



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Dairy Farm Operating Trends

December 31, 2006



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, 2006.

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 almost 4.2 billion pounds and more than 204,000 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, 2006 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.

Sincerely,

Moore Stephens Wurth Frazer and Torbet LLP

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

May 2007

TABLE OF CONTENTS

DECEMBER 31, 2006

	PAGE
2006 in Review	1
Comparison by Area on a Per Head Basis	3
Comparison by Area on a Per Hundredweight of Milk Basis	5
Comparison by Area of Financial Statistics	7
Southern California	9
San Joaquin Valley	15
Kern County	21
Arizona	25
Idaho	31
New Mexico	37
Panhandle	43
Explanation of Income and Cost Factors	47
Our Firm and the Dairy Industry	48

Comparative Net Income (Loss) By Region:

2006 milk prices decreased dramatically from 2005. The milk price began to rise by the end of 2006, and continues to increase into 2007. In addition, feed prices, fuel prices, and interest rates all increased during 2006 adding to the decrease in net income.

Net loss per head:	Southern California		San Joaquin Valley		Kern County		Arizona		Idaho		New Mexico		Panhandle	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
2006	\$ (302)		\$ (308)		\$ (167)		\$ (267)		\$ (123)		\$ (143)		\$ (183)	
2005	205		325		N/A		254		458		214		N/A	
Change	\$ (507)		\$ (633)		N/A		\$ (521)		\$ (581)		\$ (357)		N/A	

Comparative Feed Cost By Region:

Feed costs decreased slightly in 2006 for all regions except Southern California. San Joaquin Valley saw the largest decrease during the year. Increased fuel and hauling costs continue to remain high in 2006. By the end of 2006, feed costs were rising and continuing into 2007.

Feed cost per head:	Southern California		San Joaquin Valley		Kern County		Arizona		Idaho		New Mexico		Panhandle	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
2006	\$ 1,465		\$ 1,333		\$ 1,336		\$ 1,284		\$ 1,393		\$ 1,234		\$ 1,095	
2005	1,455		1,427		N/A		1,292		1,396		1,239		N/A	
Change	\$ 10		\$ (94)		N/A		\$ (8)		\$ (3)		\$ (5)		N/A	

Comparative Production By Region:

Milk production per cow per day was stable in all regions during 2006.

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
Lbs. per milk cow per day							
2006	68.4	67.1	65.0	65.9	72.1	67.2	61.5
2005	66.8	68.8	N/A	65.2	72.5	64.9	N/A
Change	1.6	(1.7)	N/A	0.7	(0.4)	2.3	N/A

Herd Turnover Rate By Region:

Herd turnover rates decreased in Southern California and New Mexico in 2006 while increasing in San Joaquin Valley, Arizona and Idaho during 2006.

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
2006	35.3%	35.0%	32.1%	34.7%	32.2%	33.9%	29.1%
2005	36.4%	34.9%	N/A	31.3%	30.4%	34.8%	N/A
Change	-1.1%	0.1%	N/A	3.4%	1.8%	-0.9%	N/A

Average Cost of Replacement Per Head By Region:

The cost of replacements continued to rise in 2006 for Southern California, San Joaquin Valley and Arizona while decreasing in Idaho and New Mexico.

	Southern California	San Joaquin Valley	Kern County	Arizona	Idaho	New Mexico	Panhandle
2006	\$ 2,107	\$ 1,857	\$ 1,922	\$ 1,849	\$ 1,409	\$ 1,626	\$ 1,687
2005	1,948	1,747	N/A	1,845	1,867	1,793	N/A
Change	\$ 159	\$ 110	N/A	\$ 4	\$ (458)	\$ (167)	N/A

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
FOR THE YEAR ENDED DECEMBER 31, 2006
(BASED ON AVERAGE AMOUNTS PER HEAD)

	Southern California	Kern County	San Joaquin Valley
Income:			
Milk sales	\$ 2,595	\$ 2,376	\$ 2,437
Calves and other	101	58	78
Total income	\$ 2,696	\$ 2,434	\$ 2,515
Cost of operations:			
Feed:			
Grain	\$ 1,052	\$ 932	\$ 971
Hay and other	413	404	362
Total feed	\$ 1,465	\$ 1,336	\$ 1,333
Labor, (including fringe costs)	\$ 397	\$ 267	\$ 305
Herd replacement costs	\$ 221	\$ 235	\$ 221
Other costs:			
Milk hauling	\$ 84	\$ 53	\$ 56
State and association charges	40	41	48
Veterinary, breeding, testing, etc.	70	47	87
Supplies	111	90	114
Repairs and maintenance	112	95	117
Utilities	71	56	61
Occupancy costs	143	86	118
Depreciation - equipment	32	68	66
Interest	142	144	161
Miscellaneous	110	83	136
Total other costs	\$ 915	\$ 763	\$ 964
Total cost of operations	\$ 2,998	\$ 2,601	\$ 2,823
Net loss	\$ (302)	\$ (167)	\$ (308)

See accompanying explanation of income and cost factors.

Arizona	Idaho	New Mexico	Panhandle	Your 2006 Results
\$ 2,643 83	\$ 2,771 79	\$ 2,351 129	\$ 2,370 92	\$
\$ 2,726	\$ 2,850	\$ 2,480	\$ 2,462	\$
\$ 802 482	\$ 899 494	\$ 861 373	\$ 702 393	\$
\$ 1,284	\$ 1,393	\$ 1,234	\$ 1,095	\$
\$ 282	\$ 328	\$ 301	\$ 265	\$
\$ 291	\$ 312	\$ 232	\$ 304	\$
\$ 88 98 46 122 93 69 129 62 279 150	\$ 59 52 90 153 109 36 88 76 139 138	\$ 121 38 66 125 80 56 71 55 142 102	\$ 148 56 64 114 73 54 90 57 197 128	\$
\$ 1,136	\$ 940	\$ 856	\$ 981	\$
\$ 2,993	\$ 2,973	\$ 2,623	\$ 2,645	\$
\$ (267)	\$ (123)	\$ (143)	\$ (183)	\$

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

COMPARISON BY AREA
FOR THE YEAR ENDED DECEMBER 31, 2006
(BASED ON AVERAGE AMOUNTS
PER HUNDREDWEIGHT OF MILK)

	Southern California	Kern County	San Joaquin Valley
Income:			
Milk sales	\$ 12.25	\$ 12.21	\$ 11.82
Calves and other	0.48	0.31	0.38
Total income	\$ 12.73	\$ 12.52	\$ 12.20
Cost of operations:			
Feed:			
Grain	\$ 4.96	\$ 4.80	\$ 4.71
Hay and other	1.94	2.09	1.76
Total feed	\$ 6.90	\$ 6.89	\$ 6.47
Labor, (including fringe costs)	\$ 1.86	\$ 1.37	\$ 1.48
Herd replacement costs	\$ 1.05	\$ 1.21	\$ 1.07
Other costs:			
Milk hauling	\$ 0.39	\$ 0.27	\$ 0.27
State and association charges	0.19	0.21	0.23
Veterinary, breeding, testing, etc.	0.33	0.25	0.43
Supplies	0.52	0.46	0.56
Repairs and maintenance	0.52	0.49	0.57
Utilities	0.34	0.29	0.30
Occupancy costs	0.67	0.45	0.57
Depreciation - equipment	0.15	0.35	0.32
Interest	0.67	0.74	0.78
Miscellaneous	0.52	0.41	0.65
Total other costs	\$ 4.30	\$ 3.92	\$ 4.68
Total cost of operations	\$ 14.11	\$ 13.39	\$ 13.70
Net loss	\$ (1.38)	\$ (0.87)	\$ (1.50)

See accompanying explanation of income and cost factors.

**Your
2006
Results**

Arizona	Idaho	New Mexico	Panhandle	Your 2006 Results
\$ 12.92 0.40	\$ 12.15 0.35	\$ 11.86 0.65	\$ 12.63 0.49	\$
\$ 13.32	\$ 12.50	\$ 12.51	\$ 13.12	\$
\$ 3.92 2.36	\$ 3.94 2.17	\$ 4.35 1.89	\$ 3.74 2.10	\$
\$ 6.28	\$ 6.11	\$ 6.24	\$ 5.84	\$
\$ 1.39	\$ 1.43	\$ 1.52	\$ 1.41	\$
\$ 1.42	\$ 1.37	\$ 1.17	\$ 1.62	\$
\$ 0.43 0.48 0.22 0.60 0.45 0.34 0.62 0.30 1.38 0.74	\$ 0.26 0.23 0.39 0.67 0.48 0.16 0.38 0.33 0.61 0.60	\$ 0.61 0.19 0.33 0.63 0.40 0.28 0.36 0.28 0.72 0.50	\$ 0.79 0.30 0.34 0.61 0.39 0.29 0.48 0.30 1.05 0.69	\$
\$ 5.56	\$ 4.11	\$ 4.30	\$ 5.24	\$
\$ 14.65	\$ 13.02	\$ 13.23	\$ 14.11	\$
\$ (1.33)	\$ (0.52)	\$ (0.72)	\$ (0.99)	\$

SUMMARY OF FINANCIAL STATISTICS

COMPARISON BY AREA
FOR THE YEAR ENDED DECEMBER 31, 2006

	Southern California	Kern County	San Joaquin Valley
1. Current Ratio	.95:1	1.14:1	.70:1
2. Debt Per Cow	\$ 1,280	\$ 1,205	\$ 1,370
3. Debt to Equity Ratio	1.86:1	.91:1	1.81:1
4. Return on Total Assets	-7.5%	-2.3%	-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 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 2006 Results
.34:1	1.14:1	.81:1	.77:1	
\$ 1,828	\$ 1,372	\$ 988	\$ 1,615	
3.49:1	1.28:1	1.33:1	2.25:1	
-4.2%	-3.6%	-3.3%	-3.7%	

CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED
DECEMBER 31, 2006, 2005, AND 2004
SOUTHERN CALIFORNIA
(BASED ON AVERAGE AMOUNTS)

PER HEAD

	2006	2005	2004
Income:			
Milk sales	\$ 2,595	\$ 3,046	\$ 3,210
Calves and other	101	86	81
Total income	\$ 2,696	\$ 3,132	\$ 3,291
Cost of operations:			
Feed:			
Grain	\$ 1,052	\$ 994	\$ 939
Hay and other	413	461	421
Total feed	\$ 1,465	\$ 1,455	\$ 1,360
Labor, (including fringe costs)	\$ 397	\$ 403	\$ 379
Herd replacement costs	\$ 221	\$ 233	\$ 224
Other costs:			
Milk hauling	\$ 84	\$ 71	\$ 60
State and association charges	40	41	52
Veterinary, breeding, testing, etc.	70	83	71
Supplies	111	97	91
Repairs and maintenance	112	145	129
Utilities	71	52	47
Occupancy costs	143	117	131
Depreciation - equipment	32	31	32
Interest	142	91	77
Miscellaneous	110	108	84
Total other costs	\$ 915	\$ 836	\$ 774
Total cost of operations	\$ 2,998	\$ 2,927	\$ 2,737
Net income (loss)	\$ (302)	\$ 205	\$ 554

See accompanying explanation of income and cost factors.

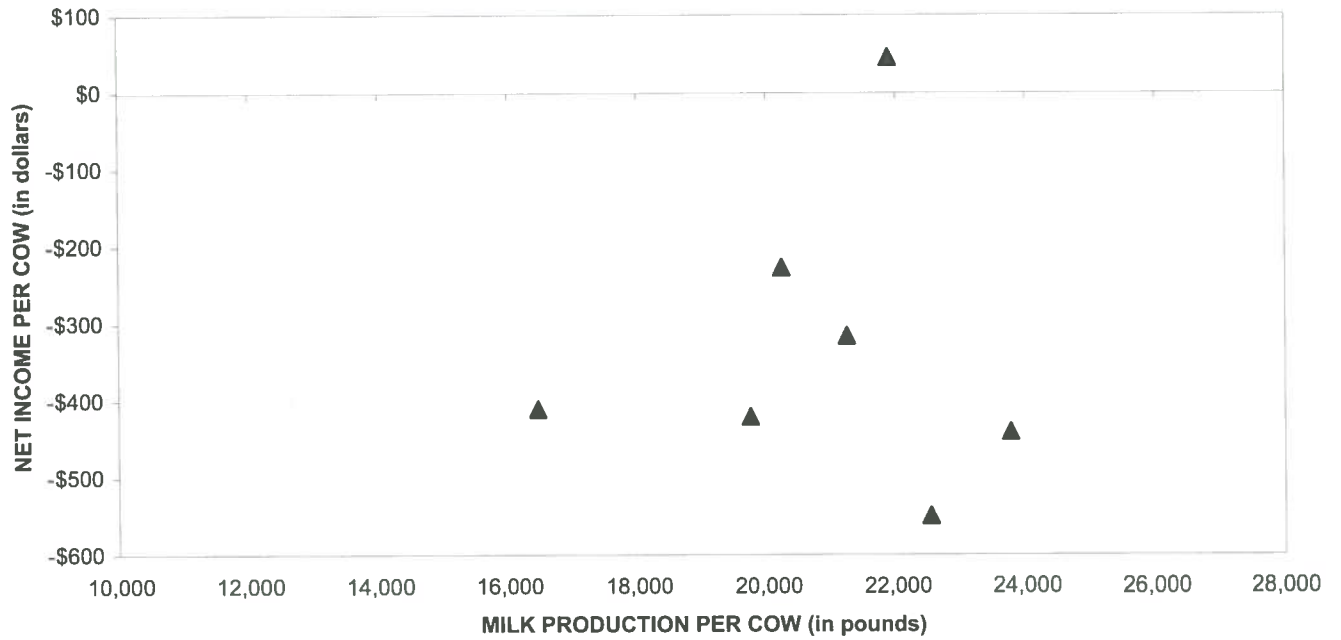
PER CWT. OF MILK			YOUR 2006 RESULTS	
2006	2005	2004	PER HEAD	PER CWT. OF MILK
\$ 12.25 0.48	\$ 14.75 0.42	\$ 15.48 0.38	\$	\$
\$ 12.73	\$ 15.17	\$ 15.86	\$	\$
\$ 4.96 1.94	\$ 4.82 2.23	\$ 4.53 2.03	\$	\$
\$ 6.90	\$ 7.05	\$ 6.56	\$	\$
\$ 1.86	\$ 1.95	\$ 1.83	\$	\$
\$ 1.05	\$ 1.13	\$ 1.08	\$	\$
\$ 0.39 0.19 0.33 0.52 0.52 0.34 0.67 0.15 0.67 0.52	\$ 0.34 0.20 0.40 0.47 0.70 0.25 0.57 0.15 0.44 0.52	\$ 0.29 0.25 0.34 0.44 0.62 0.23 0.64 0.16 0.37 0.41	\$	\$
\$ 4.30	\$ 4.04	\$ 3.75	\$	\$
\$ 14.11	\$ 14.17	\$ 13.22	\$	\$
\$ (1.38)	\$ 1.00	\$ 2.64	\$	\$

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED
DECEMBER 31, 2006, 2005, AND 2004
SOUTHERN CALIFORNIA
(BASED ON AVERAGE AMOUNTS)

