

Diamond Ranch Foods, Ltd., NEW
Form 10QSB
February 13, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

(MARK ONE)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES

EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: December 31, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 000-51206

Diamond Ranch Foods, Ltd.

(Exact name of small business issuer as specified in its charter)

NEVADA

20-1389815

of

(State or other jurisdiction
(I.R.S. Employer Identification No.)
Incorporation or organization)

555 West Street
New York, NY 10014
(Address of principal executive offices)

(212) 807-7600

(Issuer's telephone number)

[X] Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has

been subject to such filing requirements for the past 90 days.

APPLICABLE ONLY TO CORPORATE ISSUERS

As of February 9, 2007, there were 68,646,150 shares of the Issuer's common stock, par value \$0.0001, issued.

Transitional Small Business Disclosure Format (check one). Yes ; No X

DIAMOND RANCH FOODS, LTD
BALANCE SHEETS

	(Unaudited) December 31 2006 -----
ASSETS:	
Current Assets:	
Inventory	\$ 239,497
Prepaid Expenses	245,588
Accounts Receivable - Net	<u>1,823,229</u>
Total Current Assets	<u>2,308,314</u>
Fixed Assets - Net	<u>230,648</u>
Other Assets:	
Cash Exchange	3,484
Deposits	<u>11,800</u>
Total Other Assets	<u>15,284</u>
Total Assets	<u>\$ 2,554,246</u> =====
LIABILITIES & STOCKHOLDERS' EQUITY:	
Current Liabilities:	
Bank Overdraft	\$ 205,937
Accounts Payable and Accrued Expenses	832,729
Factoring Line of Credit	1,269,345
Exchange Note	-
Notes Payable Brooks Provisions	25,752
Capital Lease Obligation	<u>10,182</u>
Total Current Liabilities	<u>2,343,945</u>
Non-current Liabilities:	
Capital Lease Obligation	10,506
Shareholder Loans	1,651,000
Interest Payable	<u>107,680</u>
Total Long Term Liabilities	<u>1,769,186</u>
TOTAL LIABILITIES	<u>4,113,131</u>
STOCKHOLDERS' EQUITY (DEFICIT):	
Preferred Stock, par value \$.0001, 20,000,000 shares Authorized, 0 shares issued at Dec 31 and March 31, 2006	-
Common Stock, par value \$.0001, 500,000,000 shares Authorized, 68,646,150 and 57,696,150 shares issued at Dec 31 and March 31, 2006	6,865
Additional Paid-In Capital	2,106,539
Subordinated Debt	356,404
Retained Earnings (Deficit)	<u>(4,028,693)</u>
Total Stockholders' Deficit	<u>(1,558,885)</u>
Total Liabilities and Stockholders' Deficit	\$ 2,554,246

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The accompanying notes are an integral part of these financial statements.

DIAMOND RANCH FOODS, LTD
STATEMENTS OF OPERATIONS
(UNAUDITED)

three Months Ended			For the nine months ended		For the
Dec 31,			Dec 31,		
<u>2006</u>	<u>2005</u>			<u>2006</u>	<u>2005</u>
Revenues					\$
3,925,441	\$ 3,196,133		\$ 9,562,396	\$ 9,983,434	
Cost of Goods Sold					—
<u>3,279,188</u>	<u>2,674,809</u>		<u>7,684,664</u>	<u>8,437,429</u>	

Gross Profit					646,253
521,524	1,877,732	1,546,005			
Expenses:					
Payroll					
252,714	243,124	627,814	793,089		
Factoring Fee					
85,983	82,065	249,783	243,905		
Rent Expense					
50,473	43,355	173,480	139,942		
Depreciation & Amort.					
22,918	23,063	65,836	66,865		
General & Admin.					377,478
184,567	600,461	469,917			
Sales Commission					—
<u>122,415</u>	<u>90,411</u>	<u>260,201</u>	<u>248,895</u>		
Total Expenses					
911,981	665,422	1,977,577	1,962,614		
Operating Income (Loss)					
(265,728)	(143,898)	(99,845)	(416,609)		
Interest Expense					—
<u>(25,506)</u>	<u>(27,622)</u>	<u>(62,416)</u>	<u>(54,146)</u>		
Net Income (Loss)					
(291,234)	(171,520)	(162,261)	(470,754)		
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Basic & diluted loss per shr.

