

STAFF TESTIMONY BEFORE THE PENNSYLVANIA MILK MARKETING BOARD  
COST REPLACEMENT HEARING – MILK MARKETING AREA 5  
January 3, 2018

**Staff Exhibit 1**

Good Morning. My name is Clifford Ackman. As the Statistical Analyst 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 5. I have listed these milk dealers in footnote 3 along with the percentage of sales by those dealers compared to all dealers selling into the Western Pennsylvania Milk Marketing Area. As a representative sample of the entire area, these dealers were used to compile the data for the remaining exhibits.

This cross-section of dealers used to gather 2016 information contains the same companies as presented in previous Area 5 cost replacement hearing information. The cross-section dealers continue to represent over eighty percent of the area's market.

This exhibit offers the cross-section of dealers as presenting a significant portion of all sales into the marketplace. It demonstrates the comparability of Class 1 controlled product sales by all dealers (the top section of the exhibit) and the cross-section dealers (in the lower half of the exhibit). The sales of cross-section dealer products compares favorably with the sales of all dealers in the marketplace falling within statistically acceptable limits.

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: schools, restaurants, convenience stores, supermarkets, etc. which is comparable to all dealer sales into Marketing Area 5. I also found that the cross-section dealers employ all types of delivery systems (tractor-trailers and smaller, straight body trucks) which are common to this Area as well.

Based on the amount and type of milk 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 5.

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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 11.

### **Staff Exhibit 2**

Staff Exhibit 2 provides information about the average weighted cost for processing, packaging and delivering milk for the Area 5 cross-section milk dealers. For each of the major cost centers listed in this exhibit, 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 in this exhibit 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 5 then we include 25% of their costs and 25% of their points in the Area 5 cost centers.

Staff recommends that the Board replace the costs in the current Order with those costs in Staff Exhibit 2.

### **Staff Exhibit 3**

Staff Exhibit 3 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 2017 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 half-gallon 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 2017 costs to the costs observed in our most current container surveys in Column F (December 2017). 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 found 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 container costs found in column E of this exhibit.

#### **Staff Exhibit 4**

Staff Exhibit 4 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 2016 sales activity with April 2017 costs to get current weighted costs.

Staff recommends replacing the current ingredient costs with those found in Staff Exhibit 4. 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 the milk moves through the plant; this loss is called shrinkage and it has a cost associated with it.

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

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) as represented 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 Staff Exhibit 5 to replace those in the existing Order.

## **Staff Exhibit 6**

Staff Exhibit 6 summarizes the components of the milk cost prior to the milk going into the container. 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 numeric panel of the Exhibit. In the lower numeric 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 methodology for establishing the before-bottling costs.

## **Staff Exhibit 7**

In Staff Exhibit 7 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 2017 with the 1<sup>st</sup> half of 2016 to update the cost per point from Staff Exhibit 2. We use bottling points as the denominator for this exhibit 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 2017 and 2016 for each of the cost categories. In the next two columns, we list the bottling points for 2017 and 2016 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 per Staff Exhibit 7.

## **Staff Exhibit 8**

In Staff Exhibit 8 we update diesel fuel costs from the previous year (Year 2016) by indexing to diesel prices for the most current month (October 2017). Line 1 shows the weighted cost for diesel fuel for the cross-section dealers for Year 2016. Line 2 is the Year 2016 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 represents the percentage of change in the diesel price from Year 2016 to the current price. Using the percentage of change on line 4, line 5 shows the current presumed diesel cost. By subtracting line 1 from line 5 we find the changed diesel cost on line 6. 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 2015 points and costs with the Year 2016 points and costs found in Staff Exhibit 8.

## **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 2015 points and costs with the 2016 points and costs found in Staff Exhibit 9.

## **Staff Exhibit 10**

Staff Exhibit 10 summarizes the information from all previous exhibits and data from the base Order to arrive at proposed wholesale prices.

Column A is the milk cost from Staff Exhibit 6 which provides the milk cost per pound. We multiply the milk cost per pound by the number of pounds per container.

Column B lists the container costs from Staff Exhibit 3.

Column C combines the first half cost adjustment from Staff Exhibit 7 with the diesel and heating fuel adjustments from Staff Exhibits 8 and 9. It also includes an adjustment per OGO A-972 for the 'Discount Effect'.

Column D is the container efficiency adjustment from the base order.

Column E lists the processing costs from Staff Exhibit 2.

Column F is the sum of columns A through E.

Column G is profit. This percentage profit reflects the profit in the current Order.

Column H is the average price with profit.

Column I removes the average delivery. By removing the average delivery, we arrive at a cost for processing the milk and bringing it to the dock. All milk regardless of its ultimate destination will have the same cost at this point.

Column J adds back the cost of a relatively small high-cost delivery. By adding back the high-cost delivery, we have a price from which applicable discounts can be deducted.

Column K is the sum of Columns H, I and J and is our proposed wholesale price.

Column L is the wholesale price under the current cost replacement order.

Column M is the difference between the proposed wholesale price and the current wholesale price.

### **Staff Exhibit 11**

Staff Exhibit 11 provides a methodology for arriving at the retail or out-of-store price for milk.

Column A is the proposed wholesale price from Staff Exhibit 10.

Column B is the deepest discount from the current general price order.

Column C is the average in-store handling cost from the current general order. This in-store handling cost has been updated monthly by the Consumer Price Index. Staff recommends that the Board continue to employ this form of cost update for the retail price.

Column D reflects the retail profit in the current Order.

Column E is the sum of columns A through D and is the proposed retail or out-of-store price.

Column F is the most recently announced retail price.

Column G is the difference between the proposed retail price and the current retail price.

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

## Pennsylvania Milk Marketing Board SALES IN PMMB AREA 5 BY TYPE OF MILK

### PERCENTAGE OF CLASS I MILK SALES FOR ALL HANDLERS SELLING IN PMMB AREA 5 <sup>(1)</sup> <sup>(2)</sup>

Standard Milk	20.78
Flavored Milk	5.30
Egg Nog	0.32
Reduced Fat Flavored Milk	4.31
Nonfat Flavored Milk	5.24
Reduced Fat Milk	37.83
Low Fat Milk	12.31
Buttermilk	1.57
Nonfat Milk	<u>12.34</u>
	<u>100.0%</u>

### PERCENTAGE OF CLASS I MILK SALES FOR CROSS SECTION DEALERS SELLING IN PMMB AREA 5 <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

Standard Milk	20.84
Flavored Milk	4.59
Egg Nog	0.31
Reduced Fat Flavored Milk	4.26
Nonfat Flavored Milk	5.66
Reduced Fat Milk	39.08
Low Fat Milk	12.23
Buttermilk	0.84
Nonfat Milk	<u>12.19</u>
	<u>100.0%</u>

<sup>(1)</sup> Source - Pennsylvania Milk Marketing Board's Milk Dealer's Monthly Report, calendar year 2016

<sup>(2)</sup> Pounds of Milk used in deriving percentages.

<sup>(3)</sup> The cross-section dealers contribute 82.4% of the total milk to this area.

