

# **AREA 3**

## **COST REPLACEMENT HEARING DEALER REBUTTAL EXHIBITS**

**MARCH 3, 2021**

### PMMB AREA 3

#### MARCH 3, 2021 COST REPLACEMENT HEARING

#### INDEX OF REBUTTAL EXHIBITS

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC**

Rebuttal Exhibit D1	Ronald W. Mong, CPA Curriculum Vitae
Rebuttal Exhibit D2	Processing, Packaging and Delivery Costs/Point
Rebuttal Exhibit D2-A	Cost Replacement Adjustments for Processing, Packaging and Delivery Costs
Rebuttal Exhibit D3	Summary of Current Container Costs with Adjustments for Shrinkage and Loss and Update to Current Month
Rebuttal Exhibit D3-A	Adjusted Container Costs Compared to Current Month Container Costs
Rebuttal Exhibit D4	Summary of Current Ingredient Costs
Rebuttal Exhibit D4-A	Cost Replacement Adjustments for Ingredients
Rebuttal Exhibit D5	Weighted Cost of Shrinkage and Weighted Costs and Revenues from Bulk Cream and Bulk Milk
Rebuttal Exhibit D6	Butterfat Content of Price Controlled Products
Rebuttal Exhibit D7	Cost Increases (Decreases) for Labor, Insurance and Utility Costs
Rebuttal Exhibit D8	Changes in Diesel Fuel Costs
Rebuttal Exhibit D9	Changes in Heating Fuel Costs (Natural Gas)
Rebuttal Exhibit D10	Adjustments for Container Efficiencies Due to Container Size
Rebuttal Exhibit D11A	Calculation of Minimum Wholesale Price Gallon Reduced Fat Milk (2%)
Rebuttal Exhibit D11B	Calculation of Minimum Wholesale Price Half Pint Flavored Nonfat Milk (Skim)

**Ronald W. Mong, CPA**  
***Curriculum Vitae***

**EDUCATION**

Pennsylvania State University – B.S. Degree in Accounting, High Distinction (1977)

**EMPLOYMENT**

**Herbein + Company, Inc., Reading, PA**

2003 to present

Senior Manager – Dairy Consulting

- Cost benchmarking
- Milk shrinkage reduction projects
- Dairy accounting seminars
- Regulatory issues – PA Milk Marketing Board, Federal Milk Marketing Orders, other state regulatory agencies
- Mergers and acquisitions
- Specialized financial reporting for dairy businesses
- Software installation assistance
- Dairy cost accounting for basic and complex products

**Wilcox Farms, Inc., Roy, WA**

2001 – 2003

Director of Finance & Administration (CFO)

- Developed and implemented a Balanced Financial Scorecard
- Supervised and trained accounting, office, and information technology staff at multiple locations
- Negotiated innovative bank financing package that significantly lowered interest costs
- Successfully managed the financial, banking, and accounting aspects of a significant acquisition

**Herbein Consulting, Inc., Reading, PA**

1999 – 2001

Manager – Dairy Financial Consulting

- Performed a variety of financial consulting services to dairy processing plants of varying sizes, product lines, and locations
- Served as interim CFO for dairy companies during personnel transitions
- Developed content for the IDFA Dairy Cost Accounting workshops

**Ronald W. Mong, CPA**

**Schneider's Dairy, Inc., Pittsburgh, PA**

1996 – 1999

General Manager, Mong Dairy Division

- Profitably managed and grew an ice cream manufacturing and dairy distribution business
- Successfully managed transition from non-union to union workforce
- Effectively directed sales, purchasing, personnel, distribution, maintenance, and accounting functions

**Mong Dairy, Inc., Seneca, PA**

1990 – 1996

President

- Expanded market share and distribution area
- Increased product lines and installed new packaging line
- Effectively positioned company for sale

1979 – 1990

Vice President and Controller

- Selected, planned, and installed first computerized accounting system
- Successfully reorganized work to reduce office staff by 50%
- Increased sales with key accounts
- Developed and implemented financial reporting

