

AREA 4

COST REPLACEMENT HEARING DEALER SURREBUTTAL EXHIBITS

NOVEMBER 5, 2014

PMMB AREA 4

COST REPLACEMENT HEARING

INDEX OF SURREBUTTAL EXHIBITS

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

Carl D. Herbein, CPA
Curriculum Vitae

EDUCATION

Elizabethtown College – B.S. Degree in Accounting (1968)
Delta Mu Delta – National Honor Society – Co-captain Cross Country Team

EMPLOYMENT

Herbein + Company, Inc., Reading, PA
October, 2004 to present
President and CEO

July, 1985 to October, 2004
Managing Partner

1974 to June, 1985
Partner
Reading, PA

Carl D. Herbein, CPA – Reading, PA
1972 to 1974

Ernst & Young, Reading, PA
1967 to 1972
Staff/Senior Accountant

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS

CPA – Commonwealth of Pennsylvania (1971)

Member – American Institute of CPAs – Council (1990 – 1991)

Member – Pennsylvania Institute of CPAs – President (1988 – 1989)

Firm Member – PKF North American Network – Board of Directors (1993 – 1994)

Chairman – Reading Redevelopment Authority (1992 – 1998) Board of Directors (1984 – 1998)

Board Member

- Greater Berks Development Fund (1995 – present)
- Berks County Convention Center Authority - Treasurer (1996 – present)
- Alvernia University (2012 – present)

Berks County Chamber of Commerce (1980 – present)

- Chairman of the Board (1994 – 1996)
- Treasurer (1992 – 1993)
- Treasurer (2007-2009)

Greater Reading Economic Partnership (2005 – present)

Elizabethtown College

- Board of Trustees (1987 – 1992)
- Chair – Leadership Council (2007 – 2009)

Berkshire Country Club

- Board of Directors and Treasurer (October 2001 – 2007)

C.H. Briggs Hardware, Reading, PA
Member of Board of Directors
2008 to 2012

Submitted: October 30, 2014

Carl D. Herbein, CPA

PUBLICATIONS

“Product Costing In A Volatile Environment,” which appeared in the *National Ice Cream Mix Association, Inc.* publication

“Milk Costing and Regulation – Is There a Conflict?” which appeared in the 2003 *International Association of Milk Control Agencies’* publication

“Benchmarking,” which appeared in the August 2004, *422 Business Advisor*

“Financing Agribusiness Growth”, which appeared in the *Pennsylvania CPA Journal*

“Processors Improve Profits With Benchmarking”, which appeared in the October 2011, *Dairy Foods Magazine*

COMMUNITY AWARDS

2006 Eugene L. Shirk Community Builder Award

2010 Corporate Honoree – March of Dimes

2012 Franciscan Award – Alvernia University

2013 Business Weekly Unity Award

2014 YMCA Champion of Youth

EXPERT REPORTS, DEPOSITION AND TESTIMONY

COURT AND OTHER TESTIMONY

Montana Department of Agriculture – Testimony concerning Montana Milk pool. (hearing held July 23, 2008)

State of Vermont – Expert testimony concerning establishment floor price – raw milk. (hearing held October 9, 2008)

Windsong Farms v. Telemark – Expert testimony – lender liability November 17, 2008

Niagara Milk Cooperative, Inc. v. Thomas J. Krenzer et al. – determination of fair value of dissenter’s interest February 23, 2009

State of New Jersey Department of Agriculture – Expert testimony – Farmer premium establishment. (hearing held November 19, 2009, December 17, 2009 and January 28, 2010)

Sweetwater Valley Farm, Inc. v. Dairy Farmers of America, Inc. – June 15, 2010

Bross v. Bross – domestic matter. Testimony October 16, 2010.

Van Peenen Dairy, Inc. v. Tuscan/Lehigh Dairies, Inc. – contractual dispute, November 22, 2011

Nicholas Meat Packing Co. v. Brigandi, Gleghorn and Associates – August 20, 2011 and July 2013.

Supports Coordination Organization Modeled Rate Review – payment rate dispute – July 15, 2013.

Allen S. Fisher, et. al. v. Dominion Transmission, Inc. – crop damage – loss calculation – October 2013.

DeVries Dairy v. White Eagle Cooperative Association – expert testimony – economic discrimination – October 2013.

