

STAFF TESTIMONY BEFORE THE PENNSYLVANIA MILK MARKETING BOARD  
COST REPLACEMENT HEARING – MILK MARKETING AREA 1  
December 4, 2019

**Staff Exhibit 1**

Good Morning. My name is Clifford Ackman. As the Statistician for the Pennsylvania Milk Marketing Board, I collected the information for and produced Staff Exhibit 1, dealing with the cross-section of milk dealers in Area 1. I have listed these five milk dealers in footnote 3 along with the percentage of sales by those dealers compared to the population of all 38 dealers selling into the Southeastern Pennsylvania Milk Marketing Area. This judgmental sample was selected from available dealers as having the largest sales in the area. They account for seventy seven percent of Area 1's reported milk sales. Area 1's cross-section dealers provide a geographic diversity from Dean Dairy in Lebanon County to Milk Industry Management in New Jersey and to Wawa in Media, Pennsylvania. Although these locations do not have the absolute distance difference as compared to dealers in other Milk Marketing Areas, the Southeastern Area's population density provides an economy able to support dealers in this relatively small area.

The cross-section of dealers used to gather 2018 information has not changed from the previous Area 1 cost replacement hearing.

This exhibit offers the cross-section of dealers as presenting a significant portion of all sales into the marketplace. It demonstrates the ratios of controlled product sales by all dealers (the top section of the exhibit) and the cross-section dealers (in the lower half of the exhibit). This comparison of product sales ratios falls within statistically acceptable limits using the Chi-square goodness of fit test. This test evaluates the difference between the observed sample ratios and the expected ratios from the known population. The cross-section dealers are the observed sample, and all dealers with reported sales in Area 1 are the known population. In other words, the reported sales ratios of these cross section dealers are very much like the reported sales ratios of all dealers in Area 1.

I also studied the size and types of deliveries of the cross-section dealers along with the types of customers served by them. As a group, the cross-section dealers serve a variety of customers from small deliveries at schools, restaurants and convenience stores to large deliveries at supermarkets. The containers produced range from four ounce to twenty-quart dispensers. These dealers use a variety of delivery vehicles including smaller, straight body trucks and tractor-trailers. This reflects all dealer sales into Marketing Area 1.

Based on the volume, containers, and products sold by these cross-section dealers, the types of customers and the delivery techniques employed by these listed dealers, I find this cross-section to be representative of all dealers doing business in Milk Marketing Area 1. Their data is used for subsequent exhibits.

Good morning. My name is Gary Gojsovich. I am employed by the Pennsylvania Milk Marketing Board as an Audit Supervisor. This morning I will be testifying to Staff Exhibits 2 through 12.

### **Staff Exhibit 2**

This Exhibit provides information about the average weighted cost for processing, packaging and delivering milk for the Area 1 cross-section milk dealers. For each of the major cost centers we have matched the expenses associated with the cost center with the volume of milk or other products that flowed through that cost center. The volumes are stated in points (where a point equals a quart or quart equivalent). All costs and points are weighted using the sales weighting method. For example, if a dealer has 25% of their sales in Area 1 then we include 25% of their costs and 25% of their points in the Area 1 cost centers.

Staff recommends that the Board replace the costs in the current Order with those costs in this Exhibit.

### **Staff Exhibit 3**

This Exhibit provides information on the cost of containers for the cross-section dealers. We initially use the costs of the cross-section dealers for plastic containers, paper containers and resin as of April 2019 to calculate weighted cost per units. As has been done in previous hearings, we are using controlled container sales volumes for the previous year. We are therefore pairing current costs with the weighted units sold in the previous year to arrive at the most current weighted cost per unit available. Where the market has both paper and plastic containers, like the pint container, we have provided a combined paper/plastic price. After we established a cost for each container type in Column E, we are updating those April 2019 costs to the costs observed in our most current container surveys in Column F (October 2019). In Column G we are applying factors for container shrinkage. Column H adds the shrinkage factor to the updated container cost in Column F.

Staff recommends that the Board replace the base container costs with those found in Column C and the base weighted units with those in Column D and continue to update these costs using the audited surveys submitted by the cross-section dealers. Staff also recommends that the Board continue the practice of providing separate plastic and paper half-pint prices through a plastic add-on.

Staff further recommends that the Board replace the current container costs with the costs found in column E.

#### **Staff Exhibit 4**

This Exhibit provides information on the cost of ingredients added to the various milk products like chocolate powder and sugar used in chocolate milk. This Exhibit pairs Year 2018 sales activity with April 2019 costs to get current weighted costs.

Staff recommends replacing the current ingredient costs with those in this Exhibit. Staff further recommends the continuance of updating chocolate and sweetener costs quarterly.

#### **Staff Exhibit 5**

Dealers typically sell off excess bulk milk and cream they are unable to use in their own plants and they will recognize either a profit or a loss on these sales. Dealers also lose small amounts of milk as it moves through the plant; this loss is called shrinkage.

Row 1 shows the calculation for shrinkage cost. Column G shows the weighted costs using the sales weighting method.

Rows 2, 3 and 5 show calculations for determining profits and/or losses on diverted or transferred sales of bulk milk and cream. Dealers incur additional costs to process and sell transferred milk and cream (Column E). We add these additional processing costs to the producer costs in Column D to determine if the dealers made a profit or loss on the transactions.

The costs in the top panel are summarized in Column H. We divide these costs by the number of pounds of product sold or manufactured by the dealers (net of purchased packaged products) in Column I. By dividing the costs in Column H by the pounds in Column I we arrive at a weighted cost per pound in Column J.

Staff recommends that the Board use the costs and profits in this Exhibit to replace those in the existing Order.

#### **Staff Exhibit 6**

This Exhibit summarizes the costs of the milk components. We are using the most current announced milk prices available prior to the submission date for the Exhibits. The current fat and skim prices for Class I products are in the top panel. In the lower panel we show the actual pounds of the Class I products (Columns A and B) sold by the cross-section dealers in this Area. We have labeled the columns A through K and show how we arrive at the cost per pound for each of the products in the table.

Staff recommends that the Board continue to use this method for establishing the before-bottling costs.

### **Staff Exhibit 7**

In this Exhibit we compare the costs and related plant volumes for three significant categories (labor, utilities, and insurance) for the 1<sup>st</sup> half of Year 2019 with the 1<sup>st</sup> half of 2018 to update the cost per point from Staff Exhibit 2. We use bottling points as the denominator as they are a good measure of the plants' overall volume or activity. In columns A and B, we list the first half-year costs for 2019 and 2018 for each of the cost categories. In the next two columns, we list the bottling points for 2019 and 2018 for the first half-year. By dividing the costs by the points in columns E and F, we can compare the cost increase or decrease per point in column G.

Staff recommends replacing the first half cost adjustment in the current Order with the adjustment in this Exhibit.

### **Staff Exhibit 8**

In this Exhibit we update diesel fuel costs from the previous year (Year 2018) by indexing to diesel prices for the most current month (August 2019). Line 1 shows the weighted cost for diesel fuel for the cross-section dealers for Year 2018. Line 2 is the Year 2018 average On-Highway diesel price per gallon as posted by the Energy Information Administration (EIA). Line 3 is the current EIA On-Highway diesel price. Line 4 shows the percentage of change in the diesel price from Year 2018 to the current price. Line 5 shows the current presumed diesel cost. By subtracting line 1 from line 5 we find the changed diesel cost on line 6. And by dividing the changed diesel cost on line 6 by the weighted delivery points of the cross-section dealers, we find the changed cost per point on line 8.

Staff recommends that the Board continue to include this adjustment in the cost replacement process. Staff also recommends that the Board replace the Year 2017 points and costs with the Year 2018 points and costs found in this Exhibit.

### **Staff Exhibit 9**

Staff has calculated the current heating fuel add-on using the same methodology as in Staff Exhibit 8 except here we are using Standardization and Pasteurization points and the Pennsylvania Natural Gas Industrial price as posted by the EIA. Staff recommends that the Board continue to include this adjustment in the cost replacement process. Staff also recommends that the Board replace the 2017 points and costs with the 2018 points and costs found in this Exhibit.

### **Staff Exhibit 10**

The container efficiency adjustments are made to account for the cost efficiencies of bottling and handling milk in larger size containers than in smaller size containers. Board Staff updated these adjustments by replacing Year 2017 container sales with Year 2018 container sales (Column B) and by also replacing the Year 2017 processing costs per points for the Bottling, Cold Room and Delivery cost centers with those for Year 2018.

Staff recommends that the Board replace the container efficiency adjustments per the existing Order with those found in column E of this Exhibit.

### **Staff Exhibit 11**

This Exhibit summarizes the information from the previous Exhibits to arrive at proposed wholesale prices which are shown in Column K.