- \* Dean Dairy Holdings Inc. (Sharpsville location)
- \* Dean Dairy Holdings Inc. (doing business as Meadowbrook)
- \* Schneider's Dairy Inc.
- \* Turner Dairy Farms Inc.
- \* United Dairy Inc. (Martin's Ferry location)
- \* United Dairy Inc. (Uniontown location)

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**COSTS AND POINTS FOR PROCESSING, PACKAGING & DELIVERY  
YEAR 2016 DATA**

<b>Cost Center</b>	<b>Weighted Costs</b>	<b>Weighted Points</b>	<b>Weighted Cost per Point</b>
<b>Receiving, Lab &amp; Field Work</b>	\$ 4,467,850	185,185,971	\$ 0.0241
<b>Standardization &amp; Pasteurization</b>	\$ 4,387,792	201,024,048	\$ 0.0218
<b>Bottling</b>	\$ 6,533,499	206,317,169	\$ 0.0317
<b>Cold Room</b>	\$ 10,958,071	230,917,449	\$ 0.0475
<b>Delivery</b>	\$ 32,308,338	218,549,933	\$ 0.1478
<b>Selling</b>	\$ 6,822,997	224,679,777	\$ 0.0304

**Total Cost per Point** **\$ 0.3033**



**PENNSYLVANIA MILK MARKETING BOARD**  
**MILK MARKETING AREA 5**

**CONTAINER COSTS**  
**YEAR 2016 UNITS (@ APRIL 2017 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 DEC-17) Cost per Unit	Weighted Shrinkage Factor (%)	Adjusted for Shrinkage Cost per Unit
GALLON - Plastic	Blow Molded	\$ 2,539,908	18,013,285	\$ 0.1410			
GALLON - Plastic	Purchased	\$ 1,095,473	5,486,442	\$ 0.1997			
GALLON - Combined		\$ 3,635,381	23,499,727	\$ 0.1547	\$ 0.1641	1.90%	\$ 0.1672
1/2 GALLON - Plastic	Blow Molded	\$ 1,395,094	13,061,900	\$ 0.1068			
1/2 GALLON - Plastic	Purchased	\$ 1,532,451	13,210,627	\$ 0.1160			
1/2 GALLON - Combined		\$ 2,927,545	26,272,527	\$ 0.1114	\$ 0.1165	1.67%	\$ 0.1184
QUART - Plastic	Purchased	\$ 317,126	2,780,202	\$ 0.1141			
QUART - Paper	Purchased	\$ 140,418	1,024,500	\$ 0.1371			
QUART - Combined		\$ 457,544	3,804,702	\$ 0.1203	\$ 0.1264	1.57%	\$ 0.1284
PINT - Plastic	Purchased	\$ 833,045	8,574,274	\$ 0.0972			
PINT - Paper	Purchased	\$ 10,607	217,350	\$ 0.0488			
PINT - Combined		\$ 843,652	8,791,624	\$ 0.0960	\$ 0.0994	1.62%	\$ 0.1010
12 Ounce	Purchased	\$ 3,593	31,985	\$ 0.1123	\$ 0.1123		\$ 0.1123
10 Ounce	Purchased			\$ 0.0544	\$ 0.0544		\$ 0.0544
1/2 PINT - Plastic	Purchased	\$ 262,261	3,720,024	\$ 0.0705	\$ 0.0752	0.92%	\$ 0.0759
1/2 PINT - Paper	Purchased	\$ 1,689,164	59,014,957	\$ 0.0286	\$ 0.0279	0.85%	\$ 0.0281
4 Ounce	Purchased	\$ 139,189	4,803,084	\$ 0.0290	\$ 0.0290	1.53%	\$ 0.0294
Bulk Per Quart	Purchased	\$ 22,681	437,778	\$ 0.0518	\$ 0.0518	1.30%	\$ 0.0525

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**COSTS AND POINTS FOR INGREDIENTS, CONDENSED & POWDER  
YEAR 2016 POUNDS (@ APRIL 2017 COSTS)**

<b>Product</b>	<b>Weighted Costs</b>	<b>Weighted Pounds</b>	<b>Weighted Cost per Pound</b>
<b>Standard (Whole) Milk</b>	\$ 1,411	74,377,501	\$ -
<b>Reduced Fat (2%) Milk</b>	\$ 7,666	136,304,868	\$ 0.0001
<b>Low Fat (1%) Milk</b>	\$ 3,575	44,361,600	\$ 0.0001
<b>Non Fat (Skim) Milk</b>	\$ 42,374	43,447,020	\$ 0.0010
<b>Flavored Milk</b>	\$ 547,089	14,721,226	\$ 0.0372
<b>Flavored Reduced Fat Milk</b>	\$ 427,828	13,367,569	\$ 0.0320
<b>Flavored NONFAT Milk</b>	\$ 697,132	19,533,871	\$ 0.0357
<b>Buttermilk</b>	\$ 55,392	2,573,392	\$ 0.0215
<b>Egg Nog</b>	\$ 144,505	1,098,921	\$ 0.1315

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**COSTS AND (REVENUES) FOR SHRINKAGE AND BULK SALES  
YEAR 2016 DATA**

	A	B	C	D	E	F	G
						- (C - D - E)	
Cost/(Revenue) Factor	Product Pounds	Butterfat Pounds	Revenue	Costs	Additional Processing Costs	Net Cost or (Profit)/Loss	Weighted Cost or (Profit)/Loss
1 Shrinkage	17,979,987	791,575	n/a	\$ 2,991,138	n/a	\$ 2,991,138	\$ 1,134,332
2 Bulk MILK - diverted	400,643,571	15,554,141	\$ 64,125,013	\$ 63,822,987	n/a	\$ (302,026)	\$ (398,133)
3 Bulk MILK - transferred	12,759,059	397,420	\$ 2,072,659	\$ 1,749,853	\$ 583,029	\$ 260,223	\$ 224,629
4 Bulk MILK - TOTAL (Row 2 + Row 3)	413,402,630	15,951,561	\$ 66,197,672	\$ 65,572,840	\$ 583,029	\$ (41,803)	\$ (173,504)
5 Bulk CREAM - transferred	46,806,345	19,708,038	\$ 53,644,718	\$ 47,135,209	\$ 1,534,445	\$ (4,975,064)	\$ (1,556,203)

	H	I	J
			(H ÷ I)
Cost/(Revenue) Factor	Weighted Costs	Weighted Pounds	Weighted Cost per Pound
6 Shrinkage (Row 1)	\$ 1,134,332		
7 Bulk MILK (Profit)/Loss (Row 4)	\$ (173,504)		
8 Bulk CREAM (Profit)/Loss (Row 5)	\$ (1,556,203)		
9 Total	\$ (595,375)	360,866,170	\$ (0.0016)

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**MILK COSTS BEFORE PACKAGING  
DECEMBER 2017 MILK PRICES**

	<b>Class I</b>
<b>Skim Rate</b>	\$ 12.58
<b>Butterfat Rate</b>	\$ 2.6236

Product Description	A	B	C	D	E	F	G	H	I	J	K
	Product Pounds	Butterfat		Skim Pounds	Butterfat Value	Skim Value	Total Value	Cost per Pound	Ingredient Cost	Bulk Sale (Profit)/Loss	Total Cost per Pound
		Pounds	Percentage								
<b>Standard Milk</b>	74,377,501	2,429,718	3.2667%	71,947,783	\$ 6,374,608	\$ 9,051,031	\$ 15,425,639	\$ 0.2074	\$ -	\$ (0.0016)	<b>\$ 0.2058</b>
<b>Reduced Fat (2%) Milk</b>	136,304,868	2,643,392	1.9393%	133,661,476	\$ 6,935,203	\$ 16,814,614	\$ 23,749,817	\$ 0.1742	\$ 0.0001	\$ (0.0016)	<b>\$ 0.1727</b>
<b>Low Fat (1%) Milk</b>	44,361,600	427,723	0.9642%	43,933,877	\$ 1,122,174	\$ 5,526,882	\$ 6,649,056	\$ 0.1499	\$ 0.0001	\$ (0.0016)	<b>\$ 0.1484</b>
<b>Non Fat (Skim) Milk</b>	43,447,020	41,754	0.0961%	43,405,266	\$ 109,546	\$ 5,460,382	\$ 5,569,928	\$ 0.1282	\$ 0.0010	\$ (0.0016)	<b>\$ 0.1276</b>
<b>Flavored Milk</b>	14,721,226	503,589	3.4208%	14,217,637	\$ 1,321,216	\$ 1,788,579	\$ 3,109,795	\$ 0.2112	\$ 0.0372	\$ (0.0016)	<b>\$ 0.2468</b>
<b>Flavored Reduced Fat Milk</b>	13,367,569	136,301	1.0196%	13,231,268	\$ 357,599	\$ 1,664,494	\$ 2,022,093	\$ 0.1513	\$ 0.0320	\$ (0.0016)	<b>\$ 0.1817</b>
<b>Flavored NONFAT Milk</b>	19,533,871	48,939	0.2505%	19,484,932	\$ 128,396	\$ 2,451,204	\$ 2,579,600	\$ 0.1321	\$ 0.0357	\$ (0.0016)	<b>\$ 0.1662</b>
<b>Buttermilk</b>	2,573,392	52,808	2.0521%	2,520,584	\$ 138,547	\$ 317,089	\$ 455,636	\$ 0.1771	\$ 0.0215	\$ (0.0016)	<b>\$ 0.1970</b>
<b>Egg Nog</b>	1,098,921	73,104	6.6523%	1,025,817	\$ 191,796	\$ 129,048	\$ 320,844	\$ 0.2920	\$ 0.1315	\$ (0.0016)	<b>\$ 0.4219</b>