SURREBUTTAL EXHIBIT D1

Carl D. Herbein, CPA

COMMONWEALTH OF PENNSYLVANIA MILK MARKETING BOARD APPEARANCES

2007

Expert witness appearing on behalf of dealer association concerning licensee to licensee discounts.

Expert witness appearing on behalf of dealer association concerning cost replacement hearings for Areas 1, 2, 3, 4, 5, and 6.

2008

Expert witness appearing on behalf of dealer association concerning cost replacement hearings for Areas 1, 2, 3, 4, 5, and 6.

Expert witness appearing on behalf of dealer association concerning bulk milk cream, shrinkage, producer premium related to recombinant bovine growth hormone, and milk prices and percentage discounts.

2009

Expert witness appearing on behalf of dealer association concerning cost replacement hearings for Areas 1, 2, 3, 4, 5 and 6.

Expert witness appearing on behalf of dealer association concerning emergency hearing related to level of Class I Over-order Premium.

2010

Expert witness appearing on behalf of dealer association concerning formula for calculating the Over Order Premium.

Expert witness appearing on behalf of dealer association concerning cost replacement in Area 4 and Area 5.

2011

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 1, 2, 3, 4, 5, and 6.

2012

Expert witness appearing on behalf of dealer associations concerning multi-store discounts in Area 5 and Area 6.

Expert witness appearing on behalf of dealer associations concerning Over Order Premium duration and level.

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 1, 2, 3, 4, 5, and 6.

2013

Expert witness appearing on behalf of dealer associations concerning wholesale milk discounts in Areas 1, 2, 3, 4, 5, and 6.

Expert witness appearing on behalf of dealer associations concerning over-price premium in Areas 1, 2, 3, and 4.

2014

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 1, 2, 3, 4, and 5.

Expert witness appearing on behalf of dealer associations concerning small delivery cost in Areas 1, 2, 3, 4, 5 and 6.

SURREBUTTAL EXHIBIT D2

PMMB AREA 4

COST REPLACEMENT HEARING

**SUMMARY OF CURRENT INGREDIENT COSTS
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 4)**

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

	March 2014 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0032
Low fat (1%) milk	.0029
Non fat (skim) milk	.0037
Flavored milk	.0371
Flavored reduced fat milk	.0323
Flavored nonfat milk	.0282
Buttermilk	.0452
Eggnog	.1972

(1) For ingredients not purchased in March 2014 the most recent invoice was used.

SURREBUTTAL EXHIBIT D2-A

PMMB AREA 4

COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

	March 2014 Weighted Average Cost/Pound	Cost/Pound included in Existing Order (1)	Increase (Decrease)
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0032	0.0021	0.0011
Lowfat milk (1%)	0.0029	0.0020	0.0009
Nonfat milk (skim)	0.0037	0.0026	0.0011
Flavored milk (2)	0.0371	0.0404	(0.0033)
Flavored reduced fat milk (2)	0.0323	0.0313	0.0010
Flavored nonfat milk (2)	0.0282	0.0294	(0.0012)
Buttermilk	0.0452	0.0360	0.0092
Eggnog	0.1972	0.1973	(0.0001)

(1) Per General Order OGO A-963 (CRO 4) as updated for flavored milk on October 1, 2014.

(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.

SURREBUTTAL EXHIBIT D2-B

PMMB AREA 4

COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

	2013 Weighted Average Cost/Pound	Cost/Pound included in Existing Order (1)	Increase (Decrease)
Standard milk	3.2896%	3.3020%	-0.0124%
Reduced fat milk (2%)	1.9687%	1.9830%	-0.0143%
Lowfat milk (1%)	0.9721%	0.9856%	-0.0135%
Nonfat milk (skim)	0.1126%	0.1280%	-0.0154%
Flavored milk	3.3627%	3.3881%	-0.0254%
Flavored reduced fat milk	0.9673%	0.9574%	0.0099%
Flavored nonfat milk	0.1144%	0.0974%	0.0170%
Buttermilk	1.0005%	1.0005%	0.0000%
Eggnog	6.9207%	6.8457%	0.0750%

(1) Per General Order No. A-963 (CRO 4)

SURREBUTTAL EXHIBIT D3**PMMB AREA 4****COST REPLACEMENT HEARING****PROCESSING, PACKAGING AND DELIVERY COSTS/POINT
(WEIGHTED AVERAGE BASED ON SALES IN AREA 4)****Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

Cost Center	Total Points in PMMB Area 4 (1)	Average Cost/Point (1)
Receiving, lab and field work	176,065,250	\$ 0.0116
Standardization and pasteurization	337,994,223	0.0118
Bottling	302,901,303	0.0380
Cold room	317,228,296	0.0389
Delivery	165,409,751	0.1075
Selling	181,014,811	0.0303
		<u>\$ 0.2381</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 4 for the cross-section dealers.