**Arthur Andersen & Co., Pittsburgh, PA**

1977 – 1979

Senior Accountant

- Supervised audit and tax work for a variety of public and private clients

**PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS**

CPA – Commonwealth of Pennsylvania

Firm Member – Allinial Global

Member – American Institute of Certified Public Accountants (AICPA)

Member – Pennsylvania Institute of Certified Public Accountants (PICPA)

Board of Directors – Pennsylvania Association of Milk Dealers

Board of Directors, Secretary-Treasurer – National Ice Cream Mix Association

Board of Governors & Insurance Committee – Manufacturer's Association of Northwest Pennsylvania

Board of Directors – Oil City Area Chamber of Commerce

Board of Directors (charter) – MilkPEP

Chairman of the Board – Oil City Housing Authority

Submitted: February 19, 2021

**Ronald W. Mong, CPA**

**PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS (Cont'd)**

Board of Directors – Venango County United Way

Chairman of Administrative Board – Calvary United Methodist Church

Distinguished Service Award – Oil City Jaycees

**COURSES INSTRUCTED**

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 66, 2006

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 66, 2007

Dairylea Cooperative – Dairy Accounting 101 & 102 – May 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 64, 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 63, 2009

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 61-12, 2010

Dean Foods – Northeast Marketing Area Federal Order 1 – July 20-21, 2010

International Dairy Foods Association (IDFA) NEW Dairy Cost Accounting Workshop – NOVEMBER 61, 2011

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – NOVEMBER 65-16, 2012

Farmland Dairy – Dairy Accounting Workshop – August 21-22, 2012

Wawa – Dairy Accounting Workshop – November 7, 2012

HP Hood – Dairy Accounting Workshop – February 12-13, 2013

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – NOVEMBER 64-15, 2013

Saputo Dairy – Dairy Accounting Workshop – April 15, 2014

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 20-21, 2014

Webinar – Intro to Dairy Product Costing – September 10, 2014

Webinar – Applying Dairy Product Costing to Finished Products – September 17, 2014

Webinar – Advanced Milk Accounting Topics – September 24, 2014

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – NOVEMBER 12-13, 2015

Rutter's – Dairy Accounting Workshop – November 4, 2015

Dean Foods – Dairy Accounting Workshop – April 27, 2016

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – November 16-17, 2016

Kemps LLC – Dairy Accounting Workshop – December 15, 2016

Byrne Dairy – Dairy Accounting Workshop – April 11-12, 2017

Submitted: February 19, 2021

## **Ronald W. Mong, CPA**

### **COURSES INSTRUCTED (Cont'd)**

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop –  
December 12-13, 2017  
Dean Foods – Dairy Accounting Workshop – January 10, 2018  
Webinar Series – California Federal Milk Marketing Order – September 13, 20, & 27, 2018  
Dairy Institute of California - Milk Pricing & Cost Accounting Workshop – October 17-18, 2018,  
October 24-25, 2018  
Readington Farms - Milk Pricing & Cost Accounting Workshop – January 14-15, 2019  
Maryland & Virginia Milk Producers Cooperative - Milk Pricing & Cost Accounting Workshop –  
January 31- February 1, 2019  
Johanna Foods- Milk Pricing & Cost Accounting Workshop – July 29-30, 2019  
Dairy Farmers of America- Milk Pricing & Cost Accounting Workshop – September 19-20, 2019

### **SPECIFIC DAIRY RELATED EXPERIENCE**

Considerable experience in implementing the prices and regulations of the Pennsylvania Milk Marketing Board; has presented sworn testimony in General Price Hearings.  
Extensive experience in costing, pricing, and marketing of milk, cultured products, and ice cream.  
Significant experience in production, distribution, and quality assurance of dairy products.  
Management experience includes both union and non-union environments.  
Great deal of experience in the installation and ongoing operation of the major computerized route accounting systems.  
Served on the Charter of Board of Directors of the National Fluid Milk Promotion Board (MilkPEP), the group that developed the now-famous “milk mustache” ads.

