

**AREA 6**

**COST REPLACEMENT HEARING  
DEALER REBUTTAL EXHIBITS**

**MARCH 3, 2021**

**PMMB AREA 6**

**MARCH 3, 2021 COST REPLACEMENT HEARING**

**INDEX OF REBUTTAL EXHIBITS**

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, 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 D11-A	Calculation of Minimum Wholesale Price Gallon Reduced Fat Milk (2%)
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

**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 6

MARCH 3, 2021 COST REPLACEMENT HEARING

PROCESSING, PACKAGING AND DELIVERY COSTS/POINT  
(WEIGHTED AVERAGE BASED ON SALES IN AREA 6)

DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC

<u>Cost Center</u>	<u>Total 2019 Points in PMMB Area 6 (1)</u>	<u>Weighted Average 2018 Cost/Point (1)</u>
Receiving, lab and field work	72,992,775	\$ 0.0197
Standardization and pasteurization	85,893,729	0.0213
Bottling	88,856,339	0.0569
Cold room	100,435,126	0.0412
Delivery	99,974,383	0.1690
Selling	92,013,477	0.0229
		<u>\$ 0.3310</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 6 for the cross-section dealers.

REBUTTAL EXHIBIT D2-A

PMMB AREA 6

MARCH 3, 2021 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey's Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC

	2019 Weighted Average Cost/Point	2018 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0197	\$0.0201	(\$0.0004)
Standardization and pasteurization	0.0213	0.0224	(0.0011)
Bottling	0.0569	0.0588	(0.0019)
Cold room	0.0412	0.0382	0.0030
Delivery	0.1690	0.1671	0.0019
Selling	<u>0.0229</u>	<u>0.0228</u>	<u>0.0001</u>
Sub total	\$0.3310	\$0.3294	\$0.0016
Add:			
2020 Cost increase (decrease) adjustment - Exhibit D7			0.0065
Less:			
2019 Cost (increase) decrease adjustment (1)			<u>0.0152</u>
Net change			<u>\$0.0233</u>

(1) Per General Order No. A-956 (CRO 10).



**REBUTTAL EXHIBIT D3**

**PMMB AREA 6**

**MARCH 3, 2021 COST REPLACEMENT HEARING**

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

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville, Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC**

<b>Container Size</b>	<b>April 2020 Container Cost (1)</b>	<b>Adjust from April 2019 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)	\$ 0.1871	\$ 0.0147	\$ 0.2018	2.01%	\$ 0.0041	\$ 0.2059
1/2 gallon - plastic	0.1313					
1/2 gallon - paper	(3)					
1/2 gallon - blended (5)	<u>0.1313</u>	0.0124	0.1437	1.93%	0.0028	0.1465
Quart - plastic	0.2077					
Quart - paper	0.0930					
Quart - blended (5)	<u>0.2063</u>	0.0011	0.2074	1.57%	0.0033	0.2107
Pint - plastic	0.1607					
Pint - paper	0.0527					
Pint - blended (5)	<u>0.1587</u>	(0.0003)	0.1584	1.62%	0.0026	0.1610
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.1067	0.0014	0.1081	0.92%	0.0010	0.1091
1/2 pint - paper (5)	0.0268	0.0007	0.0275	0.85%	0.0002	0.0277
Four ounce - paper	0.0251		0.0251	1.53%	0.0004	0.0255
Dispenser	0.1323		0.1323	1.30%	0.0017	0.1340

- (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 6

MARCH 3, 2021 COST REPLACEMENT HEARING

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

DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpsville,  
Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, 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)	\$ 0.2059	\$ 0.2107	\$ (0.0048)
Half Gallon (2)	0.1465	0.1484	(0.0019)
Quart (2)	0.2107	0.2147	(0.0040)
Pint (2)	0.1610	0.1565	0.0045
1/2 pint - plastic (2)	0.1091	0.0537	0.0554
1/2 pint - paper (2)	0.0277	0.0281	(0.0004)
Four ounce - paper	0.0255	0.0284	(0.0029)
Dispenser (per quart)	0.1340	0.1428	(0.0088)

(1) Per General Order No. A-956 (CRO 10) as updated.