### **Staff Exhibit 12**

This Exhibit calculates our proposed retail prices which are shown in Column G.

The effect of this cost replacement analysis is that the retail price of a gallon of 2% milk will decrease by \$0.05 from the current retail price in Area 1. This decrease is attributable to variances in a few cost factors which are still under review. This review may result in modification in Rebuttal or Surrebuttal.

Thank you. I'd be happy to answer any questions pertaining to my Exhibits.

**Pennsylvania Milk Marketing Board  
SALES IN PMMB AREA 1 BY TYPE OF MILK**

**PERCENTAGE OF CONTROLLED MILK SALES FOR  
ALL DEALERS SELLING IN PMMB AREA 1** <sup>(1) (2)</sup>

Standard Milk	33.60
Flavored Milk	1.91
Egg Nog	0.42
Reduced Fat Flavored Milk	3.97
Nonfat Flavored Milk	3.95
Reduced Fat Milk	25.32
Low Fat Milk	14.05
Buttermilk	0.86
Nonfat Milk	10.21
Mixed Milk	3.56
Sour Cream	0.26
Light Cream	0.62
Medium Cream	0.01
Heavy Cream	1.26
	<hr/>
	100.0%

**PERCENTAGE OF CONTROLLED MILK SALES FOR  
CROSS-SECTION DEALERS SELLING IN PMMB AREA 1** <sup>(1) (2) (3)</sup>

Standard Milk	34.09
Flavored Milk	1.11
Egg Nog	0.40
Reduced Fat Flavored Milk	3.75
Nonfat Flavored Milk	4.96
Reduced Fat Milk	26.53
Low Fat Milk	14.72
Buttermilk	0.70
Nonfat Milk	9.94
Mixed Milk	2.61
Sour Cream	0.05
Light Cream	0.43
Medium Cream	0.01
Heavy Cream	0.69
	<hr/>
	99.99%

(1) Source - Pennsylvania Milk Marketing Board's Milk Dealer's Monthly Report, calendar year 2018.

(2) Pounds of Milk used in deriving percentages.

(3) The cross-section dealers supply 77.0% of the reported milk sales to this area.

- \* Clover Farms Dairy Company
- \* Dean Dairy Holdings (DBA Swiss Premium Dairy)
- \* Milk Industry Management Company (T/A Balford Farms)
- \* Tuscan/Lehigh Dairies, Inc (Lansdale Location)
- \* Wawa Beverage Company

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**COSTS AND POINTS FOR PROCESSING, PACKAGING & DELIVERY  
YEAR 2018 DATA**

<b>Cost Center</b>	<b>Weighted Costs</b>	<b>Weighted Points</b>	<b>Cost per Point</b>
<b>Receiving, Lab &amp; Field Work</b>	\$ 2,970,821	137,928,376	\$ 0.0215
<b>Standardization &amp; Pasteurization</b>	\$ 2,589,549	162,798,552	\$ 0.0159
<b>Bottling</b>	\$ 5,642,241	140,451,846	\$ 0.0402
<b>Cold Room</b>	\$ 11,335,271	186,186,498	\$ 0.0609
<b>Delivery</b>	\$ 32,626,047	189,086,190	\$ 0.1725
<b>Selling</b>	\$ 4,922,993	198,816,687	\$ 0.0248

**Total Cost per Point** **\$ 0.3358**

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**CONTAINER COSTS  
YEAR 2018 UNITS (@ APRIL 2019 COSTS)**

A		B	C	D	E	F	G	H
					(C ÷ D)			(F x (1+G))
Container Size		Blow Molded or Purchased	Weighted Costs	Weighted Units	Weighted Cost per Unit	Updated (to OCT-2019) Cost per Unit	Weighted Shrinkage Factor (%)	Adjusted for Shrinkage Cost per Unit
GALLON	Plastic	Blow Molded	\$ 2,285,101	13,051,751	\$ 0.1751			
		Purchased	\$ 917,413	4,567,648	\$ 0.2009			
			\$ 3,202,514	17,619,399	\$ 0.1818	\$ 0.1845	1.88%	\$ 0.1880
1/2 GALLON	Plastic	Blow Molded	\$ 1,648,849	13,708,420	\$ 0.1203			
		Purchased	\$ 765,434	4,657,899	\$ 0.1643			
	Paper	Purchased	\$ -	-	\$ -			
	Combined		\$ 2,414,283	18,366,319	\$ 0.1315	\$ 0.1334	1.91%	\$ 0.1359
QUART	Plastic	Purchased	\$ 971,194	9,092,074	\$ 0.1068			
	Paper	Purchased	\$ 1,770	20,677	\$ 0.0856			
	Combined		\$ 972,964	9,112,751	\$ 0.1068	\$ 0.1071	1.57%	\$ 0.1088
PINT	Plastic	Purchased	\$ 422,596	4,930,366	\$ 0.0857			
	Paper	Purchased	\$ -	-	\$ -			
	Combined		\$ 422,596	4,930,366	\$ 0.0857	\$ 0.0857	1.62%	\$ 0.0871
12 Ounce <sup>(1)</sup>		Purchased			\$ 0.0361	\$ 0.0361		\$ 0.0361
10 Ounce <sup>(1)</sup>		Purchased			\$ 0.0301	\$ 0.0301		\$ 0.0301
1/2 PINT	Plastic	Purchased	\$ 527,612	7,971,331	\$ 0.0662	\$ 0.0655	0.92%	\$ 0.0661
	Paper	Purchased	\$ 970,201	38,289,495	\$ 0.0253	\$ 0.0248	0.85%	\$ 0.0250
4 Ounce	Paper	Purchased	\$ 125,208	5,510,113	\$ 0.0227	\$ 0.0227	1.53%	\$ 0.0230
Bulk Per Quart		Purchased	\$ 107,002	2,174,238	\$ 0.0492	\$ 0.0492	1.30%	\$ 0.0498

Footnote:

1. None of the Area 1 cross-section Dealers bottled price-Controlled product in this size container during Year 2018. The cost per unit presented is per a prior year.



**PENNSYLVANIA MILK MARKETING BOARD**  
**MILK MARKETING AREA 1**

**COSTS AND POINTS FOR INGREDIENTS, CONDENSED & POWDER**  
**YEAR 2018 POUNDS (@ APRIL 2019 COSTS)**

<b>Product</b>	<b>Weighted Costs</b>	<b>Weighted Pounds</b>	<b>Cost per Pound</b>
<b>Standard (Whole) Milk</b>	\$ 2,241	86,306,891	\$ -
<b>Reduced Fat (2%) Milk</b>	\$ 6,315	61,929,383	\$ <b>0.0001</b>
<b>Low Fat (1%) Milk</b>	\$ 4,147	35,246,164	\$ <b>0.0001</b>
<b>Non Fat (Skim) Milk</b>	\$ 7,209	22,155,212	\$ <b>0.0003</b>
<b>Flavored Milk</b>	\$ 28,547	658,825	\$ <b>0.0433</b>
<b>Flavored Reduced Fat Milk</b>	\$ 373,141	10,519,778	\$ <b>0.0355</b>
<b>Flavored NONFAT Milk</b>	\$ 317,180	10,288,593	\$ <b>0.0308</b>
<b>Buttermilk</b>	\$ 9,312	1,675,121	\$ <b>0.0056</b>
<b>Egg Nog</b>	\$ 100,435	884,850	\$ <b>0.1135</b>

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**COSTS AND (REVENUES) FOR SHRINKAGE AND BULK SALES  
YEAR 2018 DATA**

	A	B	C	D	E	F	G
						- (C - D - E)	
	Product Pounds	Butterfat Pounds	Revenue	Raw Costs	Additional Processing Costs	Net Cost or (Profit)/Loss	Weighted Cost or (Profit)/Loss
1 <b>Shrinkage</b>	27,328,649	26,527,345	n/a	\$ 3,634,929	n/a	\$ 3,634,929	\$ 830,674
2 <b>Bulk MILK - diverted</b>	20,656,149	796,055	\$ 2,978,604	\$ 3,170,093	n/a	\$ 191,489	\$ 16,443
3 <b>Bulk MILK - transferred</b>	156,156,209	1,309,357	\$ 15,880,309	\$ 12,934,888	\$ 4,285,506	\$ 1,340,085	\$ 458,550
4 <b>Bulk MILK - TOTAL (Rows 2 + 3)</b>	176,812,358	2,105,412	\$ 18,858,913	\$ 16,104,981	\$ 4,285,506	\$ 1,531,574	\$ 474,993
5 <b>Bulk CREAM - transferred</b>	46,964,257	20,207,660	\$ 58,709,521	\$ 52,658,121	\$ 1,344,195	\$ (4,707,205)	\$ (998,169)