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**COST UPDATE ADJUSTMENT  
1<sup>st</sup> HALF COMPARISON (Year 2017 vs. Year 2016)**

A	B	C	D	E	F	G
				(A ÷ C)	(B ÷ D)	(E - F)
1 <sup>st</sup> HALF EXPENSES		1 <sup>st</sup> HALF POINTS		1 <sup>st</sup> HALF COST/POINTS		INCREASE (DECREASE)
2017	2016	2017	2016	2017	2016	

<b>WEIGHTED LABOR COSTS</b>	\$ 19,975,062	\$ 19,819,465	101,371,964	101,945,256	\$ 0.1970	\$ 0.1944	\$ 0.0026
<b>WEIGHTED UTILITY COSTS</b>	\$ 1,220,515	\$ 1,182,095	101,371,964	101,945,256	\$ 0.0120	\$ 0.0116	\$ 0.0004
<b>WEIGHTED INSURANCE COSTS</b>	\$ 811,826	\$ 192,298	101,371,964	101,945,256	\$ 0.0080	\$ 0.0019	\$ 0.0061

**COST UPDATE ADJUSTMENT per BOTTLING POINT**      **\$ 0.0091**

**PENNSYLVANIA MILK MARKETING BOARD**  
**MILK MARKETING AREA 5**

**Diesel Fuel Costs Adjustment**

**Update of Diesel Fuel Costs from YEAR 2016 to OCTOBER 2017**

1. Weighted Diesel Fuel Costs - YEAR 2016	\$ 2,283,077
2. Average On-Highway Diesel Price per Gallon - YEAR 2016 <sup>(1)</sup>	\$ 2.437
3. On-Highway Diesel Price per Gallon - OCTOBER 2017 <sup>(1)</sup>	\$ 2.928
4. Percent Change In Diesel Fuel Price per Gallon ((Line 3 - Line 2) ÷ Line 2)	20.15%
5. Presumed Diesel Fuel Costs - OCTOBER 2017 ((Line 1 X Line 4) + Line 1)	<u>\$ 2,743,117</u>
6. Change in Diesel Fuel Costs from YEAR 2016 to OCTOBER 2017 (Line 5 - Line 1)	\$ 460,040
7. Weighted Delivery Points - YEAR 2016	<u>218,549,933</u>
<b>8. Change in Diesel Fuel Costs per Delivery Point (Line 6 ÷ Line 7)</b>	<b><u>\$ 0.0021</u></b>

## Footnote:

1. 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 5**

**Heating Fuel Costs Adjustment**

**Update of Heating Fuel Costs from YEAR 2016 to AUGUST 2017**

1. Weighted Heating Fuel Costs - YEAR 2016	\$ 256,780
2. Pennsylvania Average Natural Gas Price - Industrial - YEAR 2016 <sup>(1)</sup>	\$ 7.70
3. Pennsylvania Average Natural Gas Price - Industrial - AUGUST 2017 <sup>(1)</sup>	\$ 9.32
4. Percent Change In Natural Gas Price ((Line 3 - Line 2) ÷ Line 2)	21.04%
5. Presumed Heating Fuel Costs - AUGUST 2017 ((Line 1 X Line 4) + Line 1)	<u>\$ 310,806</u>
6. Change in Heating Fuel Costs from YEAR 2016 to AUGUST 2017 (Line 5 - Line 1)	\$ 54,026
7. Weighted Standardization & Pasteurization (S&P) Points - YEAR 2016	<u>201,024,048</u>
<b>8. Change in Heating Fuel Costs per S&amp;P Point (Line 6 ÷ Line 7)</b>	<b><u>\$ 0.0003</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 5**