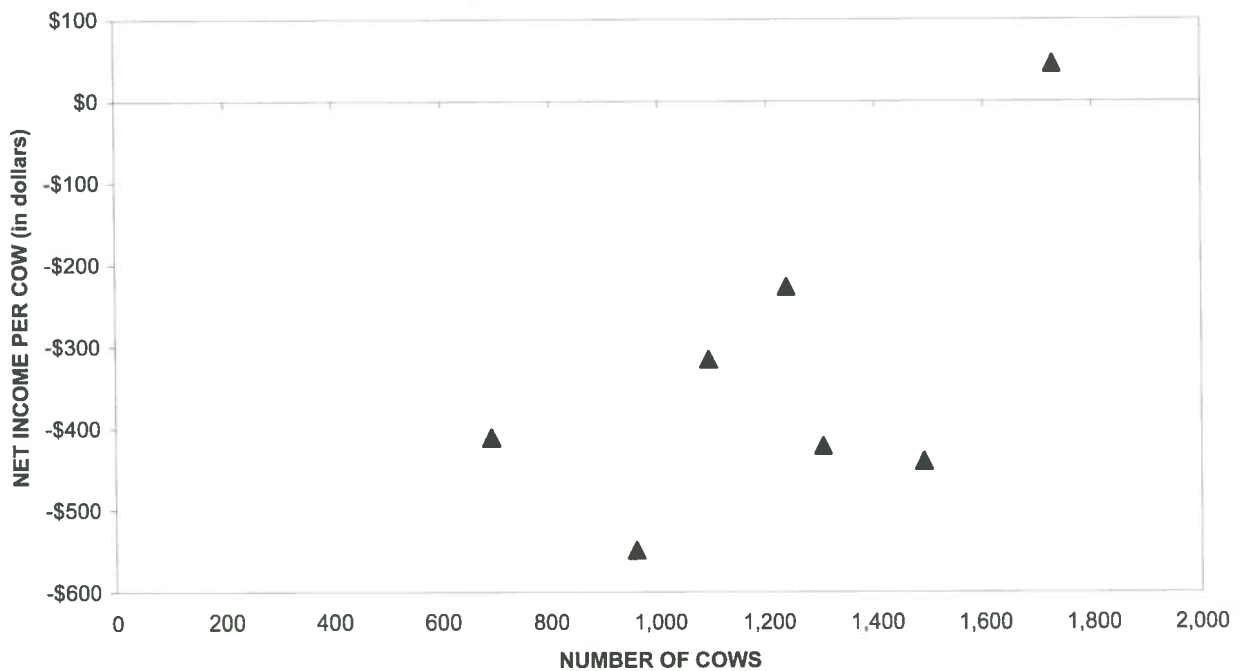
	2006	2005	2004
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	21,195	20,645	20,736
Daily pounds of milk, per milking cow	68.4	66.8	66.7
Butterfat test	3.57 %	3.58 %	3.58 %
Solids-non-fat test	8.69 %	8.74 %	8.72 %
Blend price per hundredweight	\$ 12.25	\$ 14.75	\$ 15.48
Milk receipts, per milking cow	\$ 3,057	\$ 3,595	\$ 3,770
HERD INFORMATION:			
Herd size - total	1,214	1,348	1,332
Percent of dry cows	15.1 %	15.3 %	14.8 %
Herd turnover rate	35.3 %	36.4 %	34.4 %
Composition of herd:			
Purchased cows	9 %	16 %	16 %
Self-raised cows	91 %	84 %	84 %
Cost of purchased cows	\$ 2,106	\$ 1,948	\$ 1,657
Beef price received	\$ 606	\$ 617	\$ 627
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	40.5 %	32.6 %	29.2 %
Hay and other	15.9 %	15.1 %	13.1 %
Totals	56.4 %	47.7 %	42.3 %

PROFITABILITY BY MILK PRODUCTION PER COW Southern California

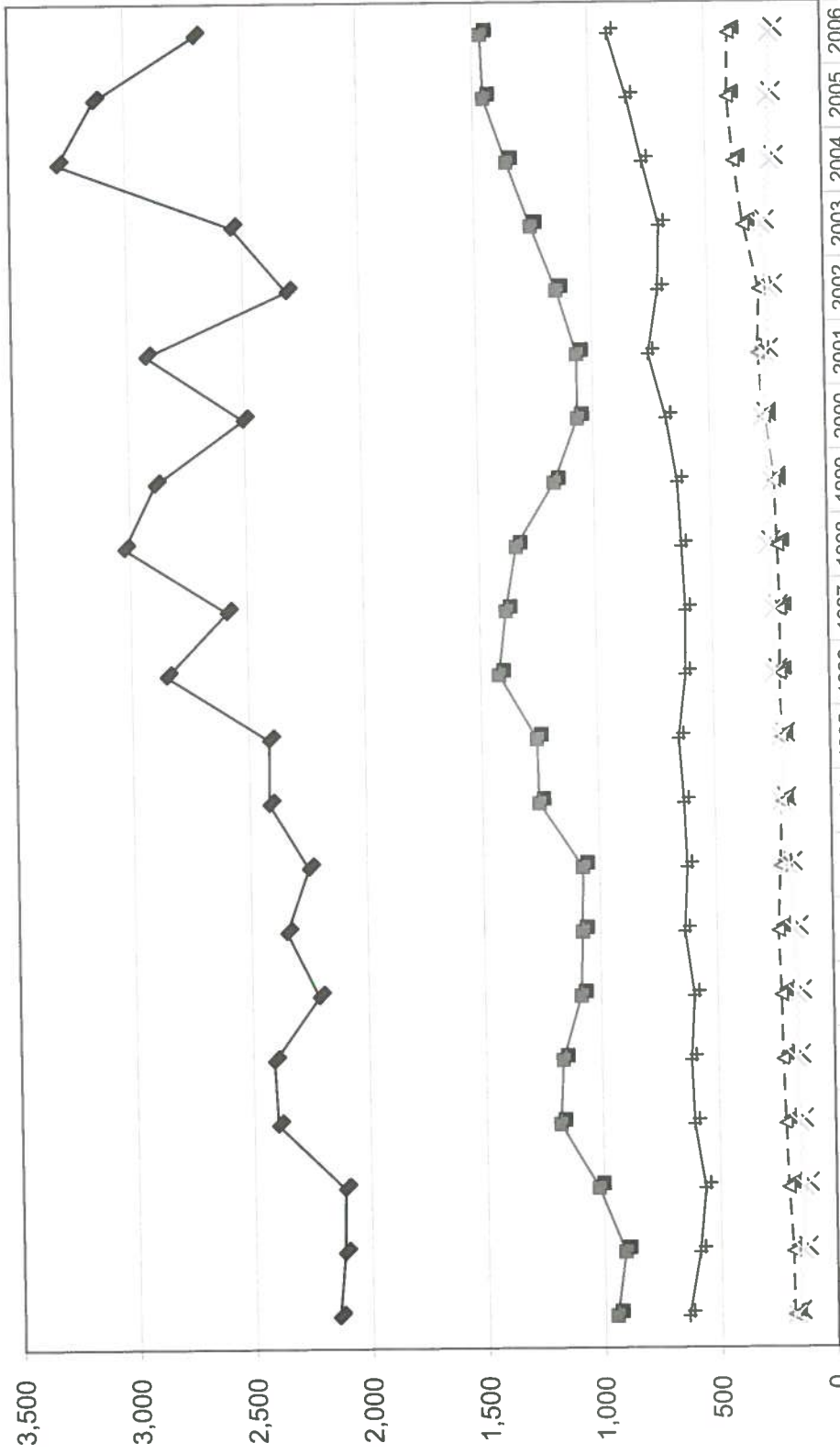


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

PROFITABILITY BY HERD SIZE Southern California

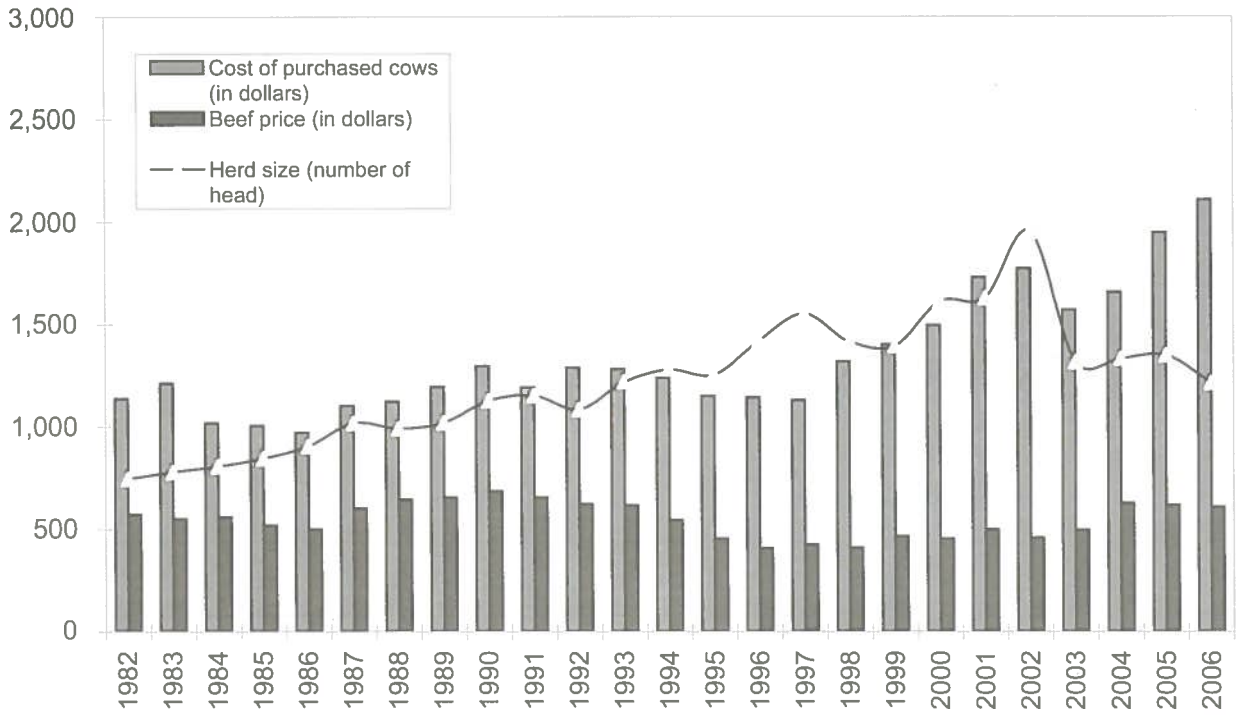


LONG-TERM TREND - ON A "PER HEAD" BASIS
 SOUTHERN CALIFORNIA
 INCOME AND OPERATING COSTS
 1986 - 2006

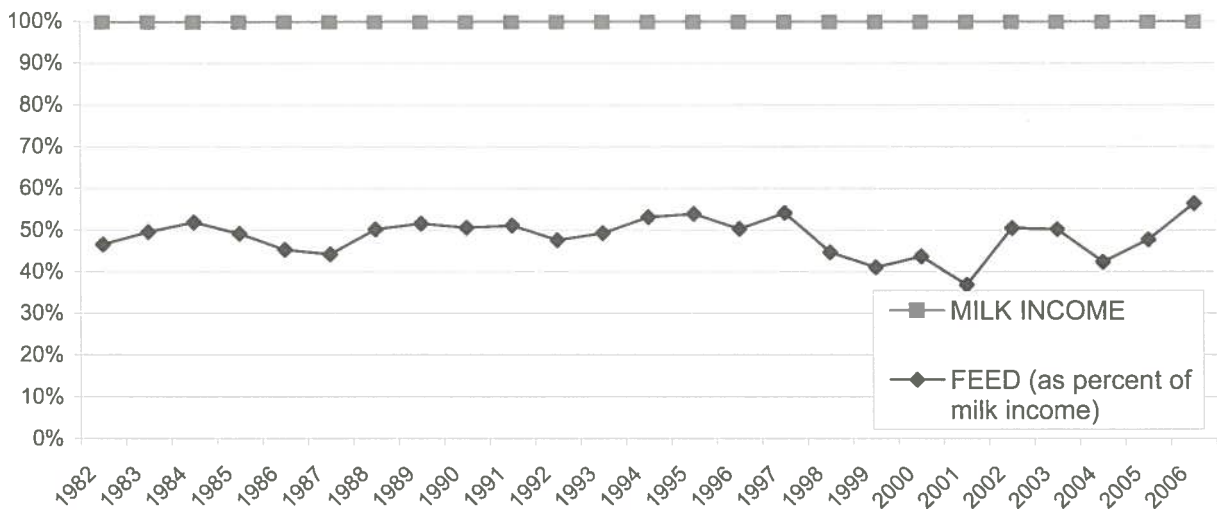


	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
TOTAL INCOME	2,142	2,116	2,111	2,396	2,409	2,212	2,347	2,250	2,416	2,413	2,851	2,587	3,024	2,889	2,504	2,921	2,310	2,545	3,291	3,132	2,696
FEED	949	911	1,021	1,182	1,168	1,085	1,076	1,072	1,255	1,262	1,422	1,389	1,341	1,172	1,067	1,067	1,152	1,258	1,360	1,455	1,465
LABOR	187	188	204	212	221	225	233	222	210	211	212	208	214	225	262	287	278	341	379	403	397
HERD REPLACEMENT	176	144	136	156	163	156	166	188	211	212	238	233	260	235	271	257	236	267	224	233	221
INTEREST AND OTHER	638	587	560	604	614	597	635	621	632	650	617	614	627	640	685	757	713	704	774	836	915

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, 2006, 2005, AND 2004
SAN JOAQUIN VALLEY
(BASED ON AVERAGE AMOUNTS)

PER HEAD

	2006	2005	2004
Income:			
Milk sales	\$ 2,437	\$ 3,106	\$ 3,182
Calves and other	78	53	89
Total income	\$ 2,515	\$ 3,159	\$ 3,271
Cost of operations:			
Feed:			
Grain	\$ 971	\$ 997	\$ 943
Hay and other	362	430	456
Total feed	\$ 1,333	\$ 1,427	\$ 1,399
Labor, (including fringe costs)	\$ 305	\$ 302	\$ 291
Herd replacement costs	\$ 221	\$ 214	\$ 224
Other costs:			
Milk hauling	\$ 56	\$ 59	\$ 54
State and association charges	48	43	49
Veterinary, breeding, testing, etc.	87	82	73
Supplies	114	122	122
Repairs and maintenance	117	119	111
Utilities	61	50	59
Occupancy costs	118	119	111
Depreciation - equipment	66	66	64
Interest	161	131	99
Miscellaneous	136	100	91
Total other costs	\$ 964	\$ 891	\$ 833
Total cost of operations	\$ 2,823	\$ 2,834	\$ 2,747
Net income (loss)	\$ (308)	\$ 325	\$ 524

See accompanying explanation of income and cost factors.