### **EXPERT WITNESS TESTIMONY**

Pennsylvania Milk Marketing Board – Expert Testimony – Over Price Premium Adjustment Hearing (hearing held February 2, 2005)  
Pennsylvania Milk Marketing Board – Expert Testimony – Area 5 and Area 6 Cost Replacement Hearings (hearings held on March 11, 2019)  
Pennsylvania Milk Marketing Board – Expert Testimony – Area 2 and Area 4 Cost Replacement Hearings (hearings held on April 3 and May 1, 2019)  
Pennsylvania Milk Marketing Board – Expert Testimony – Area 1 and Area 3 Cost Replacement Hearings (hearings held on May 1, 2019)  
Pennsylvania Milk Marketing Board – Expert Testimony – Over Price Premium Calculation Hearing (hearings held on August 5, 2020)  
Pennsylvania Milk Marketing Board – Expert Testimony – Cooperative Procurement Costs (hearings held on October 5, 2020)  
Pennsylvania Milk Marketing Board – Expert Testimony – Area 1, Area 2 and Area 4 Cost Replacement Hearings (hearings held on February 3, 2021)

Submitted: February 19, 2021

## PMMB AREA 3

## MARCH 3, 2021 COST REPLACEMENT HEARING

PROCESSING, PACKAGING AND DELIVERY COSTS/POINT  
(WEIGHTED AVERAGE BASED ON SALES IN AREA 3)

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC

<u>Cost Center</u>	<u>Total 2019 Points in PMMB Area 3 (1)</u>	<u>Weighted Average 2019 Cost/Point (1)</u>
Receiving, lab and field work	102,042,135	\$ 0.0172
Standardization and pasteurization	145,321,489	0.0234
Bottling	137,947,308	0.0428
Cold room	152,763,947	0.0413
Delivery	111,792,283	0.1307
Selling	109,529,290	0.0258
		<u>\$ 0.2812</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 3 for the cross-section dealers.

PMMB AREA 3

MARCH 3, 2021 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC

	<b>2019 Weighted Average Cost/Point</b>	<b>2018 Cost/Point Included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Receiving, lab and field work	\$0.0172	\$0.0191	(\$0.0019)
Standardization and pasteurization	0.0234	0.0198	0.0036
Bottling	0.0428	0.0397	0.0031
Cold room	0.0413	0.0388	0.0025
Delivery	0.1307	0.1218	0.0089
Selling	<u>0.0258</u>	<u>0.0270</u>	<u>(0.0012)</u>
Sub total	\$0.2812	\$0.2662	\$0.0150
Add:			
2020 Cost increase (decrease) adjustment - Exhibit D7			0.0068
Less:			
2019 Cost (increase) decrease adjustment (1)			<u>(0.0030)</u>
Net change			<u><u>\$0.0188</u></u>

(1) Per General Order No. A-962 (CRO 10).



**PMMB AREA 3  
MARCH 3, 2021 COST REPLACEMENT HEARING**

**SUMMARY OF CURRENT CONTAINER COSTS WITH ADJUSTMENT FOR SHRINKAGE AND LOSS AND  
UPDATE TO CURRENT MONTH**

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid,  
LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid,  
LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain  
Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC**