SURREBUTTAL EXHIBIT D3-A

PMMB AREA 4

COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

	2013 Weighted Average Cost/Point	2012 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0116	\$0.0108	\$0.0008
Standardization and pasteurization	0.0118	0.0101	0.0017
Bottling	0.0380	0.0345	0.0035
Cold room	0.0389	0.0361	0.0028
Delivery	0.1075	0.1088	(0.0013)
Selling	0.0303	0.0283	0.0020
Sub total	\$0.2381	\$0.2286	\$0.0095
 Add:			
2014 Cost increase (decrease) adjustment - Exhibit D4			(0.0052)
 Less:			
2013 Cost (increase) decrease adjustment (1)			(0.0067)
Net change			(\$0.0024)

(1) Per General Order No. A-963 (CRO 4)

PMMB AREA 4

COST REPLACEMENT HEARING

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

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

<u>Type of Expense</u>	<u>Weighted Expenses for the Six Months Ended June 30 (1)</u>		<u>Weighted Points for the Six Months Ended June 30 (1)</u>		<u>Cost Per Point</u>		<u>Increase (Decrease) Per Point</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Labor and fringe benefits	\$ 16,809,674	\$16,717,209	156,095,800	146,996,206	\$0.1077	\$0.1137	(\$0.0060)
Utilities	1,031,243	859,062	156,095,800	146,996,206	0.0066	0.0058	0.0008
Insurance	134,861	126,527	156,095,800	146,996,206	0.0009	0.0009	<u>0.0000</u>
							<u><u>(\$0.0052)</u></u>

(1) Weighted based on sales in PMMB Area 4

PMMB AREA 4

COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

Diesel fuel costs – calendar year 2013 (1)	\$2,473,221
Delivery points – calendar year 2013 (1)	<u>165,409,751</u>
Diesel fuel cost per point delivered	<u><u>\$0.0150</u></u>
Average diesel price – calendar year 2013 (2)	\$4.010
Average diesel price – August 2014 (2) (3)	<u>\$3.965</u>
Increase (decrease) from year 2013 to month August 2014	-1.12%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0002)</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 4.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) August 2014 diesel fuel costs were used by the PMMB in establishing minimum prices for October 2014.

SURREBUTTAL EXHIBIT D6

PMMB AREA 4

COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

Heating fuel costs – calendar year 2013 (1)	\$341,551
Standardization & pasteurization points – calendar year 2013 (1)	<u>337,994,223</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0010</u></u>
Average heating fuel costs – calendar year 2013 (2)	\$9.16
Average heating fuel costs – June 2014 (2) (3)	<u>9.83</u>
Increase (decrease) from year 2013 to month June 2014	7.31%
Increase (decrease) in heating fuel cost per point pasteurized	<u><u>\$0.0001</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 4.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) June 2014 natural gas costs were used by the PMMB in establishing minimum prices for October 2014.

PMMB AREA 4

COST REPLACEMENT HEARING

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

Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven

<u>PMMB Area 3</u>	<u>Costs</u>	<u>Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds (1)</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 2,852,140		\$ 975,307		
Bulk milk revenue minus milk costs		(1,137,248)			
Bulk milk cost center costs & freight	5,753				
Net bulk milk cost (revenue)			873,327		
Bulk cream revenue minus milk costs		4,030,120			
Bulk cream cost center costs	678,100				
Net bulk cream cost (revenue)			(1,580,805)		
Total	<u>\$ 3,535,993</u>	<u>\$ 2,892,872</u>			
Net cost (net revenue) - calendar year 2013			\$ 267,829	¹ 328,317,891	\$ 0.0008
Net cost (net revenue) in current order - calendar year 2012			<u>\$ (100,460)</u>	278,908,838	<u>(0.0004)</u>
Net change - cost increase (cost reduction)			<u>\$ 368,289</u>		<u>\$ 0.0012</u>