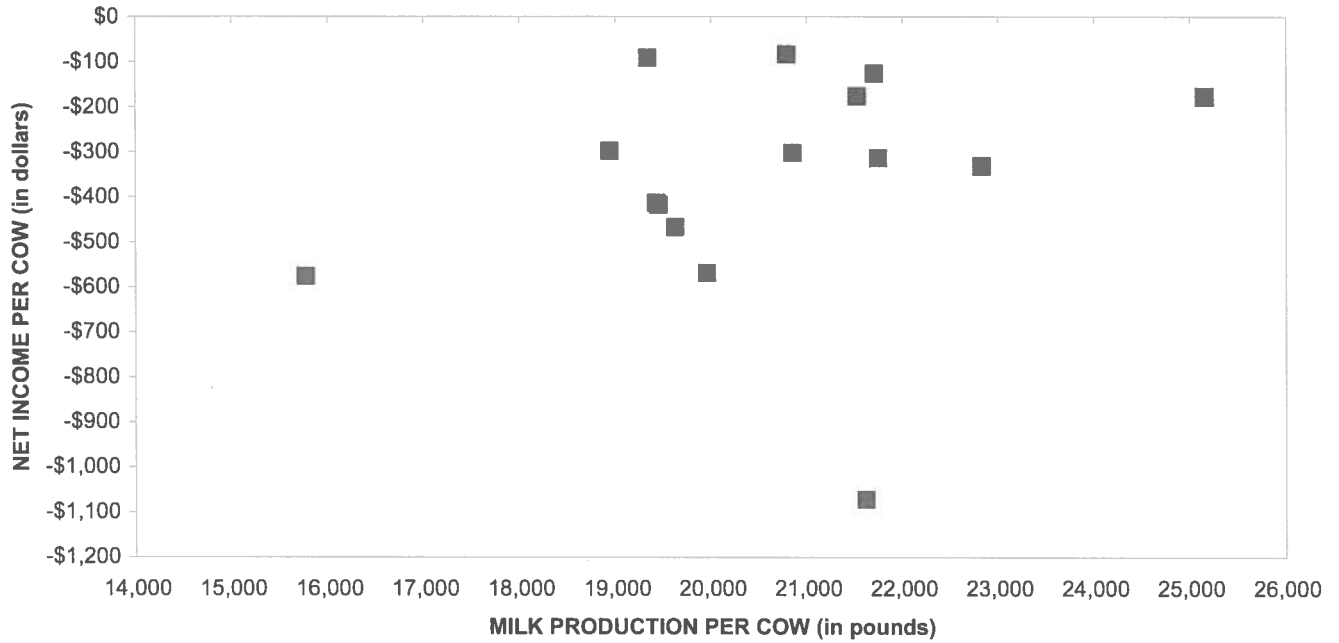
PER CWT. OF MILK			YOUR 2006 RESULTS	
2006	2005	2004	PER HEAD	PER CWT. OF MILK
\$ 11.82 0.38	\$ 14.45 0.25	\$ 15.30 0.42	\$	\$
\$ 12.20	\$ 14.70	\$ 15.72	\$	\$
\$ 4.71 1.76	\$ 4.64 2.00	\$ 4.53 2.19	\$	\$
\$ 6.47	\$ 6.64	\$ 6.72	\$	\$
\$ 1.48	\$ 1.41	\$ 1.40	\$	\$
\$ 1.07	\$ 1.00	\$ 1.08	\$	\$
\$ 0.27 0.23 0.43 0.56 0.57 0.30 0.57 0.32 0.78 0.65	\$ 0.27 0.20 0.38 0.57 0.56 0.23 0.55 0.31 0.61 0.45	\$ 0.26 0.24 0.35 0.59 0.53 0.28 0.53 0.31 0.48 0.43	\$	\$
\$ 4.68	\$ 4.13	\$ 4.00	\$	\$
\$ 13.70	\$ 13.18	\$ 13.20	\$	\$
\$ (1.50)	\$ 1.52	\$ 2.52	\$	\$

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED
DECEMBER 31, 2006, 2005, AND 2004
SAN JOAQUIN VALLEY
(BASED ON AVERAGE AMOUNTS)

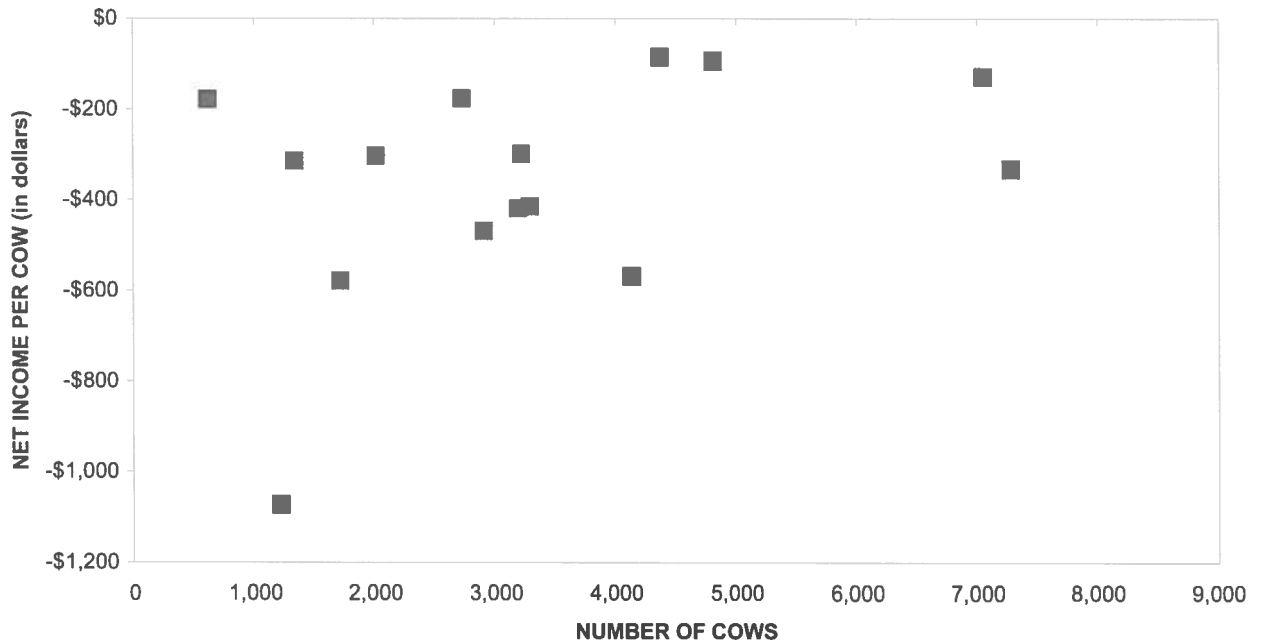
	2006	2005	2004
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	20,615	21,507	20,804
Daily pounds of milk, per milking cow	67.1	68.8	67.3
Butterfat test	3.86 %	3.65 %	3.67 %
Solids-non-fat test	8.79 %	8.74 %	8.76 %
Blend price per hundredweight	\$ 11.82	\$ 14.45	\$ 15.30
Milk receipts, per milking cow	\$ 2,895	\$ 3,627	\$ 3,759
HERD INFORMATION:			
Herd size - total	3,327	2,724	2,595
Percent of dry cows	15.8 %	14.4 %	15.4 %
Herd turnover rate	35.0 %	34.9 %	30.3 %
Composition of herd:			
Purchased cows	23 %	15 %	18 %
Self-raised cows	77 %	85 %	82 %
Cost of purchased cows	\$ 1,857	\$ 1,747	\$ 1,733
Beef price received	\$ 619	\$ 620	\$ 626
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	39.8 %	32.1 %	29.6 %
Hay and other	14.8 %	13.8 %	14.3 %
Totals	54.6 %	45.9 %	43.9 %

PROFITABILITY BY MILK PRODUCTION PER COW San Joaquin Valley

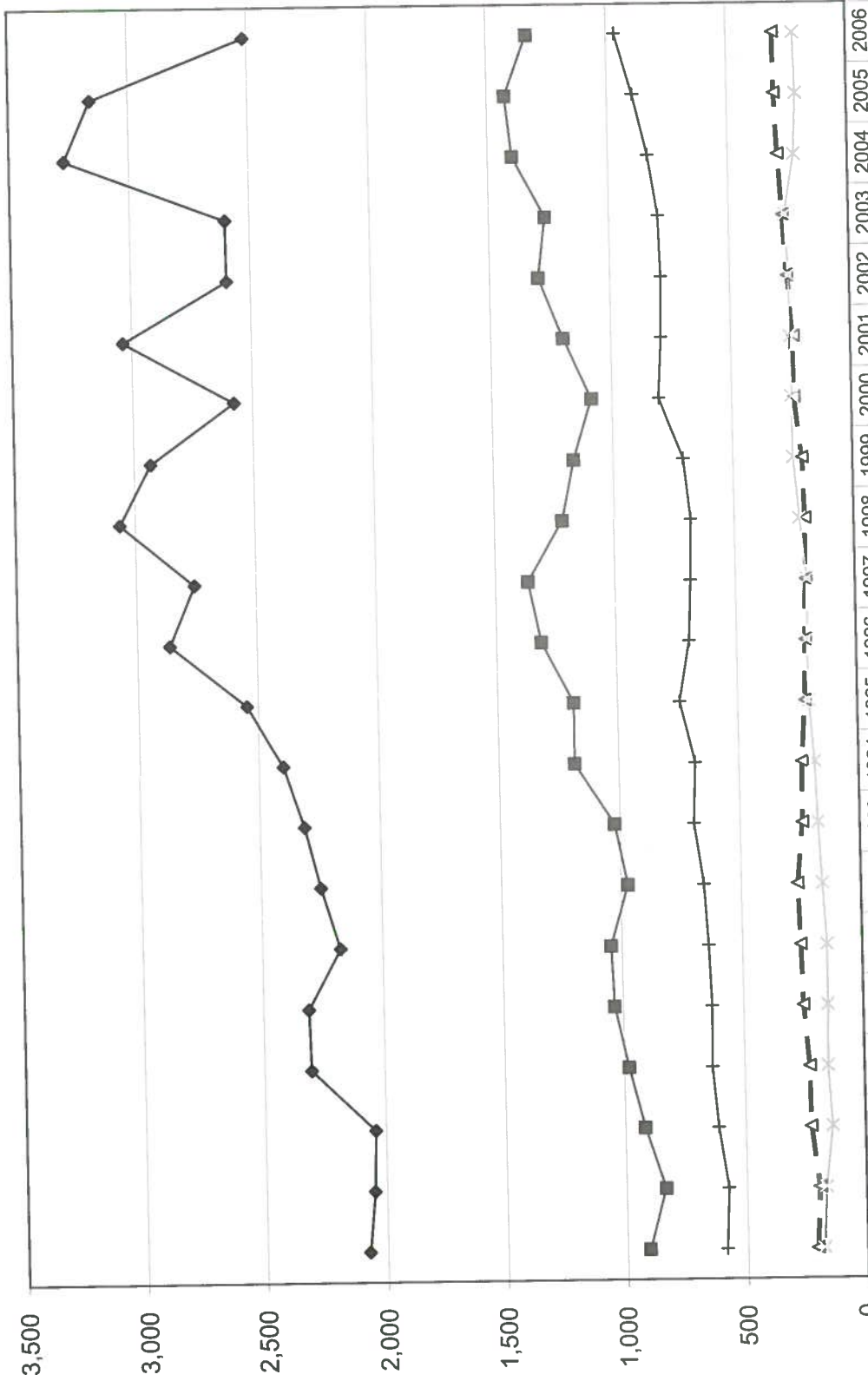


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

PROFITABILITY BY HERD SIZE San Joaquin Valley

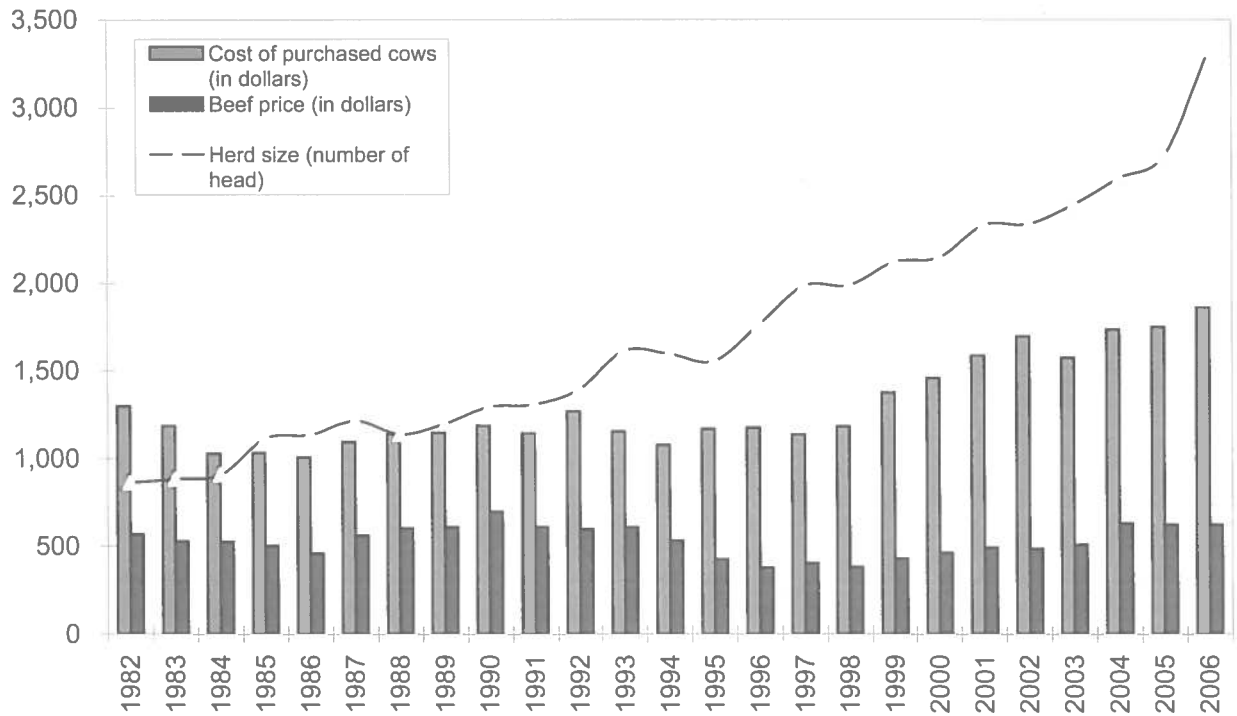


**LONG-TERM TREND - ON A "PER HEAD" BASIS
SAN JOAQUIN VALLEY
INCOME AND OPERATING COSTS
1986 - 2006**

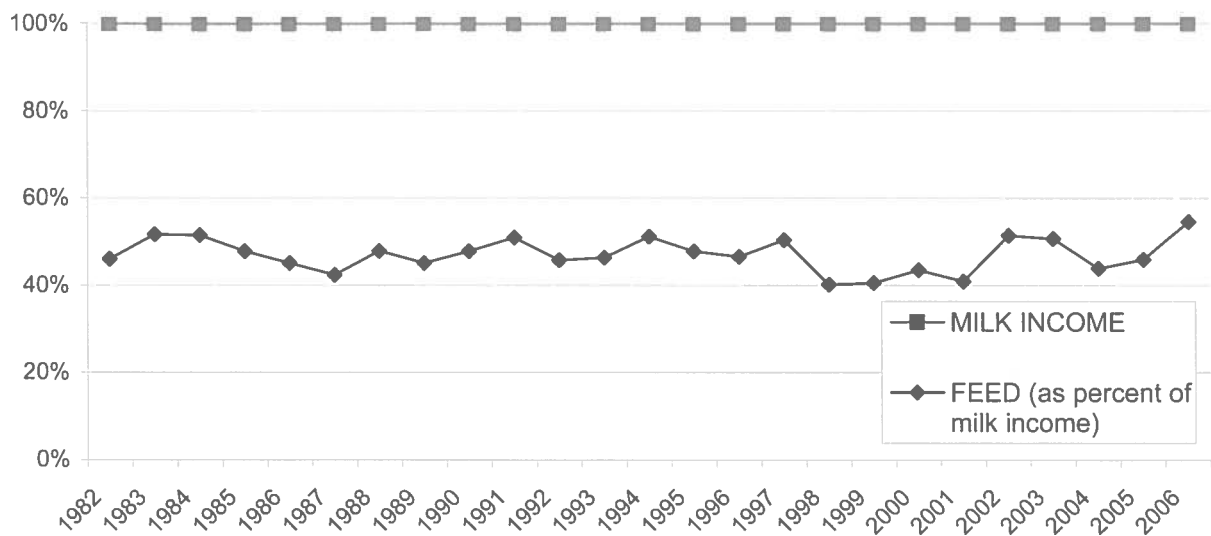


	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
TOTAL INCOME	2,075	2,051	2,044	2,305	2,312	2,176	2,253	2,316	2,399	2,546	2,863	2,756	3,064	2,931	2,577	3,037	2,599	2,602	3,271	3,159	2,515
FEED	907	836	920	981	1,037	1,047	972	1,023	1,185	1,183	1,313	1,365	1,217	1,165	1,086	1,200	1,298	1,267	1,399	1,427	1,333
LABOR	207	193	225	227	249	255	263	238	235	219	213	207	203	210	241	239	262	276	291	302	305
HERD REPLACEMENT	180	168	138	154	149	148	163	175	185	203	206	201	227	247	249	255	256	266	224	214	221
INTEREST AND OTHER	584	573	610	632	629	638	653	689	680	739	695	685	679	705	802	788	785	793	833	891	964