<b>Container Size</b>	<b>April 2020 Container Cost (1)</b>	<b>Adjust from April 2020 to December 2020 - Current (2)</b>	<b>Subtotal</b>	<b>Calculated Shrinkage and Loss (4)</b>	<b>Shrinkage Cost</b>	<b>Total Container Cost</b>
Gallon (5)	\$ 0.1997	\$ (0.0178)	\$ 0.1819	1.77%	\$ 0.0032	\$ 0.1851
1/2 gallon - plastic	0.1502					
1/2 gallon - paper	(3)					
2 gallon - blended (5)	<u>0.1502</u>	(0.0098)	0.1404	1.26%	0.0018	0.1422
Quart - plastic	0.1070					
Quart - paper	(3)					
Quart - blended (5)	<u>0.1070</u>	0.0193	0.1263	1.57%	0.0020	0.1283
Pint - plastic	0.0814					
Pint - paper	(3)					
Pint - blended (5)	<u>0.0814</u>	0.0039	0.0853	1.62%	0.0014	0.0867
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.0704	0.0033	0.0737	0.92%	0.0007	0.0744
1/2 pint - paper (5)	0.0190	0.0054	0.0244	0.85%	0.0002	0.0246
Four ounce - paper	0.0182		0.0182	1.53%	0.0003	0.0185
Dispenser	0.0340		0.0340	1.30%	0.0004	0.0344

- (1) For containers not purchased in April 2020 the most recent invoice was used.
- (2) November 2020 container costs were used by the PMMB to establish minimum resale prices for December 2020.
- (3) Container not packaged in this Area.
- (4) Calculated based on actual container loss from a state-wide cross section of processing dealers for controlled containers used during the period January – March 2009. This state-wide cross section is composed of every processing dealer that participates in a cost replacement hearing.
- (5) Current container costs would replace these costs monthly when the PMMB minimum resale prices are announced.

## PMMB AREA 3

## MARCH 3, 2021 COST REPLACEMENT HEARING

ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH  
CONTAINER COSTS – DECEMBER 2020

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC

<u>Container Size</u>	<u>Adjusted Container Costs from Exhibit D3</u>	<u>Container Costs in Current Prices (1)</u>	<u>Difference</u>
Gallon (2)	\$ 0.1851	\$ 0.1894	\$ (0.0043)
Half Gallon (2)	0.1422	0.1358	0.0064
Quart (2)	0.1283	0.1384	(0.0101)
Pint (2)	0.0867	0.0859	0.0008
1/2 pint - plastic (2)	0.0744	0.0658	0.0086
1/2 pint - paper (2)	0.0246	0.0287	(0.0041)
Four ounce - paper	0.0185	0.0236	(0.0051)
Dispenser (per quart)	0.0344	0.0358	(0.0014)

(1) Per General Order No. A-962 (CRO 10) as updated.

(2) These container costs to be updated monthly.

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0498. PMMB resale price schedules show the ½ pint paper price. \$0.0498 is the plastic add-on.

**REBUTTAL EXHIBIT D4**

**PMMB AREA 3**

**MARCH 3, 2021 COST REPLACEMENT HEARING**

**SUMMARY OF INGREDIENT COSTS  
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 3)**

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC**

	April 2020 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Lowfat (1%) milk	.0001
Nonfat (skim) milk	.0006
Flavored milk	.0401
Flavored reduced fat milk	.0320
Flavored nonfat milk	.0258
Buttermilk	.0048
Eggnog	.1991

(1) For ingredients not purchased in April 2020 the most recent invoice was used.

PMMB AREA 3

MARCH 3, 2021 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC

	2019 Weighted Average Cost/Pound	Cost/Pound included in Existing Order (1)	Increase (Decrease)
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0001	0.0000
Lowfat milk (1%)	0.0001	0.0001	0.0000
Nonfat milk (skim)	0.0006	0.0006	0.0000
Flavored milk (2)	0.0401	0.0427	(0.0026)
Flavored reduced fat milk (2)	0.0320	0.0353	(0.0033)
Flavored nonfat milk (2)	0.0258	0.0273	(0.0015)
Buttermilk	0.0048	0.0061	(0.0013)
Eggnog	0.1991	0.1631	0.0360

(1) Per General Order OGO A-962 (CRO 10) as updated for flavored milks on October 1, 2020.

(2) Ingredient costs to be updated on a quarterly basis for flavored milk, flavored reduced fat milk and flavored nonfat milk. Updates should be effective on January 1, April 1, July 1 and October 1.

