

**COMMONWEALTH OF PENNSYLVANIA**  
Pennsylvania Milk Marketing Board

**In the Matter of: November 6, 2013 Over-Price Premium Hearing**

**Rebuttal Witness and Exhibit List**

The Pennsylvania Association of Milk Dealers, by and through Ober Kaler Grimes & Shriver, will participate in the above hearing by cross-examining witnesses and is expected to call Carl Herbein of Herbein & Company as an expert witness in cost accounting and milk cost accounting. He will rely on the attached testimony and exhibits as the basis for his opinions.

Respectfully submitted,

/s/ Wendy Yoviene

Wendy M. Yoviene

## CERTIFICATE OF SERVICE

On this 23<sup>rd</sup> day of October, 2013, I, Samira Fredericks, a secretary in the law office of Ober, Kaler, Grimes & Shriver, hereby certify that I have served on this day true and correct copies of the foregoing on behalf of the Pennsylvania Association of Milk Dealers by E-mail to the following persons:

### INTERESTED PARTIES

**1. Chief Counsel**

Douglas Eberly  
PA Milk Marketing Board  
2301 North Cameron Street  
Harrisburg, PA 17110-9408

[deberly@state.pa.us](mailto:deberly@state.pa.us)

**2. Board Staff**

Andrew L. Saylor, Esq.  
PA Milk Marketing Board  
2301 North Cameron Street  
Harrisburg, PA 17110-9408

[asaylor@pa.gov](mailto:asaylor@pa.gov)

**3. Greater Northeast Milk Marketing Agency**

Marvin Beshore, Esq.  
Law Firm of Marvin Beshore  
130 State Street  
PO Box 946  
Harrisburg, PA 17108-0946

[mbeshore@beshorelaw.com](mailto:mbeshore@beshorelaw.com)

Dennis J. Schad  
Land O'Lakes, Inc.  
405 Park Drive  
Carlisle, PA 17013

[djschad@landolakes.com](mailto:djschad@landolakes.com)

Dean Ellinwood  
Dairy Marketing Services  
P.O. Box 4844  
Syracuse, NY 13221-4844

[Dean.Ellinwood@DairyMarketingServies.com](mailto:Dean.Ellinwood@DairyMarketingServies.com)

Troye Cooper  
Maryland & Virginia Milk Producers Cooperative  
Association, Inc.  
1985 Isaac Newton Square West  
Reston, VA 20190 [tcooper@mdvamilk.com](mailto:tcooper@mdvamilk.com)

**4. Pennsylvania Farm Bureau**

John J. Bell, Esq.  
510 S. 31<sup>st</sup> Street  
P.O. Box 8736  
Camp Hill, PA 17011-8736 [jjbell@pfb.com](mailto:jjbell@pfb.com)

**6. Dean Foods Company**

Charles M. English, Jr., Esq.  
Davis Wright Tremaine LLP  
Suite 800  
1919 Pennsylvania Avenue, NW  
Washington, DC 20006 [chipenglish@dwt.com](mailto:chipenglish@dwt.com)


**5. Pennsylvania Food Merchants Association**

Kevin Lutkins, Esq.  
1029 Mumma Road  
P.O. Box 870  
Camp Hill, PA 17001-0870 [klutkins@memoco.com](mailto:klutkins@memoco.com)

Thomas Price, CPA  
Herbein+Company, Inc.  
2763 Century Boulevard  
Reading, PA 19610 [tjprice@herbein.com](mailto:tjprice@herbein.com)

**6. Commonwealth of Pennsylvania, Department of Agriculture**

John H. Howard, Esq.  
Pennsylvania Department of Agriculture  
2301 North Cameron Street  
Harrisburg, PA 17110 [johoward@pa.gov](mailto:johoward@pa.gov)

  
Samira Fredericks

REBUTTAL TESTIMONY OF

CARL D. HERBEIN, CPA

Appearing on Behalf of the Pennsylvania Association Milk Dealer Associations

Rebuttal Testimony before Pennsylvania Milk Marketing Board

Over-Price Premium Hearing

November 6, 2013

## **Rebuttal Testimony of Carl D. Herbein, CPA**

### **Over-price Premium Hearing**

I am Carl D. Herbein, CPA, President and CEO of Herbein + Company, Inc. and my address is 2763 Century Blvd., Reading, PA 19610. I wish to present Rebuttal Testimony on behalf of the Pennsylvania Association of Milk Dealers. I attach my Curriculum Vitae, as Rebuttal Exhibit D-6, which outlines my education, and experience in the dairy industry.

