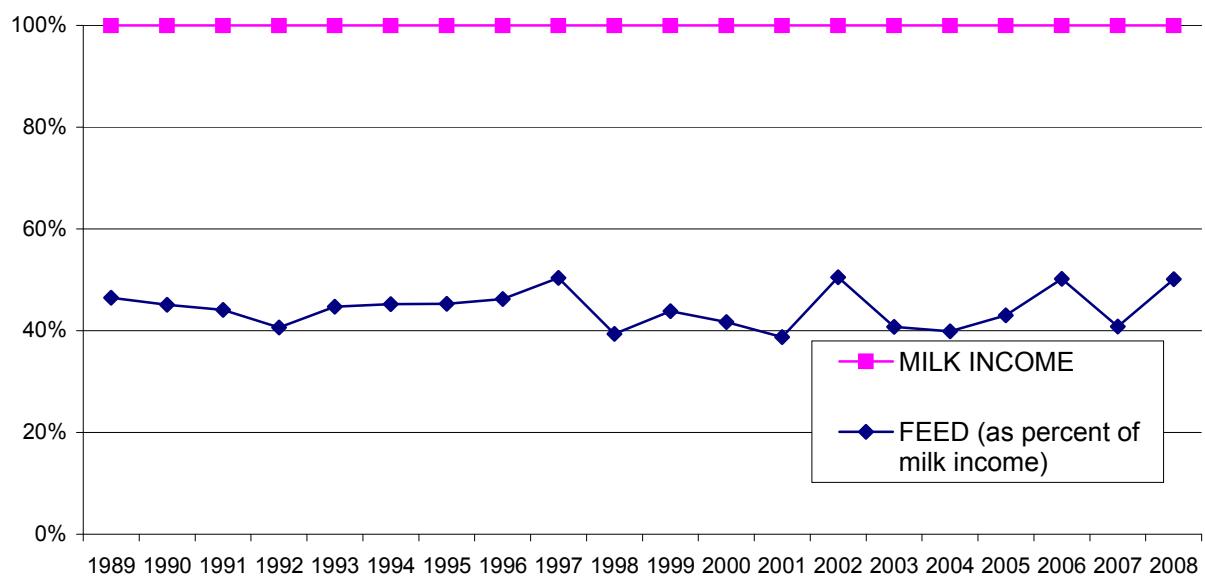
**LONG-TERM TREND - ON A "PER HEAD" BASIS**  
**IDAHO**  
**INCOME AND OPERATING COSTS**  
**1989 - 2008**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE,  
AND HERD SIZE  
IDAHO**



**FEED COST vs. MILK INCOME  
IDAHO**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
DECEMBER 31, 2008, 2007, AND 2006  
NEW MEXICO  
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2008	2007	2006
Income:			
Milk sales	\$ 3,526	\$ 3,574	\$ 2,351
Calves and other	57	114	129
<b>Total income</b>	<b>\$ 3,583</b>	<b>\$ 3,688</b>	<b>\$ 2,480</b>
Cost of operations:			
Feed:			
Grain	\$ 1,330	\$ 1,040	\$ 861
Hay and other	482	411	373
<b>Total feed</b>	<b>\$ 1,812</b>	<b>\$ 1,451</b>	<b>\$ 1,234</b>
Labor, (including fringe costs)	\$ 310	\$ 314	\$ 301
Herd replacement costs	\$ 236	\$ 229	\$ 232
Other costs:			
Milk hauling	\$ 147	\$ 145	\$ 121
State and association charges	76	59	38
Veterinary, breeding, testing, etc.	77	79	66
Supplies	102	108	125
Repairs and maintenance	116	115	80
Utilities	59	55	56
Occupancy costs	79	84	71
Depreciation - equipment	58	60	55
Interest	98	164	142
Miscellaneous	199	136	102
<b>Total other costs</b>	<b>\$ 1,011</b>	<b>\$ 1,005</b>	<b>\$ 856</b>
<b>Total cost of operations</b>	<b>\$ 3,369</b>	<b>\$ 2,999</b>	<b>\$ 2,623</b>
<b>Net income (loss)</b>	<b>\$ 214</b>	<b>\$ 689</b>	<b>\$ (143)</b>

**PER CWT. OF MILK****YOUR 2008  
RESULTS**

2008	2007	2006	PER HEAD	PER CWT. OF MILK
\$ 17.92 0.29	\$ 18.62 0.60	\$ 11.86 0.65		
\$ 18.21	\$ 19.22	\$ 12.51		
\$ 6.76 2.46	\$ 5.42 2.15	\$ 4.35 1.89		
\$ 9.22	\$ 7.57	\$ 6.24		
\$ 1.58	\$ 1.63	\$ 1.52		
\$ 1.20	\$ 1.19	\$ 1.17		
\$ 0.75 0.38 0.39 0.52 0.59 0.30 0.40 0.29 0.50 0.99	\$ 0.75 0.31 0.41 0.56 0.60 0.28 0.43 0.31 0.85 0.70	\$ 0.61 0.19 0.33 0.63 0.40 0.28 0.36 0.28 0.72 0.50		
\$ 5.11	\$ 5.20	\$ 4.30		
\$ 17.11	\$ 15.59	\$ 13.23		
\$ 1.10	\$ 3.63	\$ (0.72)		

## SUMMARY OF FINANCIAL STATISTICS

### NEW MEXICO

	December 31, 2008	December 31, 2007	December 31, 2006
1. Current Ratio	1.22 : 1	1.06 : 1	0.81 : 1
2. Debt Per Cow	\$ 1,027	\$ 880	\$ 988
3. Debt to Equity Ratio	1.08 : 1	1.03 : 1	1.33 : 1
4. Return on Total Assets	4.0%	12.8%	-3.3%