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 YEAR ENDED
DECEMBER 31, 2006
KERN COUNTY
(BASED ON AVERAGE AMOUNTS)

PER HEAD

2006

Income:	
Milk sales	\$ 2,376
Calves and other	58
Total income	\$ 2,434
Cost of operations:	
Feed:	
Grain	\$ 932
Hay and other	404
Total feed	\$ 1,336
Labor, (including fringe costs)	\$ 267
Herd replacement costs	\$ 235
Other costs:	
Milk hauling	\$ 53
State and association charges	41
Veterinary, breeding, testing, etc.	47
Supplies	90
Repairs and maintenance	95
Utilities	56
Occupancy costs	86
Depreciation - equipment	68
Interest	144
Miscellaneous	83
Total other costs	\$ 763
Total cost of operations	\$ 2,601
Net loss	\$ (167)

See accompanying explanation of income and cost factors.

PER CWT. OF MILK

YOUR 2006 RESULTS

2006	PER HEAD	PER CWT. OF MILK
\$ 12.21 0.31	\$	\$
\$ 12.52	\$	\$
\$ 4.80 2.09	\$	\$
\$ 6.89	\$	\$
\$ 1.37	\$	\$
\$ 1.21	\$	\$
\$ 0.27 0.21 0.25 0.46 0.49 0.29 0.45 0.35 0.74 0.41	\$	\$
\$ 3.92	\$	\$
\$ 13.39	\$	\$
\$ (0.87)	\$	\$

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEAR ENDED
DECEMBER 31, 2006
KERN COUNTY
(BASED ON AVERAGE AMOUNTS)

2006

PRODUCTION AND PRICE INFORMATION:

Annual pounds of milk, per cow
(including dry cows)

19,433

Daily pounds of milk, per milking cow

65.0

Butterfat test

3.90 %

Solids-non-fat test

8.76 %

Blend price per hundredweight

\$ 12.21

Milk receipts, per milking cow

\$ 2,900

HERD INFORMATION:

Herd size - total

2,845

Percent of dry cows

18.1 %

Herd turnover rate

32.1 %

Composition of herd:

Purchased cows

15 %

Self-raised cows

85 %

Cost of purchased cows

\$ 1,922

Beef price received

\$ 559

FEED INFORMATION:

Cost of feed as a percent of milk
income:

Grain

39.2 %

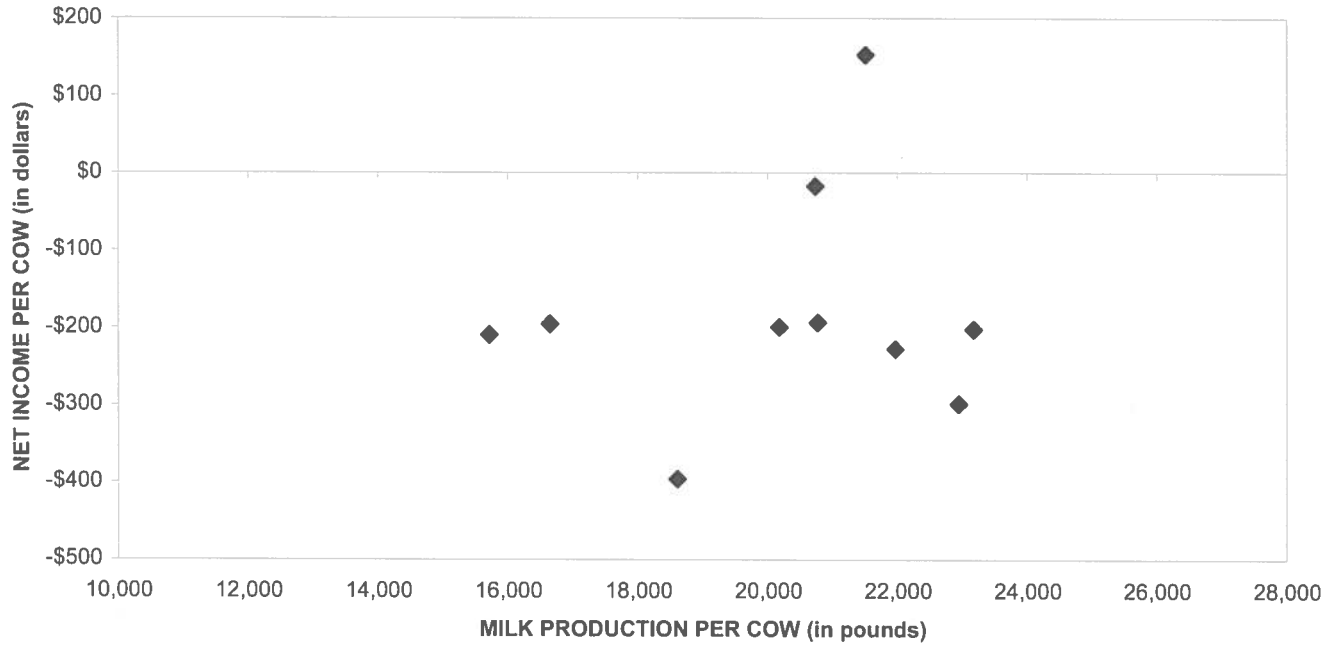
Hay and other

17.1 %

Total

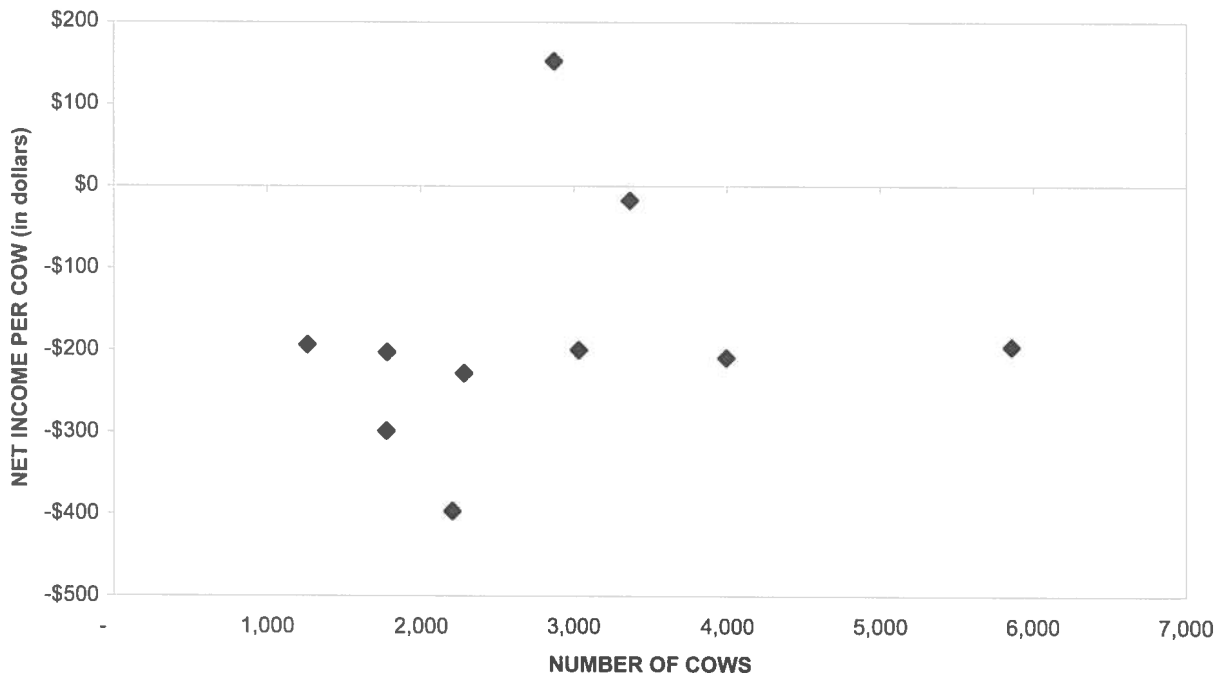
56.3 %

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



CONDENSED STATEMENT OF DAIRY FARM INCOME AND COSTS

FOR THE YEARS ENDED
DECEMBER 31, 2006, 2005, AND 2004
ARIZONA
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2006	2005	2004
Income:			
Milk sales	\$ 2,643	\$ 3,027	\$ 3,195
Calves and other	83	100	112
Total income	\$ 2,726	\$ 3,127	\$ 3,307
Cost of operations:			
Feed:			
Grain	\$ 802	\$ 822	\$ 787
Hay and other	482	470	475
Total feed	\$ 1,284	\$ 1,292	\$ 1,262
Labor, (including fringe costs)	\$ 282	\$ 278	\$ 271
Herd replacement costs	\$ 291	\$ 325	\$ 325
Other costs:			
Milk hauling	\$ 88	\$ 106	\$ 104
State and association charges	98	72	69
Veterinary, breeding, testing, etc.	46	45	45
Supplies	122	121	110
Repairs and maintenance	93	99	81
Utilities	69	60	56
Occupancy costs	129	139	131
Depreciation - equipment	62	48	43
Interest	279	156	125
Miscellaneous	150	132	111
Total other costs	\$ 1,136	\$ 978	\$ 875
Total cost of operations	\$ 2,993	\$ 2,873	\$ 2,733
Net income (loss)	\$ (267)	\$ 254	\$ 574

See accompanying explanation of income and cost factors.

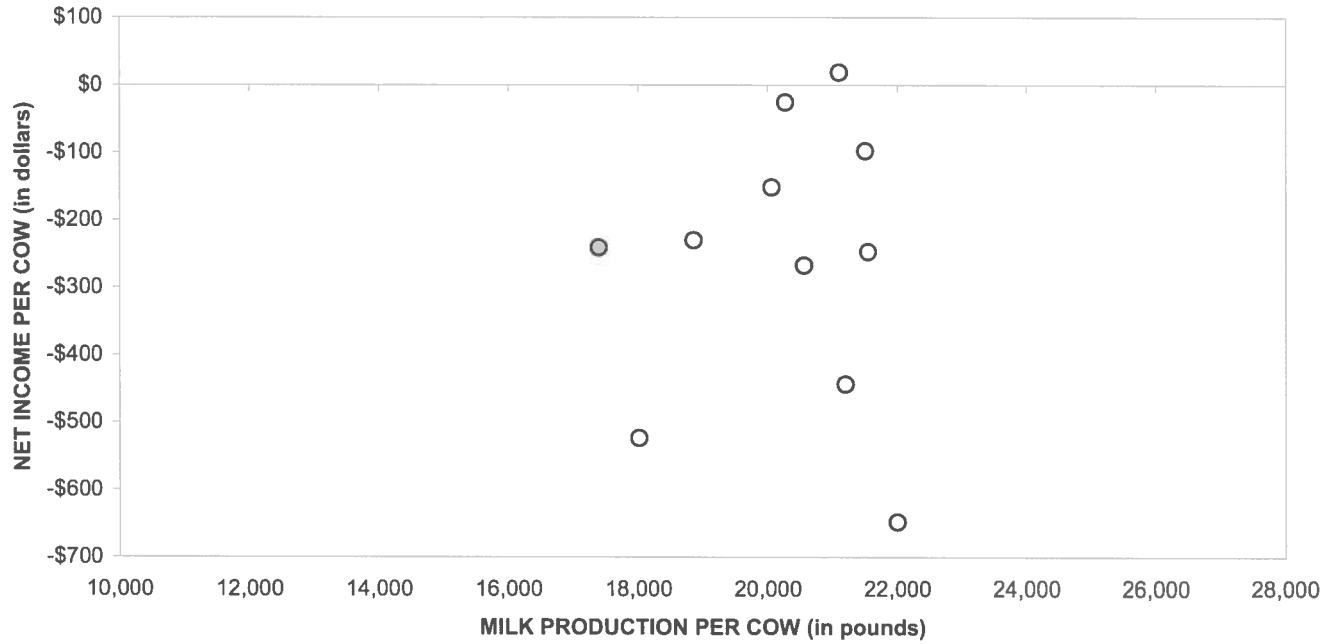
PER CWT. OF MILK			YOUR 2006 RESULTS	
2006	2005	2004	PER HEAD	PER CWT. OF MILK
\$ 12.92 0.40	\$ 15.25 0.50	\$ 16.06 0.55	\$	\$
\$ 13.32	\$ 15.75	\$ 16.61	\$	\$
\$ 3.92 2.36	\$ 4.14 2.37	\$ 3.96 2.39	\$	\$
\$ 6.28	\$ 6.51	\$ 6.35	\$	\$
\$ 1.39	\$ 1.40	\$ 1.36	\$	\$
\$ 1.42	\$ 1.64	\$ 1.63	\$	\$
\$ 0.43 0.48 0.22 0.60 0.45 0.34 0.62 0.30 1.38 0.74	\$ 0.54 0.36 0.23 0.61 0.50 0.30 0.70 0.24 0.79 0.66	\$ 0.52 0.34 0.22 0.55 0.41 0.28 0.66 0.22 0.63 0.58	\$	\$
\$ 5.56	\$ 4.93	\$ 4.41	\$	\$
\$ 14.65	\$ 14.48	\$ 13.75	\$	\$
\$ (1.33)	\$ 1.27	\$ 2.86	\$	\$

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED
DECEMBER 31, 2006, 2005, AND 2004
ARIZONA
(BASED ON AVERAGE AMOUNTS)

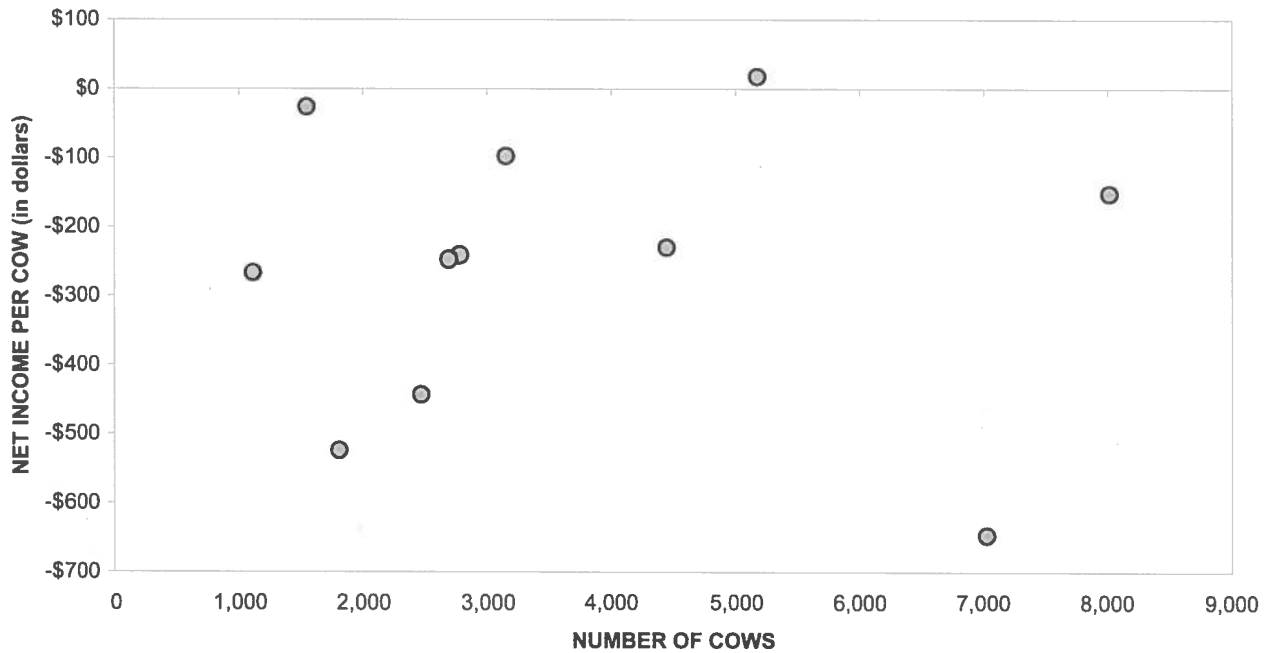
	2006	2005	2004
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	20,436	19,847	19,898
Daily pounds of milk, per milking cow	65.9	65.2	66.1
Butterfat test	3.52 %	3.60 %	3.59 %
Blend price per hundredweight	\$ 12.92	\$ 15.25	\$ 16.06
Milk receipts, per milking cow	\$ 3,112	\$ 3,631	\$ 3,873
HERD INFORMATION:			
Herd size - total	3,656	2,315	2,084
Percent of dry cows	15.1 %	16.6 %	17.5 %
Herd turnover rate	34.7 %	31.3 %	30.3 %
Composition of herd:			
Purchased cows	50 %	57 %	62 %
Self-raised cows	50 %	43 %	38 %
Cost of purchased cows	\$ 1,849	\$ 1,845	\$ 1,816
Beef price received	\$ 570	\$ 551	\$ 556
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	30.3 %	27.2 %	24.6 %
Hay and other	18.2 %	15.5 %	14.9 %
Totals	48.5 %	42.7 %	39.5 %

PROFITABILITY BY MILK PRODUCTION PER COW Arizona

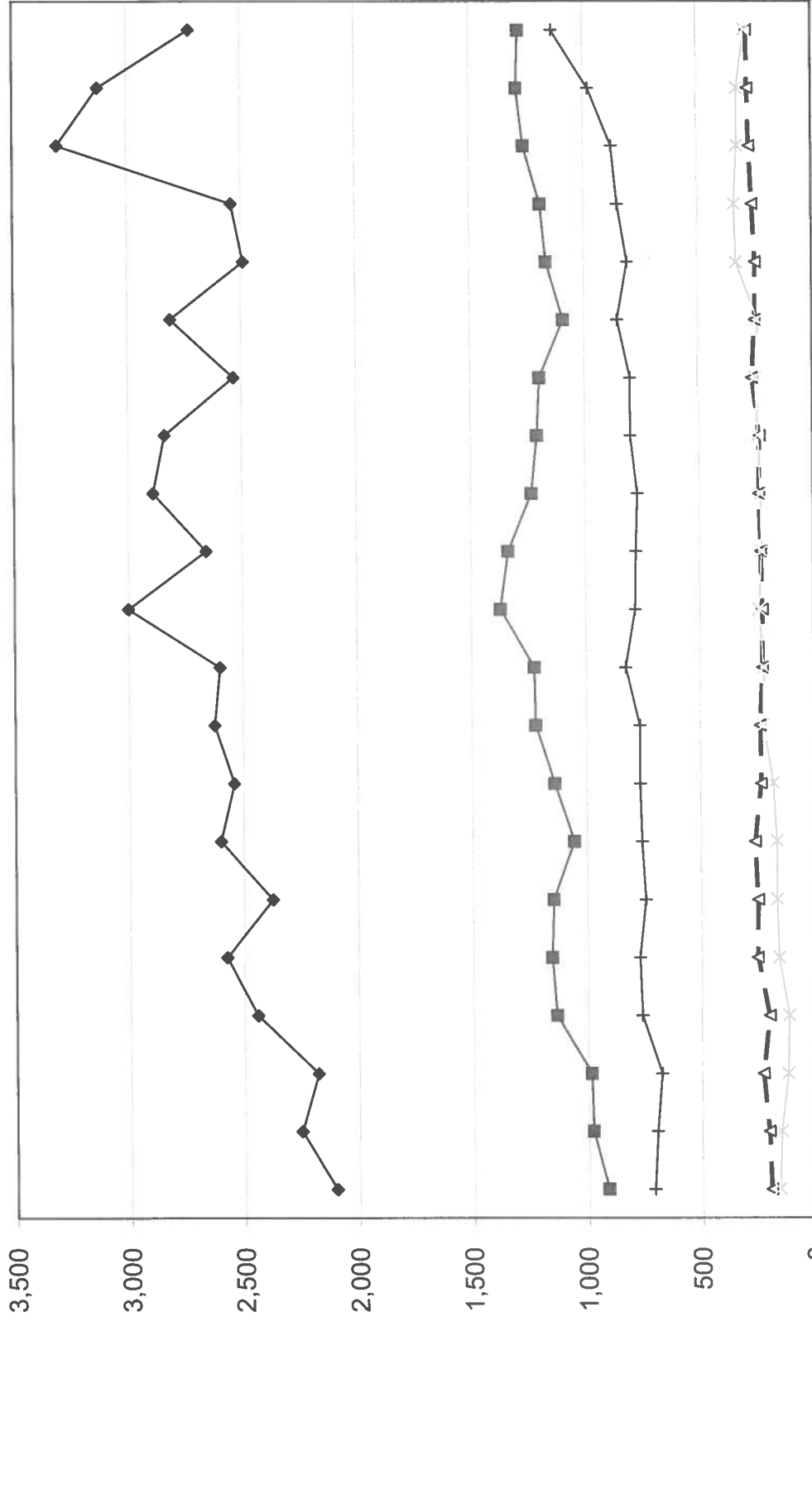


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

PROFITABILITY BY HERD SIZE Arizona

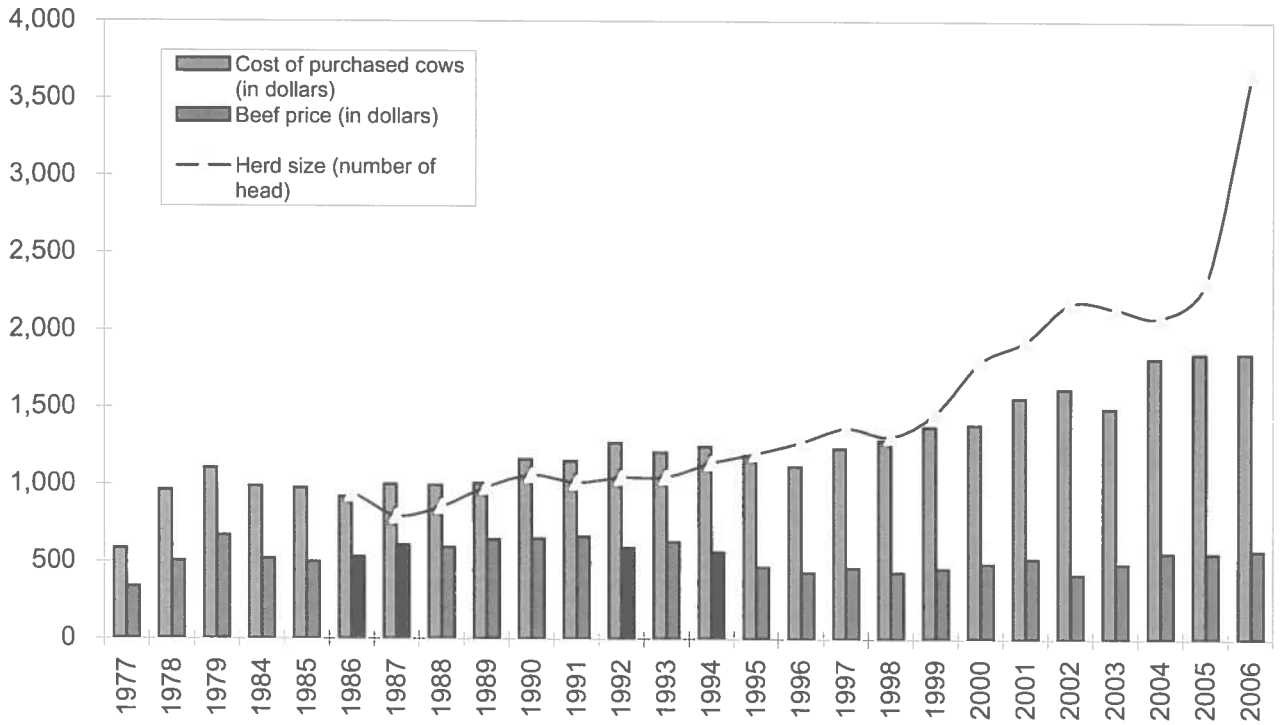


**LONG-TERM TREND - ON A "PER HEAD" BASIS
ARIZONA
INCOME AND OPERATING COSTS
1986 - 2006**

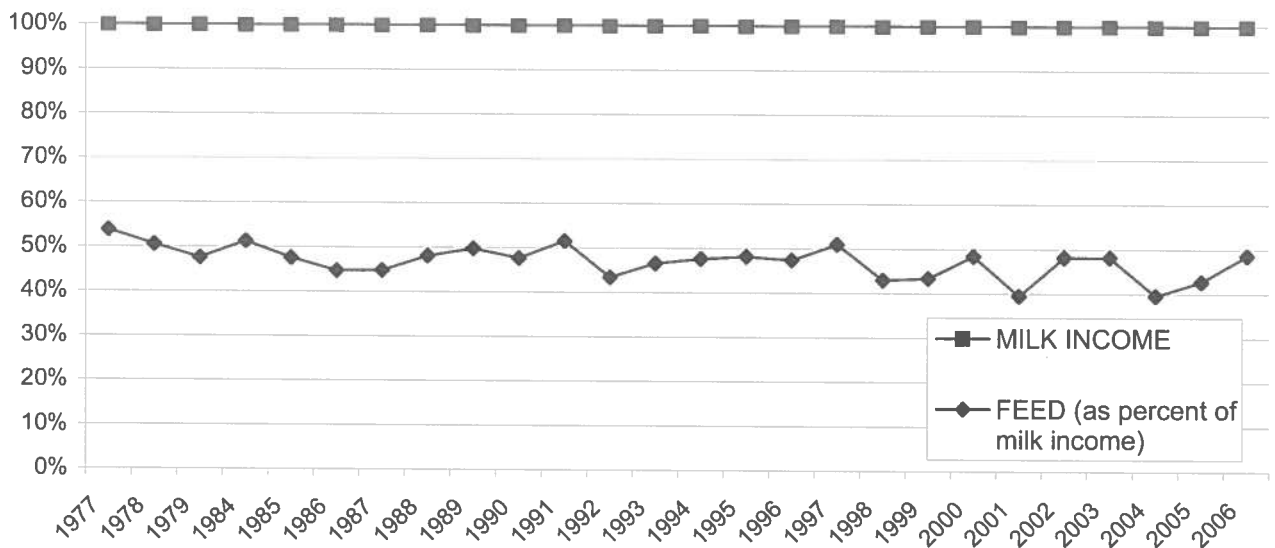


	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
◆ TOTAL INCOME	2,101	2,253	2,180	2,443	2,577	2,376	2,602	2,542	2,626	2,602	3,003	2,660	2,892	2,840	2,536	2,813	2,491	2,543	3,307	3,127	2,726
■ FEED	912	979	986	1,135	1,155	1,146	1,055	1,140	1,221	1,226	1,373	1,337	1,234	1,208	1,197	1,091	1,165	1,190	1,262	1,292	1,284
▲ LABOR	197	206	231	201	253	249	262	233	236	225	224	229	237	232	263	249	247	260	271	278	282
× HERD REPLACEMENT	161	152	122	116	158	167	167	181	223	219	240	225	228	239	249	238	330	338	325	325	291
+ INTEREST AND OTHER	708	696	676	758	768	741	756	763	763	825	781	776	768	798	798	853	809	851	875	978	1,136

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, 2006, 2005, AND 2004
IDAHO
(BASED ON AVERAGE AMOUNTS)

PER HEAD

	2006	2005	2004
Income:			
Milk sales	\$ 2,771	\$ 3,249	\$ 3,335
Calves and other	79	109	50
Total income	\$ 2,850	\$ 3,358	\$ 3,385
Cost of operations:			
Feed:			
Grain	\$ 899	\$ 932	\$ 869
Hay and other	494	464	460
Total feed	\$ 1,393	\$ 1,396	\$ 1,329
Labor, (including fringe costs)	\$ 328	\$ 332	\$ 309
Herd replacement costs	\$ 312	\$ 268	\$ 298
Other costs:			
Milk hauling	\$ 59	\$ 55	\$ 51
State and association charges	52	54	52
Veterinary, breeding, testing, etc.	90	90	87
Supplies	153	150	163
Repairs and maintenance	109	122	133
Utilities	36	38	39
Occupancy costs	88	88	79
Depreciation - equipment	76	74	74
Interest	139	112	94
Miscellaneous	138	121	117
Total other costs	\$ 940	\$ 904	\$ 889
Total cost of operations	\$ 2,973	\$ 2,900	\$ 2,825
Net income (loss)	\$ (123)	\$ 458	\$ 560

See accompanying explanations of income and cost factors.