0.00	(0.00)	0.00	(0.01)
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Weighted Avg.Sh

65,330,993	56,691,617	61,825,241	56,691,617
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The accompanying notes are an integral part of these financial statements.

DIAMOND RANCH FOODS, LTD
STATEMENTS OF CASH FLOWS
 (UNAUDITED)

ended

2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Profit (Loss)	\$ (
(470,754)	
Adjustments to reconcile net loss to net cash	
Provided by operating activities	
Depreciation and Amortization	6
66,865	
Stock issued	1
12,750	
(Increase) Decrease in Inventory	(6
(32,116)	
(Increase) Decrease in Accounts Receivable	
(168,835) (418,584)	
(Increase) Decrease in Deposits and Prepaids	(102
(Decrease) Increase in Accounts Payable and Accrued Expenses	(692,22
(Decrease) Increase in Interest Payable	<u>48</u>
<u>34,937</u>	
Net Cash Used in Operating Activities	(920
(572,767)	

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Equipment/Sale	—
<u>12,020</u> <u>(31,703)</u>	
Net Cash Used in Investing Activities	—
<u>12,020</u> <u>(31,703)</u>	

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on Capital Lease Obligation	(7
(6,611)	
Factoring Payable	(13
164,058	
Shareholder and Related Party Loans	680,
510,400	

Payments on Notes Payable	(457)
-	
Stock Issued in Exchange for Cash	831
-	
Bank	
Overdraft	
	<hr/>
Net Cash Provided by Financing Activities	908.3
	<hr/>
Net (Decrease) Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents at Beginning of Period	
	<hr/>
Cash and Cash Equivalents at End of Period	\$
	<hr/>
=====	

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 1
-	

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Stock issued in exchange for debt	\$
Stock issued for services	\$ 9

The accompanying notes are an integral part of these financial statements.

DIAMOND RANCH FOODS, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006
(Unaudited)

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustment relating to recoverability and classification of recorded amounts of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. The Company has incurred a net loss of \$162,216 for the nine months ended December 31, 2006, has a negative stockholders equity of \$1,558,855 and has a negative current ratio of \$35,631.

The Company's continued existence is dependent upon its ability to continue to execute its operating plan and to obtain additional debt or equity financing. There can be no assurance the necessary debt or equity financing will be available, or will be available on terms acceptable to the Company.

Management plans include acquiring additional meat processing and distribution operations and obtaining additional financing to fund payment of obligations and to provide working capital for operations and to finance future growth. The Company is actively pursuing alternative financing and has had discussions with various third parties, although no firm commitments have been obtained. In the interim, shareholders of the Company have committed to meeting its operating expenses. Management believes these efforts will generate sufficient cash flows from future operations to pay the Company's obligations and realize other assets. There is no assurance any of these transactions will occur.

Organization and Basis of Presentation

The Company was incorporated under the laws of the State of Florida on November 30, 1942 under the name Jerry's Inc. The Company ceased all operating activities during the period from January 1, 1998 to March 8, 2004 and was considered dormant. On March 8, 2004 the Company changes its domicile to the State of Nevada. On March 30, 2004, the company changed its name to Diamond Ranch Foods, Ltd.

On May 1, 2004, the shareholders of the Diamond Ranch Foods, Ltd. (formerly Jerry's Inc.) completed a stock purchase agreement with MBC Foods, Inc., a Nevada corporation. The merger was accounted for as a reverse merger, with MBC Foods, Inc. being treated as the acquiring entity for financial reporting purposes. In connection with this merger, Diamond Ranch Foods, Ltd.(formerly Jerry's Inc.) issued 31,607,650 shares of common stock for the acquisition of MBC Foods, Inc. which was recorded as a reverse merger and shown on the Statement of Stockholders Equity as a net issuance of 25,692,501 shares.

For financial reporting purposes, MBC Foods, Inc. was considered the new reporting entity.

