Diamond Ranch Foods, Ltd., NEW
Form 10QSB
November 14, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB
(MARK ONE)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED: September 30, 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	20-138985
(State or other jurisdiction of Incorporation or organization)	(IRS Employer Identification No)

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 November 10, 2006, there were 63,646,150 shares of the Issuer's common stock, par value $0.0001, issued.

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

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DIAMOND RANCH FOODS, LTD.
BALANCE SHEETS
(Unaudited)

	(Unaudited) September 30, 2006	March 31, 2006
ASSETS:		
Current Assets:		
Inventory	362,121	169,827
Prepaid Expenses	110,000	140,000
Accounts Receivable - Net	1,376,433	1,654,394
Total Current Assets	1,848,554	1,964,221
Fixed Assets - Net	253,566	308,669
Other Assets:		
Cash Exchange	-	6,500
Deposits	11,800	11,800
Total Other Assets	11,800	18,300
Total Assets	2,113,920	2,291,190
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Bank Overdraft	36,607	211,915
Accounts Payable and Accrued Expenses	813,866	1,518,979
Factoring Line of Credit	1,076,170	1,406,645
Exchange Note	-	240,000
Notes Payable Brooks Provisions	51,757	107,303
Capital Lease Obligation	10,182	9,958
Total Current Liabilities	1,988,582	3,494,800
Non-current Liabilities:		
Capital Lease Obligation	13,052	18,228
Shareholder Loans	1,651,000	971,000
Interest Payable	86,417	58,925
Total Long Term Liabilities	1,750,469	1,048,153
TOTAL LIABILITIES	3,739,051	4,542,953
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred Stock, par value $.0001, 20,000,000 shares Authorized, 0 shares issued at Sept 30 and March 31, 2006	-	-

Common Stock, par value $.0001, 500,000,000 shares Authorized, 63,646,150 and 57,696,150 shares issued at Sept 30 and March 31, 2006	6,365	5,769
Additional Paid-In Capital	1,697,039	1,116,634
Subordinated Debt	408,779	492,100
Retained Earnings (Deficit)	(3,737,314)	(3,866,266)
Total Stockholders' Deficit	(1,625,131)	(2,251,763)
Total Liabilities and Stockholders' Deficit	2,113,920	2,291,190

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

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DIAMOND RANCH FOODS, LTD
STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended Sept. 30		For the six months ended Sept. 30	
	2006	2005	2006	2005
Revenues	2,889,508	3,228,745	5,636,955	6,787,101
Cost of Goods Sold	2,266,294	2,701,388	4,405,476	5,762,620
Gross Profit	623,214	527,357	1,231,479	1,024,481
Expenses:				
Payroll	217,280	265,540	375,100	549,965
Factoring Fee	85,296	86,492	163,800	161,840
Rent Expense	65,693	45,144	123,007	96,587
Depreciation & Amort.	22,918	21,901	42,918	43,802
General & Admin.	128,111	133,496	222,986	285,351
Sales Commission	65,235	83,226	137,786	158,484
Total Expenses	584,533	635,799	1,065,597	1,296,029
Operating Income (Loss)	38,681	(108,442)	165,882	(271,548)
Interest Expense	(18,409)	(12,672)	(36,910)	(27,686)
Net Income (Loss)	20,272	(121,114)	128,972	(299,234)
Basic & diluted loss per share	-	-	-	(0.01)
Weighted Avg. Shares Outstanding	59,430,765	56,689,300	59,138,456	56,691,617

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

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

	For the six months ended September 30 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit (Loss)	$128,972	($299,234)
Adjustments to reconcile net loss to net cash Provided by operating activities		
Depreciation and Amortization	42,918	43,802
Stock issued		12,750
(Increase) Decrease in Inventory	(192,294)	(17,116)
(Increase) Decrease in Accounts Receivable	277,961	(409,775)
(Increase) Decrease in Deposits and Prepaids	36,500	-
(Decrease) Increase in Accounts Payable and Accrued Expenses	(880,421)	28,895
(Decrease) Increase in Interest Payable	27,492	18,069
Net Cash Used in Operating Activities	(558,872)	(624,589)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment/Sale	12,167	(5,568)
Net Cash Used in Investing Activities	12,167	(5,568)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Capital Lease Obligation	(4,953)	(4,407)
Factoring Payable	(330,475)	160,044
Shareholder and Related Party Loans	680,000	470,500
Payments on Notes Payable	(378,867)	-
Stock Issued in Exchange for Cash	581,000	-
Bank Overdraft	-	4,020
Net Cash Provided by Financing Activities	546,705	630,157
Net (Decrease) Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Period	-	-
Cash and Cash Equivalents at End of Period	$ -	$ -

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 9,418	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Stock issued in asset acquisition agreement	$ -	$ -
Stock issued for services	$ -	$ -

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

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DIAMOND RANCH FOODS, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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.