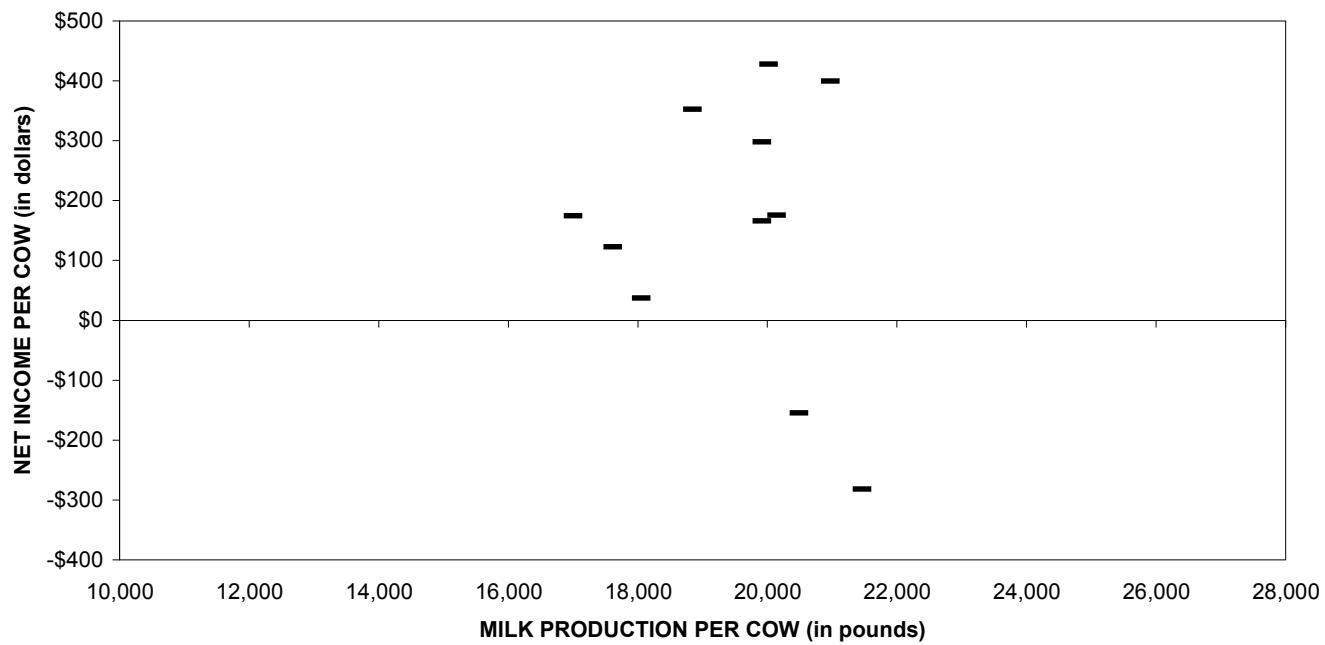
1. The current ratio represents current assets divided by current liabilities.
2. Debt per cow equals the total long-term debt divided by the average total herd size. Heifers are included on a mature equivalent basis.
3. Debt to equity represents the total debt divided by the total equity.
4. The return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

# SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
 DECEMBER 31, 2008, 2007, AND 2006  
 NEW MEXICO  
 (BASED ON AVERAGE AMOUNTS)

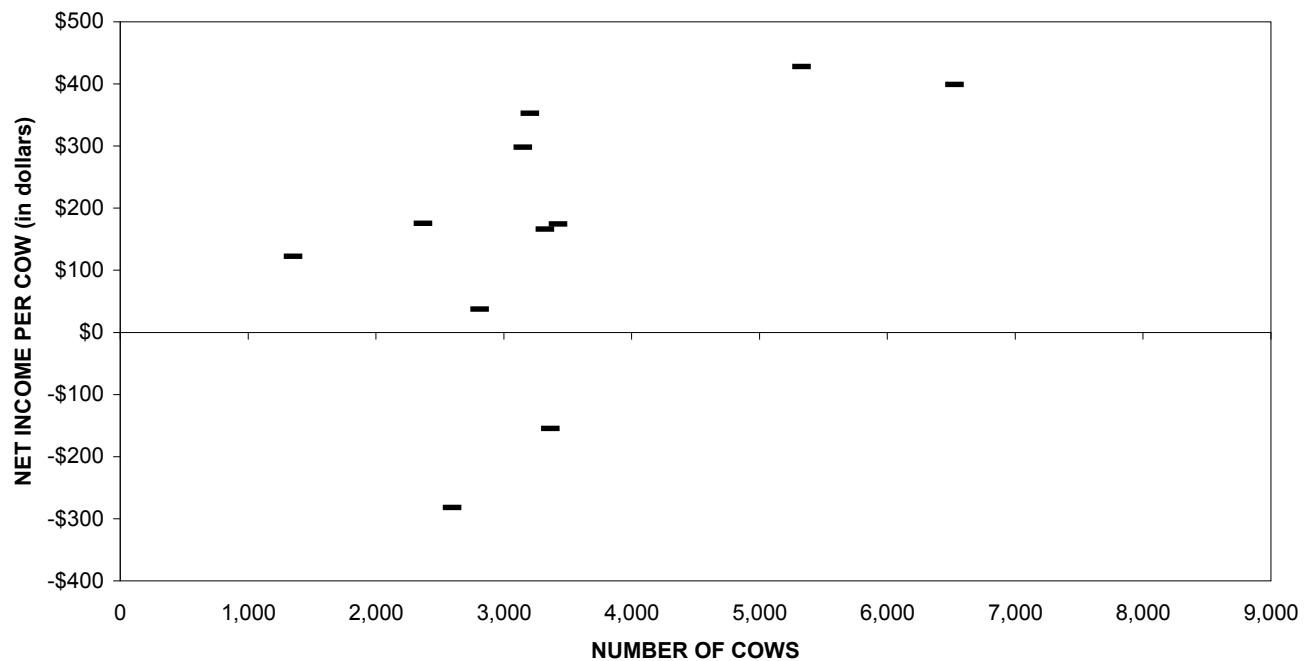
	2008	2007	2006
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)			
	19,672	19,191	19,821
Daily pounds of milk, per milking cow	66.0	64.5	67.2
Butterfat test	3.51 %	3.21 %	3.51 %
Blend price per hundredweight	\$ 17.92	\$ 18.62	\$ 11.86
Milk receipts, per milking cow	\$ 4,315	\$ 4,386	\$ 2,908
<b>HERD INFORMATION:</b>			
Herd size - total	3,369	3,044	3,290
Percent of dry cows	18.3 %	18.5 %	19.1 %
Herd turnover rate	33.5 %	31.4 %	33.9 %
Composition of herd:			
Purchased cows	26 %	16 %	22 %
Self-raised cows	74 %	84 %	78 %
Cost of purchased cows	\$ 1,603	\$ 2,050	\$ 1,626
Beef price received	\$ 686	\$ 590	\$ 565
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	37.7 %	29.1 %	36.6 %
Hay and other	13.7 %	11.5 %	15.9 %
Totals	51.4 %	40.6 %	52.5 %