**WHOLESALE PRICE BUILDUP**  
**DECEMBER 2017 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 <sup>(1)</sup>	D	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	Dealer Profit 3.50%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
<b>STANDARD (WHOLE) MILK</b>	<b>GALLON</b>	\$ 1.7699	\$ 0.1672	\$ 0.0520	\$ (0.1067)	\$ 1.2132	\$ 3.0956	\$ 0.1123	\$ 3.2079	\$ (0.5220)	\$ 0.9748	\$ 3.6607	\$ 3.5925	\$ 0.0682
	<b>1/2 GALLON</b>	\$ 0.8849	\$ 0.1184	\$ 0.0260	\$ (0.0419)	\$ 0.6066	\$ 1.5940	\$ 0.0578	\$ 1.6518	\$ (0.2610)	\$ 0.4874	\$ 1.8782	\$ 1.8585	\$ 0.0197
	<b>QUART</b>	<b>\$ 0.4425</b>	<b>\$ 0.1284</b>	<b>\$ 0.0130</b>	<b>\$ 0.0330</b>	<b>\$ 0.3033</b>	<b>\$ 0.9202</b>	<b>\$ 0.0334</b>	<b>\$ 0.9536</b>	<b>\$ (0.1305)</b>	<b>\$ 0.2437</b>	<b>\$ 1.0668</b>	<b>\$ 1.0504</b>	<b>\$ 0.0164</b>
	<b>PINT</b>	\$ 0.2212	\$ 0.1010	\$ 0.0065	\$ 0.0755	\$ 0.1517	\$ 0.5559	\$ 0.0202	\$ 0.5761	\$ (0.0653)	\$ 0.1219	\$ 0.6327	\$ 0.6186	\$ 0.0141
	<b>12 OUNCE</b>	\$ 0.1659	\$ 0.1123	\$ 0.0049	\$ 0.0124	\$ 0.1137	\$ 0.4092	\$ 0.0148	\$ 0.4240	\$ (0.0489)	\$ 0.0914	\$ 0.4665	\$ 0.4573	\$ 0.0092
	<b>10 OUNCE</b>	\$ 0.1383	\$ 0.0544	\$ 0.0041	\$ 0.0103	\$ 0.0948	\$ 0.3019	\$ 0.0109	\$ 0.3128	\$ (0.0435)	\$ 0.0812	\$ 0.3505	\$ 0.3447	\$ 0.0058
	<b>1/2 PINT</b>	\$ 0.1106	\$ 0.0281	\$ 0.0033	\$ 0.0367	\$ 0.0758	\$ 0.2545	\$ 0.0092	\$ 0.2637	\$ (0.0326)	\$ 0.0609	\$ 0.2920	\$ 0.2881	\$ 0.0039
	<b>4 OUNCE</b>	\$ 0.0553	\$ 0.0294	\$ 0.0016	\$ 0.0373	\$ 0.0379	\$ 0.1615	\$ 0.0059	\$ 0.1674	\$ (0.0163)	\$ 0.0305	\$ 0.1816	\$ 0.1788	\$ 0.0028
	<b>Bulk per Quart</b>	\$ 0.4425	\$ 0.0525	\$ 0.0130	\$ 0.1058	\$ 0.3033	\$ 0.9171	\$ 0.0333	\$ 0.9504	\$ (0.1305)	\$ 0.2437	\$ 1.0636	\$ 1.0675	\$ (0.0039)
	<b>REDUCED FAT (2%) MILK</b>	<b>GALLON</b>	\$ 1.4887	\$ 0.1672	\$ 0.0520	\$ (0.1067)	\$ 1.2132	\$ 2.8144	\$ 0.1021	\$ 2.9165	\$ (0.5220)	\$ 0.9748	\$ 3.3693	\$ 3.3002
<b>1/2 GALLON</b>		\$ 0.7443	\$ 0.1184	\$ 0.0260	\$ (0.0419)	\$ 0.6066	\$ 1.4534	\$ 0.0527	\$ 1.5061	\$ (0.2610)	\$ 0.4874	\$ 1.7325	\$ 1.7123	\$ 0.0202
<b>QUART</b>		\$ 0.3722	\$ 0.1284	\$ 0.0130	\$ 0.0330	\$ 0.3033	\$ 0.8499	\$ 0.0308	\$ 0.8807	\$ (0.1305)	\$ 0.2437	\$ 0.9939	\$ 0.9773	\$ 0.0166
<b>PINT</b>		\$ 0.1861	\$ 0.1010	\$ 0.0065	\$ 0.0755	\$ 0.1517	\$ 0.5208	\$ 0.0189	\$ 0.5397	\$ (0.0653)	\$ 0.1219	\$ 0.5963	\$ 0.5820	\$ 0.0143
<b>12 OUNCE</b>		\$ 0.1396	\$ 0.1123	\$ 0.0049	\$ 0.0124	\$ 0.1137	\$ 0.3829	\$ 0.0139	\$ 0.3968	\$ (0.0489)	\$ 0.0914	\$ 0.4393	\$ 0.4299	\$ 0.0094
<b>10 OUNCE</b>		\$ 0.1163	\$ 0.0544	\$ 0.0041	\$ 0.0103	\$ 0.0948	\$ 0.2799	\$ 0.0102	\$ 0.2901	\$ (0.0435)	\$ 0.0812	\$ 0.3278	\$ 0.3219	\$ 0.0059
<b>1/2 PINT</b>		\$ 0.0930	\$ 0.0281	\$ 0.0033	\$ 0.0367	\$ 0.0758	\$ 0.2369	\$ 0.0086	\$ 0.2455	\$ (0.0326)	\$ 0.0609	\$ 0.2738	\$ 0.2698	\$ 0.0040
<b>4 OUNCE</b>		\$ 0.0465	\$ 0.0294	\$ 0.0016	\$ 0.0373	\$ 0.0379	\$ 0.1527	\$ 0.0055	\$ 0.1582	\$ (0.0163)	\$ 0.0305	\$ 0.1724	\$ 0.1696	\$ 0.0028
<b>Bulk per Quart</b>		\$ 0.3722	\$ 0.0525	\$ 0.0130	\$ 0.1058	\$ 0.3033	\$ 0.8468	\$ 0.0307	\$ 0.8775	\$ (0.1305)	\$ 0.2437	\$ 0.9907	\$ 0.9944	\$ (0.0037)
<b>LOW FAT (1%) MILK</b>		<b>GALLON</b>	\$ 1.2792	\$ 0.1672	\$ 0.0520	\$ (0.1067)	\$ 1.2132	\$ 2.6049	\$ 0.0945	\$ 2.6994	\$ (0.5220)	\$ 0.9748	\$ 3.1522	\$ 3.0813
	<b>1/2 GALLON</b>	\$ 0.6396	\$ 0.1184	\$ 0.0260	\$ (0.0419)	\$ 0.6066	\$ 1.3487	\$ 0.0489	\$ 1.3976	\$ (0.2610)	\$ 0.4874	\$ 1.6240	\$ 1.6029	\$ 0.0211
	<b>QUART</b>	\$ 0.3198	\$ 0.1284	\$ 0.0130	\$ 0.0330	\$ 0.3033	\$ 0.7975	\$ 0.0289	\$ 0.8264	\$ (0.1305)	\$ 0.2437	\$ 0.9396	\$ 0.9226	\$ 0.0170
	<b>PINT</b>	\$ 0.1599	\$ 0.1010	\$ 0.0065	\$ 0.0755	\$ 0.1517	\$ 0.4946	\$ 0.0179	\$ 0.5125	\$ (0.0653)	\$ 0.1219	\$ 0.5691	\$ 0.5546	\$ 0.0145
	<b>12 OUNCE</b>	\$ 0.1199	\$ 0.1123	\$ 0.0049	\$ 0.0124	\$ 0.1137	\$ 0.3632	\$ 0.0132	\$ 0.3764	\$ (0.0489)	\$ 0.0914	\$ 0.4189	\$ 0.4093	\$ 0.0096
	<b>10 OUNCE</b>	\$ 0.0999	\$ 0.0544	\$ 0.0041	\$ 0.0103	\$ 0.0948	\$ 0.2635	\$ 0.0096	\$ 0.2731	\$ (0.0435)	\$ 0.0812	\$ 0.3108	\$ 0.3049	\$ 0.0059
	<b>1/2 PINT</b>	\$ 0.0800	\$ 0.0281	\$ 0.0033	\$ 0.0367	\$ 0.0758	\$ 0.2239	\$ 0.0081	\$ 0.2320	\$ (0.0326)	\$ 0.0609	\$ 0.2603	\$ 0.2561	\$ 0.0042
	<b>4 OUNCE</b>	\$ 0.0400	\$ 0.0294	\$ 0.0016	\$ 0.0373	\$ 0.0379	\$ 0.1462	\$ 0.0053	\$ 0.1515	\$ (0.0163)	\$ 0.0305	\$ 0.1657	\$ 0.1628	\$ 0.0029
	<b>Bulk per Quart</b>	\$ 0.3198	\$ 0.0525	\$ 0.0130	\$ 0.1058	\$ 0.3033	\$ 0.7944	\$ 0.0288	\$ 0.8232	\$ (0.1305)	\$ 0.2437	\$ 0.9364	\$ 0.9397	\$ (0.0033)
	<b>NON FAT (SKIM) MILK</b>	<b>GALLON</b>	\$ 1.1012	\$ 0.1672	\$ 0.0520	\$ (0.1067)	\$ 1.2132	\$ 2.4269	\$ 0.0880	\$ 2.5149	\$ (0.5220)	\$ 0.9748	\$ 2.9677	\$ 2.8977
<b>1/2 GALLON</b>		\$ 0.5506	\$ 0.1184	\$ 0.0260	\$ (0.0419)	\$ 0.6066	\$ 1.2597	\$ 0.0457	\$ 1.3054	\$ (0.2610)	\$ 0.4874	\$ 1.5318	\$ 1.5111	\$ 0.0207
<b>QUART</b>		\$ 0.2753	\$ 0.1284	\$ 0.0130	\$ 0.0330	\$ 0.3033	\$ 0.7530	\$ 0.0273	\$ 0.7803	\$ (0.1305)	\$ 0.2437	\$ 0.8935	\$ 0.8767	\$ 0.0168
<b>PINT</b>		\$ 0.1376	\$ 0.1010	\$ 0.0065	\$ 0.0755	\$ 0.1517	\$ 0.4723	\$ 0.0171	\$ 0.4894	\$ (0.0653)	\$ 0.1219	\$ 0.5460	\$ 0.5317	\$ 0.0143
<b>12 OUNCE</b>		\$ 0.1032	\$ 0.1123	\$ 0.0049	\$ 0.0124	\$ 0.1137	\$ 0.3465	\$ 0.0126	\$ 0.3591	\$ (0.0489)	\$ 0.0914	\$ 0.4016	\$ 0.3921	\$ 0.0095
<b>10 OUNCE</b>		\$ 0.0860	\$ 0.0544	\$ 0.0041	\$ 0.0103	\$ 0.0948	\$ 0.2496	\$ 0.0091	\$ 0.2587	\$ (0.0435)	\$ 0.0812	\$ 0.2964	\$ 0.2904	\$ 0.0060
<b>1/2 PINT</b>		\$ 0.0688	\$ 0.0281	\$ 0.0033	\$ 0.0367	\$ 0.0758	\$ 0.2127	\$ 0.0077	\$ 0.2204	\$ (0.0326)	\$ 0.0609	\$ 0.2487	\$ 0.2447	\$ 0.0040
<b>4 OUNCE</b>		\$ 0.0344	\$ 0.0294	\$ 0.0016	\$ 0.0373	\$ 0.0379	\$ 0.1406	\$ 0.0051	\$ 0.1457	\$ (0.0163)	\$ 0.0305	\$ 0.1599	\$ 0.1570	\$ 0.0029
<b>Bulk per Quart</b>		\$ 0.2753	\$ 0.0525	\$ 0.0130	\$ 0.1058	\$ 0.3033	\$ 0.7499	\$ 0.0272	\$ 0.7771	\$ (0.1305)	\$ 0.2437	\$ 0.8903	\$ 0.8938	\$ (0.0035)

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of +\$0.0015 per quart equivalent.