Nature of Business

The Company is a meat processing and distribution company located in the historic Gansevoort "meatpacking district" in lower Manhattan, NY. The Companies operations consist of packing, processing, labeling, and distributing products to a customer base, including, but not limited to; in-home food service businesses, retailers, hotels, restaurants, and institutions, deli and catering operators, and industry suppliers.

DIAMOND RANCH FOODS, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006
 (UNAUDITED)
 (Continued)

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

This summary of accounting policies for Diamond Ranch Foods, Ltd. is presented to assist in understanding the Company's financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and statement of operations for the year then ended. Actual results may differ from these estimates. Estimates are used when accounting for allowance for bad debts, collect ability of accounts receivable, amounts due to service providers, depreciation and litigation contingencies, among others.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

Revenue recognition

The Company derives its revenue from the sale of meat products, and the revenue is recognized when the product is delivered to the customer.

Concentration of Credit Risk

The Company has no significant off-balance sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements.

Fixed Assets

Fixed assets are recorded at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. As of December 31, 2006, depreciation is computed as follows:

Accumulated	Cost	Method
<u>Depreciation</u> <u>Net</u>		
Leasehold Improvements	\$269,906	Strait Line
\$117,514 \$152,392		

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Equipment				<u>303,176</u>	Strait Line
Years	<u>224,920</u>	<u>78,256</u>			
\$573,082			\$342,434	\$230,648	
=====			=====	=====	

Total depreciation expense for the year at December 31, 2006 and 2005 was 65,836 and 66,865 respectively.

DIAMOND RANCH FOODS, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006
(UNAUDITED)
(Continued)

Earnings per Share

Basic gain or loss per share has been computed by dividing the loss for the period applicable to the common stockholders by the weighted average number of common shares outstanding during the years. There are no dilutive outstanding common stock equivalents as of December 31, 2006 and 2005.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No.109, "Accounting for Income Taxes." SFAS No.109 requires recognition of deferred income tax assets and liabilities for the expected future income tax consequences, based on enacted tax laws, of temporary differences between the financial reporting and tax bases of assets and liabilities.

Comprehensive Income

The Company does not have any accumulated comprehensive income items, and therefore, is not required to report comprehensive income.

Inventory

Inventory consists of finished meat products, and is valued at the lower of cost, determined on the first-in, first-out basis (FIFO), or market value.

Advertising

Advertising costs are expensed as incurred.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 141, BUSINESS COMBINATIONS, and SFAS 142, GOODWILL AND INTANGIBLE ASSETS. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. Major provisions of these Statements and their effective dates for the Company are as follows:

- (a) All business combinations initiated after June 30, 2001 must use the purchase method of accounting. The pooling of interests method of accounting is prohibited except for transactions initiated before July 1, 2001.
- (b) Intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights

or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability.

(c) Goodwill, as well as intangible assets with indefinite lives, acquired after June 30, 2001, will not be amortized.

(d) Effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives will no longer be subject to amortization.

(e) Effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator.

(f) Effective January 1, 2002, the useful life of intangible assets with finite lives will be evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization.

(g) All acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

DIAMOND RANCH FOODS, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006
(UNAUDITED)
(Continued)

On April 1, 2003, the Company adopted SFAS 142 and as required, the useful lives of the customer lists were evaluated and the remaining amortization periods adjusted accordingly. Prior to the adoption of SFAS 142, the Company amortized the customer lists over an estimated useful life of fifteen years. Since the adoption of SFAS 142, the Company amortizes the customer lists over an estimated useful life of five years.

NOTE 3 - INCOME TAXES

As of December 31, 2006, the Company had a net operating loss carry-forward for income tax reporting purposes of approximately \$3,900,000 to be offset against future taxable income through 2025. Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited. No tax benefit has been reported in the financial statements, because the Company believes there is a 50% or greater chance the carry-forwards will expire unused. Accordingly, the potential tax benefits of the loss carry-forwards are offset by a valuation allowance of the same amount.