**PMMB AREA 3**  
**MARCH 3, 2021 COST REPLACEMENT HEARING**  
**WEIGHTED COST OF SHRINKAGE AND WEIGHTED COSTS AND REVENUES FROM BULK CREAM AND BULK MILK**

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC**

<u>PMMB Area 3</u>	<u>Costs</u>	<u>Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 1,211,924		\$ 1,211,924		
Bulk milk revenue minus milk costs		87,447			
Bulk milk cost center costs & freight	101,066				
Net bulk milk cost (revenue)			13,619		
Bulk cream revenue minus milk costs		827,939			
Bulk cream cost center costs	259,235				
Net bulk cream cost (revenue)			(568,704)		
Total	<u>\$ 1,572,225</u>	<u>\$ 915,386</u>			
Net cost (net revenue) - calendar year 2019			\$ 656,839	194,826,151	\$ 0.0034
Net cost (net revenue) in current order - calendar year 2018			<u>\$ (197,423)</u>	192,767,643	<u>(0.0010)</u>
Net change - cost increase (cost reduction)			<u>\$ 854,262</u>		<u>\$ 0.0044</u>

## PMMB AREA 3

## MARCH 3, 2021 COST REPLACEMENT HEARING

## BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC

	<b>2019 Weighted Average Butterfat Test</b>	<b>Butterfat Test included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	3.2791%	3.2750%	0.0041%
Reduced fat milk (2%)	1.9868%	1.9840%	0.0028%
Lowfat milk (1%)	0.9837%	0.9769%	0.0068%
Nonfat milk (skim)	0.0864%	0.0785%	0.0079%
Flavored milk	3.2658%	3.2826%	-0.0168%
Flavored reduced fat milk	1.2347%	1.1865%	0.0482%
Flavored nonfat milk	0.0989%	0.0982%	0.0007%
Buttermilk	2.1047%	2.0842%	0.0205%
Eggnog	6.9028%	7.0530%	-0.1502%

(1) Per General Order No. A-962 (CRO 10)

## PMMB AREA 3

## MARCH 3, 2021 COST REPLACEMENT HEARING

## COST INCREASES (DECREASES) FOR LABOR, INSURANCE AND UTILITY COSTS

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC

Type of Expense	Weighted Expenses for the Six Months Ended June 30 (1)		Weighted Points for the Six Months Ended June 30 (1)		Cost Per Point		Increase (Decrease) Per Point
	2020	2019	2020	2019	2020	2019	
Labor and fringe benefits	\$ 11,500,280	\$ 11,291,509	72,936,302	73,953,808	\$ 0.1577	\$ 0.1527	\$0.0050
Utilities	519,979	466,238	72,936,302	73,953,808	0.0071	0.0063	0.0008
Insurance	406,038	338,440	72,936,302	73,953,808	0.0056	0.0046	0.0010
					<u>\$0.1704</u>	<u>\$0.1636</u>	<u>\$0.0068</u>

(1) Weighted based on sales in PMMB Area 3

## PMMB AREA 3

## MARCH 3, 2021 COST REPLACEMENT HEARING

## CHANGES IN DIESEL FUEL COSTS

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC**

Diesel fuel costs – calendar year 2019 (1)	\$1,418,869
Delivery points – calendar year 2019 (1)	<u>111,792,283</u>
Diesel fuel cost per point delivered	<u><u>\$0.0127</u></u>
Average diesel price – calendar year 2019 (2)	\$3.267
Average diesel price – October 2019 (2) (3)	<u>\$2.651</u>
Increase (decrease) from year 2019 to month October 2020	-18.86%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0024)</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 3.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) October 2020 diesel fuel costs were used by the PMMB in establishing minimum prices for December 2020.



