

## **AREA 2**

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

**APRIL 3, 2019**

**PMMB AREA 2**

**APRIL 3, 2019 COST REPLACEMENT HEARING**

**INDEX OF REBUTTAL EXHIBITS**

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

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Rebuttal Exhibit D2	Processing, Packaging and Delivery Costs/Point
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Rebuttal Exhibit D11-B	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

**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

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

### **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

Board of Directors – Venango County United Way

Chairman of Administrative Board – Calvary United Methodist Church

Distinguished Service Award – Oil City Jaycees

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

### **COURSES INSTRUCTED**

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 16, 2006

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 16, 2007

Dairylea Cooperative – Dairy Accounting 101 & 102 – May 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 14, 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 13, 2009

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 11-12, 2010

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

International Dairy Foods Association (IDFA) NEW Dairy Cost Accounting Workshop – May 11, 2011

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 15-16, 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 – May 14-15, 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 – May 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

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

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

### **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)

**REBUTTAL EXHIBIT D2**

**PMMB AREA 2**

**APRIL 3, 2019 COST REPLACEMENT HEARING**

**PROCESSING, PACKAGING AND DELIVERY COSTS/POINT  
(WEIGHTED AVERAGE BASED ON SALES IN AREA 2)**

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

<b>Cost Center</b>	<b>Total 2017 Points in PMMB Area 2 (1)</b>	<b>Weighted Average 2017 Cost/Point (1)</b>
Receiving, lab and field work	67,815,795	\$ 0.0135
Standardization and pasteurization	96,184,269	0.0232
Bottling	91,002,658	0.0361
Cold room	105,170,445	0.0392
Delivery	77,552,453	0.1213
Selling	79,891,472	0.0210
		<u>\$ 0.2543</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 2 for the cross-section dealers.

**REBUTTAL EXHIBIT D2-A**

**PMMB AREA 2**

**APRIL 3, 2019 COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS**

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

	<u>2017 Weighted Average Cost/Point</u>	<u>2016 Cost/Point Included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Receiving, lab and field work	\$0.0135	\$0.0104	\$0.0031
Standardization and pasteurization	0.0232	0.0208	0.0024
Bottling	0.0361	0.0318	0.0043
Cold room	0.0392	0.0311	0.0081
Delivery	0.1213	0.0804	0.0409
Selling	<u>0.0210</u>	<u>0.0167</u>	<u>0.0043</u>
Sub total	\$0.2543	\$0.1912	\$0.0631
Add:			
2018 Cost increase (decrease) adjustment - Exhibit D7			0.0053
Less:			
2017 Cost (increase) decrease adjustment (1)			<u>(0.0040)</u>
Net change			<u><u>\$0.0644</u></u>



**REBUTTAL EXHIBIT D3**

**PMMB AREA 2**

**APRIL 3, 2019 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

<u>Container Size</u>	<u>April 2018 Container Cost (1)</u>	<u>Adjust from April 2018 to February 2019 - Current (2)</u>	<u>Subtotal</u>	<u>Calculated Shrinkage and Loss (4)</u>	<u>Shrinkage Cost</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.1867	\$ 0.0077	\$ 0.1944	1.66%	\$ 0.0032	\$ 0.1976
1/2 gallon - plastic	0.1256					
1/2 gallon - paper	(3)					
1/2 gallon - blended (5)	<u>0.1256</u>	0.0128	0.1384	1.22%	0.0017	0.1401
Quart - plastic	0.1308					
Quart - paper	0.0762					
Quart - blended (5)	<u>0.1298</u>	0.0005	0.1303	1.57%	0.0020	0.1323
Pint - plastic	0.0919					
Pint - paper	0.0399					
Pint - blended (5)	<u>0.0903</u>	(0.0002)	0.0901	1.62%	0.0015	0.0916
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.0736	0.0028	0.0764	0.92%	0.0007	0.0771
1/2 pint - paper (5)	0.0243	0.0022	0.0265	0.85%	0.0002	0.0267
Four ounce - paper	0.0277		0.0277	1.53%	0.0004	0.0281
Dispenser	0.0577		0.0577	1.30%	0.0008	0.0585

- (1) For containers not purchased in April 2018 the most recent invoice was used.
- (2) February 2019 container costs were used by the PMMB to establish minimum resale prices for March 2019.
- (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 2

APRIL 3, 2019 COST REPLACEMENT HEARING

ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH  
CONTAINER COSTS – MARCH 2019

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company

<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)	\$ 0.1976	\$ 0.1948	\$ 0.0028
Half Gallon (2)	0.1401	0.1421	(0.0020)
Quart (2)	0.1323	0.1282	0.0041
Pint (2)	0.0916	0.0925	(0.0009)
1/2 pint - plastic (2)	0.0771	0.0716	0.0055
1/2 pint - paper (2)	0.0267	0.0260	0.0007
Four ounce - paper	0.0281	0.0272	0.0009
Dispenser (per quart)	0.0585	0.0550	0.0035

(1) Per General Order No. A-953 (CRO 9) as updated.