	<u>2006</u>
Net Operating Losses	\$ 96,425
Depreciation	65,836
Valuation Allowance	<u>—</u>
<u>162,261</u>	

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The provision for income taxes differs from the amount computed using the federal US statutory income tax rate as follows:

	<u>2006</u>
Provision (Benefit) at US Statutory Rate	(240,000)
Depreciation	
(38,000)	
Increase (Decrease) in Valuation Allowance	<u>278,000</u>

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The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and cause a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation is reflected in current income.

NOTE 4 - OPERATING LEASE COMMITMENTS

The Company's operating facility is a New York City-owned property consisting of 7,000 sq. ft. The Company leases the space on a month-to-month basis. Rent expense on this space was \$61,398 for the nine months ended December 31, 2006.

NOTE 5 - CAPITAL LEASE COMMITMENTS

The Company has entered into capital leases for the purchase of equipment. The future minimum lease payments are as follows:

<u>Lease Payment</u>	<u>Year</u>	
2006	\$	-
2007		12,065
2008		8,623
2009		-
2010		_____ -
		Total
\$ 20,688		

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DIAMOND RANCH FOODS, LTD
OTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006
(UNAUDITED)
(Continued)

NOTE 6 - NOTES PAYABLE

As of August 26, 2005 the Company agreed to convert indebtedness of \$155,303.07 to Brooks Provisions Inc. into a Note Payable. The Company agreed to pay the principal indebtedness, together with interest accruing at the rate of 10% per annum, in equal payments of \$2,146.04 commencing on September 8, 2005 and continuing weekly for an additional seventy-seven weeks. The Company has the right to prepay the note at any time. As of December 31, 2006 the outstanding balance of the note is \$25,742.

Factoring Line of Credit

On August 28, 2006, the Company entered into an agreement with a factoring corporation. Under the terms of the agreement, the Company would receive 90 percent of the purchase price up front and 10 percent would be held in reserves until the receivables are collected. The term of the agreement is one year, renewable at the Corporations discretion. A discount charge of nine tenths of one per cent is charged, with increases based upon a time frame of receivables outstanding. Receivables over 90 days are returned to the Company.

These factoring lines of credit have been treated as a secured financing arrangement. As of December 31, 2006, the company had factored receivables in the amount of \$1,657,689. Discount provided during factoring of the accounts receivable have been expensed on the accompanying Statements of Operations as Factoring Fees.

NOTE 7 - LOANS PAYABLE

As of December 31, 2006 the Company has an outstanding note payable to a shareholder in the amount of \$1,551,000. This loan carries with it an interest rate of 5% and no payments of interest or principal are due until the due date of September 30, 2009. As of December 31, 2006 interest due on this loan and the loan that follows equals \$107,680.

In September 2006 the Company received \$100,000 for a convertible note bearing interest at 7.5%, convertible at 12/31/2007 to common stock at 12/31/2007 if not repaid.

Both loans have been classified as long term loans payable.

NOTE 8 - MERGER

On May 1, 2004, the shareholders of the Diamond Ranch Foods, Ltd. (formerly Jerry's Inc.) completed a stock purchase agreement with MBC Foods, Inc., a Nevada corporation. The merger was accounted for as a reverse -- merger, with MBC Foods, Inc. being treated as the acquiring entity for financial reporting purposes. In connection with this merger, Diamond Ranch Foods, Ltd., (formerly Jerry's Inc.) issued 31,607,650 shares of common stock for the acquisition of MBC Foods, Inc. This was recorded as a reverse merger and shown on the Statement of Stockholders Equity as a net issuance of 25,692,501 shares.

For financial reporting purposes, MBC Foods, Inc. was considered the new reporting entity.

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

<u>2004</u>	<u>May 1,</u>
Assets:	\$
-	
=====	
Liabilities:	\$
-	
Equity:	
Common Stock	
2,569	
Paid-In Capital	
5,333	
Retained Deficit	_____
=	
Total Stockholders Equity	_____ -
Total Liabilities and Equity	\$ -
=====	

The aggregate purchase price was 25,692,501 common shares.