## PROFITABILITY BY MILK PRODUCTION PER COW New Mexico

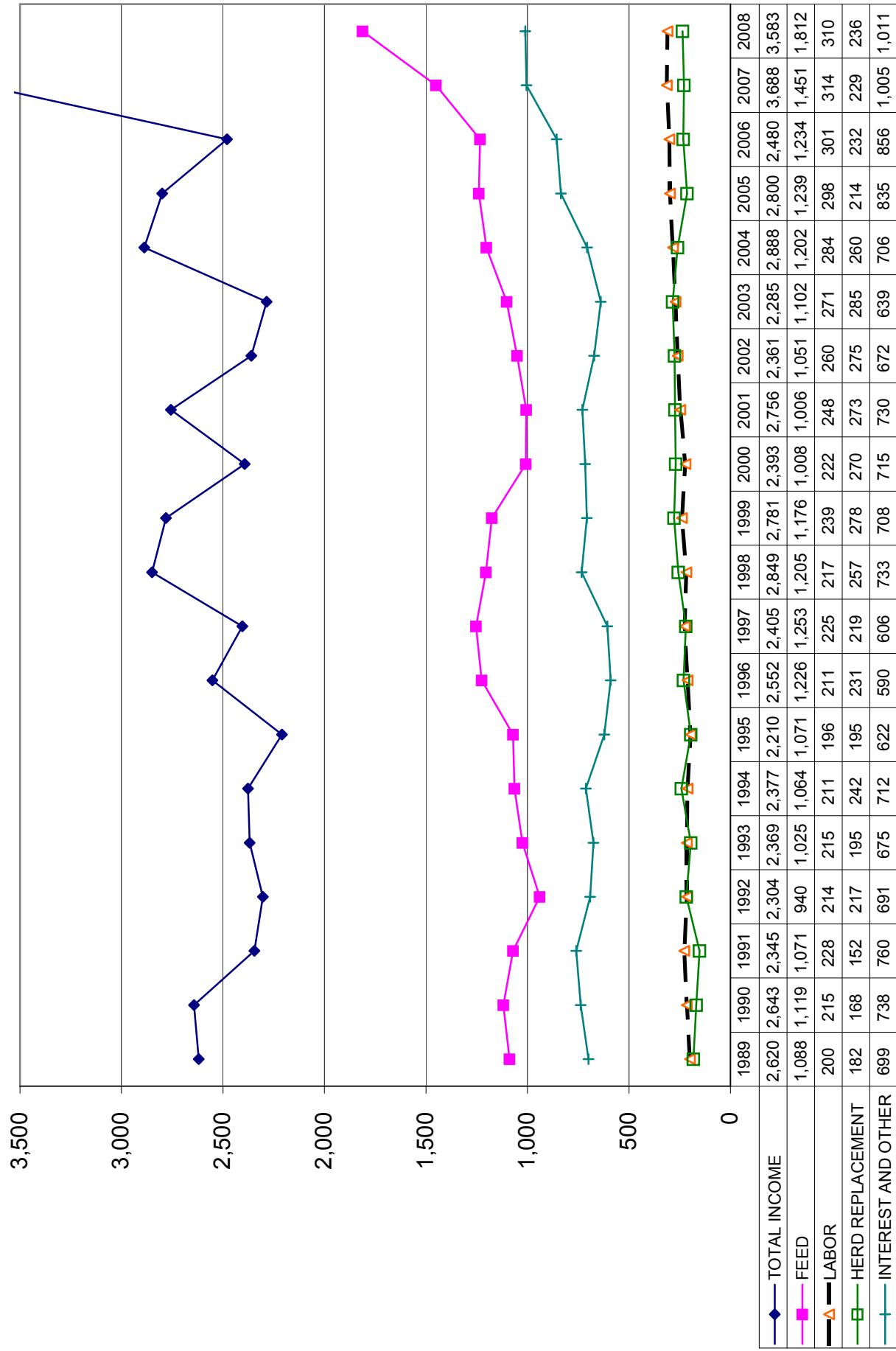


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

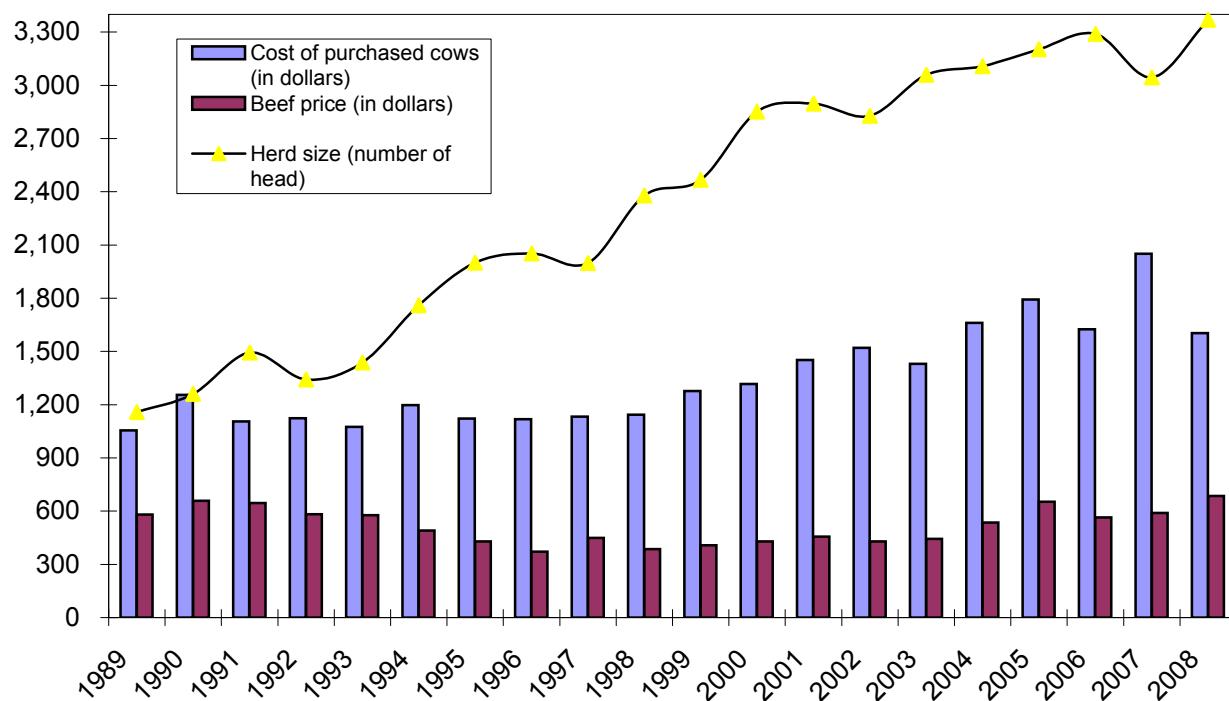
## PROFITABILITY BY HERD SIZE New Mexico



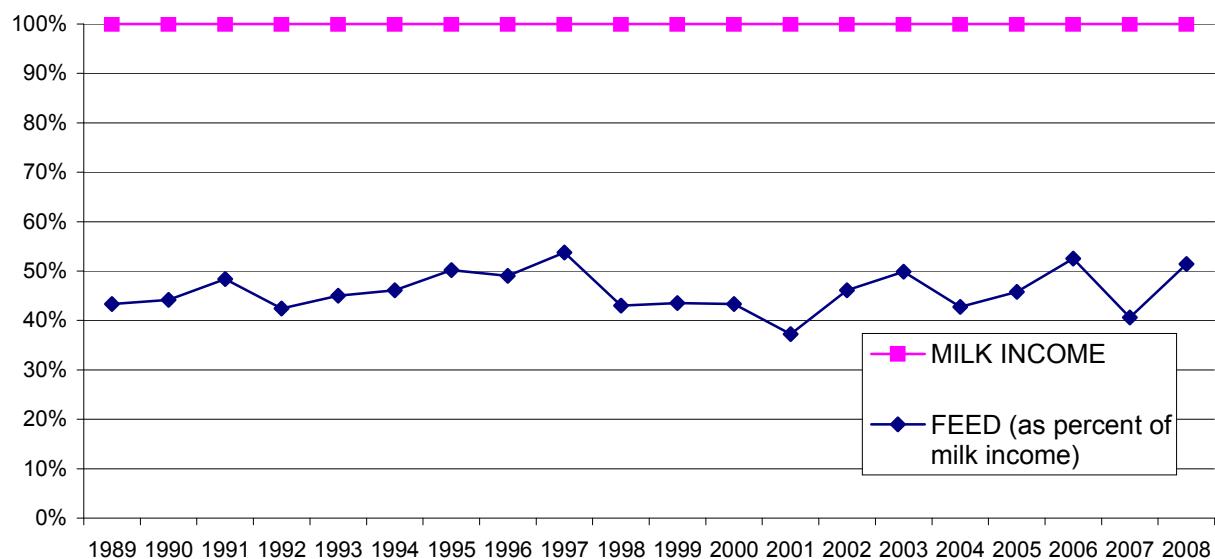
**LONG-TERM TREND - ON A "PER HEAD" BASIS**  
**NEW MEXICO**  
**INCOME AND OPERATING COSTS**  
**1989 - 2008**



**LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE  
NEW MEXICO**



**FEED COST vs. MILK INCOME  
NEW MEXICO**



## CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED  
 DECEMBER 31, 2008, 2007 AND 2006  
 PANHANDLE  
 (BASED ON AVERAGE AMOUNTS)