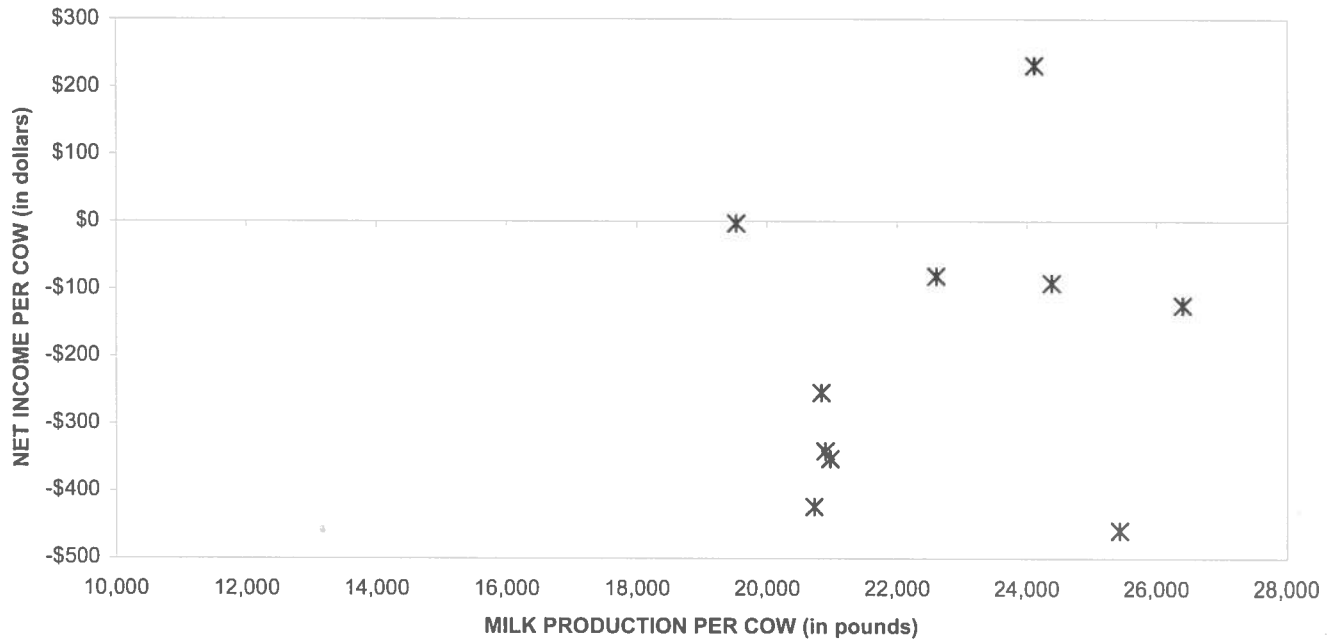
PER CWT. OF MILK			YOUR 2006 RESULTS	
2006	2005	2004	PER HEAD	PER CWT. OF MILK
\$ 12.15 0.35	\$ 14.18 0.48	\$ 15.09 0.22	\$	\$
\$ 12.50	\$ 14.66	\$ 15.31	\$	\$
\$ 3.94 2.17	\$ 4.07 2.02	\$ 3.93 2.08	\$	\$
\$ 6.11	\$ 6.09	\$ 6.01	\$	\$
\$ 1.43	\$ 1.45	\$ 1.40	\$	\$
\$ 1.37	\$ 1.17	\$ 1.35	\$	\$
\$ 0.26 0.23 0.39 0.67 0.48 0.16 0.38 0.33 0.61 0.60	\$ 0.24 0.23 0.39 0.65 0.53 0.17 0.38 0.32 0.49 0.54	\$ 0.23 0.24 0.39 0.74 0.60 0.18 0.36 0.34 0.43 0.54	\$	\$
\$ 4.11	\$ 3.94	\$ 4.05	\$	\$
\$ 13.02	\$ 12.65	\$ 12.81	\$	\$
\$ (0.52)	\$ 2.01	\$ 2.50	\$	\$

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED
DECEMBER 31, 2006, 2005, AND 2004
IDAHO
(BASED ON AVERAGE AMOUNTS)

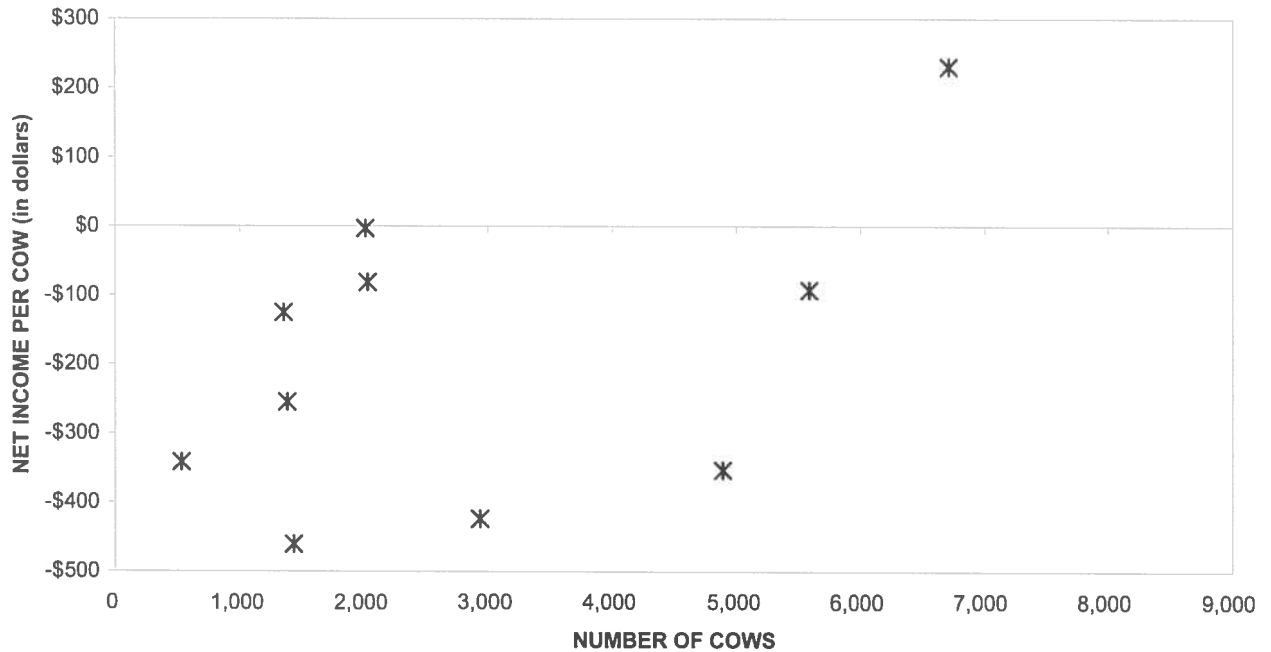
	2006	2005	2004
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	22,824	22,909	22,102
Daily pounds of milk, per milking cow	72.1	72.5	70.9
Butterfat test	3.59 %	3.51 %	3.56 %
Blend price per hundredweight	\$ 12.15	\$ 14.18	\$ 15.09
Milk receipts, per milking cow	\$ 3,196	\$ 3,752	\$ 3,902
HERD INFORMATION:			
Herd size - total	2,887	2,557	2,302
Percent of dry cows	13.3 %	13.4 %	14.5 %
Herd turnover rate	32.2 %	30.4 %	37.9 %
Composition of herd:			
Purchased cows	24 %	34 %	48 %
Self-raised cows	76 %	66 %	52 %
Cost of purchased cows	\$ 1,409	\$ 1,867	\$ 1,620
Beef price received	\$ 494	\$ 613	\$ 578
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	32.4 %	28.7 %	26.1 %
Hay and other	17.8 %	14.3 %	13.8 %
Totals	50.2 %	43.0 %	39.9 %

PROFITABILITY BY MILK PRODUCTION PER COW Idaho

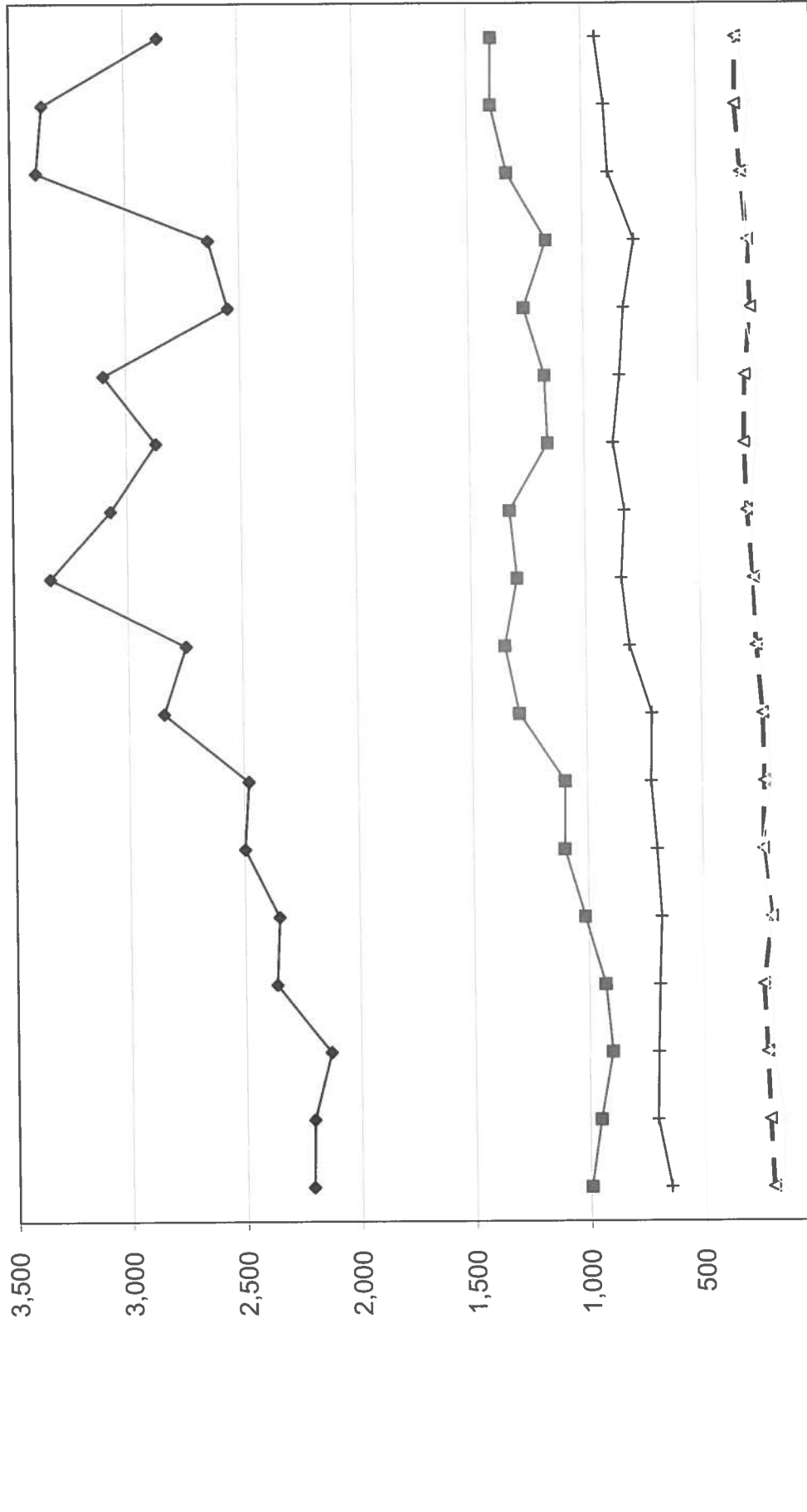


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

PROFITABILITY BY HERD SIZE Idaho

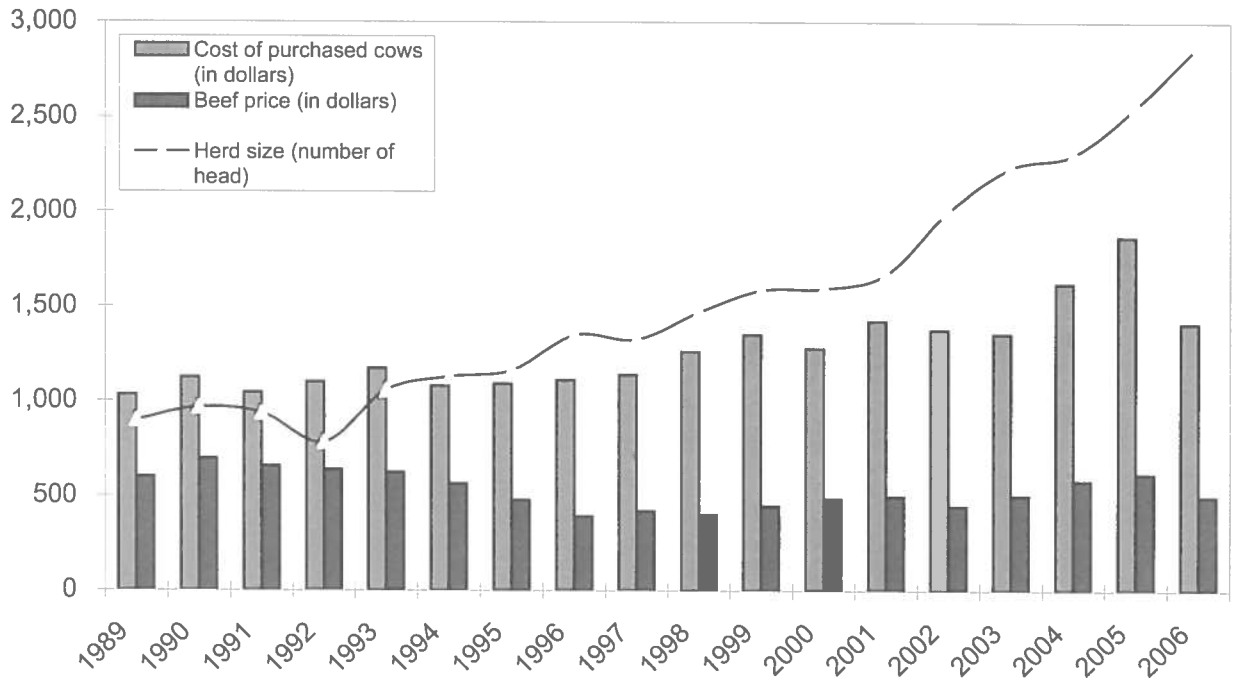


LONG-TERM TREND - ON A "PER HEAD" BASIS
 IDAHO
 INCOME AND OPERATING COSTS
 1989 - 2006

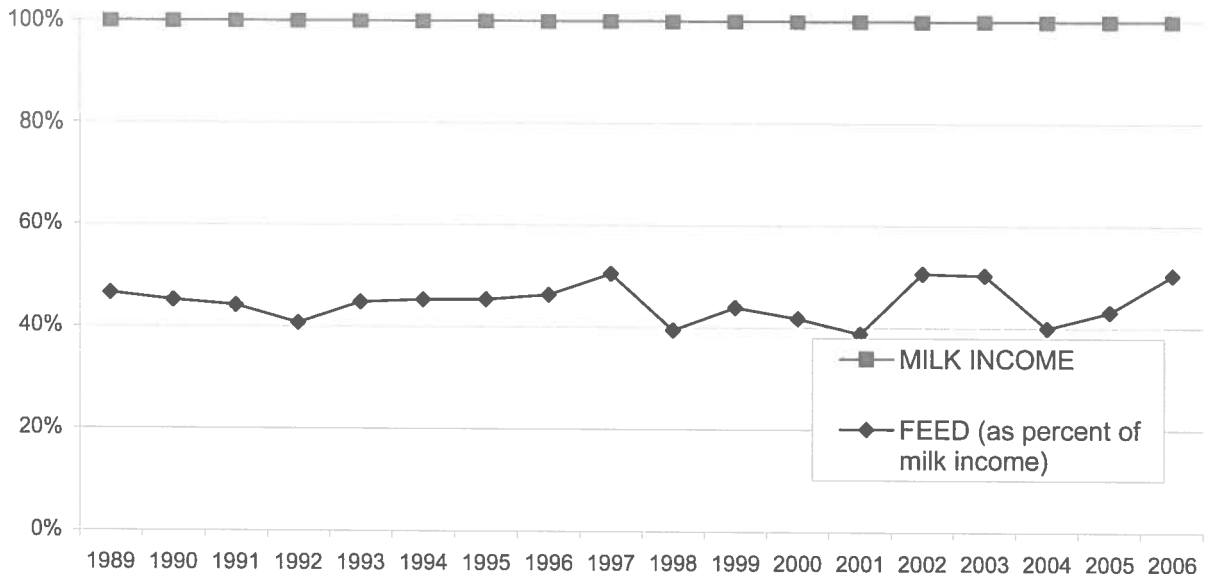


	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
TOTAL INCOME	2,208	2,204	2,129	2,363	2,350	2,497	2,478	2,845	2,747	3,338	3,073	2,871	3,099	2,551	2,635	3,385	3,358	2,850
FEED	997	954	902	930	1,016	1,102	1,097	1,294	1,354	1,299	1,329	1,159	1,171	1,259	1,159	1,329	1,396	1,393
LABOR	201	215	225	239	200	237	228	233	259	268	293	303	297	270	281	309	332	328
HERD REPLACEMENT	159	151	197	199	209	242	198	211	245	261	273	250	244	303	285	298	268	312
INTEREST AND OTHER	650	707	701	693	682	700	723	718	811	844	828	876	844	825	776	889	904	940