DIAMOND RANCH FOODS, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006
(UNAUDITED)
(Continued)

NOTE 9 - STOCK TRANSACTIONS

On April 17, 2006 the Company issued 1,000,000 shares of restricted common stock in exchange of \$165,000. These shares of stock were valued at \$0.165 per share.

On April 17, 2006 the Company issued 150,000 shares of restricted common stock in exchange of \$20,000. These shares of stock were valued at \$0.133 per share.

During the period from July 1, 2006 to September 30, 2006 the Company issued 4,800,000 shares of stock at prices between .10 and .24 per shares.

During the quarter ended December 31, 2006 the Company issued 5,000,000 shares of stock. Of this total 3,000,000 was issued for cash at prices between 8 and 10 cents, and 2,000,000 for services at the market price of 8 cents to be amortized over the life of the contract expiring in April 2008.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

This statement includes projections of future results and "forward looking statements" as that term is defined in Section 27A of the Securities Act of 1933 as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). All statements that are included in this Quarterly Report, other than statements of historical fact, are forward looking statements. Although management believes that the expectations reflected in these forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

SALES

Our revenues from operations for the three months ended December 31, 2006 were \$3,925,441 compared to \$3,196,133 for 2005, a 18.6% increase or \$729,308.

Revenues for the nine months were \$9,562,396 for 2006 compared to \$9,983,434 for 2005 a decrease of \$421,038 or 4.2%.

While the above indicates less sales, the drop we believe is solely due to the fact that we upgraded the type of product we are selling to those products at a higher markup.

The company continues to work on a daily basis to bring in new product, either by the request of the customer, or by management's initiative, to capture more of our existing customers' business. Using a personal approach with customers, our salesmen work to satisfy their specific needs as well as their general product requirements. We intend to grow at a steady and proportionate rate, and therefore, would project that the coming quarter's growth increase would be the same ratio of 80% existing customer vs. 20% new customer. To continue operations in a controlled and manageable fashion, we seek to add approximately 5 new customers per week, or approximately 20 customers per month.

COST OF SALES AND GROSS PROFIT

Our cost of sales for the three months ended December 31, 2006 was \$3,279,186, generating a gross profit of \$646,253, or 16.5%.

Cost of Sales for the same period in 2005 was \$2,674,809, resulting in a gross profit of \$521,524 or 16.3%.

Revenues increased by 18.6% in comparison to the three months in 2005, this increase is a direct result of the company's continued sales growth.

Cost of Sales for the nine months were \$7,684,664 compared to \$8,437,429 in 2005 resulting in a gross profit in 2006 of \$1,877,732 compared to \$1,546,005 in 2005. Gross Profit as a percentage of sales increased in 2006 to 19.63 from 15.49%. Management expects gross profits to increase as revenues increase and the cost of sales decrease. A decrease in sales costs could be attributed to many factors, including, but not limited to decrease in food costs and decreased product costs due to outsourcing manufactured products and various conditions outside the control of the Company.

For the nine months ended December 31, 2006, we have increased our margins by outsourcing manufactured products and eliminating low margin sales to jobber trade as compared to those in fiscal year ended March 31, 2006. We will continue to grow through increased sales efforts made by our management team using standard marketing procedures, such as in-person sales visits and demonstrations and "warm" referrals through existing clientele. We acquired the

client list of Steiger Meats in September 2004 in exchange for 200,000 shares of restricted common stock, recorded at \$0.39 per share, adding approximately 40-50 new customers to our existing roster and representing less than 10% of our gross annual sales. The intangible asset created by this acquisition had been written off in the third quarter ended December 31, 2004 as is reflected in our Statement of Operations for the fiscal year ended March 31, 2005. These customers have continued their patronage with our company through the quarter ended December 31, 2006 and have increased their order sizes to include additional items we offer. Increases in revenue can also be attributed to existing clients, who are responsible for managing multiple hotel and restaurant chains, introducing our products to additional locations. Our second largest client, who is responsible for approximately 3.1% of our gross sales, manages almost 20 separate accounts that are current users of our products.