	PER HEAD			2006
	2008		2007	
	\$		\$	
Income:				
Milk sales	\$ 3,522		\$ 3,429	\$ 2,370
Calves and other	18		48	92
Total income	\$ 3,540		\$ 3,477	\$ 2,462
Cost of operations:				
Feed:				
Grain	\$ 1,150		\$ 862	\$ 702
Hay and other	493		423	393
Total feed	\$ 1,643		\$ 1,285	\$ 1,095
Labor, (including fringe costs)	\$ 327		\$ 284	\$ 265
Herd replacement costs	\$ 315		\$ 306	\$ 304
Other costs:				
Milk hauling	\$ 141		\$ 154	\$ 148
State and association charges	59		56	56
Veterinary, breeding, testing, etc.	78		71	64
Supplies	127		125	114
Repairs and maintenance	88		82	73
Utilities	49		41	54
Occupancy costs	123		112	90
Depreciation - equipment	62		62	57
Interest	157		208	197
Miscellaneous	161		149	128
Total other costs	\$ 1,045		\$ 1,060	\$ 981
Total cost of operations	\$ 3,330		\$ 2,935	\$ 2,645
Net income (loss)	\$ 210		\$ 542	\$ (183)

**PER CWT. OF MILK****YOUR 2008  
RESULTS**

2008	2007	2006	PER HEAD	PER CWT. OF MILK
\$ 19.11 0.09	\$ 20.01 0.27	\$ 12.63 0.49		
\$ 19.20	\$ 20.28	\$ 13.12		
\$ 6.24 2.67	\$ 5.03 2.47	\$ 3.74 2.10		
\$ 8.91	\$ 7.50	\$ 5.84		
\$ 1.77	\$ 1.66	\$ 1.41		
\$ 1.71	\$ 1.79	\$ 1.62		
\$ 0.77 0.32 0.41 0.69 0.48 0.27 0.66 0.34 0.85 0.90	\$ 0.90 0.33 0.40 0.72 0.48 0.24 0.66 0.36 1.22 0.87	\$ 0.79 0.30 0.34 0.61 0.39 0.29 0.48 0.30 1.05 0.69		
\$ 5.69	\$ 6.18	\$ 5.24		
\$ 18.08	\$ 17.13	\$ 14.11		
\$ 1.12	\$ 3.15	\$ (0.99)		

## SUMMARY OF FINANCIAL STATISTICS

### PANHANDLE

	December 31, 2008	December 31, 2007	December 31, 2006
1. Current Ratio	0.83 : 1	1.05 : 1	0.77 : 1
2. Debt Per Cow	\$ 1,930	\$ 1,842	\$ 1,615
3. Debt to Equity Ratio	2.13 : 1	1.92 : 1	2.25 : 1
4. Return on Total Assets	3.3%	9.7%	-3.7%

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.

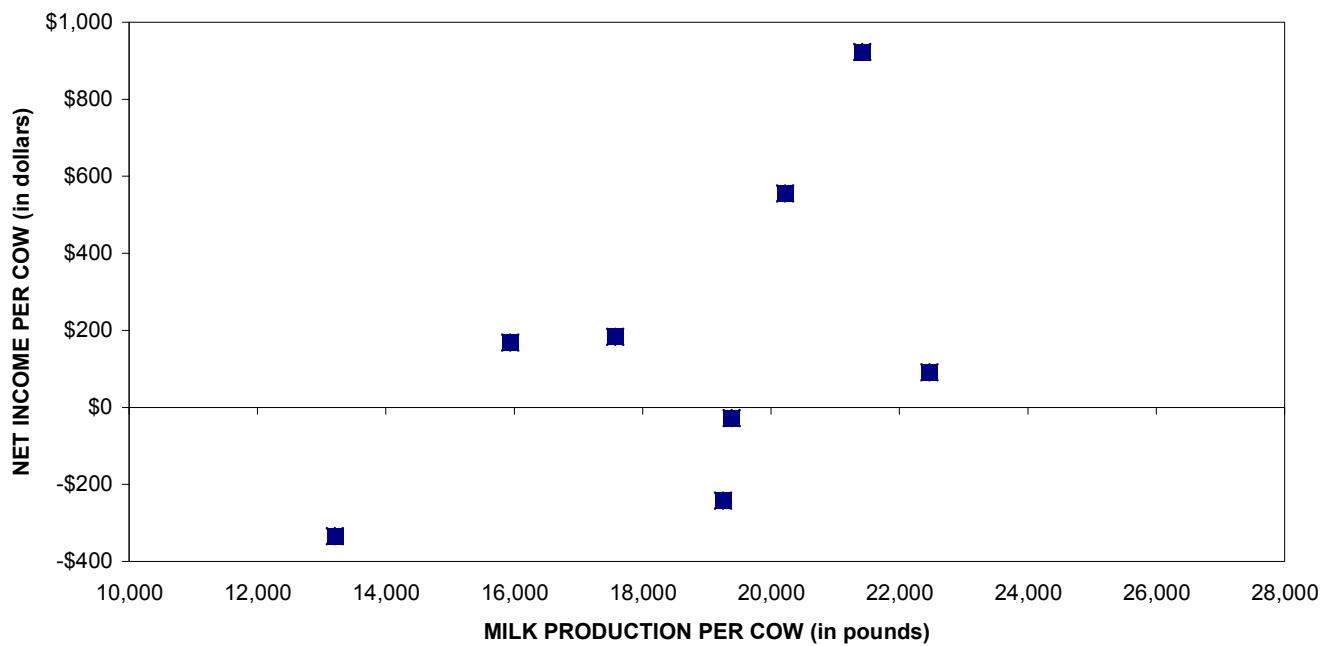
4. The return on total assets represents the net income divided by the total assets, stated at cost.

# SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED  
 DECEMBER 31, 2008, 2007 AND 2006  
 PANHANDLE  
 (BASED ON AVERAGE AMOUNTS)

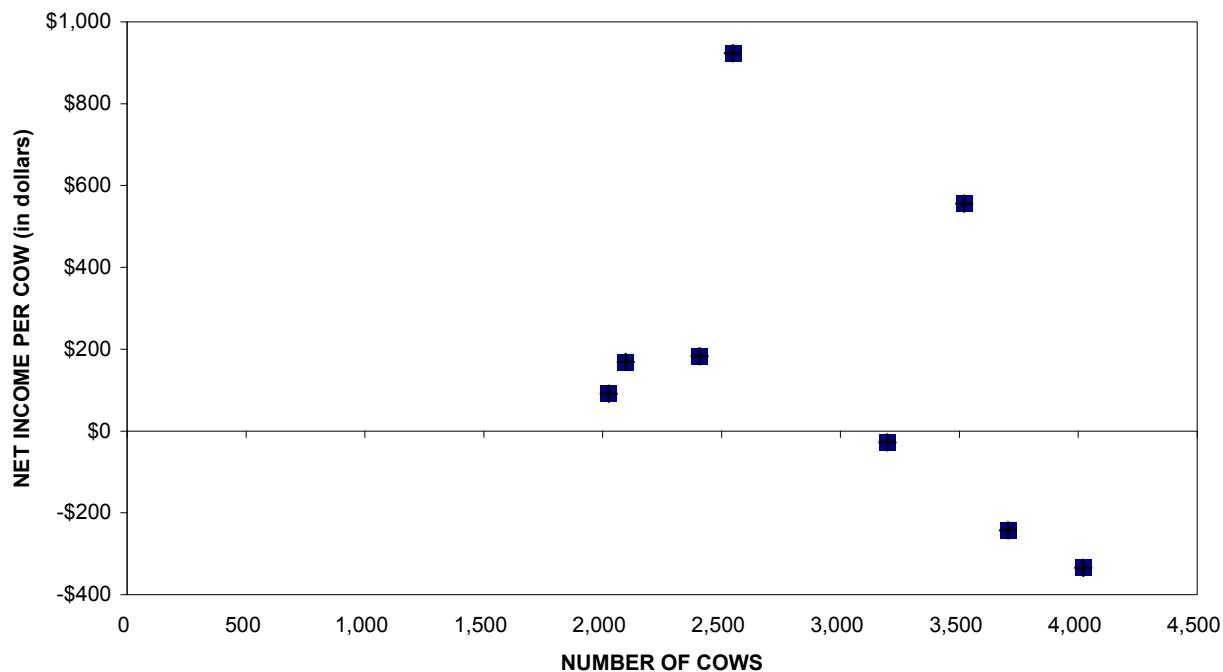
	2008	2007	2006
<b>PRODUCTION AND PRICE INFORMATION:</b>			
Annual pounds of milk, per cow (including dry cows)	18,426	17,140	18,757
Daily pounds of milk, per milking cow	59.9	58.6	61.5
Butterfat test	3.83 %	3.82 %	3.67 %
Blend price per hundredweight	\$ 19.11	\$ 20.01	\$ 12.63
Milk receipts, per milking cow	\$ 4,178	\$ 4,282	\$ 2,837
<b>HERD INFORMATION:</b>			
Herd size - total	2,940	2,573	2,268
Percent of dry cows	15.7 %	19.9 %	16.5 %
Herd turnover rate	23.6 %	27.1 %	29.1 %
Composition of herd:			
Purchased cows	42 %	48 %	50 %
Self-raised cows	58 %	52 %	50 %
Cost of purchased cows	\$ 1,825	\$ 1,770	\$ 1,687
Beef price received	\$ 549	\$ 544	\$ 514
<b>FEED INFORMATION:</b>			
Cost of feed as a percent of milk income:			
Grain	32.7 %	25.1 %	29.6 %
Hay and other	14.0 %	12.3 %	16.6 %
Totals	46.7 %	37.4 %	46.2 %