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, 2006, 2005, AND 2004
NEW MEXICO
(BASED ON AVERAGE AMOUNTS)

	PER HEAD		
	2006	2005	2004
Income:			
Milk sales	\$ 2,351	\$ 2,704	\$ 2,813
Calves and other	129	96	75
Total income	\$ 2,480	\$ 2,800	\$ 2,888
Cost of operations:			
Feed:			
Grain	\$ 861	\$ 834	\$ 846
Hay and other	373	405	356
Total feed	\$ 1,234	\$ 1,239	\$ 1,202
Labor, (including fringe costs)	\$ 301	\$ 298	\$ 284
Herd replacement costs	\$ 232	\$ 214	\$ 260
Other costs:			
Milk hauling	\$ 121	\$ 120	\$ 104
State and association charges	38	36	38
Veterinary, breeding, testing, etc.	66	58	60
Supplies	125	139	118
Repairs and maintenance	80	100	71
Utilities	56	52	47
Occupancy costs	71	67	57
Depreciation - equipment	55	54	50
Interest	142	114	90
Miscellaneous	102	95	71
Total other costs	\$ 856	\$ 835	\$ 706
Total cost of operations	\$ 2,623	\$ 2,586	\$ 2,452
Net income (loss)	\$ (143)	\$ 214	\$ 436

See accompanying explanation of income and cost factors.

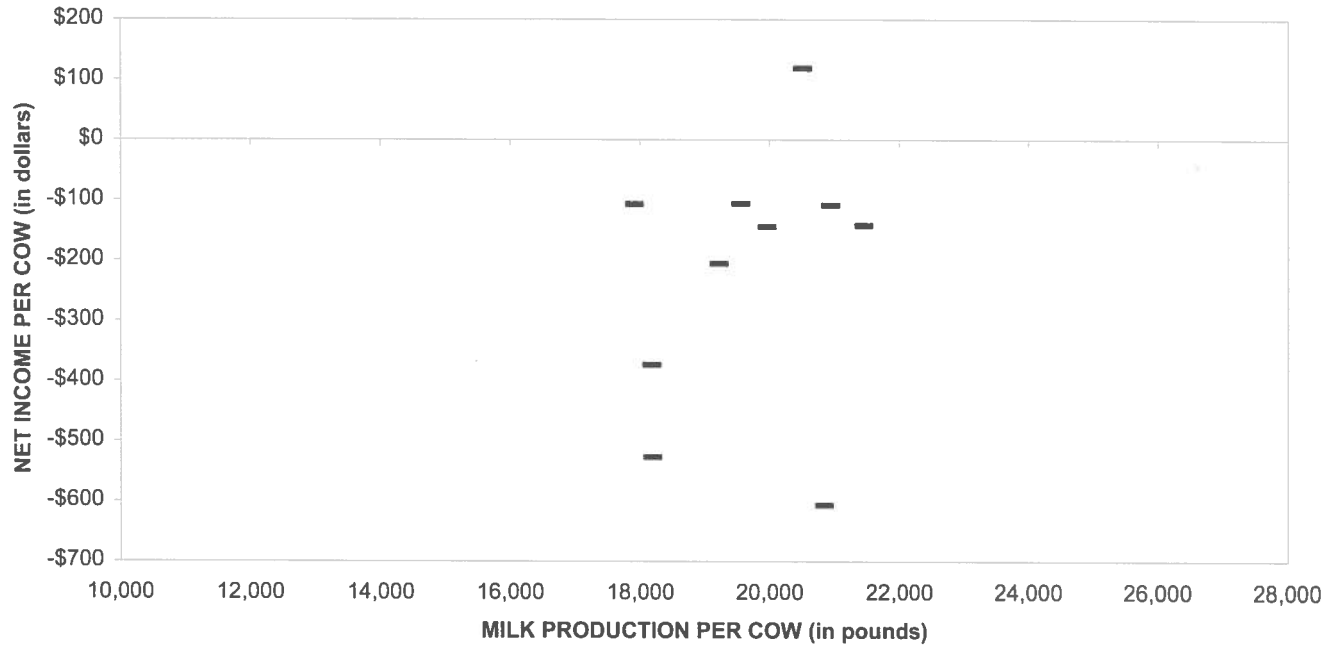
PER CWT. OF MILK			YOUR 2006 RESULTS	
2006	2005	2004	PER HEAD	PER CWT. OF MILK
\$ 11.86	\$ 13.78	\$ 14.79	\$	\$
0.65	0.49	0.40		
\$ 12.51	\$ 14.27	\$ 15.19	\$	\$
\$ 4.35	\$ 4.25	\$ 4.45	\$	\$
1.89	2.06	1.87		
\$ 6.24	\$ 6.31	\$ 6.32	\$	\$
\$ 1.52	\$ 1.52	\$ 1.50	\$	\$
\$ 1.17	\$ 1.09	\$ 1.37	\$	\$
\$ 0.61	\$ 0.61	\$ 0.54	\$	\$
0.19	0.18	0.20		
0.33	0.29	0.32		
0.63	0.71	0.62		
0.40	0.51	0.37		
0.28	0.27	0.24		
0.36	0.35	0.29		
0.28	0.28	0.26		
0.72	0.58	0.47		
0.50	0.48	0.38		
\$ 4.30	\$ 4.26	\$ 3.69	\$	\$
\$ 13.23	\$ 13.18	\$ 12.88	\$	\$
\$ (0.72)	\$ 1.09	\$ 2.31	\$	\$

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEARS ENDED
DECEMBER 31, 2006, 2005, AND 2004
NEW MEXICO
(BASED ON AVERAGE AMOUNTS)

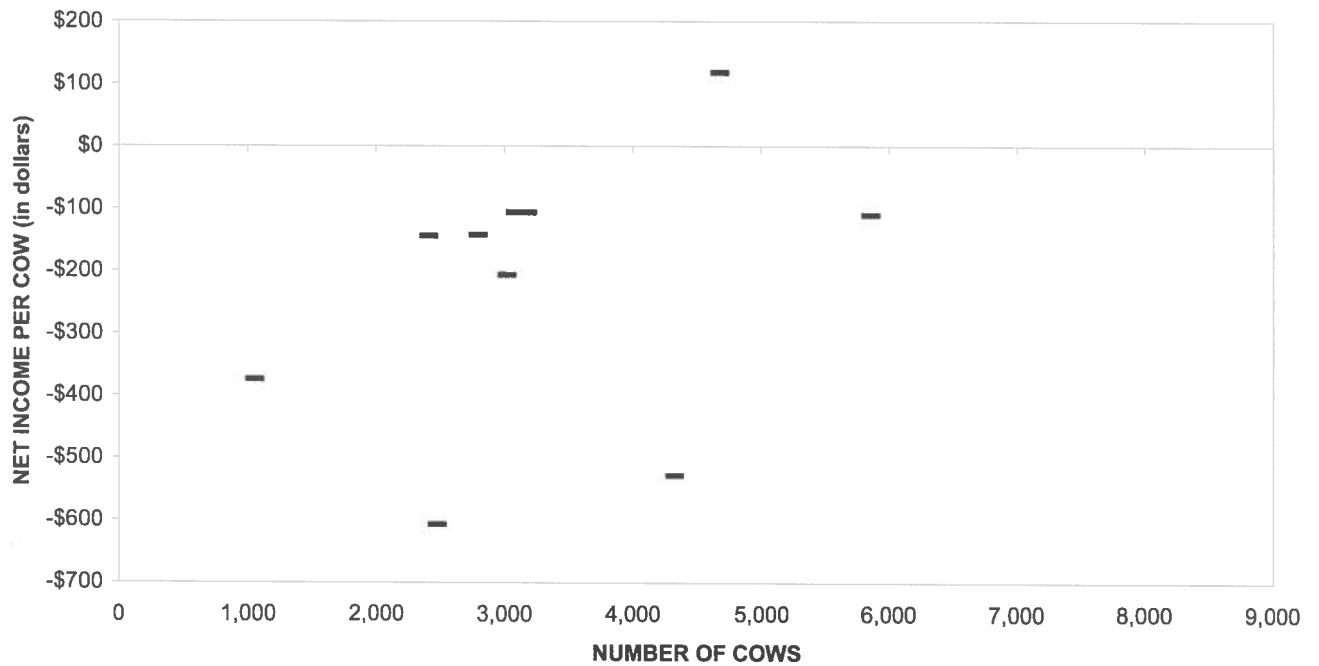
	2006	2005	2004
PRODUCTION AND PRICE INFORMATION:			
Annual pounds of milk, per cow (including dry cows)	19,821	19,611	19,018
Daily pounds of milk, per milking cow	67.2	64.9	64.3
Butterfat test	3.51 %	3.47 %	3.48 %
Blend price per hundredweight	\$ 11.86	\$ 13.78	\$ 14.79
Milk receipts, per milking cow	\$ 2,908	\$ 3,264	\$ 2,766
HERD INFORMATION:			
Herd size - total	3,290	3,203	3,108
Percent of dry cows	19.1 %	17.2 %	18.9 %
Herd turnover rate	33.9 %	34.8 %	36.5 %
Composition of herd:			
Purchased cows	22 %	30 %	15 %
Self-raised cows	78 %	70 %	85 %
Cost of purchased cows	\$ 1,626	\$ 1,793	\$ 1,660
Beef price received	\$ 565	\$ 653	\$ 535
FEED INFORMATION:			
Cost of feed as a percent of milk income:			
Grain	36.6 %	30.8 %	30.1 %
Hay and other	15.9 %	15.0 %	12.6 %
Totals	52.5 %	45.8 %	42.7 %

PROFITABILITY BY MILK PRODUCTION PER COW New Mexico

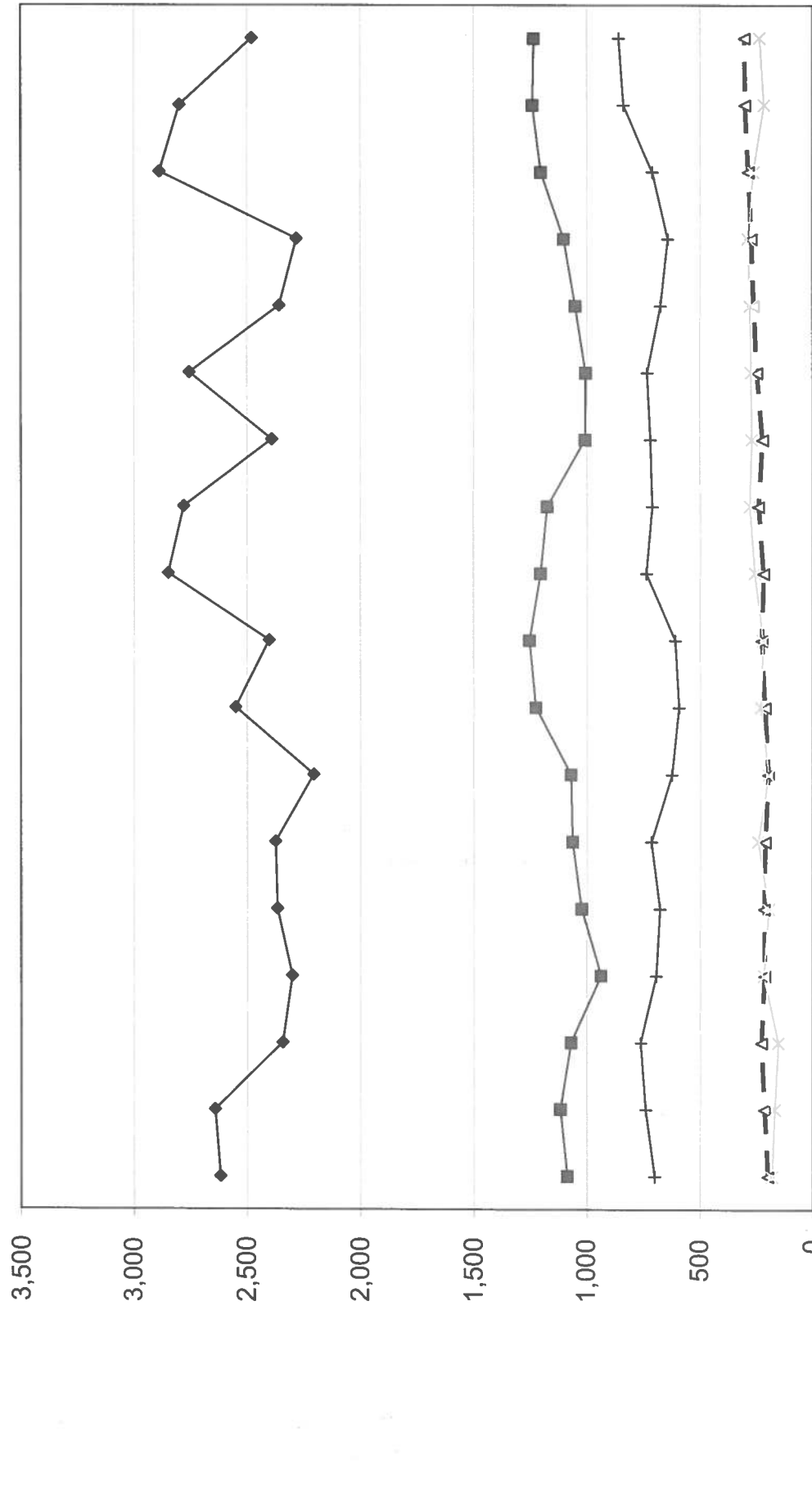


Milk production per cow is the actual pounds of milk produced for the year divided by the average total cows in the herd (milking and dry)