Expanding the business will not impact the benefit of being a smaller meat processor and distributor. Increasing our customer base will not categorize our operation as a larger meat processor and distributor. We will be able to give the same advantages and price competitiveness to our clients with the influx of new customers. We intend to control and manage growth as it occurs and to maintain operations as they currently exist. Should growth exponentially increase, we will hire more personnel, or seek a larger facility. The revenue increase from new customers would allow for us to pay for this expansion.

EXPENSES

Our expenses for the three months ended December 31, 2006 was \$911,981, which was a increase of \$246,559 over the amount of 665,422 for the three months ended December 31, 2005. This increase was mostly attributable to increases in our sales force and general and administrative costs.

Our expenses for the nine months were \$1,977,577 compared to \$1,962,614 a decrease of \$14,963. Payroll reductions for the nine months were offset by higher general and administrative costs.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended December 31, 2006; the Company's cash used in operating activities totaled \$920,975 and cash provided by financing activities was \$908,955.

PLAN OF OPERATION

For the next twelve months we plan to operate the business using our new methods. We will continue to outsource manufactured products. We will continue to increase sales using commission-based salesmen. We are able to satisfy our cash requirements, material commitments, and applicable filing fees anticipated under our obligations of the Exchange Act. For our company to continue as a fully-reporting entity, we estimate our annual accounting and filing fees to be \$35,000, and our legal fees to be \$15,000, which will also be satisfied by existing operations. Management is committed to supplement any cash shortfall, or relinquish their salaries, or a portion thereof, if cash flow from operations does not cover our cash requirements. Certain shareholders of the Company have also committed to meet our operating expenses if needed.

We anticipate incurring material research and development costs during the next 12 months, which we will pay for by selling our common stock. We anticipate spending funds on research and development to further develop the Diamond Ranch Foods brand name, to include new packaging and marketing materials. We also plan to establish a new product line for distribution of pre-cooked poultry and meat items. Such a product line would give current and new customers access to a fully-cooked product for those businesses that do not have the facilities to prepare raw, uncooked materials. Additionally, we do not anticipate the acquisition or sale of material property, plant or equipment during the next 12 months.

Management continuously evaluates operating practices and is ready to make modifications to our present-day operations when necessary. We feel we are improving since our losses have decreased. With a continuous increase in revenues and the continued implementation of stringent purchasing controls, we believe an increase in gross profit will occur, leading to increased net profits. The Company's long-term existence is dependent upon our ability to execute our operating plan and to obtain additional debt or equity financing to fund payment of obligations, provide working capital for operations. There can be no assurance the necessary debt or equity financing will be available, or will be available on terms acceptable to the Company.

We intend to expand our business through acquisitions of additional meat distribution operations, but would require obtaining debt or equity financing to finance this future growth as is indicated in our auditor's going concern opinion. In preparation for such expansion, we have engaged in several substantive discussions with prospective equity investors. To date, no terms have been finalized or contracts signed, and although there is no guarantee, we anticipate finalizing favorable financing terms for our business to continue as a going concern.

SALES AND COLLECTION PROCEDURES

We retained the services of a new factor to act as our invoice factoring company. They fully manage our sales ledger and provide us with credit control and collection services of all our outstanding debts. We send all of our sales invoices and receive a 90% cash advance of the invoice amount. The balance, less service fee, is paid when the customer makes payment directly to them.

We elect to factor our receivables to immediately access cash owed to our company so it may be used to purchase the raw materials for our products whose vendors require payment on receipt. By having our cash unlocked from the unpaid invoices, we are afforded a smoother, more consistent cash flow, which enhances purchasing power and provides for the accurate prediction of payment. Typically, we'd have to wait 30-45 days to receive payment on invoices for products that have already been delivered, not accounting for late-payers. Because we offer our customers payment terms, there is a minimal time period that must elapse prior to our reimbursement by the factoring company. We have a sizeable customer base, we don't rely on any few customers to sustain operations, and our clientele does have favorable reputations in the industry, but we still elect not to be dependent on timely payments for our receivables since these funds need to be recycled for our next-day fresh product purchases. Working with an invoice

factoring company eliminates the threat of non-payment, cash shortfalls, and enables an increased focus on revenue generation than bill collection.