	H	I	J
			(H ÷ I)
Cost/(Revenue) Factor	Weighted Costs	Weighted Pounds	Weighted Cost per Pound
6 <b>Shrinkage (Row 1)</b>	\$ 830,674		
7 <b>Bulk MILK (Profit)/Loss (Row 4)</b>	\$ 474,993		
8 <b>Bulk CREAM (Profit)/Loss (Row 5)</b>	\$ (998,169)		
9 <b>Total</b>	\$ 307,498	239,118,639	<b>\$ 0.0013</b>

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**MILK COSTS BEFORE PACKAGING  
OCTOBER 2019 MILK COSTS**

	<b>Class I</b>
Skim Rate	\$ 13.77
Butterfat Rate	\$ 2.5818

Product Description	A	B	C	D	E	F	G	H	I	J	K
	Product Pounds	Butterfat Pounds	(B ÷ A)	(A - B)	(B × BF Rate)	(D × Skim Rate)	(E + F)	(G ÷ A)	(EX. 4)	(EX. 5)	(H + I + J)
			Percentage	Skim Pounds	Butterfat Value	Skim Value	Total Value	Cost per Pound	Ingredient Cost	Bulk Sale (Profit)/Loss	Total Cost per Pound
<b>Standard (Whole) Milk</b>	86,306,891	2,837,974	3.2882%	83,468,917	\$ 7,327,081	\$ 11,493,670	\$ 18,820,751	\$ 0.2181	\$ -	\$ 0.0013	\$ <b>0.2194</b>
<b>Reduced Fat (2%) Milk</b>	61,929,383	1,208,659	1.9517%	60,720,724	\$ 3,120,516	\$ 8,361,244	\$ 11,481,760	\$ 0.1854	\$ 0.0001	\$ 0.0013	\$ <b>0.1868</b>
<b>Low Fat (1%) Milk</b>	35,246,164	337,789	0.9584%	34,908,375	\$ 872,104	\$ 4,806,883	\$ 5,678,987	\$ 0.1611	\$ 0.0001	\$ 0.0013	\$ <b>0.1625</b>
<b>Non Fat (Skim) Milk</b>	22,155,212	21,560	0.0973%	22,133,652	\$ 55,664	\$ 3,047,804	\$ 3,103,468	\$ 0.1401	\$ 0.0003	\$ 0.0013	\$ <b>0.1417</b>
<b>Flavored Milk</b>	658,825	21,412	3.2500%	637,413	\$ 55,282	\$ 87,772	\$ 143,054	\$ 0.2171	\$ 0.0433	\$ 0.0013	\$ <b>0.2617</b>
<b>Flavored Reduced Fat Milk</b>	10,519,778	102,364	0.9731%	10,417,414	\$ 264,283	\$ 1,434,478	\$ 1,698,761	\$ 0.1615	\$ 0.0355	\$ 0.0013	\$ <b>0.1983</b>
<b>Flavored NONFAT Milk</b>	10,288,593	10,264	0.0998%	10,278,329	\$ 26,500	\$ 1,415,326	\$ 1,441,826	\$ 0.1401	\$ 0.0308	\$ 0.0013	\$ <b>0.1722</b>
<b>Buttermilk</b>	1,675,121	33,184	1.9810%	1,641,937	\$ 85,674	\$ 226,095	\$ 311,769	\$ 0.1861	\$ 0.0056	\$ 0.0013	\$ <b>0.1930</b>
<b>Egg Nog</b>	884,850	65,868	7.4440%	818,982	\$ 170,058	\$ 112,774	\$ 282,832	\$ 0.3196	\$ 0.1135	\$ 0.0013	\$ <b>0.4344</b>

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**COST UPDATE ADJUSTMENT  
1ST HALF COMPARISON (Year 2019 vs. Year 2018)**

A	B	C	D	E	F	G
				(A ÷ C)	(B ÷ D)	(E - F)
1 <sup>ST</sup> HALF COSTS		1 <sup>ST</sup> HALF POINTS <sup>(1)</sup>		1 <sup>ST</sup> HALF COST per POINT		INCREASE
2019	2018	2019	2018	2019	2018	(DECREASE)

<b>WEIGHTED LABOR COSTS</b>	\$ 17,251,377	\$ 17,793,313	86,221,193	89,039,789	\$ 0.2001	\$ 0.1998	\$ 0.0003
<b>WEIGHTED UTILITY COSTS</b>	\$ 621,240	\$ 589,947	86,221,193	89,039,789	\$ 0.0072	\$ 0.0066	\$ 0.0006
<b>WEIGHTED INSURANCE COSTS</b>	\$ 272,099	\$ 296,540	86,221,193	89,039,789	\$ 0.0032	\$ 0.0033	\$ (0.0001)

**COST UPDATE ADJUSTMENT per BOTTLING POINT    \$ 0.0008**

Footnote:

1. For processing plants, Bottling points are used. For non-processing plants, Cold Room points are used.

**PENNSYLVANIA MILK MARKETING BOARD**  
**MILK MARKETING AREA 1**

**Diesel Fuel Costs Adjustment**  
Update of Diesel Fuel Costs from YEAR 2018 to AUGUST 2019

1. Weighted Diesel Fuel Costs - YEAR 2018	\$ 2,408,840
2. Average On-Highway Diesel Price per Gallon - YEAR 2018 (1)	\$ 3.361
3. On-Highway Diesel Price per Gallon - AUGUST 2019 (1)	\$ 3.208
4. Percent Change In Diesel Fuel Price per Gallon ((Line 3 - Line 2) ÷ Line 2)	-4.55%
5. Presumed Diesel Fuel Costs - AUGUST 2019 ((Line 1 X Line 4) + Line 1)	<u>\$ 2,299,184</u>
6. Change in Diesel Fuel Costs from YEAR 2018 to AUGUST 2019 (Line 5 - Line 1)	\$ (109,656)
7. Weighted Delivery Points - YEAR 2018	<u>189,086,190</u>
<b>8. Change in Diesel Fuel Costs per Delivery Point (Line 6 ÷ Line 7)</b>	<b><u>\$ (0.0006)</u></b>

## Footnote:

- Source: 'Weekly Retail On-Highway Diesel Prices' per Energy Information Administration website.  
web address = [https://www.eia.gov/dnav/pet/pet\\_pri\\_gnd\\_dcus\\_r1y\\_w.htm](https://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_r1y_w.htm)

**PENNSYLVANIA MILK MARKETING BOARD**  
**MILK MARKETING AREA 1**

**Heating Fuel Costs Adjustment**

**Update of Heating Fuel Costs from YEAR 2018 to JUNE 2019**

1. Weighted Heating Fuel Costs - YEAR 2018	\$ 200,655
2. Pennsylvania Average Natural Gas Price - Industrial - YEAR 2018 (1)	\$ 8.68
3. Pennsylvania Average Natural Gas Price - Industrial - JUNE 2019 (1)	\$ 8.35
4. Percent Change In Natural Gas Price ((Line 3 - Line 2) ÷ Line 2)	-3.80%
5. Presumed Heating Fuel Costs - JUNE 2019 ((Line 1 X Line 4) + Line 1)	<u>\$ 193,030</u>
6. Change in Heating Fuel Costs from YEAR 2018 to JUNE 2019 (Line 5 - Line 1)	\$ (7,625)
7. Weighted Standardization & Pasteurization (S&P) Points - YEAR 2018	<u>162,798,552</u>
<b>8. Change in Heating Fuel Costs per S&amp;P Point (Line 6 ÷ Line 7)</b>	<b><u><u>\$ -</u></u></b>

## Footnote:

1. Source: Pennsylvania Natural Gas Industrial Price per Energy Information Administration website.  
web address = <http://tonto.eia.doe.gov/dnav/ng/hist/n3035pa3m.htm>

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1  
YEAR 2018 DATA**

**CONTAINER EFFICIENCY ADJUSTMENT**

	(A)	(B)	(C)	(D)	(E)	(F)
					(C) + (D)	(B) x (E)
Container Size	Area 1 Container Sales (Units)	Adjustment per UNIT			Dollar Effect	
		Bottling	Cold Room & Delivery	Total		
GALLON	17,619,399	\$ (0.06424)	\$ 0.00562	<b>\$ (0.0586)</b>	\$ (1,032,497)	
1/2 GALLON	18,366,319	\$ 0.00055	\$ (0.03756)	<b>\$ (0.0370)</b>	\$ (679,554)	
QUART	9,112,751	\$ 0.03558	\$ (0.00529)	<b>\$ 0.0303</b>	\$ 276,116	
PINT	4,930,366	\$ 0.01575	\$ 0.04401	<b>\$ 0.0598</b>	\$ 294,836	
12 OUNCE	-	\$ -	\$ -	\$ -	\$ -	
10 OUNCE	-	\$ -	\$ -	\$ -	\$ -	
1/2 PINT	46,260,826	\$ 0.01081	\$ 0.00882	<b>\$ 0.0196</b>	\$ 906,712	
4 OUNCE	5,510,113	\$ 0.00796	\$ 0.01686	<b>\$ 0.0248</b>	\$ 136,651	
Bulk per Quart	2,174,238	\$ 0.08086	\$ (0.03632)	<b>\$ 0.0445</b>	\$ 96,754	
					<u>\$ (982)</u>	