**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**WHOLESALE PRICE BUILDUP  
DECEMBER 2017 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 <sup>(1)</sup>	D	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	Dealer Profit 3.50%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
FLAVORED MILK	GALLON	\$ 1.9744	\$ 0.1672	\$ 0.0520	\$ (0.1067)	\$ 1.2132	\$ 3.3001	\$ 0.1197	\$ 3.4198	\$ (0.5220)	\$ 0.9748	\$ 3.8726	\$ 3.7884	\$ 0.0842
	1/2 GALLON	\$ 0.9872	\$ 0.1184	\$ 0.0260	\$ (0.0419)	\$ 0.6066	\$ 1.6963	\$ 0.0615	\$ 1.7578	\$ (0.2610)	\$ 0.4874	\$ 1.9842	\$ 1.9565	\$ 0.0277
	QUART	\$ 0.4936	\$ 0.1284	\$ 0.0130	\$ 0.0330	\$ 0.3033	\$ 0.9713	\$ 0.0352	\$ 1.0065	\$ (0.1305)	\$ 0.2437	\$ 1.1197	\$ 1.0994	\$ 0.0203
	PINT	\$ 0.2468	\$ 0.1010	\$ 0.0065	\$ 0.0755	\$ 0.1517	\$ 0.5815	\$ 0.0211	\$ 0.6026	\$ (0.0653)	\$ 0.1219	\$ 0.6592	\$ 0.6430	\$ 0.0162
	12 OUNCE	\$ 0.1851	\$ 0.1123	\$ 0.0049	\$ 0.0124	\$ 0.1137	\$ 0.4284	\$ 0.0155	\$ 0.4439	\$ (0.0489)	\$ 0.0914	\$ 0.4864	\$ 0.4757	\$ 0.0107
	10 OUNCE	\$ 0.1543	\$ 0.0544	\$ 0.0041	\$ 0.0103	\$ 0.0948	\$ 0.3179	\$ 0.0115	\$ 0.3294	\$ (0.0435)	\$ 0.0812	\$ 0.3671	\$ 0.3601	\$ 0.0070
	1/2 PINT	\$ 0.1234	\$ 0.0281	\$ 0.0033	\$ 0.0367	\$ 0.0758	\$ 0.2673	\$ 0.0097	\$ 0.2770	\$ (0.0326)	\$ 0.0609	\$ 0.3053	\$ 0.3003	\$ 0.0050
	4 OUNCE	\$ 0.0617	\$ 0.0294	\$ 0.0016	\$ 0.0373	\$ 0.0379	\$ 0.1679	\$ 0.0061	\$ 0.1740	\$ (0.0163)	\$ 0.0305	\$ 0.1882	\$ 0.1849	\$ 0.0033
	Bulk per Quart	\$ 0.4936	\$ 0.0525	\$ 0.0130	\$ 0.1058	\$ 0.3033	\$ 0.9682	\$ 0.0351	\$ 1.0033	\$ (0.1305)	\$ 0.2437	\$ 1.1165	\$ 1.1165	\$ -
FLAVORED REDUCED FAT MILK	GALLON	\$ 1.4536	\$ 0.1672	\$ 0.0520	\$ (0.1067)	\$ 1.2132	\$ 2.7793	\$ 0.1008	\$ 2.8801	\$ (0.5220)	\$ 0.9748	\$ 3.3329	\$ 3.2305	\$ 0.1024
	1/2 GALLON	\$ 0.7268	\$ 0.1184	\$ 0.0260	\$ (0.0419)	\$ 0.6066	\$ 1.4359	\$ 0.0521	\$ 1.4880	\$ (0.2610)	\$ 0.4874	\$ 1.7144	\$ 1.6775	\$ 0.0369
	QUART	\$ 0.3634	\$ 0.1284	\$ 0.0130	\$ 0.0330	\$ 0.3033	\$ 0.8411	\$ 0.0305	\$ 0.8716	\$ (0.1305)	\$ 0.2437	\$ 0.9848	\$ 0.9599	\$ 0.0249
	PINT	\$ 0.1817	\$ 0.1010	\$ 0.0065	\$ 0.0755	\$ 0.1517	\$ 0.5164	\$ 0.0187	\$ 0.5351	\$ (0.0653)	\$ 0.1219	\$ 0.5917	\$ 0.5733	\$ 0.0184
	12 OUNCE	\$ 0.1363	\$ 0.1123	\$ 0.0049	\$ 0.0124	\$ 0.1137	\$ 0.3796	\$ 0.0138	\$ 0.3934	\$ (0.0489)	\$ 0.0914	\$ 0.4359	\$ 0.4233	\$ 0.0126
	10 OUNCE	\$ 0.1136	\$ 0.0544	\$ 0.0041	\$ 0.0103	\$ 0.0948	\$ 0.2772	\$ 0.0101	\$ 0.2873	\$ (0.0435)	\$ 0.0812	\$ 0.3250	\$ 0.3165	\$ 0.0085
	1/2 PINT	\$ 0.0909	\$ 0.0281	\$ 0.0033	\$ 0.0367	\$ 0.0758	\$ 0.2348	\$ 0.0085	\$ 0.2433	\$ (0.0326)	\$ 0.0609	\$ 0.2716	\$ 0.2655	\$ 0.0061
	4 OUNCE	\$ 0.0454	\$ 0.0294	\$ 0.0016	\$ 0.0373	\$ 0.0379	\$ 0.1516	\$ 0.0055	\$ 0.1571	\$ (0.0163)	\$ 0.0305	\$ 0.1713	\$ 0.1675	\$ 0.0038
	Bulk per Quart	\$ 0.3634	\$ 0.0525	\$ 0.0130	\$ 0.1058	\$ 0.3033	\$ 0.8380	\$ 0.0304	\$ 0.8684	\$ (0.1305)	\$ 0.2437	\$ 0.9816	\$ 0.9770	\$ 0.0046
FLAVORED NONFAT MILK	GALLON	\$ 1.3296	\$ 0.1672	\$ 0.0520	\$ (0.1067)	\$ 1.2132	\$ 2.6553	\$ 0.0963	\$ 2.7516	\$ (0.5220)	\$ 0.9748	\$ 3.2044	\$ 3.0929	\$ 0.1115
	1/2 GALLON	\$ 0.6648	\$ 0.1184	\$ 0.0260	\$ (0.0419)	\$ 0.6066	\$ 1.3739	\$ 0.0498	\$ 1.4237	\$ (0.2610)	\$ 0.4874	\$ 1.6501	\$ 1.6087	\$ 0.0414
	QUART	\$ 0.3324	\$ 0.1284	\$ 0.0130	\$ 0.0330	\$ 0.3033	\$ 0.8101	\$ 0.0294	\$ 0.8395	\$ (0.1305)	\$ 0.2437	\$ 0.9527	\$ 0.9255	\$ 0.0272
	PINT	\$ 0.1662	\$ 0.1010	\$ 0.0065	\$ 0.0755	\$ 0.1517	\$ 0.5009	\$ 0.0182	\$ 0.5191	\$ (0.0653)	\$ 0.1219	\$ 0.5757	\$ 0.5561	\$ 0.0196
	12 OUNCE	\$ 0.1247	\$ 0.1123	\$ 0.0049	\$ 0.0124	\$ 0.1137	\$ 0.3680	\$ 0.0133	\$ 0.3813	\$ (0.0489)	\$ 0.0914	\$ 0.4238	\$ 0.4105	\$ 0.0133
	10 OUNCE	\$ 0.1039	\$ 0.0544	\$ 0.0041	\$ 0.0103	\$ 0.0948	\$ 0.2675	\$ 0.0097	\$ 0.2772	\$ (0.0435)	\$ 0.0812	\$ 0.3149	\$ 0.3058	\$ 0.0091
	1/2 PINT	\$ 0.0831	\$ 0.0281	\$ 0.0033	\$ 0.0367	\$ 0.0758	\$ 0.2270	\$ 0.0082	\$ 0.2352	\$ (0.0326)	\$ 0.0609	\$ 0.2635	\$ 0.2569	\$ 0.0066
	4 OUNCE	\$ 0.0416	\$ 0.0294	\$ 0.0016	\$ 0.0373	\$ 0.0379	\$ 0.1478	\$ 0.0054	\$ 0.1532	\$ (0.0163)	\$ 0.0305	\$ 0.1674	\$ 0.1631	\$ 0.0043
	Bulk per Quart	\$ 0.3324	\$ 0.0525	\$ 0.0130	\$ 0.1058	\$ 0.3033	\$ 0.8070	\$ 0.0293	\$ 0.8363	\$ (0.1305)	\$ 0.2437	\$ 0.9495	\$ 0.9426	\$ 0.0069
BUTTERMILK	GALLON	\$ 1.6981	\$ 0.1672	\$ 0.0520	\$ (0.1067)	\$ 1.2132	\$ 3.0238	\$ 0.1097	\$ 3.1335	\$ (0.5220)	\$ 0.9748	\$ 3.5863	\$ 3.5467	\$ 0.0396
	1/2 GALLON	\$ 0.8491	\$ 0.1184	\$ 0.0260	\$ (0.0419)	\$ 0.6066	\$ 1.5582	\$ 0.0565	\$ 1.6147	\$ (0.2610)	\$ 0.4874	\$ 1.8411	\$ 1.8355	\$ 0.0056
	QUART	\$ 0.4245	\$ 0.1284	\$ 0.0130	\$ 0.0330	\$ 0.3033	\$ 0.9022	\$ 0.0327	\$ 0.9349	\$ (0.1305)	\$ 0.2437	\$ 1.0481	\$ 1.0390	\$ 0.0091
	PINT	\$ 0.2123	\$ 0.1010	\$ 0.0065	\$ 0.0755	\$ 0.1517	\$ 0.5470	\$ 0.0198	\$ 0.5668	\$ (0.0653)	\$ 0.1219	\$ 0.6234	\$ 0.6128	\$ 0.0106
	12 OUNCE	\$ 0.1592	\$ 0.1123	\$ 0.0049	\$ 0.0124	\$ 0.1137	\$ 0.4025	\$ 0.0146	\$ 0.4171	\$ (0.0489)	\$ 0.0914	\$ 0.4596	\$ 0.4530	\$ 0.0066
	10 OUNCE	\$ 0.1327	\$ 0.0544	\$ 0.0041	\$ 0.0103	\$ 0.0948	\$ 0.2963	\$ 0.0107	\$ 0.3070	\$ (0.0435)	\$ 0.0812	\$ 0.3447	\$ 0.3412	\$ 0.0035
	1/2 PINT	\$ 0.1061	\$ 0.0281	\$ 0.0033	\$ 0.0367	\$ 0.0758	\$ 0.2500	\$ 0.0091	\$ 0.2591	\$ (0.0326)	\$ 0.0609	\$ 0.2874	\$ 0.2852	\$ 0.0022
	4 OUNCE	\$ 0.0531	\$ 0.0294	\$ 0.0016	\$ 0.0373	\$ 0.0379	\$ 0.1593	\$ 0.0058	\$ 0.1651	\$ (0.0163)	\$ 0.0305	\$ 0.1793	\$ 0.1773	\$ 0.0020
	Bulk per Quart	\$ 0.4245	\$ 0.0525	\$ 0.0130	\$ 0.1058	\$ 0.3033	\$ 0.8991	\$ 0.0326	\$ 0.9317	\$ (0.1305)	\$ 0.2437	\$ 1.0449	\$ 1.0561	\$ (0.0112)