ACQUISITIONS

We will need to raise additional funds should management decide to acquire existing like-minded businesses. Certain candidates have been identified however no definitive agreements exist. We have targeted several businesses for acquisition in New York City. We would acquire 100% of the stock and operations of these entities, including, without limitation, all rights, title know-how, assignment of property leases, equipment, furnishings, inventories, processes, trade names, trademarks, goodwill, and other assets of every nature used in the entities' operations.

All of the facilities that may be acquired are centrally located within the historic Gansevoort market in lower Manhattan, thus affording the company the ability to take advantage of the economies of scale for delivery, purchasing, and other daily operating responsibilities.

If we were successful in raising funds through the sale of our common stock, and will be able to enter into negotiations for the purchase of any and/or all of the selected businesses, initially no changes in day-to-day operations in any acquired facilities would be necessary.

No negotiations have taken place, and no contracts have been entered into, to purchase any such businesses described herein. We assume that if such purchase(s) were to be completed, additional funds would be required to renovate the existing facilities, as well as improve or replace machinery as prescribed by the existing landlord or pursuant to USDA regulation.

We anticipate no significant changes in the number of employees within the next twelve months.

TRENDS

Management has perceived a variety of recent trends that have had a material impact on our current revenues and our projected revenues for the coming quarters. Meat consumption has dramatically increased overall due to dieting habits; most famously known is The Atkins Diet, as well as other diets, that emphasize high-protein, low-carbohydrate intake. These diets suggest eating meats, including red, instead of high carbohydrate foods, and specifically recommend avoiding refined carbohydrates. High protein consumption has become a part of American culture, more than a societal tendency, in that in order to meet increasing customer requests for low-carb type items, one of our customers, TGI Friday's, has become an Atkins Nutritional Approach partner by featuring a selection of Atkins-approved menu items. We consider that the market research conducted by this customer was ample to effectuate such a menu change and concurs with our perception that the demand for beef, poultry, and other meats is a continuing and upwards trend. We substantiate the same claims through our own customers' purchasing trends which are evidenced by our increased revenues. The marketplace also indicates that poultry consumption is rising steadily. In order to maximize this trend, we are expanding our pre-cooked poultry offerings to all food providers, as well as those without full-service cooking establishments. Aside from the lack of a cooking facility, many purveyors seek pre-cooked poultry for safety reasons since these products offer a significantly low safety risk at causing bacterial cross-contamination. We offer pre-cooked items currently, and feel that making the investment to market these products under own branded name will increase our revenue due to heightened product awareness and our reputation for quality-conscious production methods.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 3. CONTROLS AND PROCEDURES

Diamond Ranch Foods, Ltd. management, including the Principal Executive Officer and Principal Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c) and 15d-14(c). Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this quarterly report has been made known to them in a timely fashion. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date the Principal Executive Officer and Principal Financial Officer completed their evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGE IN SECURITIES AND USE OF PROCEEDS

On April 14, 2005 the Company issued 75,000 shares of restricted common stock in exchange for the settlement of an accounts payable. These shares of stock were valued at \$0.17 per share.

On April 17, 2006 the Company issued 1,000,000 shares of restricted common stock in exchange of \$165,000. These shares of stock were valued at \$0.165 per share.

On April 17, 2006 the Company issued 150,000 shares of restricted common stock in exchange of \$20,000. These shares of stock were valued at \$0.133 per share.

From July 1, 2006 to September 30, 2006 the Company issued 4,800,000 shares of stock valued at between .10 and .24 cents per share

From October 1, 2006 to December 31, 2006 the Company issued 5,000,000 shares of stock at prices between .08 and .10 cents per share.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None for the quarterly reporting period ended December 31, 2006.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 10QSB

Exhibits

Diamond Ranch Foods, Ltd. includes herewith the following exhibits:

Number Description

31 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Reports on Form 8-K

No filings were made during the period covered by this report.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Diamond Ranch Foods, Ltd. (Registrant)

DATE: February 9, 2007

By: /s/ Louis Vucci, Jr.

Louis Vucci, Jr., President and Director

DATE: February 9, 2007

By: /s/ William DeMarzo

William DeMarzo, Chief Financial Officer