While the Company has incurred a net profit of $20,272 for the quarter ended September 30, 2006 and a net profit of $128,972 for the six months then ended, it has a negative stockholders equity of $1,625,131 and has a negative current ratio of $140,028. These results show substantial improvement as to the Company's ability to continue as a going concern.

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
SEPTEMBER 30, 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 September 30, 2006, depreciation is computed as follows:

	Cost	Method	Life	Accumulated Depreciation	Net
Leasehold Improvements	$269,906	Strait Line	10 Years	$110,766	$159,140
Equipment	303,176	Strait Line	3-5 Years	208,750	94,426
	$573,082			$319,516	$253,566

Total depreciation expense for the year at September 30, 2006 and 2005 was 42,918 and 43,802 respectively.

DIAMOND RANCH FOODS, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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 September 30, 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
SEPTEMBER 30, 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 September 30, 2006, the Company had a net operating loss carry-forward for income tax reporting purposes of approximately $3,699,064 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.

	2006
Net Operating Losses	110,000
Depreciation	42,918
Valuation Allowance	-152,918
	0

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

	2006
Provision (Benefit) at US Statutory Rate	
Depreciation	
Increase (Decrease) in Valuation Allowance	

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 was $40,932 for the six months ended September 30, 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:

Year	Lease Payment
2006	$4,980
2007	10,881
2008	7,346
2009	-
2010	-
Total	$23,401

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DIAMOND RANCH FOODS, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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 September 30, 2006 the outstanding balance of the note is $51,757.

Factoring Line of Credit
On August 28, 2006, the Company entered into an agreement with a factoring corporation wherein the factor will purchase the majority of the Company's account receivable. Under the terms of the agreement, the Company would receive 90 to 94 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 September 30, 2006, the company had factored receivables in the amount of $1,280,623. 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 September 30, 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 September 30, 2006 interest on this loan is $86,418.
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.
The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

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.

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DIAMOND RANCH FOODS, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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.

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 September 30, 2006 were $2,889,508 compared to $3,228,745 for 2005, a 10.5% decrease or $339,237.

Revenues for the six months were $5,636,955 for 2006 compared to $6,787,101 for 2005 a decrease of $1,150,146 or 17%.

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 which is clearly shown in cost of sales and gross profit.

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 September 30, 2006 was $2,266,294, generating a gross profit of $623,214, or 21.57%.

Cost of Sales for the same period in 2005 was $2,701,388, resulting in a gross profit of $527,357 or 16.33%.

Although revenues decreased by 10.5% in comparison to the three months ended September 30, 2005, this decrease is a direct result of the company's April 1, 2006 decision to eliminate the low profit jobber trade.

Cost of Sales for the six months were $4,405,476 compared to $5,762,620 in 2005 resulting in a gross profit in 2006 of $1,231,479 compared to $1,024,481 in 2005. Gross Profit as a percentage of sales increased in 2006 to 21.85% from 15.09%. 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 six months ended September 30, 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 September 30, 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 September 30, 2006 was $584,533, which was a decrease of $51,266 over the amount of $635,799 for the three months ended September 30, 2005. This decrease was mostly attributable to the decrease in size of our workforce due to the outsourcing of our manufacturing.

Our expenses for the six months were $1,065,597 compared to $1,296,029, a decrease of $230,432. This again was mostly attributed to a decrease in workforce, and sales commissions based upon lower revenues.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended September 30, 2006; the Company's cash used in operating activities totaled $558,872 and cash provided by financing activities was $546,705.

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 our attempts to be more efficient have proven viable since our profits have increased for the three months ended September 30, 2006 as compared to losses for the three months ended September 30, 2005. 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 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 September 30, 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: November 10, 2006

By: /s/ Louis Vucci, Jr.
Louis Vucci, Jr., President and Director

DATE: November 10, 2006

By: /s/ William DeMarzo
William DeMarzo, Chief Financial Officer