## PMMB AREA 3

## MARCH 3, 2021 COST REPLACEMENT HEARING

## CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC**

Heating fuel costs – calendar year 2019 (1)	\$159,926
Standardization & pasteurization points – calendar year 2019 (1)	145,321,489
	<hr/>
Heating fuel cost per point pasteurized	<u>\$0.0011</u>
Average heating fuel costs – calendar year 2019 (2)	\$8.21
Average heating fuel costs – August 2020 (2) (3)	<u>7.95</u>
Increase (decrease) from year 2019 to month August 2020	-3.17%
Increase (decrease) in heating fuel cost per point pasteurized	<u>\$0.0000</u>

- (1) Costs of cross-section dealers weighted by sales in Area 3.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) August 2020 natural gas costs were used by the PMMB in establishing minimum prices for December 2020.

**PMMB AREA 3  
MARCH 3, 2021 COST REPLACEMENT HEARING**

**ADJUSTMENTS FOR CONTAINER EFFICIENCIES  
DUE TO CONTAINER SIZE**

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid, LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC**

<u>Container Size</u>	<u>Container Quantities Sold by Cross-Section Dealers in 2019 in Area 3</u>	<u>Proposed Container Efficiency Adjustments</u>	<u>Impact on Cross-Section Dealer Revenue</u>	<u>Container Efficiency Adjustments in Current Order (1)</u>	<u>Impact on Cross-Section Dealer Revenue</u>
Gallon	10,210,138	\$ (0.0863)	\$ (881,135)	\$ (0.0741)	\$ (756,571)
Half gallon	12,001,663	(0.0292)	(350,449)	(0.0259)	(310,843)
Quart	3,574,652	0.0511	182,665	0.0489	174,800
Pint	2,023,994	0.0276	55,862	0.0256	51,814
Half pint - plastic	492,849	0.0163	8,033	0.0158	7,787
Half pint - paper	52,236,995	0.0163	851,463	0.0158	825,345
4 oz.	5,278,802	0.0218	115,078	0.0209	110,327
Dispenser (per quart)	1,312,880	0.0157	<u>20,612</u>	0.0200	<u>26,258</u>
Net impact on cross-section dealer revenues			<u>\$ 2,129</u>		<u>\$ 128,917</u>

(1) Per OGO A-962 (CRO 10) as updated.

**PMMB AREA 3**  
**MARCH 3, 2021 COST REPLACEMENT HEARING**  
**CALCULATION OF WHOLESALE MINIMUM PRICE**  
**GALLON REDUCED FAT MILK (2%) FOR DECEMBER 2020**  
**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid,**  
**LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid,**  
**LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain**  
**Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9868%	1.9840%	0.0028%
Butterfat price as announced by PMMB	(1)	\$ 1.6191 per lb.	\$ 1.6191 per lb.	
Extended butterfat value		\$ 0.0322 per lb.	\$ 0.0321 per lb.	
Skim price as announced by PMMB	(1)	\$ 19.23 per cwt.	\$ 19.23 per cwt.	
Extended skim value		\$ 0.1885 per lb.	\$ 0.1885 per lb.	
Total milk value at announced prices		<u>\$ 0.2206 per lb.</u>	<u>\$ 0.2206 per lb.</u>	<u>\$ -</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	<u>0.0034</u>	<u>(0.0010)</u>	
Total milk cost per pound		<u>\$ 0.2241 per lb.</u>	<u>\$ 0.2197 per lb.</u>	<u>\$ 0.0044</u>
Pounds per gallon (conversion)		<u>8.62</u>	<u>8.62</u>	
Total milk cost per gallon		<u>\$ 1.9317</u>	<u>\$ 1.8938</u>	<u>\$ 0.0379</u>
Container cost (adjusted for shrinkage)	D3	0.1851 each	0.1894 each	(0.0043)
Cost center costs	D2	1.1248	1.0648	0.0600
1st half 2020 to 1st half 2019 adjustment	D7	0.0272	0.0120	0.0152
Container efficiency adjustment	D10	(0.0863)	(0.0741)	(0.0122)
Percentage discount adjustment	(3)	0.0156	0.0156	-
Diesel fuel adjustment	D8	(0.0096)	(0.0116)	0.0020
Heating fuels adjustment	D9	-	(0.0004)	0.0004
		<u>\$ 3.1885 each</u>	<u>\$ 3.0895 each</u>	<u>\$ 0.0990</u>
Dealer profit at 3.4%	(2)	<u>0.1122</u>	<u>0.1087</u>	<u>\$ 0.0035</u>
Subtotal		<u>\$ 3.3007 each</u>	<u>\$ 3.1982 each</u>	<u>\$ 0.1025</u>
Less: average delivery cost	(2)	(0.4992)	(0.4992)	
Add: high cost delivery	(2)	<u>0.9448</u>	<u>0.9448</u>	
<b>Wholesale minimum price</b>		<u><b>\$ 3.7463</b> each</u>	<u><b>\$ 3.6438</b> each</u>	<u><b>\$ 0.1025</b></u>