(2) These container costs to be updated monthly.

**REBUTTAL EXHIBIT D4**

**PMMB AREA 2**

**APRIL 3, 2019 COST REPLACEMENT HEARING**

**SUMMARY OF INGREDIENT COSTS  
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 2)**

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

	April 2018 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Lowfat (1%) milk	.0001
Nonfat (skim) milk	.0004
Flavored milk	.0432
Flavored reduced fat milk	.0319
Flavored nonfat milk	.0284
Buttermilk	(2)
Eggnog	.1563

(1) For ingredients not purchased in April 2018 the most recent invoice was used.

(2) Buttermilk is not processed and packaged by any of the Area 2 cross-section dealers.

**REBUTTAL EXHIBIT D4-A**

**PMMB AREA 2**

**APRIL 3, 2019 COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS**

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

	<b>April 2018 Weighted Average Cost/Pound</b>	<b>Cost/Pound included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0002	(0.0001)
Lowfat milk (1%)	0.0001	0.0001	0.0000
Nonfat milk (skim)	0.0004	0.0002	0.0002
Flavored milk (2)	0.0432	0.0450	(0.0018)
Flavored reduced fat milk (2)	0.0319	0.0338	(0.0019)
Flavored nonfat milk (2)	0.0284	0.0318	(0.0034)
Buttermilk	(3)	0.0326	
Eggnog	0.1563	0.1475	0.0088

(1) Per General Order OGO A-953 (CRO 9) as updated for flavored milks on January 1, 2019.

(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.

(3) Buttermilk is not processed and packaged by any of the Area 2 cross-section dealers.

PMMB AREA 2

APRIL 3, 2019 COST REPLACEMENT HEARING

WEIGHTED COST OF SHRINKAGE AND WEIGHTED COSTS AND REVENUES FROM BULK CREAM AND BULK MILK

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
 Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
 Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
 Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company

<u>PMMB Area 2</u>	<u>Costs</u>	<u>Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds (1)</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 473,265		\$ 473,265		
Bulk milk revenue minus milk costs		65,277			
Bulk milk cost center costs & freight	45,899				
Net bulk milk cost (revenue)			(19,378)		
Bulk cream revenue minus milk costs		522,690			
Bulk cream cost center costs	118,351				
Net bulk cream cost (revenue)			(404,339)		
Total	<u>\$ 637,515</u>	<u>\$ 587,967</u>			
Net cost (net revenue) - calendar year 2017			\$ 49,548	130,437,275	\$ 0.0004
Net cost (net revenue) in current order - calendar year 2016			<u>\$ (284,170)</u>	126,748,001	<u>(0.0022)</u>
Net change - cost increase (cost reduction)			<u>\$ 333,718</u>		<u>\$ 0.0026</u>

(1) Beginning in calendar year 2013 producer milk diverted to other plants is excluded from the calculation of weighted pounds.

PMMB AREA 2

APRIL 3, 2019 COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company

	<u>2017 Weighted Average Butterfat Test</u>	<u>Butterfat Test included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Standard milk	3.2542%	3.2637%	-0.0095%
Reduced fat milk (2%)	1.9696%	1.9729%	-0.0033%
Lowfat milk (1%)	0.9759%	0.9812%	-0.0053%
Nonfat milk (skim)	0.0692%	0.0664%	0.0028%
Flavored milk	3.2628%	3.2686%	-0.0058%
Flavored reduced fat milk	0.9784%	0.9490%	0.0294%
Flavored nonfat milk	0.0500%	0.0498%	0.0002%
Buttermilk	(2)	1.5735%	
Eggnog	7.0123%	7.4120%	-0.3997%

(1) Per General Order No. A-953 (CRO 9)

(2) Buttermilk is not processed and packaged by any of the Area 2 cross-section dealers.