## PROFITABILITY BY MILK PRODUCTION PER COW Panhandle

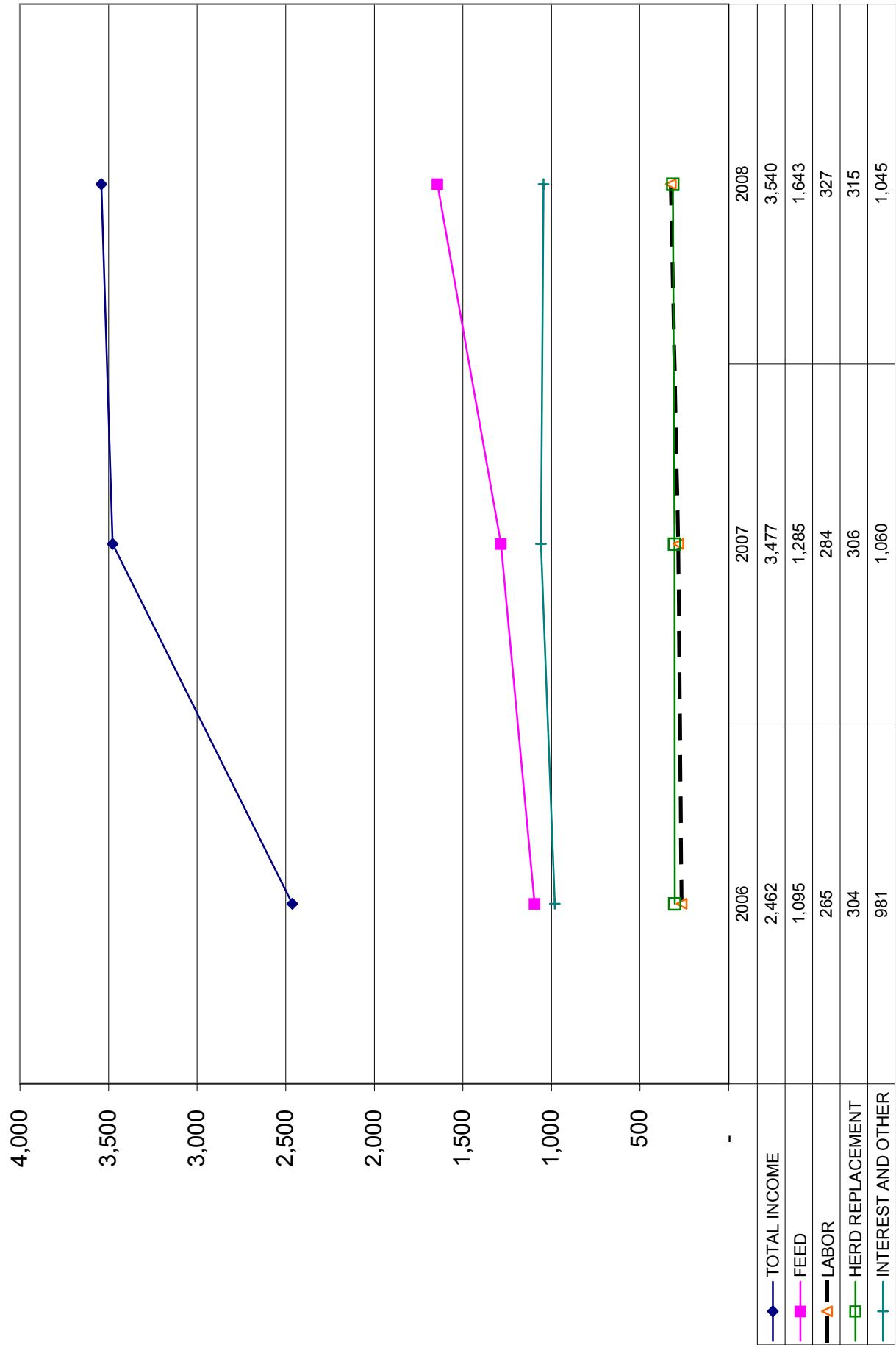


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

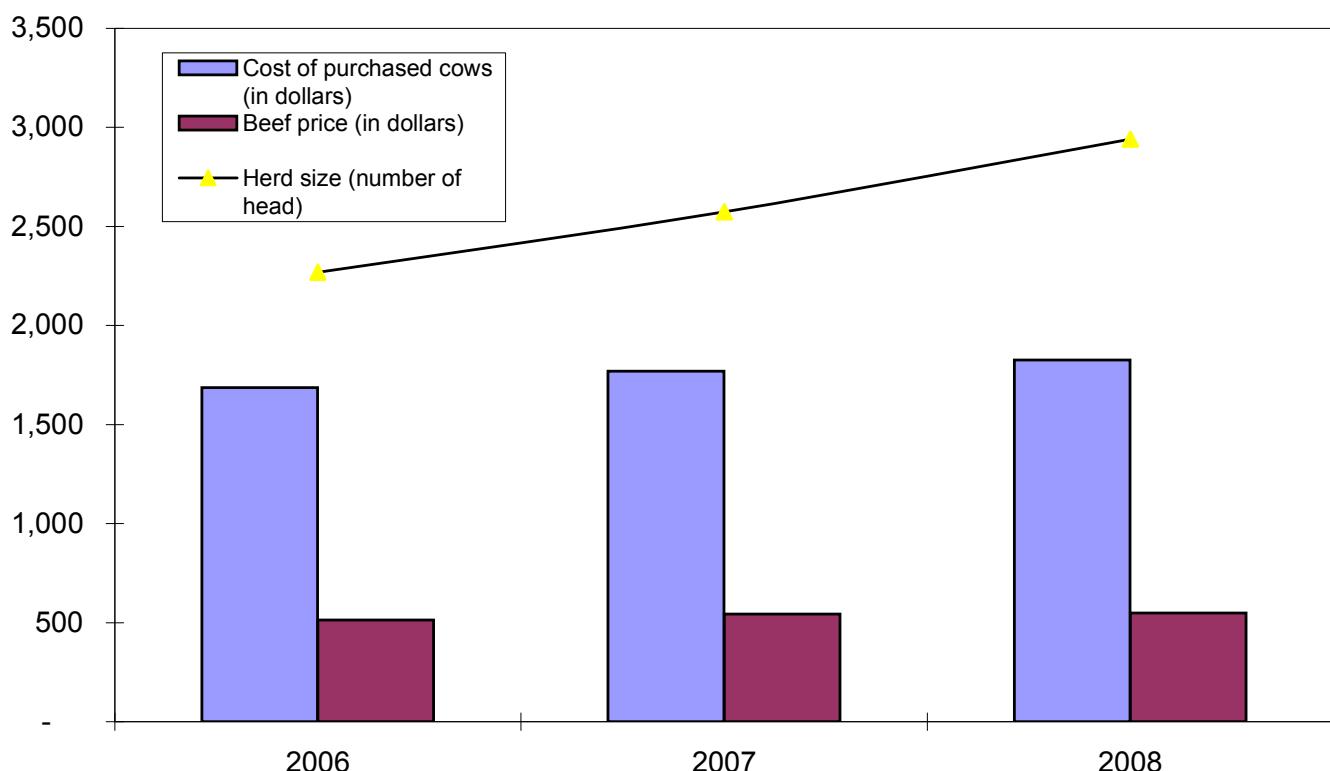
## PROFITABILITY BY HERD SIZE Panhandle



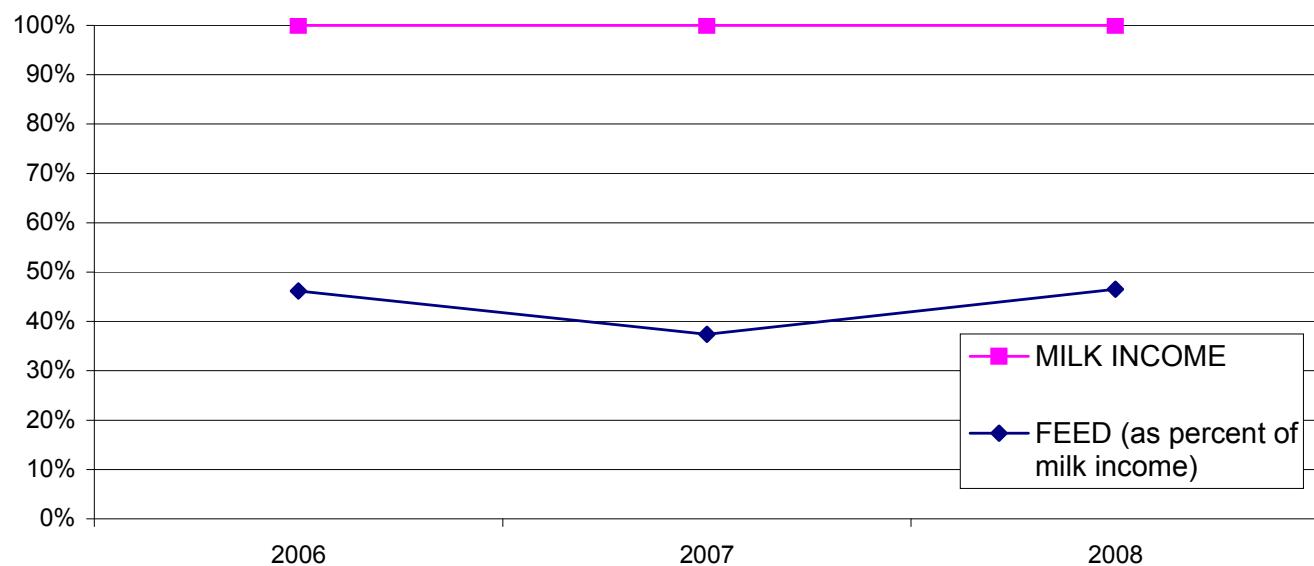
**LONG-TERM TREND - ON A "PER HEAD" BASIS**  
**PANHANDLE**  
**INCOME AND OPERATING COSTS**  
**2006 - 2008**



## LONG TERM TREND - COST OF PURCHASED COWS, BEEF PRICE, AND HERD SIZE THE PANHANDLE



## FEED COST vs. MILK INCOME THE PANHANDLE



## EXPLANATION OF INCOME AND COST FACTORS

<b>Basis of presentation</b>	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. The Panhandle region includes the triangle from Clovis, New Mexico to Amarillo to Lubbock, Texas.
<b>Milk sales</b>	Includes milk income, quality and production bonuses, patronage dividends, USDA program payments, and milk futures.
<b>Calves and other income</b>	This is primarily composed of the sale of calves, heifers, other livestock and equipment, and miscellaneous other income.
<b>Feed</b>	Grain includes all minerals and BST expense.
<b>Labor</b>	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.
<b>Herd replacement cost</b>	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.
<b>Occupancy cost</b>	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.
<b>Miscellaneous cost</b>	Includes auto, truck and fuel expenses, insurance, professional fees, quality penalties and other dairy expenses not specifically classified in another category.
<b>Net income</b>	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, Nebraska, Kansas, Wisconsin, Iowa, and South Dakota. Also, we actively consult with many dairies throughout the United States.

As we look to the future, the trend towards more efficiently operated 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 continue to impact the dairies in the future.