(1) As announced for October 2019 by PMMB on September 19, 2019.

(2) Per OGO A-962 (CRO 10) as updated.

(3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."

**PMMB AREA 3  
MARCH 3, 2021 COST REPLACEMENT HEARING**

**CALCULATION OF WHOLESALE MINIMUM PRICE  
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR DECEMBER 2020  
Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, DFA Dairy Brands Fluid,  
LLC – Lansdale, DFA Dairy Brands Fluid, LLC – Lebanon, DFA Dairy Brands Fluid,  
LLC – Schuylkill Haven, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain  
Dairies, Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.0989%	0.0982%	0.0007%
Butterfat price as announced by PMMB	(1)	\$ 1.6191 per lb.	\$ 1.6191 per lb.	
Extended butterfat value		\$ 0.0016 per lb.	\$ 0.0016 per lb.	
Skim price as announced by PMMB	(1)	\$ 19.23 per cwt.	\$ 19.23 per cwt.	
Extended skim value		\$ 0.1921 per lb.	\$ 0.1921 per lb.	
Total milk value at announced prices		<u>\$ 0.1937</u> per lb.	<u>\$ 0.1937</u> per lb.	<u>\$ -</u>
Ingredient cost	D4	0.0258	0.0273	
Cost of shrinkage / bulk milk & cream	D5	0.0034	(0.0010)	
Total milk cost per pound		<u>\$ 0.2229</u> per lb.	<u>\$ 0.2200</u> per lb.	<u>\$ 0.0029</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		<u>\$ 0.1115</u>	<u>\$ 0.1100</u>	<u>\$ 0.0015</u>
Container cost (adjusted for shrinkage)	D3	0.0246 each	0.0287 each	(0.0041)
Cost center costs	D2	0.0703	0.0666	0.0037
1st half 2020 to 1st half 2019 adjustment	D7	0.0017	0.0008	0.0009
Container efficiency adjustment	D10	0.0163	0.0158	0.0005
Percentage discount adjustment	(3)	0.0010	0.0010	-
Diesel fuel adjustment	D8	(0.0006)	(0.0008)	0.0002
Heating fuels adjustment	D9	-	-	-
		<u>\$ 0.2248</u> each	<u>\$ 0.2221</u> each	<u>\$ 0.0027</u>
Dealer profit at 3.4%	(2)	0.0079	0.0078	\$ 0.0001
Subtotal		<u>\$ 0.2327</u> each	<u>\$ 0.2299</u> each	<u>\$ 0.0028</u>
Less: average delivery cost	(2)	(0.0312)	(0.0312)	
Add: high cost delivery	(2)	0.0591	0.0591	
<b>Wholesale minimum price</b>		<u><b>\$ 0.2606</b></u> each	<u><b>\$ 0.2578</b></u> each	<u><b>\$ 0.0028</b></u>

(1) As announced for December 2020 by PMMB on November 19, 2020.

(2) Per OGO A-962 (CRO 10) as updated.

(3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."