PMMB AREA 2

APRIL 3, 2019 COST REPLACEMENT HEARING

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

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company

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
	2018	2017	2018	2017	2018	2017	
Labor and fringe benefits	\$ 7,394,940	\$ 7,152,923	50,892,897	52,180,816	\$ 0.1453	\$ 0.1371	\$0.0082
Utilities	321,704	314,878	50,892,897	52,180,816	0.0063	0.0060	0.0003
Insurance	109,780	281,377	50,892,897	52,180,816	0.0022	0.0054	(0.0032)
					<u>\$0.1538</u>	<u>\$0.1485</u>	<u>\$0.0053</u>

(1) Weighted based on sales in PMMB Area 2

**PMMB AREA 2**

**APRIL 3, 2019 COST REPLACEMENT HEARING**

**CHANGES IN DIESEL FUEL COSTS**

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

Diesel fuel costs – calendar year 2017 (1)	\$747,287
Delivery points – calendar year 2017 (1)	<u>77,552,454</u>
Diesel fuel cost per point delivered	<u><u>\$0.0096</u></u>
Average diesel price – calendar year 2017 (2)	\$2.822
Average diesel price – December 2018 (2) (3)	<u>\$3.228</u>
Increase (decrease) from year 2017 to month December 2018	14.39%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>\$0.0014</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 2.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) January 2019 diesel fuel costs were used by the PMMB in establishing minimum prices for March 2019.



**PMMB AREA 2**

**APRIL 3, 2019 COST REPLACEMENT HEARING**

**CHANGES IN HEATING FUEL COSTS (NATURAL GAS)**

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

Heating fuel costs – calendar year 2017 (1)	\$84,074
Standardization & pasteurization points – calendar year 2017 (1)	<u>96,184,269</u>
Heating fuel cost per point pasteurized	<u>\$0.0009</u>
Average heating fuel costs – calendar year 2017 (2)	\$8.80
Average heating fuel costs – November 2018 (2) (3)	<u>8.29</u>
Increase (decrease) from year 2017 to month November 2018	-5.80%
Increase (decrease) in heating fuel cost per point pasteurized	<u>(\$0.0001)</u>

- (1) Costs of cross-section dealers weighted by sales in Area 2.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) November 2018 natural gas costs were used by the PMMB in establishing minimum prices for March 2019.

**PMMB AREA 2**

**APRIL 3, 2019 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

<u>Container Size</u>	<u>Container Quantities Sold by Cross-Section Dealers in 2017 in Area 2</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	6,943,507	\$ (0.1002)	\$ (695,739)	\$ (0.0794)	\$ (551,314)
Half Gallon	6,656,677	(0.0335)	(222,999)	(0.0314)	(209,020)
Quart	2,575,823	0.0250	64,396	0.0176	45,334
Pint	1,782,012	0.0362	64,509	0.0363	64,687
Half Pint - Plastic	1,432,430	0.0367	52,570	0.0233	33,376
Half Pint - Paper	17,682,948	0.0367	648,964	0.0233	412,013
4 oz.	317,040	0.0211	6,690	0.0398	12,618
Dispenser (per quart)	1,765,484	0.0465	<u>82,095</u>	0.0255	<u>45,020</u>
Net impact on cross-section dealer revenues			<u>\$ 486</u>		<u>\$ (147,286)</u>

(1) Per OGO A-953 (CRO 9) as updated.