### **Background and Purpose of Hearing**

Pursuant to Bulletin 1494 the Pennsylvania Milk Marketing Board is conducting a public hearing to receive testimony and exhibits concerning the over-price premium. This bulletin has been augmented by PMMB action on September 25, 2013 to bifurcate this hearing. The November 6, 2013 hearing shall focus on whether the mandatory \$0.20 per hundredweight processor assessment under the fluid milk promotion order shall be included in the over-price premium and if not where in the price build-up it should be accounted for. This hearing shall also include how and to what extent adjustments to the over-price premium that may be necessary from time to time are accounted for and recovered.

### **Study Conducted**

On behalf of the Pennsylvania Association of Milk Dealers and the Area Dealer Associations, I have reviewed the dealer profitability for the four (4) PMMB areas affected by PMMB Staff exhibits that were submitted on October 9, 2013.

I have discussed the use of PMMB's Monthly Price Announcement with the Dealers to determine how the \$0.20 MilkPEP is handled in the development of pricing under prices subject to PMMB minimums, those determined utilizing tolling contracts, and other transactions not subject to PMMB pricing.

I have also reviewed the PMMB Staff work papers and calculations which reflect the calculation errors made in determining the over-price premium during the 45 month period ending in March 2013.

I have also reviewed the marketing conditions in these four (4) areas including a review of the cross-section dealers to determine any significant changes in customers being served.

I have also reviewed the August 2013 International Association of Milk Control Agencies Supermarket Milk Price Survey Summary to determine the prevailing price in Areas 1, 2, 3, and 4.

### **Cross-Section**

The cross-section of dealers utilized in the preparation of dealer exhibits is identical with the cross-sections utilized in the most recent Cost Replacement Hearing. These companies process, package, and deliver the majority of fluid milk products in these Pennsylvania areas and comprise a group of companies which include organizations that deliver to supermarkets and other retail outlets. In my opinion this cross-section of dealers is representative of those serving the individual Milk Marketing Board areas (1, 2, 3, and 4) and is appropriate for analyzing the over-price premium issues called for in this hearing.

### **Exhibits**

Rebuttal Exhibit D-1 presents the operating income level for the four (4) area dealers as a cross-section. The net income is 1.7% of net sales and this is 32% below the statutory minimum of 2.5% or .8% less than the minimum.

This profitability analysis is very similar to the exhibits presented in the most recent Wholesale Discount Hearing (Rebuttal Exhibit D-2 (Surrebuttal Exhibit D-7) and Rebuttal Exhibit D-3 (Surrebuttal Exhibit D-8)). I attach these exhibits as reference documents which support the serious financial concern caused by this extreme lack of profitability.

Board Staff Exhibit 1 recommends that prices should be reduced by \$2,219,964 over the next 45 months further deteriorating the profit margin of the area dealers. It is my opinion that this correction is not required by Generally Accepted Accounting Principles because the correction is not required to bring the rate of return within the statutory range. As I mentioned at the Discount Hearing in October, I have studied the rate of return of dealers and conclude that those dealers doing predominantly Pennsylvania milk sales are facing the most dismal rate of return as shown on Rebuttal Exhibit D-3.

Rebuttal Exhibit D-4 is presented to show how the dealers think the revised monthly price sheet should be changed. The handwritten changes reflect our proposed changes going forward. The dealers feel that it is better

to keep the 20-cents in the raw milk portion of the Class I price because that is the way it is handled in the federal context. Accordingly, PAMD's proposal, which we have discussed with Board staff subsequent to their pre-submission, which helped us solidify our thinking, is to remove the 20-cents from the over price premium, but include it in the Class I a true raw milk cost. As with the total Pennsylvania announced raw milk cost today, Federal Order 1 announces the total Class I price including the 20 cent processor assessment. If Pennsylvania were to put the 20 cents into the bulk milk category, as opposed to directly in the Class I price, we would likely have retail customer confusion especially with customers located both within and without Pennsylvania because the raw milk costs would be different simply because of the different treatment of the 20 cents. This would be a poor business practice and the Board should avoid this result. The current price sheet includes the \$0.20/cwt. MilkPEP in the over-price premium column and also includes that cost in the determination of the butterfat value and skim value which is reflected on the price sheet. The PAMD recommends that the over-price premium exclude the \$0.20 because the over price premium should include Pennsylvania specific costs. Since this cost is already included in the butterfat value and skim value there would be no change to those results in the monthly price sheet, but in order to allow customers to understand the costs that comprise the ultimate Class I raw milk price, we suggest a footnote that specifically explains that the 20-cents is included in the butterfat and skim columns and that the 20-cents is the result of federal legislation.