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

SURREBUTTAL EXHIBIT D8

PMMB AREA 4

COST REPLACEMENT HEARING

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

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

Container Size	March 2014 Container Cost (1)	Adjust from March 2014 to September 2014 - Current (2)	Subtotal	Calculated Shrinkage and Loss (4)	Shrinkage Cost	Total Container Cost
Gallon (5)	\$ 0.1980	\$ 0.0028	\$ 0.2008	1.23%	\$ 0.0025	\$ 0.2033
1/2 gallon - plastic	0.1488					
1/2 gallon - paper	(3)					
1/2 gallon - blended (5)	<u>0.1488</u>	0.0052	0.1540	1.25%	0.0019	0.1559
Quart - plastic	0.1633					
Quart - paper	0.0859					
Quart - blended (5)	<u>0.1610</u>	(0.0121)	0.1489	1.57%	0.0023	0.1512
Pint - plastic	0.1053					
Pint - paper	0.0476					
Pint - blended (5)	<u>0.1039</u>	0.0008	0.1047	1.62%	0.0017	0.1064
Twelve ounce	(3)					
Ten ounce	(3)		-			-
1/2 pint - plastic (5)	0.0676	0.0011	0.0687	0.92%	0.0006	0.0693
1/2 pint - paper (5)	0.0273	0.0002	0.0275	0.85%	0.0002	0.0277
Four ounce - paper	0.0279		0.0279	1.53%	0.0004	0.0283
Dispenser	0.0528		0.0528	1.30%	0.0007	0.0535

(1) For containers not purchased in March 2014 the most recent invoice was used.

(2) September 2014 container costs were used by the PMMB to establish minimum resale prices for October 2014.

(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 on a monthly basis when the PMMB minimum resale prices are announced.

SURREBUTTAL EXHIBIT D8-A

PMMB AREA 4

COST REPLACEMENT HEARING

ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

<u>Container Size</u>	<u>Adjusted Container Costs from Exhibit D-8</u>	<u>Container Costs in Current Prices (1)</u>	<u>Difference</u>
Gallon (2)	\$ 0.2032	\$ 0.2070	\$ (0.0038)
Half Gallon (2)	0.1559	0.1577	(0.0018)
Quart (2)	0.1512	0.1504	0.0008
Pint (2)	0.1064	0.1082	(0.0018)
1/2 pint - plastic (2)	0.0693	0.0703	(0.0010)
1/2 pint - paper (2)	0.0277	0.0276	0.0001
Four ounce - paper	0.0283	0.0281	0.0002
Dispenser (per quart)	0.0535	0.0532	0.0003

(1) Per General Order No. A-963 (CRO 4) as updated.

(2) These container costs to be updated on a monthly basis.

(3) Difference between plastic 1/2 pint and paper 1/2 pint is \$0.0416. PMMB resale price schedules show the 1/2 pint paper price. \$0.0416 is the plastic add-on.

SURREBUTTAL EXHIBIT D9-A

PMMB AREA 4

COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
GALLON REDUCED FAT MILK (2%) FOR OCTOBER 2014**

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B	1.9687%	1.9830%	-0.0143%
Butterfat price as announced by PMMB	(1)	\$ 3.1918 per lb.	\$ 3.1918 per lb.	
Extended butterfat value		\$ 0.0628 per lb.	\$ 0.0633 per lb.	
Skim price as announced by PMMB	(1)	\$ 18.75 per cwt.	\$ 18.75 per cwt.	
Extended skim value		\$ 0.1838 per lb.	\$ 0.1838 per lb.	
Total milk value at announced prices		<u>\$ 0.2466 per lb.</u>	<u>\$ 0.2471 per lb.</u>	<u>\$ (0.0005)</u>
Ingredient cost	D2	0.0032	0.0021	
Cost of shrinkage / bulk milk & cream	D7	0.0008	(0.0004)	
Total milk cost per pound		<u>\$ 0.2506 per lb.</u>	<u>\$ 0.2488 per lb.</u>	<u>\$ 0.0018</u>
Pounds per gallon (conversion)		<u>8.62</u>	<u>8.62</u>	
Total milk cost per gallon		<u>\$ 2.1602</u>	<u>\$ 2.1447</u>	<u>\$ 0.0155</u>
Container cost (adjusted for shrinkage)	D8	0.2032 each	0.2070 each	(0.0038)
Cost center costs	D3	0.9524	0.9144	0.0380
1st half 2013 to 1st half 2014 adjustment	D4	(0.0208)	0.0268	(0.0476)
Container efficiency adjustment	(2)	(0.0842)	(0.0842)	-
Percentage discount adjustment	(2)	0.0056	0.0036	0.0020
Diesel fuel adjustment	D5	(0.0008)		(0.0008)
Heating fuels adjustment	D6	0.0004		0.0004
		<u>\$ 3.2160 each</u>	<u>\$ 3.2123 each</u>	<u>\$ 0.0037</u>
Dealer profit at 3.4%	(2)	0.1132	0.1131	
Subtotal		<u>\$ 3.3292 each</u>	<u>\$ 3.3254 each</u>	<u>\$ 0.0038</u>
Less: average delivery cost	(2)	(0.4352)	(0.4352)	
Add: high cost delivery	(2)	0.9664	0.9664	
Wholesale price		<u>\$ 3.8604 each</u>	<u>\$ 3.8566 each</u>	<u>\$ 0.0038</u>

- (1) As announced for October 2014 by PMMB on September 18, 2014.
- (2) Per OGO A-963 (CRO 4) as updated.
- (3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."

SURREBUTTAL EXHIBIT D9-B

PMMB AREA 4

COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR OCTOBER 2014**

**Galliker Dairy Co., Inc., Harrisburg Dairies, Inc., Rutter Bros. Dairy, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B	0.1144%	0.0974%	0.0170%
Butterfat price as announced by PMMB	(1)	\$ 3.1918 per lb.	\$ 3.1918 per lb.	
Extended butterfat value		\$ 0.0037 per lb.	\$ 0.0031 per lb.	
Skim price as announced by PMMB	(1)	\$ 18.75 per cwt.	\$ 18.75 per cwt.	
Extended skim value		\$ 0.1873 per lb.	\$ 0.1873 per lb.	
Total milk value at announced prices		<u>\$ 0.1910 per lb.</u>	<u>\$ 0.1904 per lb.</u>	<u>\$ 0.0006</u>
Ingredient cost	D2	0.0282	0.0294	
Cost of shrinkage / bulk milk & cream	D7	0.0008	(0.0004)	
Total milk cost per pound		<u>\$ 0.2200 per lb.</u>	<u>\$ 0.2194 per lb.</u>	<u>\$ 0.0006</u>
Pounds per gallon (conversion)		<u>0.50</u>	<u>0.50</u>	
Total milk cost per half pint		<u>\$ 0.1100</u>	<u>\$ 0.1097</u>	<u>\$ 0.0003</u>
Container cost (adjusted for shrinkage)	D8	0.0277 each	0.0276 each	0.0001
Cost center costs	D3	0.0595	0.0572	0.0023
1st half 2013 to 1st half 2014 adjustment	D4	(0.0013)	0.0017	(0.0030)
Container efficiency adjustment	(2)	0.0210	0.0210	-
Percentage discount adjustment	(2)	0.0004	0.0002	0.0002
Diesel fuel adjustment	D5	(0.0001)	-	(0.0001)
Heating fuels adjustment	D6	-	-	-
		<u>\$ 0.2172 each</u>	<u>\$ 0.2174 each</u>	<u>\$ (0.0002)</u>
Dealer profit at 3.4%	(2)	0.0076	0.0077	\$ (0.0001)
Subtotal		<u>\$ 0.2248 each</u>	<u>\$ 0.2251 each</u>	<u>\$ (0.0003)</u>
Less: average delivery cost	(2)	(0.0272)	(0.0272)	
Add: high cost delivery	(2)	0.0604	0.0604	
Wholesale price		<u><u>\$ 0.2580 each</u></u>	<u><u>\$ 0.2583 each</u></u>	<u><u>\$ (0.0003)</u></u>

(1) As announced for October 2014 by PMMB on September 18, 2014.

(2) Per OGO A-963 (CRO 4) as updated.

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