(2) These container costs to be updated monthly.

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0814. PMMB resale price schedules show the ½ pint paper price. \$0.0814 is the plastic add-on.

**REBUTTAL EXHIBIT D4**

**PMMB AREA 6**

**MARCH 3, 2021 COST REPLACEMENT HEARING**

**SUMMARY OF INGREDIENT COSTS  
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 6)**

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC**

	April 2020 Ingredient Cost Per Pound <u>(1)</u>
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0001
Non fat (skim) milk	.0005
Flavored milk	.0368
Flavored reduced fat milk	.0398
Flavored nonfat milk	.0355
Buttermilk	.0403
Eggnog	.1642

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

**REBUTTAL EXHIBIT D4-A**

**PMMB AREA 6**

**MARCH 3, 2021 COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS**

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville, Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC**

	<b>2019 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	0.0001	0.0000
Lowfat milk (1%)	0.0001	0.0001	0.0000
Nonfat milk (skim)	0.0005	0.0005	0.0000
Flavored milk (2)	0.0368	0.0350	0.0018
Flavored reduced fat milk (2)	0.0398	0.0386	0.0012
Flavored nonfat milk (2)	0.0355	0.0339	0.0016
Buttermilk	0.0403	0.0370	0.0033
Eggnog	0.1642	0.2003	(0.0361)

(1) Per General Order OGO A-956 (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 6

MARCH 3, 2021 COST REPLACEMENT HEARING

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

DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC

PMMB Area 6	Costs	Revenues	Weighted Net Cost (Revenue)	Weighted Pounds	Weighted Cost (Revenue) Per Pound
Shrinkage	\$ 577,220		\$ 577,220		
Bulk milk revenue minus milk costs		(176,452)			
Bulk milk cost center costs & freight	44,778				
Net bulk milk cost (revenue)			221,230		
Bulk cream revenue minus milk costs		175,880			
Bulk cream cost center costs	79,496				
Net bulk cream cost (revenue)			(96,384)		
Total	<u>\$ 701,494</u>	<u>\$ (572)</u>			
Net cost (net revenue) - calendar year 2019			\$ 702,066	139,911,665	\$ 0.0050
Net cost (net revenue) in current order - calendar year 2018			<u>\$ 868,391</u>	<u>133,392,766</u>	<u>0.0065</u>
Net change - cost increase (cost reduction)			<u>\$ (166,325)</u>	<u></u>	<u>\$ (0.0015)</u>

**REBUTTAL EXHIBIT D6**

**PMMB AREA 6**

**MARCH 3, 2021 COST REPLACEMENT HEARING**

**BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS**

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey's Dairy, Inc., Turner Dairy Farms, 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	3.2928%	3.2811%	0.0117%
Reduced fat milk (2%)	1.9392%	1.9418%	-0.0026%
Lowfat milk (1%)	0.9448%	0.9459%	-0.0011%
Nonfat milk (skim)	0.1138%	0.1321%	-0.0183%
Flavored milk	3.2781%	3.2860%	-0.0079%
Flavored reduced fat milk	1.0998%	1.1000%	-0.0002%
Flavored nonfat milk	0.1369%	0.1486%	-0.0117%
Buttermilk	1.0192%	1.0557%	-0.0365%
Eggnog	6.3382%	6.3574%	-0.0192%

(1) Per General Order No. A-956 (CRO 10)

**PMMB AREA 6**

**MARCH 3, 2021 COST REPLACEMENT HEARING**

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

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC**

<b>Type of Expense</b>	<b>Weighted Expenses for the Six Months Ended June 30 (1)</b>		<b>Weighted Points for the Six Months Ended June 30 (1)</b>		<b>Cost Per Point</b>		<b>Increase (Decrease) Per Point</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	
Labor and fringe benefits	\$ 10,895,271	\$ 10,600,918	44,618,843	44,734,948	\$ 0.2442	\$ 0.2370	\$0.0072
Utilities	500,489	530,529	44,618,843	44,734,948	0.0112	0.0119	(0.0007)
Insurance	254,932	255,771	44,618,843	44,734,948	0.0057	0.0057	0.0000
					<u>\$0.2611</u>	<u>\$0.2546</u>	<u>\$0.0065</u>