Footnote:  
1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of +\$0.0015 per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**WHOLESALE PRICE BUILDUP  
DECEMBER 2017 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 <sup>(1)</sup>	D	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	Dealer Profit 3.50%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
<b>EGG MOG</b>	<b>GALLON</b>	\$ 3.3752	\$ 0.1672	\$ 0.0520	\$ (0.1067)	\$ 1.2132	\$ 4.7009	\$ 0.1705	\$ 4.8714	\$ (0.5220)	\$ 0.9748	\$ 5.3242	\$ 5.5974	\$ (0.2732)
	<b>1/2 GALLON</b>	\$ 1.6876	\$ 0.1184	\$ 0.0260	\$ (0.0419)	\$ 0.6066	\$ 2.3967	\$ 0.0869	\$ 2.4836	\$ (0.2610)	\$ 0.4874	\$ 2.7100	\$ 2.8609	\$ (0.1509)
	<b>QUART</b>	\$ 0.8438	\$ 0.1284	\$ 0.0130	\$ 0.0330	\$ 0.3033	\$ 1.3215	\$ 0.0479	\$ 1.3694	\$ (0.1305)	\$ 0.2437	\$ 1.4826	\$ 1.5516	\$ (0.0690)
	<b>PINT</b>	\$ 0.4219	\$ 0.1010	\$ 0.0065	\$ 0.0755	\$ 0.1517	\$ 0.7566	\$ 0.0274	\$ 0.7840	\$ (0.0653)	\$ 0.1219	\$ 0.8406	\$ 0.8691	\$ (0.0285)
	<b>12 OUNCE</b>	\$ 0.3164	\$ 0.1123	\$ 0.0049	\$ 0.0124	\$ 0.1137	\$ 0.5597	\$ 0.0203	\$ 0.5800	\$ (0.0489)	\$ 0.0914	\$ 0.6225	\$ 0.6453	\$ (0.0228)
	<b>10 OUNCE</b>	\$ 0.2637	\$ 0.0544	\$ 0.0041	\$ 0.0103	\$ 0.0948	\$ 0.4273	\$ 0.0155	\$ 0.4428	\$ (0.0435)	\$ 0.0812	\$ 0.4805	\$ 0.5014	\$ (0.0209)
	<b>1/2 PINT</b>	\$ 0.2110	\$ 0.0281	\$ 0.0033	\$ 0.0367	\$ 0.0758	\$ 0.3549	\$ 0.0129	\$ 0.3678	\$ (0.0326)	\$ 0.0609	\$ 0.3961	\$ 0.4134	\$ (0.0173)
	<b>4 OUNCE</b>	\$ 0.1055	\$ 0.0294	\$ 0.0016	\$ 0.0373	\$ 0.0379	\$ 0.2117	\$ 0.0077	\$ 0.2194	\$ (0.0163)	\$ 0.0305	\$ 0.2336	\$ 0.2415	\$ (0.0079)
	<b>Bulk per Quart</b>	\$ 0.8438	\$ 0.0525	\$ 0.0130	\$ 0.1058	\$ 0.3033	\$ 1.3184	\$ 0.0478	\$ 1.3662	\$ (0.1305)	\$ 0.2437	\$ 1.4794	\$ 1.5687	\$ (0.0893)

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of +\$0.0015 per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**RETAIL PRICE BUILDUP  
DECEMBER 2017 PRICES**

	A	B	C	D	E	F	G	
	EX. 10				(A+B+C+D)		(E - F)	
Container Size	Proposed Wholesale Price	12.0% Deepest Discount	In-Store Handling \$ 0.1483	2.7% Store Profit	Proposed Retail Price	Current Retail Price	Increase (Decrease)	
STANDARD (WHOLE) MILK	GALLON	\$ 3.6607	\$ (0.4393)	\$ 0.5932	\$ 0.1059	\$ 3.92	\$ 3.86	\$ 0.06
	1/2 GALLON	\$ 1.8782	\$ (0.2254)	\$ 0.2966	\$ 0.0541	\$ 2.00	\$ 1.99	\$ 0.01
	QUART	<b>\$ 1.0668</b>	<b>\$ (0.1280)</b>	<b>\$ 0.1483</b>	<b>\$ 0.0302</b>	<b>\$ 1.12</b>	<b>\$ 1.10</b>	<b>\$ 0.02</b>
	PINT	\$ 0.6327	\$ (0.0759)	\$ 0.0742	\$ 0.0175	\$ 0.65	\$ 0.64	\$ 0.01
	12 OUNCE	\$ 0.4665	\$ (0.0560)	\$ 0.0556	\$ 0.0129	\$ 0.48	\$ 0.47	\$ 0.01
	10 OUNCE	\$ 0.3505	\$ (0.0421)	\$ 0.0463	\$ 0.0098	\$ 0.36	\$ 0.36	\$ -
	1/2 PINT	\$ 0.2920	\$ (0.0350)	\$ 0.0371	\$ 0.0082	\$ 0.30	\$ 0.30	\$ -
	4 OUNCE	\$ 0.1816	\$ (0.0218)	\$ 0.0185	\$ 0.0049	\$ 0.19	\$ 0.18	\$ 0.01
	Bulk per Quart	\$ 1.0636	\$ (0.1276)	\$ 0.1483	\$ 0.0301	\$ 1.11	\$ 1.12	\$ (0.01)
REDUCED FAT (2%) MILK	GALLON	\$ 3.3693	\$ (0.4043)	\$ 0.5932	\$ 0.0987	\$ 3.66	\$ 3.59	\$ 0.07
	1/2 GALLON	\$ 1.7325	\$ (0.2079)	\$ 0.2966	\$ 0.0505	\$ 1.87	\$ 1.85	\$ 0.02
	QUART	\$ 0.9939	\$ (0.1193)	\$ 0.1483	\$ 0.0284	\$ 1.05	\$ 1.04	\$ 0.01
	PINT	\$ 0.5963	\$ (0.0716)	\$ 0.0742	\$ 0.0166	\$ 0.62	\$ 0.60	\$ 0.02
	12 OUNCE	\$ 0.4393	\$ (0.0527)	\$ 0.0556	\$ 0.0123	\$ 0.45	\$ 0.45	\$ -
	10 OUNCE	\$ 0.3278	\$ (0.0393)	\$ 0.0463	\$ 0.0093	\$ 0.34	\$ 0.34	\$ -
	1/2 PINT	\$ 0.2738	\$ (0.0329)	\$ 0.0371	\$ 0.0077	\$ 0.29	\$ 0.28	\$ 0.01
	4 OUNCE	\$ 0.1724	\$ (0.0207)	\$ 0.0185	\$ 0.0047	\$ 0.18	\$ 0.17	\$ 0.01
	Bulk per Quart	\$ 0.9907	\$ (0.1189)	\$ 0.1483	\$ 0.0283	\$ 1.05	\$ 1.05	\$ -
LOWFAT (1%) MILK	GALLON	\$ 3.1522	\$ (0.3783)	\$ 0.5932	\$ 0.0934	\$ 3.46	\$ 3.40	\$ 0.06
	1/2 GALLON	\$ 1.6240	\$ (0.1949)	\$ 0.2966	\$ 0.0479	\$ 1.77	\$ 1.75	\$ 0.02
	QUART	\$ 0.9396	\$ (0.1128)	\$ 0.1483	\$ 0.0271	\$ 1.00	\$ 0.99	\$ 0.01
	PINT	\$ 0.5691	\$ (0.0683)	\$ 0.0742	\$ 0.0160	\$ 0.59	\$ 0.58	\$ 0.01
	12 OUNCE	\$ 0.4189	\$ (0.0503)	\$ 0.0556	\$ 0.0118	\$ 0.44	\$ 0.43	\$ 0.01
	10 OUNCE	\$ 0.3108	\$ (0.0373)	\$ 0.0463	\$ 0.0089	\$ 0.33	\$ 0.32	\$ 0.01
	1/2 PINT	\$ 0.2603	\$ (0.0312)	\$ 0.0371	\$ 0.0074	\$ 0.27	\$ 0.27	\$ -
	4 OUNCE	\$ 0.1657	\$ (0.0199)	\$ 0.0185	\$ 0.0046	\$ 0.17	\$ 0.17	\$ -
	Bulk per Quart	\$ 0.9364	\$ (0.1124)	\$ 0.1483	\$ 0.0270	\$ 1.00	\$ 1.00	\$ -
NONFAT (SKIM) MILK	GALLON	\$ 2.9677	\$ (0.3561)	\$ 0.5932	\$ 0.0889	\$ 3.29	\$ 3.23	\$ 0.06
	1/2 GALLON	\$ 1.5318	\$ (0.1838)	\$ 0.2966	\$ 0.0456	\$ 1.69	\$ 1.67	\$ 0.02
	QUART	\$ 0.8935	\$ (0.1072)	\$ 0.1483	\$ 0.0259	\$ 0.96	\$ 0.95	\$ 0.01
	PINT	\$ 0.5460	\$ (0.0655)	\$ 0.0742	\$ 0.0154	\$ 0.57	\$ 0.56	\$ 0.01
	12 OUNCE	\$ 0.4016	\$ (0.0482)	\$ 0.0556	\$ 0.0113	\$ 0.42	\$ 0.41	\$ 0.01
	10 OUNCE	\$ 0.2964	\$ (0.0356)	\$ 0.0463	\$ 0.0085	\$ 0.32	\$ 0.31	\$ 0.01
	1/2 PINT	\$ 0.2487	\$ (0.0298)	\$ 0.0371	\$ 0.0071	\$ 0.26	\$ 0.26	\$ -
	4 OUNCE	\$ 0.1599	\$ (0.0192)	\$ 0.0185	\$ 0.0044	\$ 0.16	\$ 0.16	\$ -
	Bulk per Quart	\$ 0.8903	\$ (0.1068)	\$ 0.1483	\$ 0.0259	\$ 0.96	\$ 0.96	\$ -

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**RETAIL PRICE BUILDUP  
DECEMBER 2017 PRICES**