Dairy producers face volatility in many facets of their business. Milk pricing and feed market updates can be monitored daily by producers via the CME website boards. Making the correct market decision with respect to milk and feed pricing are crucial to the successful operations of any facility. These decisions to contract any pricing of commodities often carry substantial risk/reward to the producers operation. Sometimes making no decision to lock pricing in, could turn out to be the correct one as milk and commodity prices change dramatically.

While 2008 started out as a decent year economically, increased feed and input costs, coupled with declining milk prices, had a dramatic impact on the bottom line for the year.

As we are well into 2009, this year is turning out to be one of the worst years economically for the dairy industry in recent history. As milk prices are close to support levels, input costs continue to exceed income levels creating financial hardship on all producers. This trend may unfortunately continue until milk supply and demand become more adequately aligned with one another, along with increased sales from exports, and decreased feed costs.

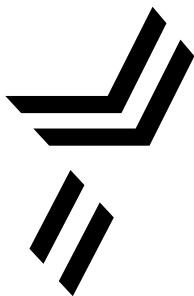
All of these factors culminate in a substantial amount of capital required to maintain a dairy farm and will put increasing pressure on dairy operators to make critical financial decisions. Moore Stephens Wurth Frazer and Torbet, LLP will be instrumental in providing the assistance needed to make these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

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

## NOTES

## NOTES

## NOTES



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

**Creating New Horizons By Building Relationships and Exceeding Expectations**

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