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**WHOLESALE PRICE BUILDUP  
OCTOBER 2019 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 <sup>(1)</sup>	D EX. 10	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.40%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
STANDARD (WHOLE) MILK	GALLON	\$ 1.8868	\$ 0.1880	\$ 0.0124	\$ (0.0586)	\$ 1.3432	\$ 3.3718	\$ 0.1187	\$ 3.4905	\$ (0.5068)	\$ 1.0552	\$ 4.0389	\$ 4.0989	\$ (0.0600)
	1/2 GALLON	\$ 0.9434	\$ 0.1359	\$ 0.0062	\$ (0.0370)	\$ 0.6716	\$ 1.7201	\$ 0.0605	\$ 1.7806	\$ (0.2534)	\$ 0.5276	\$ 2.0548	\$ 2.0706	\$ (0.0158)
	QUART	<b>\$ 0.4717</b>	<b>\$ 0.1088</b>	<b>\$ 0.0031</b>	<b>\$ 0.0303</b>	<b>\$ 0.3358</b>	<b>\$ 0.9497</b>	<b>\$ 0.0334</b>	<b>\$ 0.9831</b>	<b>\$ (0.1267)</b>	<b>\$ 0.2638</b>	<b>\$ 1.1202</b>	<b>\$ 1.1134</b>	<b>\$ 0.0068</b>
	PINT	\$ 0.2359	\$ 0.0871	\$ 0.0016	\$ 0.0598	\$ 0.1679	\$ 0.5523	\$ 0.0194	\$ 0.5717	\$ (0.0634)	\$ 0.1319	\$ 0.6402	\$ 0.6461	\$ (0.0059)
	12 OUNCE	\$ 0.1769	\$ 0.0361	\$ 0.0012	\$ -	\$ 0.1259	\$ 0.3401	\$ 0.0120	\$ 0.3521	\$ (0.0475)	\$ 0.0989	\$ 0.4035	\$ 0.4112	\$ (0.0077)
	10 OUNCE	\$ 0.1474	\$ 0.0301	\$ 0.0010	\$ -	\$ 0.1049	\$ 0.2834	\$ 0.0100	\$ 0.2934	\$ (0.0396)	\$ 0.0824	\$ 0.3362	\$ 0.3426	\$ (0.0064)
	1/2 PINT	\$ 0.1179	\$ 0.0250	\$ 0.0008	\$ 0.0196	\$ 0.0840	\$ 0.2473	\$ 0.0087	\$ 0.2560	\$ (0.0317)	\$ 0.0660	\$ 0.2903	\$ 0.2936	\$ (0.0033)
	4 OUNCE	\$ 0.0590	\$ 0.0230	\$ 0.0004	\$ 0.0248	\$ 0.0420	\$ 0.1492	\$ 0.0053	\$ 0.1545	\$ (0.0158)	\$ 0.0330	\$ 0.1717	\$ 0.1731	\$ (0.0014)
	Bulk per Quart	\$ 0.4717	\$ 0.0498	\$ 0.0031	\$ 0.0445	\$ 0.3358	\$ 0.9049	\$ 0.0319	\$ 0.9368	\$ (0.1267)	\$ 0.2638	\$ 1.0739	\$ 1.2051	\$ (0.1312)
REDUCED FAT (2%) MILK	GALLON	\$ 1.6102	\$ 0.1880	\$ 0.0124	\$ (0.0586)	\$ 1.3432	\$ 3.0952	\$ 0.1089	\$ 3.2041	\$ (0.5068)	\$ 1.0552	\$ 3.7525	\$ 3.8117	\$ (0.0592)
	1/2 GALLON	\$ 0.8051	\$ 0.1359	\$ 0.0062	\$ (0.0370)	\$ 0.6716	\$ 1.5818	\$ 0.0557	\$ 1.6375	\$ (0.2534)	\$ 0.5276	\$ 1.9117	\$ 1.9270	\$ (0.0153)
	QUART	\$ 0.4026	\$ 0.1088	\$ 0.0031	\$ 0.0303	\$ 0.3358	\$ 0.8806	\$ 0.0310	\$ 0.9116	\$ (0.1267)	\$ 0.2638	\$ 1.0487	\$ 1.0416	\$ 0.0071
	PINT	\$ 0.2013	\$ 0.0871	\$ 0.0016	\$ 0.0598	\$ 0.1679	\$ 0.5177	\$ 0.0182	\$ 0.5359	\$ (0.0634)	\$ 0.1319	\$ 0.6044	\$ 0.6102	\$ (0.0058)
	12 OUNCE	\$ 0.1510	\$ 0.0361	\$ 0.0012	\$ -	\$ 0.1259	\$ 0.3142	\$ 0.0111	\$ 0.3253	\$ (0.0475)	\$ 0.0989	\$ 0.3767	\$ 0.3843	\$ (0.0076)
	10 OUNCE	\$ 0.1258	\$ 0.0301	\$ 0.0010	\$ -	\$ 0.1049	\$ 0.2618	\$ 0.0092	\$ 0.2710	\$ (0.0396)	\$ 0.0824	\$ 0.3138	\$ 0.3201	\$ (0.0063)
	1/2 PINT	\$ 0.1006	\$ 0.0250	\$ 0.0008	\$ 0.0196	\$ 0.0840	\$ 0.2300	\$ 0.0081	\$ 0.2381	\$ (0.0317)	\$ 0.0660	\$ 0.2724	\$ 0.2756	\$ (0.0032)
	4 OUNCE	\$ 0.0503	\$ 0.0230	\$ 0.0004	\$ 0.0248	\$ 0.0420	\$ 0.1405	\$ 0.0049	\$ 0.1454	\$ (0.0158)	\$ 0.0330	\$ 0.1626	\$ 0.1642	\$ (0.0016)
	Bulk per Quart	\$ 0.4026	\$ 0.0498	\$ 0.0031	\$ 0.0445	\$ 0.3358	\$ 0.8358	\$ 0.0294	\$ 0.8652	\$ (0.1267)	\$ 0.2638	\$ 1.0023	\$ 1.1333	\$ (0.1310)
LOW FAT (1%) MILK	GALLON	\$ 1.4008	\$ 0.1880	\$ 0.0124	\$ (0.0586)	\$ 1.3432	\$ 2.8858	\$ 0.1016	\$ 2.9874	\$ (0.5068)	\$ 1.0552	\$ 3.5358	\$ 3.5966	\$ (0.0608)
	1/2 GALLON	\$ 0.7004	\$ 0.1359	\$ 0.0062	\$ (0.0370)	\$ 0.6716	\$ 1.4771	\$ 0.0520	\$ 1.5291	\$ (0.2534)	\$ 0.5276	\$ 1.8033	\$ 1.8194	\$ (0.0161)
	QUART	\$ 0.3502	\$ 0.1088	\$ 0.0031	\$ 0.0303	\$ 0.3358	\$ 0.8282	\$ 0.0291	\$ 0.8573	\$ (0.1267)	\$ 0.2638	\$ 0.9944	\$ 0.9878	\$ 0.0066
	PINT	\$ 0.1751	\$ 0.0871	\$ 0.0016	\$ 0.0598	\$ 0.1679	\$ 0.4915	\$ 0.0173	\$ 0.5088	\$ (0.0634)	\$ 0.1319	\$ 0.5773	\$ 0.5833	\$ (0.0060)
	12 OUNCE	\$ 0.1313	\$ 0.0361	\$ 0.0012	\$ -	\$ 0.1259	\$ 0.2945	\$ 0.0104	\$ 0.3049	\$ (0.0475)	\$ 0.0989	\$ 0.3563	\$ 0.3641	\$ (0.0078)
	10 OUNCE	\$ 0.1094	\$ 0.0301	\$ 0.0010	\$ -	\$ 0.1049	\$ 0.2454	\$ 0.0086	\$ 0.2540	\$ (0.0396)	\$ 0.0824	\$ 0.2968	\$ 0.3034	\$ (0.0066)
	1/2 PINT	\$ 0.0875	\$ 0.0250	\$ 0.0008	\$ 0.0196	\$ 0.0840	\$ 0.2169	\$ 0.0076	\$ 0.2245	\$ (0.0317)	\$ 0.0660	\$ 0.2588	\$ 0.2621	\$ (0.0033)
	4 OUNCE	\$ 0.0438	\$ 0.0230	\$ 0.0004	\$ 0.0248	\$ 0.0420	\$ 0.1340	\$ 0.0047	\$ 0.1387	\$ (0.0158)	\$ 0.0330	\$ 0.1559	\$ 0.1575	\$ (0.0016)
	Bulk per Quart	\$ 0.3502	\$ 0.0498	\$ 0.0031	\$ 0.0445	\$ 0.3358	\$ 0.7834	\$ 0.0276	\$ 0.8110	\$ (0.1267)	\$ 0.2638	\$ 0.9481	\$ 1.0795	\$ (0.1314)
NON FAT (SKIM) MILK	GALLON	\$ 1.2229	\$ 0.1880	\$ 0.0124	\$ (0.0586)	\$ 1.3432	\$ 2.7079	\$ 0.0953	\$ 2.8032	\$ (0.5068)	\$ 1.0552	\$ 3.3516	\$ 3.4098	\$ (0.0582)
	1/2 GALLON	\$ 0.6114	\$ 0.1359	\$ 0.0062	\$ (0.0370)	\$ 0.6716	\$ 1.3881	\$ 0.0489	\$ 1.4370	\$ (0.2534)	\$ 0.5276	\$ 1.7112	\$ 1.7261	\$ (0.0149)
	QUART	\$ 0.3057	\$ 0.1088	\$ 0.0031	\$ 0.0303	\$ 0.3358	\$ 0.7837	\$ 0.0276	\$ 0.8113	\$ (0.1267)	\$ 0.2638	\$ 0.9484	\$ 0.9411	\$ 0.0073
	PINT	\$ 0.1529	\$ 0.0871	\$ 0.0016	\$ 0.0598	\$ 0.1679	\$ 0.4693	\$ 0.0165	\$ 0.4858	\$ (0.0634)	\$ 0.1319	\$ 0.5543	\$ 0.5600	\$ (0.0057)
	12 OUNCE	\$ 0.1146	\$ 0.0361	\$ 0.0012	\$ -	\$ 0.1259	\$ 0.2778	\$ 0.0098	\$ 0.2876	\$ (0.0475)	\$ 0.0989	\$ 0.3390	\$ 0.3466	\$ (0.0076)
	10 OUNCE	\$ 0.0955	\$ 0.0301	\$ 0.0010	\$ -	\$ 0.1049	\$ 0.2315	\$ 0.0081	\$ 0.2396	\$ (0.0396)	\$ 0.0824	\$ 0.2824	\$ 0.2888	\$ (0.0064)
	1/2 PINT	\$ 0.0764	\$ 0.0250	\$ 0.0008	\$ 0.0196	\$ 0.0840	\$ 0.2058	\$ 0.0072	\$ 0.2130	\$ (0.0317)	\$ 0.0660	\$ 0.2473	\$ 0.2504	\$ (0.0031)
	4 OUNCE	\$ 0.0382	\$ 0.0230	\$ 0.0004	\$ 0.0248	\$ 0.0420	\$ 0.1284	\$ 0.0045	\$ 0.1329	\$ (0.0158)	\$ 0.0330	\$ 0.1501	\$ 0.1516	\$ (0.0015)
	Bulk per Quart	\$ 0.3057	\$ 0.0498	\$ 0.0031	\$ 0.0445	\$ 0.3358	\$ 0.7389	\$ 0.0260	\$ 0.7649	\$ (0.1267)	\$ 0.2638	\$ 0.9020	\$ 1.0329	\$ (0.1309)

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of +\$0.0029 per quart equivalent.



**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**WHOLESALE PRICE BUILDUP  
OCTOBER 2019 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 <sup>(1)</sup>	D EX. 10	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.40%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
<b>FLAVORED MILK</b>	GALLON	\$ 2.0936	\$ 0.1880	\$ 0.0124	\$ (0.0586)	\$ 1.3432	\$ 3.5786	\$ 0.1260	\$ 3.7046	\$ (0.5068)	\$ 1.0552	\$ 4.2530	\$ 4.2240	\$ 0.0290
	1/2 GALLON	\$ 1.0468	\$ 0.1359	\$ 0.0062	\$ (0.0370)	\$ 0.6716	\$ 1.8235	\$ 0.0642	\$ 1.8877	\$ (0.2534)	\$ 0.5276	\$ 2.1619	\$ 2.1331	\$ 0.0288
	QUART	\$ 0.5234	\$ 0.1088	\$ 0.0031	\$ 0.0303	\$ 0.3358	\$ 1.0014	\$ 0.0352	\$ 1.0366	\$ (0.1267)	\$ 0.2638	\$ 1.1737	\$ 1.1447	\$ 0.0290
	PINT	\$ 0.2617	\$ 0.0871	\$ 0.0016	\$ 0.0598	\$ 0.1679	\$ 0.5781	\$ 0.0203	\$ 0.5984	\$ (0.0634)	\$ 0.1319	\$ 0.6669	\$ 0.6618	\$ 0.0051
	12 OUNCE	\$ 0.1963	\$ 0.0361	\$ 0.0012	\$ -	\$ 0.1259	\$ 0.3595	\$ 0.0127	\$ 0.3722	\$ (0.0475)	\$ 0.0989	\$ 0.4236	\$ 0.4229	\$ 0.0007
	10 OUNCE	\$ 0.1636	\$ 0.0301	\$ 0.0010	\$ -	\$ 0.1049	\$ 0.2996	\$ 0.0105	\$ 0.3101	\$ (0.0396)	\$ 0.0824	\$ 0.3529	\$ 0.3524	\$ 0.0005
	1/2 PINT	\$ 0.1309	\$ 0.0250	\$ 0.0008	\$ 0.0196	\$ 0.0840	\$ 0.2603	\$ 0.0092	\$ 0.2695	\$ (0.0317)	\$ 0.0660	\$ 0.3038	\$ 0.3014	\$ 0.0024
	4 OUNCE	\$ 0.0654	\$ 0.0230	\$ 0.0004	\$ 0.0248	\$ 0.0420	\$ 0.1556	\$ 0.0055	\$ 0.1611	\$ (0.0158)	\$ 0.0330	\$ 0.1783	\$ 0.1770	\$ 0.0013
	Bulk per Quart	\$ 0.5234	\$ 0.0498	\$ 0.0031	\$ 0.0445	\$ 0.3358	\$ 0.9566	\$ 0.0337	\$ 0.9903	\$ (0.1267)	\$ 0.2638	\$ 1.1274	\$ 1.2364	\$ (0.1090)
<b>FLAVORED REDUCED FAT MILK</b>	GALLON	\$ 1.5864	\$ 0.1880	\$ 0.0124	\$ (0.0586)	\$ 1.3432	\$ 3.0714	\$ 0.1081	\$ 3.1795	\$ (0.5068)	\$ 1.0552	\$ 3.7279	\$ 3.7859	\$ (0.0580)
	1/2 GALLON	\$ 0.7932	\$ 0.1359	\$ 0.0062	\$ (0.0370)	\$ 0.6716	\$ 1.5699	\$ 0.0553	\$ 1.6252	\$ (0.2534)	\$ 0.5276	\$ 1.8994	\$ 1.9141	\$ (0.0147)
	QUART	\$ 0.3966	\$ 0.1088	\$ 0.0031	\$ 0.0303	\$ 0.3358	\$ 0.8746	\$ 0.0308	\$ 0.9054	\$ (0.1267)	\$ 0.2638	\$ 1.0425	\$ 1.0351	\$ 0.0074
	PINT	\$ 0.1983	\$ 0.0871	\$ 0.0016	\$ 0.0598	\$ 0.1679	\$ 0.5147	\$ 0.0181	\$ 0.5328	\$ (0.0634)	\$ 0.1319	\$ 0.6013	\$ 0.6070	\$ (0.0057)
	12 OUNCE	\$ 0.1487	\$ 0.0361	\$ 0.0012	\$ -	\$ 0.1259	\$ 0.3119	\$ 0.0110	\$ 0.3229	\$ (0.0475)	\$ 0.0989	\$ 0.3743	\$ 0.3818	\$ (0.0075)
	10 OUNCE	\$ 0.1239	\$ 0.0301	\$ 0.0010	\$ -	\$ 0.1049	\$ 0.2599	\$ 0.0091	\$ 0.2690	\$ (0.0396)	\$ 0.0824	\$ 0.3118	\$ 0.3182	\$ (0.0064)
	1/2 PINT	\$ 0.0992	\$ 0.0250	\$ 0.0008	\$ 0.0196	\$ 0.0840	\$ 0.2286	\$ 0.0080	\$ 0.2366	\$ (0.0317)	\$ 0.0660	\$ 0.2709	\$ 0.2741	\$ (0.0032)
	4 OUNCE	\$ 0.0496	\$ 0.0230	\$ 0.0004	\$ 0.0248	\$ 0.0420	\$ 0.1398	\$ 0.0049	\$ 0.1447	\$ (0.0158)	\$ 0.0330	\$ 0.1619	\$ 0.1634	\$ (0.0015)
	Bulk per Quart	\$ 0.3966	\$ 0.0498	\$ 0.0031	\$ 0.0445	\$ 0.3358	\$ 0.8298	\$ 0.0292	\$ 0.8590	\$ (0.1267)	\$ 0.2638	\$ 0.9961	\$ 1.1269	\$ (0.1308)
<b>FLAVORED NONFAT MILK</b>	GALLON	\$ 1.3776	\$ 0.1880	\$ 0.0124	\$ (0.0586)	\$ 1.3432	\$ 2.8626	\$ 0.1008	\$ 2.9634	\$ (0.5068)	\$ 1.0552	\$ 3.5118	\$ 3.5706	\$ (0.0588)
	1/2 GALLON	\$ 0.6888	\$ 0.1359	\$ 0.0062	\$ (0.0370)	\$ 0.6716	\$ 1.4655	\$ 0.0516	\$ 1.5171	\$ (0.2534)	\$ 0.5276	\$ 1.7913	\$ 1.8064	\$ (0.0151)
	QUART	\$ 0.3444	\$ 0.1088	\$ 0.0031	\$ 0.0303	\$ 0.3358	\$ 0.8224	\$ 0.0289	\$ 0.8513	\$ (0.1267)	\$ 0.2638	\$ 0.9884	\$ 0.9813	\$ 0.0071
	PINT	\$ 0.1722	\$ 0.0871	\$ 0.0016	\$ 0.0598	\$ 0.1679	\$ 0.4886	\$ 0.0172	\$ 0.5058	\$ (0.0634)	\$ 0.1319	\$ 0.5743	\$ 0.5801	\$ (0.0058)
	12 OUNCE	\$ 0.1292	\$ 0.0361	\$ 0.0012	\$ -	\$ 0.1259	\$ 0.2924	\$ 0.0103	\$ 0.3027	\$ (0.0475)	\$ 0.0989	\$ 0.3541	\$ 0.3616	\$ (0.0075)
	10 OUNCE	\$ 0.1076	\$ 0.0301	\$ 0.0010	\$ -	\$ 0.1049	\$ 0.2436	\$ 0.0086	\$ 0.2522	\$ (0.0396)	\$ 0.0824	\$ 0.2950	\$ 0.3013	\$ (0.0063)
	1/2 PINT	\$ 0.0861	\$ 0.0250	\$ 0.0008	\$ 0.0196	\$ 0.0840	\$ 0.2155	\$ 0.0076	\$ 0.2231	\$ (0.0317)	\$ 0.0660	\$ 0.2574	\$ 0.2606	\$ (0.0032)
	4 OUNCE	\$ 0.0431	\$ 0.0230	\$ 0.0004	\$ 0.0248	\$ 0.0420	\$ 0.1333	\$ 0.0047	\$ 0.1380	\$ (0.0158)	\$ 0.0330	\$ 0.1552	\$ 0.1566	\$ (0.0014)
	Bulk per Quart	\$ 0.3444	\$ 0.0498	\$ 0.0031	\$ 0.0445	\$ 0.3358	\$ 0.7776	\$ 0.0274	\$ 0.8050	\$ (0.1267)	\$ 0.2638	\$ 0.9421	\$ 1.0730	\$ (0.1309)
<b>BUTTERMILK</b>	GALLON	\$ 1.6637	\$ 0.1880	\$ 0.0124	\$ (0.0586)	\$ 1.3432	\$ 3.1487	\$ 0.1108	\$ 3.2595	\$ (0.5068)	\$ 1.0552	\$ 3.8079	\$ 3.8750	\$ (0.0671)
	1/2 GALLON	\$ 0.8318	\$ 0.1359	\$ 0.0062	\$ (0.0370)	\$ 0.6716	\$ 1.6085	\$ 0.0566	\$ 1.6651	\$ (0.2534)	\$ 0.5276	\$ 1.9393	\$ 1.9587	\$ (0.0194)
	QUART	\$ 0.4159	\$ 0.1088	\$ 0.0031	\$ 0.0303	\$ 0.3358	\$ 0.8939	\$ 0.0315	\$ 0.9254	\$ (0.1267)	\$ 0.2638	\$ 1.0625	\$ 1.0574	\$ 0.0051
	PINT	\$ 0.2080	\$ 0.0871	\$ 0.0016	\$ 0.0598	\$ 0.1679	\$ 0.5244	\$ 0.0185	\$ 0.5429	\$ (0.0634)	\$ 0.1319	\$ 0.6114	\$ 0.6182	\$ (0.0068)
	12 OUNCE	\$ 0.1560	\$ 0.0361	\$ 0.0012	\$ -	\$ 0.1259	\$ 0.3192	\$ 0.0112	\$ 0.3304	\$ (0.0475)	\$ 0.0989	\$ 0.3818	\$ 0.3902	\$ (0.0084)
	10 OUNCE	\$ 0.1300	\$ 0.0301	\$ 0.0010	\$ -	\$ 0.1049	\$ 0.2660	\$ 0.0094	\$ 0.2754	\$ (0.0396)	\$ 0.0824	\$ 0.3182	\$ 0.3251	\$ (0.0069)
	1/2 PINT	\$ 0.1040	\$ 0.0250	\$ 0.0008	\$ 0.0196	\$ 0.0840	\$ 0.2334	\$ 0.0082	\$ 0.2416	\$ (0.0317)	\$ 0.0660	\$ 0.2759	\$ 0.2795	\$ (0.0036)
	4 OUNCE	\$ 0.0520	\$ 0.0230	\$ 0.0004	\$ 0.0248	\$ 0.0420	\$ 0.1422	\$ 0.0050	\$ 0.1472	\$ (0.0158)	\$ 0.0330	\$ 0.1644	\$ 0.1662	\$ (0.0018)
	Bulk per Quart	\$ 0.4159	\$ 0.0498	\$ 0.0031	\$ 0.0445	\$ 0.3358	\$ 0.8491	\$ 0.0299	\$ 0.8790	\$ (0.1267)	\$ 0.2638	\$ 1.0161	\$ 1.1491	\$ (0.1330)

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of +\$0.0029 per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**WHOLESALE PRICE BUILDUP  
OCTOBER 2019 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 <sup>(1)</sup>	D EX. 10	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.40%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)

EGG NOG	GALLON	\$ 3.4752	\$ 0.1880	\$ 0.0124	\$ (0.0586)	\$ 1.3432	\$ 4.9602	\$ 0.1746	\$ 5.1348	\$ (0.5068)	\$ 1.0552	\$ 5.6832	\$ 5.6467	\$ 0.0365
	1/2 GALLON	\$ 1.7376	\$ 0.1359	\$ 0.0062	\$ (0.0370)	\$ 0.6716	\$ 2.5143	\$ 0.0885	\$ 2.6028	\$ (0.2534)	\$ 0.5276	\$ 2.8770	\$ 2.8445	\$ 0.0325
	QUART	\$ 0.8688	\$ 0.1088	\$ 0.0031	\$ 0.0303	\$ 0.3358	\$ 1.3468	\$ 0.0474	\$ 1.3942	\$ (0.1267)	\$ 0.2638	\$ 1.5313	\$ 1.5004	\$ 0.0309
	PINT	\$ 0.4344	\$ 0.0871	\$ 0.0016	\$ 0.0598	\$ 0.1679	\$ 0.7508	\$ 0.0264	\$ 0.7772	\$ (0.0634)	\$ 0.1319	\$ 0.8457	\$ 0.8396	\$ 0.0061
	12 OUNCE	\$ 0.3258	\$ 0.0361	\$ 0.0012	\$ -	\$ 0.1259	\$ 0.4890	\$ 0.0172	\$ 0.5062	\$ (0.0475)	\$ 0.0989	\$ 0.5576	\$ 0.5564	\$ 0.0012
	10 OUNCE	\$ 0.2715	\$ 0.0301	\$ 0.0010	\$ -	\$ 0.1049	\$ 0.4075	\$ 0.0143	\$ 0.4218	\$ (0.0396)	\$ 0.0824	\$ 0.4646	\$ 0.4635	\$ 0.0011
	1/2 PINT	\$ 0.2172	\$ 0.0250	\$ 0.0008	\$ 0.0196	\$ 0.0840	\$ 0.3466	\$ 0.0122	\$ 0.3588	\$ (0.0317)	\$ 0.0660	\$ 0.3931	\$ 0.3903	\$ 0.0028
	4 OUNCE	\$ 0.1086	\$ 0.0230	\$ 0.0004	\$ 0.0248	\$ 0.0420	\$ 0.1988	\$ 0.0070	\$ 0.2058	\$ (0.0158)	\$ 0.0330	\$ 0.2230	\$ 0.2215	\$ 0.0015
	Bulk per Quart	\$ 0.8688	\$ 0.0498	\$ 0.0031	\$ 0.0445	\$ 0.3358	\$ 1.3020	\$ 0.0458	\$ 1.3478	\$ (0.1267)	\$ 0.2638	\$ 1.4849	\$ 1.5921	\$ (0.1072)

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of +\$0.0029 per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**RETAIL PRICE BUILDUP  
OCTOBER 2019 PRICES**

	A EX. 11	B	C	D	E (A+B+C+D)	F	G (E - F)
Container Size	Proposed Wholesale Price	Deepest Discount 15.00%	In-Store Handling \$ 0.1594	Store Profit 2.5%	Proposed Retail Price	Current Retail Price	Increase (Decrease)
STANDARD (WHOLE) MILK	GALLON	\$ 4.0389	\$ (0.6058)	\$ 0.6376	\$ 0.1044	\$ 4.18	\$ 4.23 \$ (0.05)
	1/2 GALLON	\$ 2.0548	\$ (0.3082)	\$ 0.3188	\$ 0.0530	\$ 2.12	\$ 2.13 \$ (0.01)
	QUART	<b>\$ 1.1202</b>	<b>\$ (0.1680)</b>	<b>\$ 0.1594</b>	<b>\$ 0.0285</b>	<b>\$ 1.14</b>	<b>\$ 1.13 \$ 0.01</b>
	PINT	\$ 0.6402	\$ (0.0960)	\$ 0.0797	\$ 0.0160	\$ 0.65	\$ 0.65 \$ -
	12 OUNCE	\$ 0.4035	\$ (0.0605)	\$ 0.0598	\$ 0.0103	\$ 0.41	\$ 0.42 \$ (0.01)
	10 OUNCE	\$ 0.3362	\$ (0.0504)	\$ 0.0498	\$ 0.0086	\$ 0.34	\$ 0.35 \$ (0.01)
	1/2 PINT	\$ 0.2903	\$ (0.0435)	\$ 0.0399	\$ 0.0074	\$ 0.30	\$ 0.30 \$ -
	4 OUNCE	\$ 0.1717	\$ (0.0258)	\$ 0.0199	\$ 0.0043	\$ 0.18	\$ 0.18 \$ -
	Bulk per Quart	\$ 1.0739	\$ (0.1611)	\$ 0.1594	\$ 0.0275	\$ 1.10	\$ 1.21 \$ (0.11)
REDUCED FAT (2%) MILK	GALLON	\$ 3.7525	\$ (0.5629)	\$ 0.6376	\$ 0.0981	\$ 3.93	\$ 3.98 \$ (0.05)
	1/2 GALLON	\$ 1.9117	\$ (0.2868)	\$ 0.3188	\$ 0.0498	\$ 1.99	\$ 2.01 \$ (0.02)
	QUART	\$ 1.0487	\$ (0.1573)	\$ 0.1594	\$ 0.0269	\$ 1.08	\$ 1.07 \$ 0.01
	PINT	\$ 0.6044	\$ (0.0907)	\$ 0.0797	\$ 0.0152	\$ 0.61	\$ 0.62 \$ (0.01)
	12 OUNCE	\$ 0.3767	\$ (0.0565)	\$ 0.0598	\$ 0.0097	\$ 0.39	\$ 0.40 \$ (0.01)
	10 OUNCE	\$ 0.3138	\$ (0.0471)	\$ 0.0498	\$ 0.0081	\$ 0.32	\$ 0.33 \$ (0.01)
	1/2 PINT	\$ 0.2724	\$ (0.0409)	\$ 0.0399	\$ 0.0070	\$ 0.28	\$ 0.28 \$ -
	4 OUNCE	\$ 0.1626	\$ (0.0244)	\$ 0.0199	\$ 0.0041	\$ 0.17	\$ 0.17 \$ -
	Bulk per Quart	\$ 1.0023	\$ (0.1503)	\$ 0.1594	\$ 0.0259	\$ 1.04	\$ 1.15 \$ (0.11)
LOW FAT (1%) MILK	GALLON	\$ 3.5358	\$ (0.5304)	\$ 0.6376	\$ 0.0934	\$ 3.74	\$ 3.79 \$ (0.05)
	1/2 GALLON	\$ 1.8033	\$ (0.2705)	\$ 0.3188	\$ 0.0475	\$ 1.90	\$ 1.91 \$ (0.01)
	QUART	\$ 0.9944	\$ (0.1492)	\$ 0.1594	\$ 0.0258	\$ 1.03	\$ 1.02 \$ 0.01
	PINT	\$ 0.5773	\$ (0.0866)	\$ 0.0797	\$ 0.0146	\$ 0.59	\$ 0.59 \$ -
	12 OUNCE	\$ 0.3563	\$ (0.0534)	\$ 0.0598	\$ 0.0093	\$ 0.37	\$ 0.38 \$ (0.01)
	10 OUNCE	\$ 0.2968	\$ (0.0445)	\$ 0.0498	\$ 0.0077	\$ 0.31	\$ 0.32 \$ (0.01)
	1/2 PINT	\$ 0.2588	\$ (0.0388)	\$ 0.0399	\$ 0.0067	\$ 0.27	\$ 0.27 \$ -
	4 OUNCE	\$ 0.1559	\$ (0.0234)	\$ 0.0199	\$ 0.0039	\$ 0.16	\$ 0.16 \$ -
	Bulk per Quart	\$ 0.9481	\$ (0.1422)	\$ 0.1594	\$ 0.0248	\$ 0.99	\$ 1.10 \$ (0.11)
NON FAT (SKIM) MILK	GALLON	\$ 3.3516	\$ (0.5027)	\$ 0.6376	\$ 0.0894	\$ 3.58	\$ 3.63 \$ (0.05)
	1/2 GALLON	\$ 1.7112	\$ (0.2567)	\$ 0.3188	\$ 0.0455	\$ 1.82	\$ 1.83 \$ (0.01)
	QUART	\$ 0.9484	\$ (0.1423)	\$ 0.1594	\$ 0.0248	\$ 0.99	\$ 0.98 \$ 0.01
	PINT	\$ 0.5543	\$ (0.0831)	\$ 0.0797	\$ 0.0141	\$ 0.57	\$ 0.57 \$ -
	12 OUNCE	\$ 0.3390	\$ (0.0509)	\$ 0.0598	\$ 0.0089	\$ 0.36	\$ 0.36 \$ -
	10 OUNCE	\$ 0.2824	\$ (0.0424)	\$ 0.0498	\$ 0.0074	\$ 0.30	\$ 0.30 \$ -
	1/2 PINT	\$ 0.2473	\$ (0.0371)	\$ 0.0399	\$ 0.0064	\$ 0.26	\$ 0.26 \$ -
	4 OUNCE	\$ 0.1501	\$ (0.0225)	\$ 0.0199	\$ 0.0038	\$ 0.16	\$ 0.16 \$ -
	Bulk per Quart	\$ 0.9020	\$ (0.1353)	\$ 0.1594	\$ 0.0237	\$ 0.95	\$ 1.06 \$ (0.11)

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**RETAIL PRICE BUILDUP  
OCTOBER 2019 PRICES**

	A EX. 11	B	C	D	E (A+B+C+D)	F	G (E - F)
Container Size	Proposed Wholesale Price	Deepest Discount 15.00%	In-Store Handling \$ 0.1594	Store Profit 2.5%	Proposed Retail Price	Current Retail Price	Increase (Decrease)
FLAVORED MILK	GALLON	\$ 4.2530	\$ (0.6380)	\$ 0.6376	\$ 0.1090	\$ 4.36	\$ 4.34 \$ 0.02
	1/2 GALLON	\$ 2.1619	\$ (0.3243)	\$ 0.3188	\$ 0.0553	\$ 2.21	\$ 2.19 \$ 0.02
	QUART	\$ 1.1737	\$ (0.1761)	\$ 0.1594	\$ 0.0297	\$ 1.19	\$ 1.16 \$ 0.03
	PINT	\$ 0.6669	\$ (0.1000)	\$ 0.0797	\$ 0.0166	\$ 0.68	\$ 0.67 \$ 0.01
	12 OUNCE	\$ 0.4236	\$ (0.0635)	\$ 0.0598	\$ 0.0108	\$ 0.43	\$ 0.43 \$ -
	10 OUNCE	\$ 0.3529	\$ (0.0529)	\$ 0.0498	\$ 0.0090	\$ 0.36	\$ 0.36 \$ -
	1/2 PINT	\$ 0.3038	\$ (0.0456)	\$ 0.0399	\$ 0.0076	\$ 0.31	\$ 0.31 \$ -
	4 OUNCE	\$ 0.1783	\$ (0.0267)	\$ 0.0199	\$ 0.0044	\$ 0.18	\$ 0.18 \$ -
	Bulk per Quart	\$ 1.1274	\$ (0.1691)	\$ 0.1594	\$ 0.0287	\$ 1.15	\$ 1.24 \$ (0.09)
FLAVORED REDUCED FAT MILK	GALLON	\$ 3.7279	\$ (0.5592)	\$ 0.6376	\$ 0.0976	\$ 3.90	\$ 3.95 \$ (0.05)
	1/2 GALLON	\$ 1.8994	\$ (0.2849)	\$ 0.3188	\$ 0.0496	\$ 1.98	\$ 2.00 \$ (0.02)
	QUART	\$ 1.0425	\$ (0.1564)	\$ 0.1594	\$ 0.0268	\$ 1.07	\$ 1.07 \$ -
	PINT	\$ 0.6013	\$ (0.0902)	\$ 0.0797	\$ 0.0151	\$ 0.61	\$ 0.61 \$ -
	12 OUNCE	\$ 0.3743	\$ (0.0561)	\$ 0.0598	\$ 0.0097	\$ 0.39	\$ 0.39 \$ -
	10 OUNCE	\$ 0.3118	\$ (0.0468)	\$ 0.0498	\$ 0.0081	\$ 0.32	\$ 0.33 \$ (0.01)
	1/2 PINT	\$ 0.2709	\$ (0.0406)	\$ 0.0399	\$ 0.0069	\$ 0.28	\$ 0.28 \$ -
	4 OUNCE	\$ 0.1619	\$ (0.0243)	\$ 0.0199	\$ 0.0040	\$ 0.17	\$ 0.17 \$ -
	Bulk per Quart	\$ 0.9961	\$ (0.1494)	\$ 0.1594	\$ 0.0258	\$ 1.03	\$ 1.15 \$ (0.12)
FLAVORED NONFAT MILK	GALLON	\$ 3.5118	\$ (0.5268)	\$ 0.6376	\$ 0.0929	\$ 3.72	\$ 3.77 \$ (0.05)
	1/2 GALLON	\$ 1.7913	\$ (0.2687)	\$ 0.3188	\$ 0.0472	\$ 1.89	\$ 1.90 \$ (0.01)
	QUART	\$ 0.9884	\$ (0.1483)	\$ 0.1594	\$ 0.0256	\$ 1.03	\$ 1.02 \$ 0.01
	PINT	\$ 0.5743	\$ (0.0861)	\$ 0.0797	\$ 0.0146	\$ 0.58	\$ 0.59 \$ (0.01)
	12 OUNCE	\$ 0.3541	\$ (0.0531)	\$ 0.0598	\$ 0.0093	\$ 0.37	\$ 0.38 \$ (0.01)
	10 OUNCE	\$ 0.2950	\$ (0.0443)	\$ 0.0498	\$ 0.0077	\$ 0.31	\$ 0.31 \$ -
	1/2 PINT	\$ 0.2574	\$ (0.0386)	\$ 0.0399	\$ 0.0066	\$ 0.27	\$ 0.27 \$ -
	4 OUNCE	\$ 0.1552	\$ (0.0233)	\$ 0.0199	\$ 0.0039	\$ 0.16	\$ 0.16 \$ -
	Bulk per Quart	\$ 0.9421	\$ (0.1413)	\$ 0.1594	\$ 0.0246	\$ 0.98	\$ 1.10 \$ (0.12)
BUTTERMILK	GALLON	\$ 3.8079	\$ (0.5712)	\$ 0.6376	\$ 0.0993	\$ 3.97	\$ 4.03 \$ (0.06)
	1/2 GALLON	\$ 1.9393	\$ (0.2909)	\$ 0.3188	\$ 0.0504	\$ 2.02	\$ 2.03 \$ (0.01)
	QUART	\$ 1.0625	\$ (0.1594)	\$ 0.1594	\$ 0.0272	\$ 1.09	\$ 1.09 \$ -
	PINT	\$ 0.6114	\$ (0.0917)	\$ 0.0797	\$ 0.0154	\$ 0.62	\$ 0.62 \$ -
	12 OUNCE	\$ 0.3818	\$ (0.0573)	\$ 0.0598	\$ 0.0099	\$ 0.39	\$ 0.40 \$ (0.01)
	10 OUNCE	\$ 0.3182	\$ (0.0477)	\$ 0.0498	\$ 0.0082	\$ 0.33	\$ 0.33 \$ -
	1/2 PINT	\$ 0.2759	\$ (0.0414)	\$ 0.0399	\$ 0.0070	\$ 0.28	\$ 0.28 \$ -
	4 OUNCE	\$ 0.1644	\$ (0.0247)	\$ 0.0199	\$ 0.0041	\$ 0.17	\$ 0.17 \$ -
	Bulk per Quart	\$ 1.0161	\$ (0.1524)	\$ 0.1594	\$ 0.0262	\$ 1.05	\$ 1.17 \$ (0.12)

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**RETAIL PRICE BUILDUP  
OCTOBER 2019 PRICES**

	A EX. 11	B	C	D	E (A+B+C+D)	F	G (E - F)	
Container Size	Proposed Wholesale Price	Deepest Discount 15.00%	In-Store Handling \$ 0.1594	Store Profit 2.5%	Proposed Retail Price	Current Retail Price	Increase (Decrease)	
<b>EGG NOG</b>	<b>GALLON</b>	\$ 5.6832	\$ (0.8525)	\$ 0.6376	\$ 0.1402	\$ 5.69	\$ 5.65	\$ 0.04
	<b>1/2 GALLON</b>	\$ 2.8770	\$ (0.4316)	\$ 0.3188	\$ 0.0709	\$ 2.89	\$ 2.85	\$ 0.04
	<b>QUART</b>	\$ 1.5313	\$ (0.2297)	\$ 0.1594	\$ 0.0375	\$ 1.54	\$ 1.51	\$ 0.03
	<b>PINT</b>	\$ 0.8457	\$ (0.1269)	\$ 0.0797	\$ 0.0205	\$ 0.86	\$ 0.84	\$ 0.02
	<b>12 OUNCE</b>	\$ 0.5576	\$ (0.0836)	\$ 0.0598	\$ 0.0137	\$ 0.57	\$ 0.56	\$ 0.01
	<b>10 OUNCE</b>	\$ 0.4646	\$ (0.0697)	\$ 0.0498	\$ 0.0114	\$ 0.47	\$ 0.47	\$ -
	<b>1/2 PINT</b>	\$ 0.3931	\$ (0.0590)	\$ 0.0399	\$ 0.0096	\$ 0.40	\$ 0.40	\$ -
	<b>4 OUNCE</b>	\$ 0.2230	\$ (0.0335)	\$ 0.0199	\$ 0.0054	\$ 0.23	\$ 0.23	\$ -
	<b>Bulk per Quart</b>	\$ 1.4849	\$ (0.2227)	\$ 0.1594	\$ 0.0365	\$ 1.49	\$ 1.60	\$ (0.11)

**PENNSYLVANIA MILK MARKETING BOARD STAFF  
AREA 1 COST REPLACEMENT HEARING  
DECEMBER 4, 2019  
LIST OF WITNESSES**

The following individuals will testify at the Milk Marketing Area 1 Cost Replacement Hearing on December 4, 2019 on behalf of the Milk Marketing Board Staff. Copies of their curriculum vitae will be available upon request at the hearing.

**Clifford Ackman**, Milk Marketing Board Statistical Analyst, will testify as an expert witness on milk statistics. His testimony will address the subjects included in his presubmitted testimony, but it is not necessarily limited to the presubmitted testimony.

**Gary Gojsovich**, Milk Marketing Board Audit Supervisor, will testify as an expert on milk industry cost accounting and regulation. His testimony will address the subjects included in his presubmitted testimony, but it is not necessarily limited to the presubmitted testimony.

**Steven Zalman**, Milk Marketing Board Director of Enforcement and Accounting, has no presubmitted testimony, and does not expect to testify, but will be available to testify as an expert on milk industry cost accounting and regulation if called.

Date: November 1, 2019

Respectfully submitted,

***Andrew L. Saylor***

Staff Attorney  
Pennsylvania Milk Marketing Board

**AREA 1 COST REPLACEMENT HEARING  
December 4, 2019**

**CERTIFICATE OF SERVICE**

I hereby certify that on November 1, 2019, I have served true and correct copies of the foregoing by email on behalf of the Milk Marketing Board Staff to the following (all of whom will accept service by email):

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