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)	
Container Size	Proposed Wholesale Price	12.0% Deepest Discount	In-Store Handling \$ 0.1483	2.7% Store Profit	Proposed Retail Price	Current Retail Price	Increase (Decrease)	
<b>FLAVORED MILK</b>	GALLON	\$ 3.8726	\$ (0.4647)	\$ 0.5932	\$ 0.1110	\$ 4.11	\$ 4.04	\$ 0.07
	1/2 GALLON	\$ 1.9842	\$ (0.2381)	\$ 0.2966	\$ 0.0567	\$ 2.10	\$ 2.07	\$ 0.03
	QUART	\$ 1.1197	\$ (0.1344)	\$ 0.1483	\$ 0.0315	\$ 1.17	\$ 1.15	\$ 0.02
	PINT	\$ 0.6592	\$ (0.0791)	\$ 0.0742	\$ 0.0182	\$ 0.67	\$ 0.66	\$ 0.01
	12 OUNCE	\$ 0.4864	\$ (0.0584)	\$ 0.0556	\$ 0.0134	\$ 0.50	\$ 0.49	\$ 0.01
	10 OUNCE	\$ 0.3671	\$ (0.0441)	\$ 0.0463	\$ 0.0102	\$ 0.38	\$ 0.37	\$ 0.01
	1/2 PINT	\$ 0.3053	\$ (0.0366)	\$ 0.0371	\$ 0.0085	\$ 0.31	\$ 0.31	\$ -
	4 OUNCE	\$ 0.1882	\$ (0.0226)	\$ 0.0185	\$ 0.0051	\$ 0.19	\$ 0.19	\$ -
	Bulk per Quart	\$ 1.1165	\$ (0.1340)	\$ 0.1483	\$ 0.0314	\$ 1.16	\$ 1.16	\$ -
<b>FLAVORED REDUCED FAT MILK</b>	GALLON	\$ 3.3329	\$ (0.3999)	\$ 0.5932	\$ 0.0978	\$ 3.62	\$ 3.53	\$ 0.09
	1/2 GALLON	\$ 1.7144	\$ (0.2057)	\$ 0.2966	\$ 0.0501	\$ 1.86	\$ 1.82	\$ 0.04
	QUART	\$ 0.9848	\$ (0.1182)	\$ 0.1483	\$ 0.0282	\$ 1.04	\$ 1.02	\$ 0.02
	PINT	\$ 0.5917	\$ (0.0710)	\$ 0.0742	\$ 0.0165	\$ 0.61	\$ 0.59	\$ 0.02
	12 OUNCE	\$ 0.4359	\$ (0.0523)	\$ 0.0556	\$ 0.0122	\$ 0.45	\$ 0.44	\$ 0.01
	10 OUNCE	\$ 0.3250	\$ (0.0390)	\$ 0.0463	\$ 0.0092	\$ 0.34	\$ 0.33	\$ 0.01
	1/2 PINT	\$ 0.2716	\$ (0.0326)	\$ 0.0371	\$ 0.0077	\$ 0.28	\$ 0.28	\$ -
	4 OUNCE	\$ 0.1713	\$ (0.0206)	\$ 0.0185	\$ 0.0047	\$ 0.18	\$ 0.17	\$ 0.01
	Bulk per Quart	\$ 0.9816	\$ (0.1178)	\$ 0.1483	\$ 0.0281	\$ 1.04	\$ 1.04	\$ -
<b>FLAVORED NONFAT MILK</b>	GALLON	\$ 3.2044	\$ (0.3845)	\$ 0.5932	\$ 0.0947	\$ 3.51	\$ 3.41	\$ 0.10
	1/2 GALLON	\$ 1.6501	\$ (0.1980)	\$ 0.2966	\$ 0.0485	\$ 1.80	\$ 1.76	\$ 0.04
	QUART	\$ 0.9527	\$ (0.1143)	\$ 0.1483	\$ 0.0274	\$ 1.01	\$ 0.99	\$ 0.02
	PINT	\$ 0.5757	\$ (0.0691)	\$ 0.0742	\$ 0.0161	\$ 0.60	\$ 0.58	\$ 0.02
	12 OUNCE	\$ 0.4238	\$ (0.0509)	\$ 0.0556	\$ 0.0119	\$ 0.44	\$ 0.43	\$ 0.01
	10 OUNCE	\$ 0.3149	\$ (0.0378)	\$ 0.0463	\$ 0.0090	\$ 0.33	\$ 0.32	\$ 0.01
	1/2 PINT	\$ 0.2635	\$ (0.0316)	\$ 0.0371	\$ 0.0075	\$ 0.28	\$ 0.27	\$ 0.01
	4 OUNCE	\$ 0.1674	\$ (0.0201)	\$ 0.0185	\$ 0.0046	\$ 0.17	\$ 0.17	\$ -
	Bulk per Quart	\$ 0.9495	\$ (0.1139)	\$ 0.1483	\$ 0.0273	\$ 1.01	\$ 1.00	\$ 0.01
<b>BUTTERMILK</b>	GALLON	\$ 3.5863	\$ (0.4304)	\$ 0.5932	\$ 0.1040	\$ 3.85	\$ 3.82	\$ 0.03
	1/2 GALLON	\$ 1.8411	\$ (0.2209)	\$ 0.2966	\$ 0.0532	\$ 1.97	\$ 1.96	\$ 0.01
	QUART	\$ 1.0481	\$ (0.1258)	\$ 0.1483	\$ 0.0297	\$ 1.10	\$ 1.09	\$ 0.01
	PINT	\$ 0.6234	\$ (0.0748)	\$ 0.0742	\$ 0.0173	\$ 0.64	\$ 0.63	\$ 0.01
	12 OUNCE	\$ 0.4596	\$ (0.0552)	\$ 0.0556	\$ 0.0128	\$ 0.47	\$ 0.47	\$ -
	10 OUNCE	\$ 0.3447	\$ (0.0414)	\$ 0.0463	\$ 0.0097	\$ 0.36	\$ 0.36	\$ -
	1/2 PINT	\$ 0.2874	\$ (0.0345)	\$ 0.0371	\$ 0.0080	\$ 0.30	\$ 0.30	\$ -
	4 OUNCE	\$ 0.1793	\$ (0.0215)	\$ 0.0185	\$ 0.0049	\$ 0.18	\$ 0.18	\$ -
	Bulk per Quart	\$ 1.0449	\$ (0.1254)	\$ 0.1483	\$ 0.0296	\$ 1.10	\$ 1.11	\$ (0.01)

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 5**

**RETAIL PRICE BUILDUP  
DECEMBER 2017 PRICES**

		A	B	C	D	E	F	G
		EX. 10				(A+B+C+D)		(E - F)
Container Size		Proposed Wholesale Price	12.0% Deepest Discount	In-Store Handling \$ 0.1483	2.7% Store Profit	Proposed Retail Price	Current Retail Price	Increase (Decrease)
<b>EGG NOG</b>	<b>GALLON</b>	\$ 5.3242	\$ (0.6389)	\$ 0.5932	\$ 0.1465	\$ 5.43	\$ 5.67	\$ (0.24)
	<b>1/2 GALLON</b>	\$ 2.7100	\$ (0.3252)	\$ 0.2966	\$ 0.0744	\$ 2.76	\$ 2.89	\$ (0.13)
	<b>QUART</b>	\$ 1.4826	\$ (0.1779)	\$ 0.1483	\$ 0.0403	\$ 1.49	\$ 1.56	\$ (0.07)
	<b>PINT</b>	\$ 0.8406	\$ (0.1009)	\$ 0.0742	\$ 0.0226	\$ 0.85	\$ 0.87	\$ (0.02)
	<b>12 OUNCE</b>	\$ 0.6225	\$ (0.0747)	\$ 0.0556	\$ 0.0167	\$ 0.63	\$ 0.65	\$ (0.02)
	<b>10 OUNCE</b>	\$ 0.4805	\$ (0.0577)	\$ 0.0463	\$ 0.0130	\$ 0.49	\$ 0.51	\$ (0.02)
	<b>1/2 PINT</b>	\$ 0.3961	\$ (0.0475)	\$ 0.0371	\$ 0.0107	\$ 0.40	\$ 0.42	\$ (0.02)
	<b>4 OUNCE</b>	\$ 0.2336	\$ (0.0280)	\$ 0.0185	\$ 0.0062	\$ 0.24	\$ 0.25	\$ (0.01)
	<b>Bulk per Quart</b>	\$ 1.4794	\$ (0.1775)	\$ 0.1483	\$ 0.0402	\$ 1.49	\$ 1.57	\$ (0.08)

**PENNSYLVANIA MILK MARKETING BOARD STAFF  
AREA 5 COST REPLACEMENT HEARING  
JANUARY 3, 2018  
LIST OF WITNESSES**

The following individuals will testify at the Milk Marketing Area 5 Cost Replacement Hearing on January 3, 2018 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, related to the selection and validity of the cross section of milk dealers for the Milk Marketing Area, including the prepared testimony which is being provided.

**Gary Gojsovich**, Milk Marketing Board Audit Supervisor, will testify as an expert on milk industry cost accounting and regulation of the milk industry, which includes determining wholesale and retail milk prices, and industry costs including processing, packaging, delivering, and selling milk. His testimony will address the subjects included in his presubmitted testimony, but it is not necessarily limited to the presubmitted testimony.

Date: December 8, 2017

Respectfully submitted,

***Andrew L. Saylor***

Staff Attorney

Pennsylvania Milk Marketing Board

**AREA 5 COST REPLACEMENT HEARING  
JANUARY 3, 2018  
CERTIFICATE OF SERVICE**

I hereby certify that on December 8, 2017, 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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