(1) Weighted based on sales in PMMB Area 6

PMMB AREA 6

MARCH 3, 2021 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville, Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC**

Diesel fuel costs – calendar year 2019 (1)	\$1,863,107
Delivery points – calendar year 2019 (1)	<u>99,974,383</u>
Diesel fuel cost per point delivered	<u><u>\$0.0186</u></u>
Average diesel price – calendar year 2019 (2)	\$3.267
Average diesel price – October 2020 (2) (3)	<u>\$2.651</u>
Increase (decrease) from year 2019 to month December 2020	-18.86%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0035)</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 6.
- (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 6

MARCH 3, 2021 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpsville, Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC**

Heating fuel costs – calendar year 2019 (1)	\$159,380
Standardization & pasteurization points – calendar year 2019 (1)	<u>85,893,729</u>
Heating fuel cost per point pasteurized	<u>\$0.0019</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>(\$0.0001)</u>

- (1) Costs of cross-section dealers weighted by sales in Area 6.
- (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 6**

**MARCH 3, 2021 COST REPLACEMENT HEARING**

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

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC**

<u>Container Size</u>	<u>Container Quantities Sold by Cross-Section Dealers in 2019 in Area 6</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	7,706,469	\$ (0.1121)	\$ (863,895)	\$ (0.1121)	\$ (863,895)
Half Gallon	7,680,351	(0.0457)	(350,992)	(0.0407)	(312,590)
Quart	1,582,458	0.0958	151,599	0.0972	153,815
Pint	2,638,675	0.1260	332,473	0.1280	337,750
Half Pint	29,812,544	0.0226	673,763	0.0222	661,838
4 oz.	832,307	0.0353	29,380	0.0340	28,298
Dispenser (per quart)	1,889,418	0.0151	<u>28,530</u>	0.0116	<u>21,917</u>
Net impact on cross-section dealer revenues			<u>\$ 858</u>		<u>\$ 27,133</u>

(1) Per OGO A-956 (CRO 10) as updated.

REBUTTAL EXHIBIT D11-A

PMMB AREA 6

MARCH 3, 2021 COST REPLACEMENT HEARING

CALCULATION OF WHOLESALE MINIMUM PRICE  
GALLON REDUCED FAT MILK (2%) FOR DECEMBER 2020

DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9392%	1.9418%	-0.0026%
Butterfat price as announced by PMMB	(1)	\$ 1.6193 per lb.	\$ 1.6193 per lb.	
Extended butterfat value		\$ 0.0314 per lb.	\$ 0.0314 per lb.	
Skim price as announced by PMMB	(1)	\$ 19.25 per cwt.	\$ 19.25 per cwt.	
Extended skim value		\$ 0.1888 per lb.	\$ 0.1888 per lb.	
Total milk value at announced prices		<u>\$ 0.2202 per lb.</u>	<u>\$ 0.2202 per lb.</u>	<u>\$ -</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	<u>0.0050</u>	<u>0.0065</u>	
Total milk cost per pound		<u>\$ 0.2253 per lb.</u>	<u>\$ 0.2268 per lb.</u>	<u>\$(0.0015)</u>
Pounds per gallon (conversion)		<u>8.62</u>	<u>8.62</u>	
Total milk cost per gallon		<u>\$ 1.9421</u>	<u>\$ 1.9550</u>	<u>\$(0.0129)</u>
Container cost (adjusted for shrinkage)	D3	0.2059 each	0.2107 each	(0.0048)
Cost center costs	D2	1.3240	1.3176	0.0064
1st half 2020 to 1st half 2019 adjustment	D7	0.0260	(0.0608)	0.0868
Container efficiency adjustment	D11	(0.1121)	(0.1121)	-
Percentage discount adjustment	(3)	0.0120	0.0120	-
Diesel fuel adjustment	D8	(0.0140)	(0.0164)	0.0024
Heating fuels adjustment	D9	<u>(0.0004)</u>	<u>(0.0008)</u>	<u>0.0004</u>
		<u>\$ 3.3835 each</u>	<u>\$ 3.3052 each</u>	<u>\$ 0.0783</u>
Dealer profit at 3.4%	(2)	<u>0.1191</u>	<u>0.1163</u>	<u>\$ 0.0028</u>
Subtotal		<u>\$ 3.5026 each</u>	<u>\$ 3.4215 each</u>	<u>\$ 0.0811</u>
Less: average delivery cost	(2)	(0.5640)	(0.5640)	
Add: high cost delivery	(2)	<u>0.9864</u>	<u>0.9864</u>	
<b>Wholesale minimum price</b>		<u><b>\$ 3.9250</b> each</u>	<u><b>\$ 3.8439</b> each</u>	<u><b>\$ 0.0811</b></u>

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

(2) Per OGO A-956 (CRO 10) as updated.

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

**REBUTTAL EXHIBIT D11-B**

**PMMB AREA 6**

**MARCH 3, 2021 COST REPLACEMENT HEARING**

**CALCULATION OF WHOLESALE MINIMUM PRICE  
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR DECEMBER 2020**

**DFA Dairy Brands Fluid, LLC – Schuylkill Haven, DFA Dairy Brands Fluid, LLC - Sharpville,  
Galliker Dairy Company, Ritchey’s Dairy, Inc., Turner Dairy Farms, Valley Farms Dairy LLC**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.1369%	0.1486%	-0.0117%
Butterfat price as announced by PMMB	(1)	\$ 1.6193 per lb.	\$ 1.6193 per lb.	
Extended butterfat value		\$ 0.0022 per lb.	\$ 0.0024 per lb.	
Skim price as announced by PMMB	(1)	\$ 19.25 per cwt.	\$ 19.25 per cwt.	
Extended skim value		\$ 0.1922 per lb.	\$ 0.1922 per lb.	
Total milk value at announced prices		<u>\$ 0.1944 per lb.</u>	<u>\$ 0.1946 per lb.</u>	<u>\$(0.0002)</u>
Ingredient cost	D4	0.0355	0.0339	
Cost of shrinkage / bulk milk & cream	D5	0.0050	0.0065	
Total milk cost per pound		<u>\$ 0.2349 per lb.</u>	<u>\$ 0.2350 per lb.</u>	<u>\$(0.0001)</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		<u>\$ 0.1175</u>	<u>\$ 0.1175</u>	<u>\$ -</u>
Container cost (adjusted for shrinkage)	D3	0.0277 each	0.0281 each	(0.0004)
Cost center costs	D2	0.0828	0.0824	0.0004
1st half 2020 to 1st half 2019 adjustment	D7	0.0016	(0.0038)	0.0054
Container efficiency adjustment	(2)	0.0226	0.0222	0.0004
Percentage discount adjustment	(3)	0.0008	0.0008	-
Diesel fuel adjustment	D8	(0.0009)	(0.0010)	0.0001
Heating fuels adjustment	D9	-	(0.0001)	0.0001
		<u>\$ 0.2521 each</u>	<u>\$ 0.2461 each</u>	<u>\$ 0.0060</u>
Dealer profit at 3.4%	(2)	0.0089	0.0087	\$ 0.0002
Subtotal		<u>\$ 0.2610 each</u>	<u>\$ 0.2548 each</u>	<u>\$ 0.0062</u>
Less: average delivery cost	(2)	(0.0353)	(0.0353)	
Add: high cost delivery	(2)	0.0617	0.0617	
<b>Wholesale minimum price</b>		<u><b>\$ 0.2874 each</b></u>	<u><b>\$ 0.2812 each</b></u>	<u><b>\$ 0.0062</b></u>

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

(2) Per OGO A-956 (CRO 10) as updated.

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

Submitted: February 19, 2021