## PMMB AREA 2

## APRIL 3, 2019 COST REPLACEMENT HEARING

CALCULATION OF WHOLESALE MINIMUM PRICE  
GALLON REDUCED FAT MILK (2%) FOR MARCH 2019

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9696%	1.9729%	-0.0033%
Butterfat price as announced by PMMB	(1)	\$ 2.6071 per lb.	\$ 2.6071 per lb.	
Extended butterfat value		\$ 0.0513 per lb.	\$ 0.0514 per lb.	
Skim price as announced by PMMB	(1)	\$ 11.26 per cwt.	\$ 11.26 per cwt.	
Extended skim value		\$ 0.1104 per lb.	\$ 0.1104 per lb.	
Total milk value at announced prices		<u>\$ 0.1617 per lb.</u>	<u>\$ 0.1618 per lb.</u>	<u>\$(0.0001)</u>
Ingredient cost	D4	0.0001	0.0002	
Cost of shrinkage / bulk milk & cream	D5	0.0004	(0.0022)	
Total milk cost per pound		<u>\$ 0.1622 per lb.</u>	<u>\$ 0.1598 per lb.</u>	<u>\$ 0.0024</u>
Pounds per gallon (conversion)		<u>8.62</u>	<u>8.62</u>	
Total milk cost per gallon		<u>\$ 1.3982</u>	<u>\$ 1.3775</u>	<u>\$ 0.0207</u>
Container cost (adjusted for shrinkage)	D3	0.1976 each	0.1948 each	0.0028
Cost center costs	D2	1.0172	0.7648	0.2524
1st half 2018 to 1st half 2017 adjustment	D7	0.0212	0.0160	0.0052
Container efficiency adjustment	D10	(0.1002)	(0.0794)	(0.0208)
Percentage discount adjustment	(3)	(0.0100)	(0.0100)	-
Diesel fuel adjustment	D8	0.0056	0.0076	(0.0020)
Heating fuels adjustment	D9	(0.0004)	0.0004	(0.0008)
		<u>\$ 2.5292 each</u>	<u>\$ 2.2717 each</u>	<u>\$ 0.2575</u>
Dealer profit at 3.5%	(2)	0.0917	0.0824	\$ 0.0093
Subtotal		<u>\$ 2.6209 each</u>	<u>\$ 2.3541 each</u>	<u>\$ 0.2668</u>
Less: average delivery cost	(2)	(0.3356)	(0.3356)	
Add: high cost delivery	(2)	0.9364	0.9364	
<b>Wholesale minimum price</b>		<u><b>\$ 3.2217 each</b></u>	<u><b>\$ 2.9549 each</b></u>	<u><b>\$ 0.2668</b></u>

(1) As announced for March 2019 by PMMB on February 22, 2019.

(2) Per OGO A-953 (CRO 9) as updated.

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

## PMMB AREA 2

## APRIL 3, 2019 COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE  
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR MARCH 2019**

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,  
Milk Industry Management Corp. T/A Balford Farms, Monroe County Milk Producers Coop Assoc. dba  
Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Valley Farms Dairy LLC, Wawa Beverage Company**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.0500%	0.0498%	0.0002%
Butterfat price as announced by PMMB	(1)	\$ 2.6071 per lb.	\$ 2.6071 per lb.	
Extended butterfat value		\$ 0.0013 per lb.	\$ 0.0013 per lb.	
Skim price as announced by PMMB	(1)	\$ 11.26 per cwt.	\$ 11.26 per cwt.	
Extended skim value		\$ 0.1125 per lb.	\$ 0.1125 per lb.	
Total milk value at announced prices		<u>\$ 0.1138 per lb.</u>	<u>\$ 0.1138 per lb.</u>	<u>\$ -</u>
Ingredient cost	D4	0.0284	0.0318	
Cost of shrinkage / bulk milk & cream	D5	0.0004	(0.0022)	
Total milk cost per pound		<u>\$ 0.1426 per lb.</u>	<u>\$ 0.1434 per lb.</u>	<u>\$ (0.0008)</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		<u>\$ 0.0713</u>	<u>\$ 0.0717</u>	<u>\$ (0.0004)</u>
Container cost (adjusted for shrinkage)	D3	0.0267 each	0.0260 each	0.0007
Cost center costs	D2	0.0636	0.0478	0.0158
1st half 2018 to 1st half 2017 adjustment	D7	0.0013	0.0010	0.0003
Container efficiency adjustment	D10	0.0367	0.0233	0.0134
Percentage discount adjustment	(3)	(0.0006)	(0.0006)	-
Diesel fuel adjustment	D8	0.0004	0.0005	(0.0001)
Heating fuels adjustment	D9	-	-	-
		<u>\$ 0.1994 each</u>	<u>\$ 0.1697 each</u>	<u>\$ 0.0297</u>
Dealer profit at 3.5%	(2)	0.0072	0.0062	\$ 0.0010
Subtotal		<u>\$ 0.2066 each</u>	<u>\$ 0.1759 each</u>	<u>\$ 0.0307</u>
Less: average delivery cost	(2)	(0.0210)	(0.0210)	
Add: high cost delivery	(2)	0.0585	0.0585	
<b>Wholesale minimum price</b>		<u><u>\$ 0.2441 each</u></u>	<u><u>\$ 0.2134 each</u></u>	<u><u>\$ 0.0307</u></u>

- (1) As announced for March 2019 by PMMB on February 22, 2019.
- (2) Per OGO A-953 (CRO 9) as updated.
- (3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts"