



Commonwealth of Pennsylvania
Milk Marketing Board
2301 North Cameron Street
Harrisburg, PA 17110-9408

717/787-4194
Fax 717/783-6492

WEB SITE: <http://www.mmb.state.pa.us>

E-mail: ra-pmmb@state.pa.us

Official General
Order No. A-962 (CRO 1)

Posted: January 6, 2010
Effective: February 1, 2010

COST REPLACEMENT ORDER FOR THE NORTHEASTERN MILK MARKETING AREA, AREA NO. 3

NOW, this 6th day of January 2010, the Commonwealth of Pennsylvania, Milk Marketing Board, issues this official general order pursuant to the authority conferred by the Milk Marketing Law, 31 P.S. §§ 700j-101 – 700j-1204. This order will become effective at 12:01 a.m. on February 1, 2010.

SECTION A INCORPORATION

The attached Findings of Fact, Conclusions of Law, and Attachments are incorporated herein by this reference as though fully set forth in this order.

SECTION B SCOPE

- (a) The processing, packaging, and delivery costs, container costs, ingredient costs, shrinkage and net profit and loss on sales of bulk milk and bulk cream costs, and in-store handling costs adopted by the Board in this order will replace the costs for these cost centers embodied in Official General Order (OGO) A-962 and will be incorporated into the wholesale and retail prices of Class I price-controlled packaged products sold in Milk Marketing Area 3, as defined in Section B of OGO A-962. Wholesale and retail prices will be adjusted as well by the change in labor, utility, and insurance costs that the Board adopts in this order.
- (b) Wholesale and retail prices for Class II price-controlled packaged products sold in Milk Marketing Area No. 3 will reflect the costs adopted in this order.
- (c) The rate of return for dealers is 3.4%. The rate of return to retailers is 2.7%.

SECTION C
EFFECTIVENESS OF OFFICIAL GENERAL ORDER A-962

All parts of Official General Order A-962 not inconsistent with Section B of this order continue in effect.

PENNSYLVANIA MILK MARKETING BOARD

Richard Kriebel, Chairman

Luke F. Brubaker, Member

Barbara A. Grumbine, Consumer Member

Date: January 6, 2010

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717-787-4194 OR 1-800-654-5984 (PA RELAY SERVICE FOR TDD USERS).

FINDINGS OF FACT AND CONCLUSIONS OF LAW
COST REPLACEMENT HEARING FOR MILK MARKETING AREA NO. 3
OCTOBER 7, 2009

I. FINDINGS OF FACT

1. On October 7, 2009, the Pennsylvania Milk Marketing Board (“Board”) held a cost replacement hearing for Milk Marketing Area No. 3.

2. Notice of the hearing was published at 39 Pennsylvania Bulletin 5099 dated August 22, 2009. It was also mailed to those who have requested mailed notice of Board hearings via Board Bulletin No. 1450, dated August 12, 2009. The hearing notice enumerated the scope of evidence that the Board would receive.

3. The dealer cross section used by both Board Staff and the Area 3 milk dealers (Dealers), the only parties to present dealer cost information, consisted of Clover Farms Dairy Company; Guers Dairy; Schneider – Valley Farms, Inc; Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven; Turkey Hill L.P.; Pocono Mountain Dairies; and Swiss Premium Dairy, Inc.

4. Clifford Ackman, appearing on behalf of Board Staff as an expert in milk statistics, testified that the dealer cross section was representative of the dealers doing business in Area 3. Mr. Ackman based his opinion on the amounts and types of milk sold by the cross section dealers, the types of customers served by the cross section dealers, and the delivery techniques employed by the cross section dealers. Carl Herbein, appearing on behalf of the Area 3 milk dealers as an expert in milk cost accounting, testified that the dealer cross section processed, packaged, and delivered a majority of the fluid milk products in Area 3 and delivered to a range of customers in Area 3 which included supermarkets, convenience stores, schools, institutions, and small retail outlets. Mr. Herbein opined that the cross-section was representative of the dealers selling in Area 3. Based on the factors outlined by Mr. Ackman and Mr. Herbein, the Board finds that the dealer cross section used by both Board Staff and Dealers is representative of dealers doing business in Area 3.

5. Gary Gojsovich testified on behalf of Board Staff as an expert in milk cost accounting. Mr. Gojsovich testified that the cross-section dealers incurred a cost of \$0.2361 per point for processing, packaging, and delivering milk in 2008, while Mr. Herbein testified that the cost was \$0.2363 per point; the difference was attributable to rounding. Mr. Herbein testified that the Board should use the cost arrived at by Staff in formulating the cost replacement order. The Board finds that the cross section dealers incurred a cost of \$0.2361 per point for processing, packaging, and delivery, and further finds that \$0.2361 is the processing, packaging, and delivery cost that should be used in this order.

6. Mr. Gojsovich and Mr. Herbein testified to the following ingredient costs as of April 2009, based on year 2008 pounds: Standard Milk - \$0.0000/lb; Reduced Fat Milk - \$0.0005/lb; Low Fat Milk - \$0.0005/lb; Non-Fat Milk - \$0.0013/lb; Flavored Milk - \$0.0230/lb;

Flavored Reduced Fat Milk - \$0.0287/lb; Buttermilk - \$0.0179/lb; Egg Nog - \$0.1499/lb. The Board finds that these ingredient costs should be used in this order.

7. Mr. Gojsovich and Mr. Herbein presented concurring evidence regarding the cost update for labor, insurance, and utility costs of \$0.0005 per point between the second quarters of 2008 and 2009. The Board finds that \$0.0005 per point should be used in this order.

8. Official General Order A-939 established area-specific adjustments to minimum wholesale and retail prices to account for monthly changes in diesel fuel costs. Mr. Gojsovich and Mr. Herbein recommended that the adjustment continue. The Board finds that the adjustment should continue, based on the methodology presented by Mr. Gojsovich in Staff Surrebuttal Exhibit 6 and attached to this order as Attachment 1.

9. Official General Order A-937 established area-specific adjustments to minimum wholesale and retail prices to account for monthly changes in heating fuel costs. Mr. Gojsovich and Mr. Herbein recommended that the adjustment continue, using the weighted standardization and pasteurization points for year 2008 of 163,147,130 shown on Staff Surrebuttal Exhibit 7. The Board finds that the adjustment should continue, based on the methodology presented by Mr. Gojsovich in Staff Surrebuttal Exhibit 7, using the 2008 weighted standardization and pasteurization points shown on the exhibit, and attached to this order as Attachment 2.

10. Mr. Herbein recommended that the dealer rate of return remain at 3.4%. No evidence to the contrary was presented. The Board finds that the dealer rate of return should remain at 3.4%.

11. Mr. Gojsovich and Mr. Herbein presented concurring evidence regarding the cost of shrinkage and sales of bulk products of \$0.0001 per pound. Based on the uncontradicted and concurring testimony, the Board finds that the cost of shrinkage and sales of bulk products to be used in this order should be \$0.0001 per pound.

12. Mr. Gojsovich presented evidence of the following container costs: Gallon - \$0.1561; Half Gallon (combined)- \$0.1249; Quart (combined)- \$0.0892; Pint (combined)- \$0.0713; Half Pint (paper) - \$0.0253; Half Pint (plastic) - \$0.0571; 10 Ounce - \$0.0393; 4 Ounce - \$0.0232; Bulk Per Quart (Dispenser) - \$0.0383. Mr. Herbein testified that the Board should adopt the container costs calculated by Staff. Both Mr. Gojsovich and Mr. Herbein testified that container costs should continue to be updated monthly; the Board agrees and finds that container costs should continue to be updated monthly, based on the April 2009 base costs testified to by Mr. Gojsovich that are listed above.

Mr. Gojsovich and Mr. Herbein also presented evidence regarding a statewide container shrinkage factor. As containers move through a plant, are packaged, and then delivered, a certain number of the containers are lost, damaged, or become unusable. Board Staff and Dealers both recommended that this previously unrecognized cost should be captured in minimum resale prices. Mr. Gojsovich and Mr. Herbein agreed on the following container shrinkage factors: Gallon – 1.46%; Half Gallon – 1.22%; Quart – 1.57%; Pint – 1.62%; Half Pint (paper) – 0.85%; Half Pint (plastic) – 0.92%; 4 Ounce – 1.53%; Bulk Per Quart (Dispenser)

– 1.30%. The Board finds that milk dealers incur a cost for container shrinkage and that cost should be captured in minimum resale prices. The Board further finds that the shrinkage factors testified to by Board Staff and Dealers listed above should be adopted for this order. Mr. Gojsovich also testified that the shrinkage factor should be applied to the monthly updated container costs, rather than the base costs, because the factor should be applied to the current cost of the container when it is bought to provide for proper matching of costs. The Board agrees and finds that the shrinkage factor should be applied to the monthly updated container costs.

Mr. Herbein testified that a blended (or combined) container cost be used for products sold in containers that are available in both paper and plastic, except for half pint containers. Mr. Herbein recommended that minimum resale prices for products sold in half pint containers should be calculated using the paper container cost for products sold in paper containers and by applying a plastic add-on for products sold in rigid plastic containers. The Board finds that the blended container concept should continue to be used, except for half pint containers. The Board finds that minimum resale prices for products sold in paper half pint containers should be calculated using the paper container cost and that minimum resale prices for products sold in rigid plastic containers should be calculated by applying a plastic add-on to the paper container cost. The Board further finds that the base plastic add-on is \$0.0318 and that the add-on should be adjusted monthly based on the monthly container cost surveys.

13. No party presented evidence regarding Class II products. Mr. Herbein recommended that the Board continue using the existing methodology to price Class II products. Since there was no proposal by any party to change Class II pricing, the Board finds that the current Class II pricing methodology shall continue until a Class II hearing is called and the results memorialized in an Official General Order.

14. John Liptock, Jr., testified on behalf of the Pennsylvania Food Merchants Association as an expert in retail store accounting and dairy in-store handling costs. Mr. Liptock recommended that the retail rate of return remain unchanged and that the Board continue to utilize the monthly CPI adjustment to minimum retail prices. The Board finds that the retail rate of return should remain at 2.7% and that the monthly CPI adjustment should remain in place.

II. CONCLUSIONS OF LAW

1. The October 7, 2009, cost replacement hearing for Milk Marketing Area No. 3 was held pursuant to authority granted to the Board in section 801 of the Milk Marketing Law (Law), 31 P.S. § 700j-801.

2. The hearing was held following adequate notice, and all interested persons were given a reasonable opportunity to be heard.

3. The cross-section used to establish dealer costs met the requirement of representativeness of section 801 of the Law.

4. In establishing the attached order, the Board has considered the entire record and has concluded that the adoption of this order is supported by a preponderance of the evidence and is reasonable and appropriate under section 801 of the Law, subject to any revisions or amendments the Board may make in the manner set forth in the Law.

PENNSYLVANIA MILK MARKETING BOARD

Richard Kriebel, Chairman

Luke F. Brubaker, Member

Barbara A. Grumbine, Consumer Member

Date: January 6, 2010

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**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 3**

Diesel Fuel Costs Adjustment

Update of Diesel Fuel Costs from Year 2008 to August 2009

1. Weighted Diesel Fuel Costs - Year 2008	\$	2,805,852
2. Average On-Highway Diesel Price per Gallon - Year 2008 ⁽¹⁾	\$	3.9897
3. On-Highway Diesel Price per Gallon - August 2009 ⁽¹⁾	\$	2.7514
4. Percent Decrease In Diesel Fuel Price per Gallon ((Line 3 - Line 2) ÷ Line 2)		-31.04%
5. Presumed Diesel Fuel Costs - August 2009 ((Line 1 X Line 4) + Line 1)	\$	<u>1,934,988</u>
6. Decrease in Diesel Fuel Costs from Year 2008 to August 2009 (Line 5 - Line 1)	\$	(870,864)
7. Weighted Delivery Points - Year 2008		<u>162,048,790</u>
8. Diesel Fuel Costs Decrease per Delivery Point (Line 6 ÷ Line 7)	\$	<u>(0.0054)</u>

Footnote:

1. Source: 'Weekly Retail On-Highway Diesel Prices' per Energy Information Administration website.
web address = http://tonto.eia.doe.gov/oog/info/wohdp/diesel_detail_report_combined.asp

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 3**

Heating Fuel Costs Adjustment

Update of Heating Fuel Costs from Year 2008 to June 2009

1. Weighted Heating Fuel Costs - Year 2008	\$	547,621
2. Pennsylvania Average Natural Gas Price - Industrial - Year 2008 ⁽¹⁾	\$	13.54
3. Pennsylvania Average Natural Gas Price - Industrial - June 2009 ⁽¹⁾	\$	7.08
4. Percent Decrease In Natural Gas Price ((Line 3 - Line 2) ÷ Line 2)		-47.71%
5. Presumed Heating Fuel Costs - June 2009 ((Line 1 X Line 4) + Line 1)	\$	<u>286,351</u>
6. Decrease in Heating Fuel Costs from Year 2008 to June 2009 (Line 5 - Line 1)	\$	(261,270)
7. Weighted Standardization & Pasteurization (S&P) Points - Year 2008		<u>163,147,130</u>
8. Heating Fuel Costs Decrease per S&P Point (Line 6 ÷ Line 7)	\$	<u>(0.0016)</u>

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 3**

**MILK COSTS BEFORE PACKAGING
OCTOBER 2009 MILK COSTS**

	Class 1
Skim Rate	\$ 14.32
Butterfat Rate	\$ 1.2630

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								

Class 1	Standard Milk	64,817,315	2,117,816	3.2674%	62,699,499	\$ 2,674,802	\$ 8,978,568	\$ 11,653,370	\$ 0.1798	\$ -	\$ 0.0001	\$ 0.1799
	Reduced Fat (2%)	63,110,679	1,250,452	1.9814%	61,860,227	\$ 1,579,321	\$ 8,858,385	\$ 10,437,705	\$ 0.1654	\$ 0.0005	\$ 0.0001	\$ 0.1660
	Low Fat Milk (1%)	27,685,637	271,433	0.9804%	27,414,204	\$ 342,820	\$ 3,925,714	\$ 4,268,534	\$ 0.1542	\$ 0.0005	\$ 0.0001	\$ 0.1548
	Non-Fat Milk	35,203,844	50,232	0.1427%	35,153,612	\$ 63,443	\$ 5,033,997	\$ 5,097,440	\$ 0.1448	\$ 0.0013	\$ 0.0001	\$ 0.1462
	Flavored Milk	3,132,425	104,717	3.3430%	3,027,708	\$ 132,258	\$ 433,568	\$ 565,825	\$ 0.1806	\$ 0.0230	\$ 0.0001	\$ 0.2037
	Flavored Reduced Fat	20,521,984	215,658	1.0509%	20,306,326	\$ 272,376	\$ 2,907,866	\$ 3,180,242	\$ 0.1550	\$ 0.0287	\$ 0.0001	\$ 0.1838
	Buttermilk	161,012	5,043	3.1321%	155,969	\$ 6,369	\$ 22,335	\$ 28,704	\$ 0.1783	\$ 0.0179	\$ 0.0001	\$ 0.1963
Egg Nog	541,380	40,664	7.5112%	500,716	\$ 51,359	\$ 71,703	\$ 123,061	\$ 0.2273	\$ 0.1499	\$ 0.0001	\$ 0.3773	

Class 2	Half & Half	100,000	10,500		89,500	\$ -	\$ -	\$ -	\$ -			\$ -
	Sour Cream	100,000	18,000		82,000	\$ -	\$ -	\$ -	\$ -			\$ -
	Light Cream	100,000	18,000		82,000	\$ -	\$ -	\$ -	\$ -			\$ -
	Medium Cream	100,000	30,000		70,000	\$ -	\$ -	\$ -	\$ -			\$ -
	Heavy Cream	100,000	36,000		64,000	\$ -	\$ -	\$ -	\$ -			\$ -

PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 3

WHOLESALE PRICE BUILDUP
OCTOBER 2009 MILK PRICES

	A EX. 4	B EX. 2	C EXS. 5, 6 & 7	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.40%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	
STANDARD (WHOLE) MILK	Gallon	\$ 1.5471	\$ 0.1702	\$ (0.0259)	\$ (0.0812)	\$ 0.9444	\$ 2.5546	\$ 0.0899	\$ 2.6445	\$ (0.4284)	\$ 0.8000	\$ 3.0161
	Half Gallon	\$ 0.7736	\$ 0.1396	\$ (0.0129)	\$ (0.0472)	\$ 0.4722	\$ 1.3253	\$ 0.0466	\$ 1.3719	\$ (0.2142)	\$ 0.4000	\$ 1.5577
	Quart	\$ 0.3868	\$ 0.0978	\$ (0.0065)	\$ 0.0220	\$ 0.2361	\$ 0.7362	\$ 0.0259	\$ 0.7621	\$ (0.1071)	\$ 0.2000	\$ 0.8550
	Pint	\$ 0.1934	\$ 0.0724	\$ (0.0032)	\$ 0.0422	\$ 0.1181	\$ 0.4229	\$ 0.0149	\$ 0.4378	\$ (0.0536)	\$ 0.1000	\$ 0.4842
	12 Ounce	\$ 0.1450	\$ 0.0630	\$ (0.0024)	\$ 0.0435	\$ 0.0885	\$ 0.3376	\$ 0.0119	\$ 0.3495	\$ (0.0402)	\$ 0.0750	\$ 0.3843
	10 Ounce	\$ 0.1209	\$ 0.0393	\$ (0.0020)	\$ 0.0462	\$ 0.0738	\$ 0.2782	\$ 0.0098	\$ 0.2880	\$ (0.0335)	\$ 0.0625	\$ 0.3170
	Half Pint	\$ 0.0967	\$ 0.0283	\$ (0.0016)	\$ 0.0202	\$ 0.0590	\$ 0.2026	\$ 0.0071	\$ 0.2097	\$ (0.0268)	\$ 0.0500	\$ 0.2329
	4 ounce	\$ 0.0483	\$ 0.0236	\$ (0.0008)	\$ 0.0303	\$ 0.0295	\$ 0.1309	\$ 0.0046	\$ 0.1355	\$ (0.0134)	\$ 0.0250	\$ 0.1471
	Dispenser	\$ 0.3868	\$ 0.0388	\$ (0.0065)	\$ 0.0027	\$ 0.2361	\$ 0.6579	\$ 0.0232	\$ 0.6811	\$ (0.1071)	\$ 0.2000	\$ 0.7740
REDUCED FAT (2%) MILK	Gallon	\$ 1.4309	\$ 0.1702	\$ (0.0259)	\$ (0.0812)	\$ 0.9444	\$ 2.4384	\$ 0.0858	\$ 2.5242	\$ (0.4284)	\$ 0.8000	\$ 2.8958
	Half Gallon	\$ 0.7155	\$ 0.1396	\$ (0.0129)	\$ (0.0472)	\$ 0.4722	\$ 1.2672	\$ 0.0446	\$ 1.3118	\$ (0.2142)	\$ 0.4000	\$ 1.4976
	Quart	\$ 0.3577	\$ 0.0978	\$ (0.0065)	\$ 0.0220	\$ 0.2361	\$ 0.7071	\$ 0.0249	\$ 0.7320	\$ (0.1071)	\$ 0.2000	\$ 0.8249
	Pint	\$ 0.1789	\$ 0.0724	\$ (0.0032)	\$ 0.0422	\$ 0.1181	\$ 0.4084	\$ 0.0144	\$ 0.4228	\$ (0.0536)	\$ 0.1000	\$ 0.4692
	12 Ounce	\$ 0.1341	\$ 0.0630	\$ (0.0024)	\$ 0.0435	\$ 0.0885	\$ 0.3267	\$ 0.0115	\$ 0.3382	\$ (0.0402)	\$ 0.0750	\$ 0.3730
	10 Ounce	\$ 0.1118	\$ 0.0393	\$ (0.0020)	\$ 0.0462	\$ 0.0738	\$ 0.2691	\$ 0.0095	\$ 0.2786	\$ (0.0357)	\$ 0.0667	\$ 0.3096
	Half Pint	\$ 0.0894	\$ 0.0283	\$ (0.0016)	\$ 0.0202	\$ 0.0590	\$ 0.1953	\$ 0.0069	\$ 0.2022	\$ (0.0268)	\$ 0.0500	\$ 0.2254
	4 ounce	\$ 0.0447	\$ 0.0236	\$ (0.0008)	\$ 0.0303	\$ 0.0295	\$ 0.1273	\$ 0.0045	\$ 0.1318	\$ (0.0134)	\$ 0.0250	\$ 0.1434
	Dispenser	\$ 0.3577	\$ 0.0388	\$ (0.0065)	\$ 0.0027	\$ 0.2361	\$ 0.6288	\$ 0.0221	\$ 0.6509	\$ (0.1071)	\$ 0.2000	\$ 0.7438
LOW FAT (1%) MILK	Gallon	\$ 1.3344	\$ 0.1702	\$ (0.0259)	\$ (0.0812)	\$ 0.9444	\$ 2.3419	\$ 0.0824	\$ 2.4243	\$ (0.4284)	\$ 0.8000	\$ 2.7959
	Half Gallon	\$ 0.6672	\$ 0.1396	\$ (0.0129)	\$ (0.0472)	\$ 0.4722	\$ 1.2189	\$ 0.0429	\$ 1.2618	\$ (0.2142)	\$ 0.4000	\$ 1.4476
	Quart	\$ 0.3336	\$ 0.0978	\$ (0.0065)	\$ 0.0220	\$ 0.2361	\$ 0.6830	\$ 0.0240	\$ 0.7070	\$ (0.1071)	\$ 0.2000	\$ 0.7999
	Pint	\$ 0.1668	\$ 0.0724	\$ (0.0032)	\$ 0.0422	\$ 0.1181	\$ 0.3963	\$ 0.0139	\$ 0.4102	\$ (0.0536)	\$ 0.1000	\$ 0.4566
	12 Ounce	\$ 0.1251	\$ 0.0630	\$ (0.0024)	\$ 0.0435	\$ 0.0885	\$ 0.3177	\$ 0.0112	\$ 0.3289	\$ (0.0402)	\$ 0.0750	\$ 0.3637
	10 Ounce	\$ 0.1042	\$ 0.0393	\$ (0.0020)	\$ 0.0462	\$ 0.0738	\$ 0.2615	\$ 0.0092	\$ 0.2707	\$ (0.0357)	\$ 0.0667	\$ 0.3017
	Half Pint	\$ 0.0834	\$ 0.0283	\$ (0.0016)	\$ 0.0202	\$ 0.0590	\$ 0.1893	\$ 0.0067	\$ 0.1960	\$ (0.0268)	\$ 0.0500	\$ 0.2192
	4 ounce	\$ 0.0417	\$ 0.0236	\$ (0.0008)	\$ 0.0303	\$ 0.0295	\$ 0.1243	\$ 0.0044	\$ 0.1287	\$ (0.0134)	\$ 0.0250	\$ 0.1403
	Dispenser	\$ 0.3336	\$ 0.0388	\$ (0.0065)	\$ 0.0027	\$ 0.2361	\$ 0.6047	\$ 0.0213	\$ 0.6260	\$ (0.1071)	\$ 0.2000	\$ 0.7189
NONFAT (SKIM) MILK	Gallon	\$ 1.2617	\$ 0.1702	\$ (0.0259)	\$ (0.0812)	\$ 0.9444	\$ 2.2692	\$ 0.0799	\$ 2.3491	\$ (0.4284)	\$ 0.8000	\$ 2.7207
	Half Gallon	\$ 0.6309	\$ 0.1396	\$ (0.0129)	\$ (0.0472)	\$ 0.4722	\$ 1.1826	\$ 0.0416	\$ 1.2242	\$ (0.2142)	\$ 0.4000	\$ 1.4100
	Quart	\$ 0.3154	\$ 0.0978	\$ (0.0065)	\$ 0.0220	\$ 0.2361	\$ 0.6648	\$ 0.0234	\$ 0.6882	\$ (0.1071)	\$ 0.2000	\$ 0.7811
	Pint	\$ 0.1577	\$ 0.0724	\$ (0.0032)	\$ 0.0422	\$ 0.1181	\$ 0.3872	\$ 0.0136	\$ 0.4008	\$ (0.0536)	\$ 0.1000	\$ 0.4472
	12 Ounce	\$ 0.1183	\$ 0.0630	\$ (0.0024)	\$ 0.0435	\$ 0.0885	\$ 0.3109	\$ 0.0109	\$ 0.3218	\$ (0.0402)	\$ 0.0750	\$ 0.3566
	10 Ounce	\$ 0.0986	\$ 0.0393	\$ (0.0020)	\$ 0.0462	\$ 0.0738	\$ 0.2559	\$ 0.0090	\$ 0.2649	\$ (0.0357)	\$ 0.0667	\$ 0.2959
	Half Pint	\$ 0.0789	\$ 0.0283	\$ (0.0016)	\$ 0.0202	\$ 0.0590	\$ 0.1848	\$ 0.0065	\$ 0.1913	\$ (0.0268)	\$ 0.0500	\$ 0.2145
	4 ounce	\$ 0.0394	\$ 0.0236	\$ (0.0008)	\$ 0.0303	\$ 0.0295	\$ 0.1220	\$ 0.0043	\$ 0.1263	\$ (0.0134)	\$ 0.0250	\$ 0.1379
	Dispenser	\$ 0.3154	\$ 0.0388	\$ (0.0065)	\$ 0.0027	\$ 0.2361	\$ 0.5865	\$ 0.0206	\$ 0.6071	\$ (0.1071)	\$ 0.2000	\$ 0.7000

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 3**

**WHOLESALE PRICE BUILDUP
OCTOBER 2009 MILK PRICES**

	A EX. 4	B EX. 2	C EXS. 5, 6 & 7	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.40%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	
STANDARD (WHOLE) FLAVORED MILK	Gallon	\$ 1.6296	\$ 0.1702	\$ (0.0259)	\$ (0.0812)	\$ 0.9444	\$ 2.6371	\$ 0.0928	\$ 2.7299	\$ (0.4284)	\$ 0.8000	\$ 3.1015
	Half Gallon	\$ 0.8148	\$ 0.1396	\$ (0.0129)	\$ (0.0472)	\$ 0.4722	\$ 1.3665	\$ 0.0481	\$ 1.4146	\$ (0.2142)	\$ 0.4000	\$ 1.6004
	Quart	\$ 0.4074	\$ 0.0978	\$ (0.0065)	\$ 0.0220	\$ 0.2361	\$ 0.7568	\$ 0.0266	\$ 0.7834	\$ (0.1071)	\$ 0.2000	\$ 0.8763
	Pint	\$ 0.2037	\$ 0.0724	\$ (0.0032)	\$ 0.0422	\$ 0.1181	\$ 0.4332	\$ 0.0152	\$ 0.4484	\$ (0.0536)	\$ 0.1000	\$ 0.4948
	12 Ounce	\$ 0.1528	\$ 0.0630	\$ (0.0024)	\$ 0.0435	\$ 0.0885	\$ 0.3454	\$ 0.0122	\$ 0.3576	\$ (0.0402)	\$ 0.0750	\$ 0.3924
	10 Ounce	\$ 0.1273	\$ 0.0393	\$ (0.0020)	\$ 0.0462	\$ 0.0738	\$ 0.2846	\$ 0.0100	\$ 0.2946	\$ (0.0357)	\$ 0.0667	\$ 0.3256
	Half Pint	\$ 0.1019	\$ 0.0283	\$ (0.0016)	\$ 0.0202	\$ 0.0590	\$ 0.2078	\$ 0.0073	\$ 0.2151	\$ (0.0268)	\$ 0.0500	\$ 0.2383
	4 ounce	\$ 0.0509	\$ 0.0236	\$ (0.0008)	\$ 0.0303	\$ 0.0295	\$ 0.1335	\$ 0.0047	\$ 0.1382	\$ (0.0134)	\$ 0.0250	\$ 0.1498
	Dispenser	\$ 0.4074	\$ 0.0388	\$ (0.0065)	\$ 0.0027	\$ 0.2361	\$ 0.6785	\$ 0.0239	\$ 0.7024	\$ (0.1071)	\$ 0.2000	\$ 0.7953
REDUCED FAT FLAVORED MILK	Gallon	\$ 1.4704	\$ 0.1702	\$ (0.0259)	\$ (0.0812)	\$ 0.9444	\$ 2.4779	\$ 0.0872	\$ 2.5651	\$ (0.4284)	\$ 0.8000	\$ 2.9367
	Half Gallon	\$ 0.7352	\$ 0.1396	\$ (0.0129)	\$ (0.0472)	\$ 0.4722	\$ 1.2869	\$ 0.0453	\$ 1.3322	\$ (0.2142)	\$ 0.4000	\$ 1.5180
	Quart	\$ 0.3676	\$ 0.0978	\$ (0.0065)	\$ 0.0220	\$ 0.2361	\$ 0.7170	\$ 0.0252	\$ 0.7422	\$ (0.1071)	\$ 0.2000	\$ 0.8351
	Pint	\$ 0.1838	\$ 0.0724	\$ (0.0032)	\$ 0.0422	\$ 0.1181	\$ 0.4133	\$ 0.0145	\$ 0.4278	\$ (0.0536)	\$ 0.1000	\$ 0.4742
	12 Ounce	\$ 0.1379	\$ 0.0630	\$ (0.0024)	\$ 0.0435	\$ 0.0885	\$ 0.3305	\$ 0.0116	\$ 0.3421	\$ (0.0402)	\$ 0.0750	\$ 0.3769
	10 Ounce	\$ 0.1149	\$ 0.0393	\$ (0.0020)	\$ 0.0462	\$ 0.0738	\$ 0.2722	\$ 0.0096	\$ 0.2818	\$ (0.0357)	\$ 0.0667	\$ 0.3128
	Half Pint	\$ 0.0919	\$ 0.0283	\$ (0.0016)	\$ 0.0202	\$ 0.0590	\$ 0.1978	\$ 0.0070	\$ 0.2048	\$ (0.0268)	\$ 0.0500	\$ 0.2280
	4 ounce	\$ 0.0460	\$ 0.0236	\$ (0.0008)	\$ 0.0303	\$ 0.0295	\$ 0.1286	\$ 0.0045	\$ 0.1331	\$ (0.0134)	\$ 0.0250	\$ 0.1447
	Dispenser	\$ 0.3676	\$ 0.0388	\$ (0.0065)	\$ 0.0027	\$ 0.2361	\$ 0.6387	\$ 0.0225	\$ 0.6612	\$ (0.1071)	\$ 0.2000	\$ 0.7541
BUTTERMILK	Gallon	\$ 1.6882	\$ 0.1702	\$ (0.0259)	\$ (0.0812)	\$ 0.9444	\$ 2.6957	\$ 0.0949	\$ 2.7906	\$ (0.4284)	\$ 0.8000	\$ 3.1622
	Half Gallon	\$ 0.8441	\$ 0.1396	\$ (0.0129)	\$ (0.0472)	\$ 0.4722	\$ 1.3958	\$ 0.0491	\$ 1.4449	\$ (0.2142)	\$ 0.4000	\$ 1.6307
	Quart	\$ 0.4220	\$ 0.0978	\$ (0.0065)	\$ 0.0220	\$ 0.2361	\$ 0.7714	\$ 0.0272	\$ 0.7986	\$ (0.1071)	\$ 0.2000	\$ 0.8915
	Pint	\$ 0.2110	\$ 0.0724	\$ (0.0032)	\$ 0.0422	\$ 0.1181	\$ 0.4405	\$ 0.0155	\$ 0.4560	\$ (0.0536)	\$ 0.1000	\$ 0.5024
	12 Ounce	\$ 0.1583	\$ 0.0630	\$ (0.0024)	\$ 0.0435	\$ 0.0885	\$ 0.3509	\$ 0.0124	\$ 0.3633	\$ (0.0402)	\$ 0.0750	\$ 0.3981
	10 Ounce	\$ 0.1319	\$ 0.0393	\$ (0.0020)	\$ 0.0462	\$ 0.0738	\$ 0.2892	\$ 0.0102	\$ 0.2994	\$ (0.0357)	\$ 0.0667	\$ 0.3304
	Half Pint	\$ 0.1055	\$ 0.0283	\$ (0.0016)	\$ 0.0202	\$ 0.0590	\$ 0.2114	\$ 0.0074	\$ 0.2188	\$ (0.0268)	\$ 0.0500	\$ 0.2420
	4 ounce	\$ 0.0528	\$ 0.0236	\$ (0.0008)	\$ 0.0303	\$ 0.0295	\$ 0.1354	\$ 0.0048	\$ 0.1402	\$ (0.0134)	\$ 0.0250	\$ 0.1518
	Dispenser	\$ 0.4220	\$ 0.0388	\$ (0.0065)	\$ 0.0027	\$ 0.2361	\$ 0.6931	\$ 0.0244	\$ 0.7175	\$ (0.1071)	\$ 0.2000	\$ 0.8104
EGG NOG	Gallon	\$ 3.0184	\$ 0.1702	\$ (0.0259)	\$ (0.0812)	\$ 0.9444	\$ 4.0259	\$ 0.1417	\$ 4.1676	\$ (0.4284)	\$ 0.8000	\$ 4.5392
	Half Gallon	\$ 1.5092	\$ 0.1396	\$ (0.0129)	\$ (0.0472)	\$ 0.4722	\$ 2.0609	\$ 0.0725	\$ 2.1334	\$ (0.2142)	\$ 0.4000	\$ 2.3192
	Quart	\$ 0.7546	\$ 0.0978	\$ (0.0065)	\$ 0.0220	\$ 0.2361	\$ 1.1040	\$ 0.0389	\$ 1.1429	\$ (0.1071)	\$ 0.2000	\$ 1.2358
	Pint	\$ 0.3773	\$ 0.0724	\$ (0.0032)	\$ 0.0422	\$ 0.1181	\$ 0.6068	\$ 0.0214	\$ 0.6282	\$ (0.0536)	\$ 0.1000	\$ 0.6746
	12 Ounce	\$ 0.2830	\$ 0.0630	\$ (0.0024)	\$ 0.0435	\$ 0.0885	\$ 0.4756	\$ 0.0167	\$ 0.4923	\$ (0.0402)	\$ 0.0750	\$ 0.5271
	10 Ounce	\$ 0.2358	\$ 0.0393	\$ (0.0020)	\$ 0.0462	\$ 0.0738	\$ 0.3931	\$ 0.0138	\$ 0.4069	\$ (0.0357)	\$ 0.0667	\$ 0.4379
	Half Pint	\$ 0.1887	\$ 0.0283	\$ (0.0016)	\$ 0.0202	\$ 0.0590	\$ 0.2946	\$ 0.0104	\$ 0.3050	\$ (0.0268)	\$ 0.0500	\$ 0.3282
	4 ounce	\$ 0.0943	\$ 0.0236	\$ (0.0008)	\$ 0.0303	\$ 0.0295	\$ 0.1769	\$ 0.0062	\$ 0.1831	\$ (0.0134)	\$ 0.0250	\$ 0.1947
	Dispenser	\$ 0.7546	\$ 0.0388	\$ (0.0065)	\$ 0.0027	\$ 0.2361	\$ 1.0257	\$ 0.0361	\$ 1.0618	\$ (0.1071)	\$ 0.2000	\$ 1.1547

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 3**

**RETAIL PRICE BUILDUP
OCTOBER 2009 MILK PRICES**

	A EX. 8	B	C	D	E (A+B+C+D)
Container Size	Proposed Wholesale Price	13.0% Deepest Discount	In-Store Handling \$ 0.1166	2.7% Store Profit	Proposed Retail Price

STANDARD (WHOLE) MILK	Gallon	\$ 3.0161	\$ (0.3921)	\$ 0.4664	\$ 0.0858	\$ 3.18
	Half Gallon	\$ 1.5577	\$ (0.2025)	\$ 0.2332	\$ 0.0441	\$ 1.63
	Quart	\$ 0.8550	\$ (0.1112)	\$ 0.1166	\$ 0.0239	\$ 0.88
	Pint	\$ 0.4842	\$ (0.0629)	\$ 0.0583	\$ 0.0133	\$ 0.49
	12 Ounce	\$ 0.3843	\$ (0.0500)	\$ 0.0437	\$ 0.0105	\$ 0.39
	10 Ounce	\$ 0.3170	\$ (0.0412)	\$ 0.0364	\$ 0.0087	\$ 0.32
	Half Pint	\$ 0.2329	\$ (0.0303)	\$ 0.0292	\$ 0.0064	\$ 0.24
	4 ounce	\$ 0.1471	\$ (0.0191)	\$ 0.0146	\$ 0.0040	\$ 0.15
	Dispenser	\$ 0.7740	\$ (0.1006)	\$ 0.1166	\$ 0.0219	\$ 0.81

REDUCED FAT (2%) MILK	Gallon	\$ 2.8958	\$ (0.3765)	\$ 0.4664	\$ 0.0829	\$ 3.07
	Half Gallon	\$ 1.4976	\$ (0.1947)	\$ 0.2332	\$ 0.0426	\$ 1.58
	Quart	\$ 0.8249	\$ (0.1072)	\$ 0.1166	\$ 0.0232	\$ 0.86
	Pint	\$ 0.4692	\$ (0.0610)	\$ 0.0583	\$ 0.0129	\$ 0.48
	12 Ounce	\$ 0.3730	\$ (0.0485)	\$ 0.0437	\$ 0.0102	\$ 0.38
	10 Ounce	\$ 0.3096	\$ (0.0402)	\$ 0.0364	\$ 0.0085	\$ 0.31
	Half Pint	\$ 0.2254	\$ (0.0293)	\$ 0.0292	\$ 0.0063	\$ 0.23
	4 ounce	\$ 0.1434	\$ (0.0186)	\$ 0.0146	\$ 0.0039	\$ 0.15
	Dispenser	\$ 0.7438	\$ (0.0967)	\$ 0.1166	\$ 0.0212	\$ 0.78

LOWFAT (1%) MILK	Gallon	\$ 2.7959	\$ (0.3635)	\$ 0.4664	\$ 0.0804	\$ 2.98
	Half Gallon	\$ 1.4476	\$ (0.1882)	\$ 0.2332	\$ 0.0414	\$ 1.53
	Quart	\$ 0.7999	\$ (0.1040)	\$ 0.1166	\$ 0.0225	\$ 0.84
	Pint	\$ 0.4566	\$ (0.0594)	\$ 0.0583	\$ 0.0126	\$ 0.47
	12 Ounce	\$ 0.3637	\$ (0.0473)	\$ 0.0437	\$ 0.0100	\$ 0.37
	10 Ounce	\$ 0.3017	\$ (0.0392)	\$ 0.0364	\$ 0.0083	\$ 0.31
	Half Pint	\$ 0.2192	\$ (0.0285)	\$ 0.0292	\$ 0.0061	\$ 0.23
	4 ounce	\$ 0.1403	\$ (0.0182)	\$ 0.0146	\$ 0.0038	\$ 0.15
	Dispenser	\$ 0.7189	\$ (0.0935)	\$ 0.1166	\$ 0.0206	\$ 0.76

NONFAT (SKIM) MILK	Gallon	\$ 2.7207	\$ (0.3537)	\$ 0.4664	\$ 0.0786	\$ 2.91
	Half Gallon	\$ 1.4100	\$ (0.1833)	\$ 0.2332	\$ 0.0405	\$ 1.50
	Quart	\$ 0.7811	\$ (0.1015)	\$ 0.1166	\$ 0.0221	\$ 0.82
	Pint	\$ 0.4472	\$ (0.0581)	\$ 0.0583	\$ 0.0124	\$ 0.46
	12 Ounce	\$ 0.3566	\$ (0.0464)	\$ 0.0437	\$ 0.0098	\$ 0.36
	10 Ounce	\$ 0.2959	\$ (0.0385)	\$ 0.0364	\$ 0.0082	\$ 0.30
	Half Pint	\$ 0.2145	\$ (0.0279)	\$ 0.0292	\$ 0.0060	\$ 0.22
	4 ounce	\$ 0.1379	\$ (0.0179)	\$ 0.0146	\$ 0.0037	\$ 0.14
	Dispenser	\$ 0.7000	\$ (0.0910)	\$ 0.1166	\$ 0.0201	\$ 0.75

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 3**

**RETAIL PRICE BUILDUP
OCTOBER 2009 MILK PRICES**

	A EX. 8	B	C	D	E (A+B+C+D)
Container Size	Proposed Wholesale Price	13.0% Deepest Discount	In-Store Handling \$ 0.1166	2.7% Store Profit	Proposed Retail Price

STANDARD (WHOLE) FLAVORED MILK	Gallon	\$ 3.1015	\$ (0.4032)	\$ 0.4664	\$ 0.0878	\$ 3.25
	Half Gallon	\$ 1.6004	\$ (0.2081)	\$ 0.2332	\$ 0.0451	\$ 1.67
	Quart	\$ 0.8763	\$ (0.1139)	\$ 0.1166	\$ 0.0244	\$ 0.90
	Pint	\$ 0.4948	\$ (0.0643)	\$ 0.0583	\$ 0.0136	\$ 0.50
	12 Ounce	\$ 0.3924	\$ (0.0510)	\$ 0.0437	\$ 0.0107	\$ 0.40
	10 Ounce	\$ 0.3256	\$ (0.0423)	\$ 0.0364	\$ 0.0089	\$ 0.33
	Half Pint	\$ 0.2383	\$ (0.0310)	\$ 0.0292	\$ 0.0066	\$ 0.24
	4 ounce	\$ 0.1498	\$ (0.0195)	\$ 0.0146	\$ 0.0040	\$ 0.15
	Dispenser	\$ 0.7953	\$ (0.1034)	\$ 0.1166	\$ 0.0224	\$ 0.83

REDUCED FAT FLAVORED MILK	Gallon	\$ 2.9367	\$ (0.3818)	\$ 0.4664	\$ 0.0838	\$ 3.11
	Half Gallon	\$ 1.5180	\$ (0.1973)	\$ 0.2332	\$ 0.0431	\$ 1.60
	Quart	\$ 0.8351	\$ (0.1086)	\$ 0.1166	\$ 0.0234	\$ 0.87
	Pint	\$ 0.4742	\$ (0.0616)	\$ 0.0583	\$ 0.0131	\$ 0.48
	12 Ounce	\$ 0.3769	\$ (0.0490)	\$ 0.0437	\$ 0.0103	\$ 0.38
	10 Ounce	\$ 0.3128	\$ (0.0407)	\$ 0.0364	\$ 0.0086	\$ 0.32
	Half Pint	\$ 0.2280	\$ (0.0296)	\$ 0.0292	\$ 0.0063	\$ 0.23
	4 ounce	\$ 0.1447	\$ (0.0188)	\$ 0.0146	\$ 0.0039	\$ 0.15
	Dispenser	\$ 0.7541	\$ (0.0980)	\$ 0.1166	\$ 0.0214	\$ 0.79

BUTTERMILK	Gallon	\$ 3.1622	\$ (0.4111)	\$ 0.4664	\$ 0.0893	\$ 3.31
	Half Gallon	\$ 1.6307	\$ (0.2120)	\$ 0.2332	\$ 0.0458	\$ 1.70
	Quart	\$ 0.8915	\$ (0.1159)	\$ 0.1166	\$ 0.0248	\$ 0.92
	Pint	\$ 0.5024	\$ (0.0653)	\$ 0.0583	\$ 0.0137	\$ 0.51
	12 Ounce	\$ 0.3981	\$ (0.0518)	\$ 0.0437	\$ 0.0108	\$ 0.40
	10 Ounce	\$ 0.3304	\$ (0.0430)	\$ 0.0364	\$ 0.0090	\$ 0.34
	Half Pint	\$ 0.2420	\$ (0.0315)	\$ 0.0292	\$ 0.0067	\$ 0.25
	4 ounce	\$ 0.1518	\$ (0.0197)	\$ 0.0146	\$ 0.0041	\$ 0.16
	Dispenser	\$ 0.8104	\$ (0.1054)	\$ 0.1166	\$ 0.0228	\$ 0.84

EGG NOG	Gallon	\$ 4.5392	\$ (0.5901)	\$ 0.4664	\$ 0.1225	\$ 4.54
	Half Gallon	\$ 2.3192	\$ (0.3015)	\$ 0.2332	\$ 0.0625	\$ 2.33
	Quart	\$ 1.2358	\$ (0.1607)	\$ 0.1166	\$ 0.0331	\$ 1.25
	Pint	\$ 0.6746	\$ (0.0877)	\$ 0.0583	\$ 0.0179	\$ 0.68
	12 Ounce	\$ 0.5271	\$ (0.0685)	\$ 0.0437	\$ 0.0139	\$ 0.54
	10 Ounce	\$ 0.4379	\$ (0.0569)	\$ 0.0364	\$ 0.0116	\$ 0.45
	Half Pint	\$ 0.3282	\$ (0.0427)	\$ 0.0292	\$ 0.0087	\$ 0.34
	4 ounce	\$ 0.1947	\$ (0.0253)	\$ 0.0146	\$ 0.0051	\$ 0.20
	Dispenser	\$ 1.1547	\$ (0.1501)	\$ 0.1166	\$ 0.0311	\$ 1.16