PROFITABILITY BY HERD SIZE New Mexico

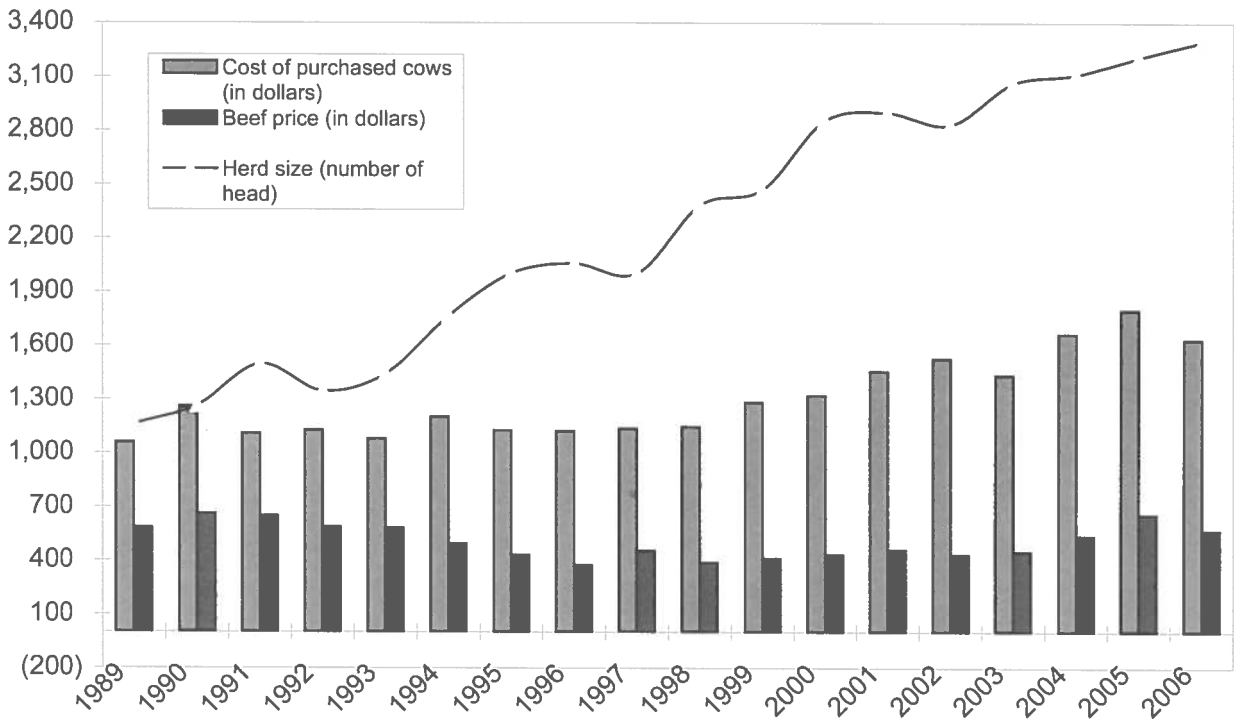


**LONG-TERM TREND - ON A "PER HEAD" BASIS
NEW MEXICO
INCOME AND OPERATING COSTS
1989 - 2006**

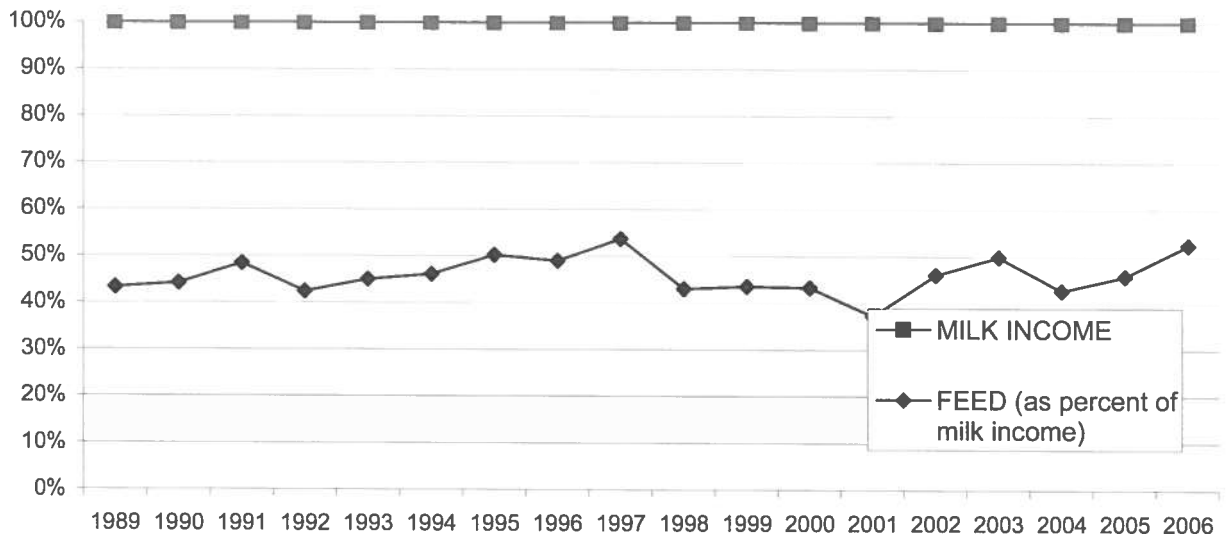


	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
◆ TOTAL INCOME	2,620	2,643	2,345	2,304	2,369	2,377	2,210	2,552	2,405	2,849	2,781	2,393	2,756	2,361	2,285	2,888	2,800	2,480
■ FEED	1,088	1,119	1,071	940	1,025	1,064	1,071	1,226	1,253	1,205	1,176	1,008	1,006	1,051	1,102	1,202	1,239	1,234
▲ LABOR	200	215	228	214	215	211	196	211	225	217	239	222	248	260	271	284	298	301
× HERD REPLACEMENT	182	168	152	217	195	242	195	231	219	257	278	270	273	275	285	260	214	232
— INTEREST AND OTHER	699	738	760	691	675	712	622	590	606	733	708	715	730	672	639	706	835	856

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 YEAR ENDED
DECEMBER 31, 2006
PANHANDLE
(BASED ON AVERAGE AMOUNTS)

PER HEAD

2006

Income:		
Milk sales	\$	2,370
Calves and other		92
Total income	\$	2,462
Cost of operations:		
Feed:		
Grain	\$	702
Hay and other		393
Total feed	\$	1,095
Labor, (including fringe costs)	\$	265
Herd replacement costs	\$	304
Other costs:		
Milk hauling	\$	148
State and association charges		56
Veterinary, breeding, testing, etc.		64
Supplies		114
Repairs and maintenance		73
Utilities		54
Occupancy costs		90
Depreciation - equipment		57
Interest		197
Miscellaneous		128
Total other costs	\$	981
Total cost of operations	\$	2,645
Net loss	\$	(183)

See accompanying explanation of income and cost factors.

**YOUR 2006
RESULTS**

<u>PER CWT. OF MILK</u>	<u>2006</u>	<u>PER HEAD</u>	<u>PER CWT. OF MILK</u>
	\$ 12.63	\$	\$
	0.49		
	\$ 13.12	\$	\$
	\$ 3.74	\$	\$
	2.10		
	\$ 5.84	\$	\$
	\$ 1.41	\$	\$
	\$ 1.62	\$	\$
	\$ 0.79	\$	\$
	0.30		
	0.34		
	0.61		
	0.39		
	0.29		
	0.48		
	0.30		
	1.05		
	0.69		
	\$ 5.24	\$	\$
	\$ 14.11	\$	\$
	\$ (0.99)	\$	\$

SUMMARY OF DAIRY FARM STATISTICAL ANALYSIS

FOR THE YEAR ENDED
DECEMBER 31, 2006
PANHANDLE
(BASED ON AVERAGE AMOUNTS)

2006

PRODUCTION AND PRICE INFORMATION:

Annual pounds of milk, per cow
(including dry cows)

18,757

Daily pounds of milk, per milking cow

61.5

Butterfat test

3.67 %

Blend price per hundredweight

\$ 12.63

Milk receipts, per milking cow

\$ 2,837

HERD INFORMATION:

Herd size - total

2,268

Percent of dry cows

16.5 %

Herd turnover rate

29.1 %

Composition of herd:

Purchased cows

50 %

Self-raised cows

50 %

Cost of purchased cows

\$ 1,687

Beef price received

\$ 514

FEED INFORMATION:

Cost of feed as a percent of milk
income:

Grain

29.6 %

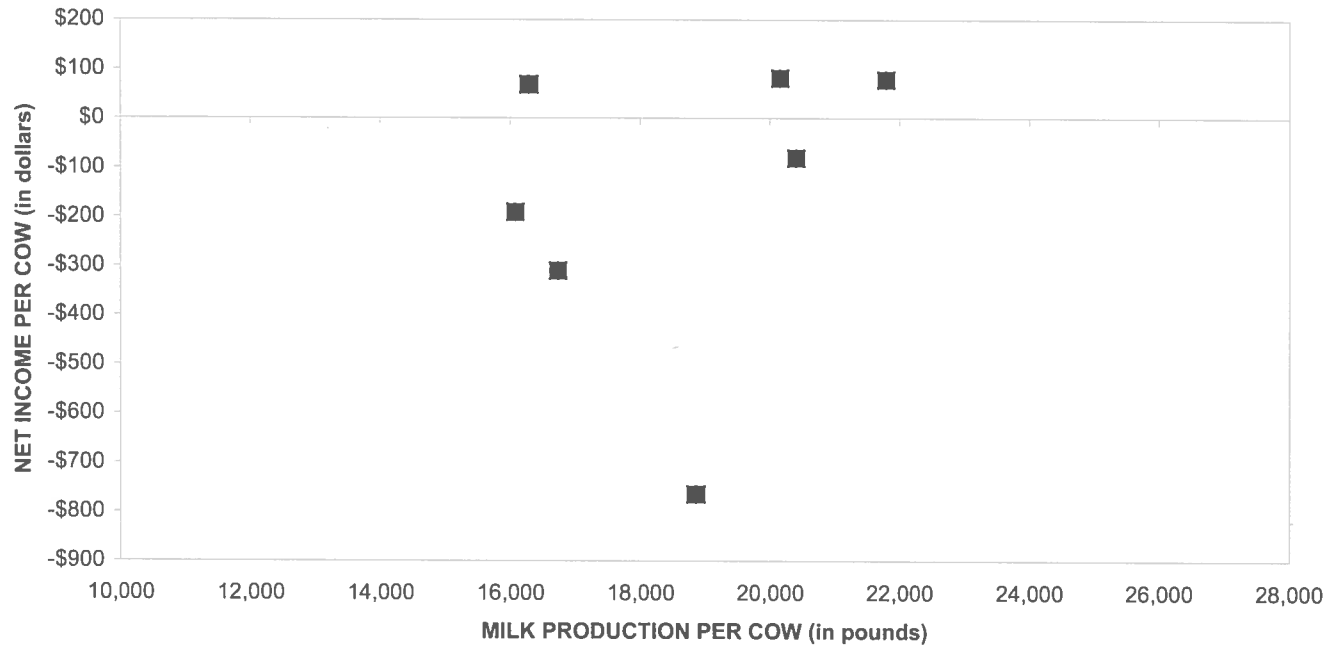
Hay and other

16.6 %

Total

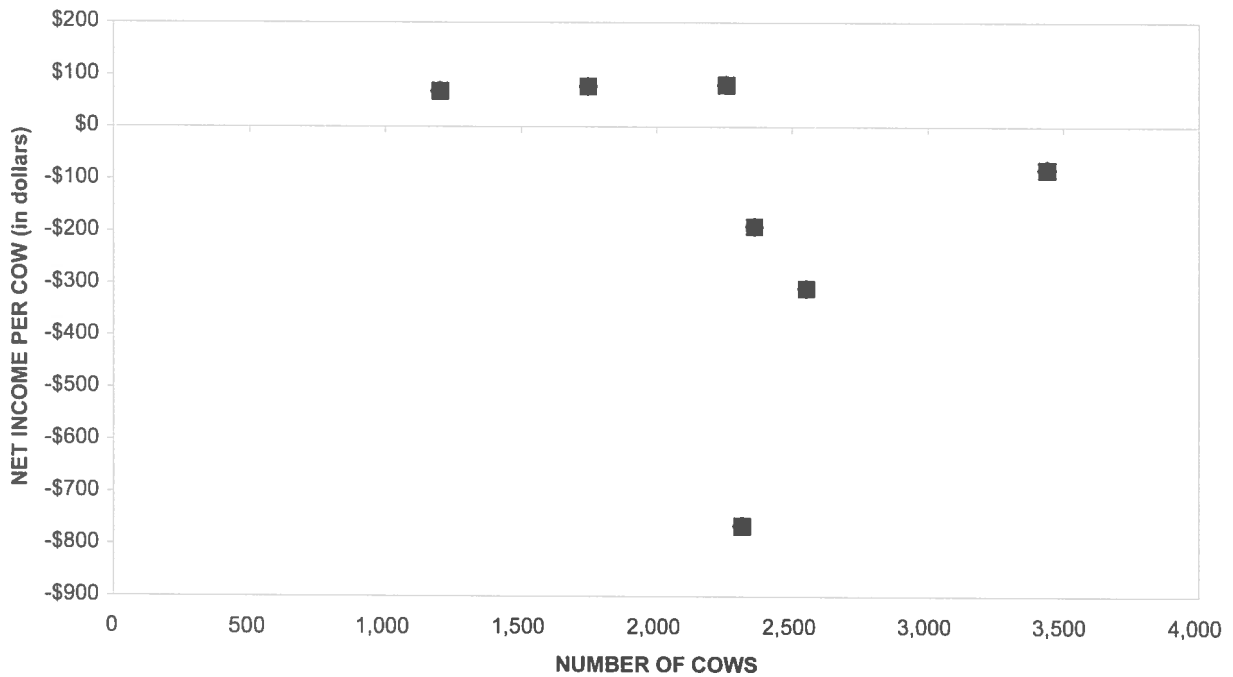
46.2 %

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



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. The Panhandle region includes the triangle from Clovis, New Mexico to Amarillo to Lubbock, Texas.
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 miscellaneous other 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 work with 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, Oregon, Washington, Nevada, Kansas, Oklahoma and Nebraska. Also, we actively consult with many dairies throughout the United States.

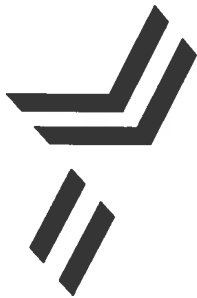
As we look to the future, the trend to larger more efficient dairies will continue. Along with this trend, the dairy industry is facing continued challenges in its expansion and relocation activities including the ability to construct new dairies. The dairy industry brings many jobs to an area and allows 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 2007.

As we are aware the dairy industry faces volatility in both milk prices received and costs incurred. All producers work to deal with these market fluctuations which are inevitable. Following the 2002 and 2003 years which produced some of the lowest milk prices combined with increasing costs, the 2004 and 2005 years provided welcome and much needed relief of our industry through sustained high milk prices. Costs in 2005 were generally on the rise especially fuel and insurance but these were more than offset by higher milk prices. The 2006 year again resulted in tremendous losses as milk prices decline and costs increase. The 2007 year promises substantially increased milk prices.

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.



MOORE STEPHENS WURTH FRAZER AND TORBET, LLP

Certified Public Accountants and Consultants

Creating New Horizons By Building Relationships and Exceeding Expectations

1199 South Fairway Drive, 2nd Floor, Walnut, California 91789

(909) 594-2713

2250 West Main St., Suite B, Visalia, California 93291

171 S. Anita Drive, Suite 100, Orange, California 92868

P.O. Box 3949, City of Industry, California 91744

Fax (909) 594-2357

(559) 732-4135 • Fax (559) 732-7140

(714) 634-1040 • Fax (714) 937-5184

www.mswift.com