### **Marketing and Other Conditions Considered**

I have reviewed the calculations and PMMB Staff work papers which have been summarized on PMMB Exhibit 1 concerning the correction of the over-price premium error. I find the Board Staff's calculations to be correct as to the quantification of the audit and subsequent over price calculation error. However, I believe that Board Staff's recommendation that "we believe that the consumers in those areas should be able to recapture the over-payment" is virtually impossible to be accomplished due to significant changes in the marketplace since and during the occurrence of PMMB Staff's erroneous calculations. I attach as Exhibit D-5 the International Association of Milk Control Agencies Supermarket Milk Price Survey Summary which reflects for Philadelphia (Area 1) significant price ranges and a prevailing price which in some cases is not PMMB minimum. Thus, this price adjustment being proposed may never end up in the hands of the consumers. We also must consider that

fluid milk sales are declining and we have recently had significant changes in plant volumes in Areas 1, 3, and 4, which also results in an apples to oranges calculation of matching overstatement with understatement. However, it is my opinion that the lack of dealer profitability (below the statutory minimum) is the overriding factor which should convince PMMB not to “claw back” this over-price premium revenue.

I also believe that the Board should not adopt a claw back. This is not a sensible way for dealers to have to operate. They made business decisions and used revenue from that 45-month period to meet expenses and perhaps invest. It is not reasonable to think that revenue is sitting in the bank to fund the reduced price going forward. Furthermore, there is a risk in holding so many hearings (e.g., discount and over-price) that are geared toward reducing dealer margin on a piece meal basis. It prevents the Board and industry from appreciating the full impact on dealer margins and in my opinion may result in unhappy surprises for an industry and a Commonwealth that has a vested interest in maintaining a vibrant and healthy outlet for Class I raw milk sales. Adopting the claw back would mean that for some dealers, they will have ongoing current premium costs that because of the claw back will not be covered. I also think it is important for the Board to take into consideration the fact that neither the dealers nor the cooperative caused this miscalculation. Although the cooperative invoices are dense with information, I have reviewed them and I can assure the Board that the original invoices provided the accurate information and that it was possible to avoid this error. I think the Board should not penalize dealers that are already struggling due to an error that had nothing to do with them.

### **Summary and Recommendations**

The Pennsylvania Area Milk Dealer Associations and the Pennsylvania Milk Dealer Association itself recommend that the Milk Marketing Board remove the \$0.20/cwt. MilkPEP cost from the over-price premium column and continue to include it in the skim value and butterfat value and incorporate an explanatory footnote on the monthly price sheet. The milk dealers further urge the Board to reject the Board Staff’s proposal to reduce milk prices in Areas 1, 2, 3, and 4 for the 45 month period that they recommend. It is my opinion that the severely reduced level of profitability requires that the dealer margins not be further reduced. Thank you for your consideration of my analysis, exhibits and opinions.



DEALER PROFITABILITY ANALYSIS

Over-price Premium

Combined Areas 1, 2, 3, and 4

Lehigh Valley Dairies - Lansdale, H.P. Hood, Wawa, Balford Farms, Clover Farms, Turkey Hill, Swiss Premium, Lehigh Valley Dairies - Schuylkill Haven, Schneider Valley Farms, Guers Dairy, Pocono Mountain, Galliker's Dairy, Harrisburg Dairies, and Rutter's

2011

Net sales	\$ 1,527,581,552
Cost of goods sold	<u>1,069,932,869</u>
Gross margin	<u>\$ 457,648,683</u>

Cost center costs	<u>431,080,851</u>
Operating income	<u><u>\$26,567,832</u></u>

1.7%

## SURREBUTTAL EXHIBIT D7

## PMMB STATE-WIDE PROFITABILITY

## WHOLESALE DISCOUNT HEARING

**Lehigh Valley Dairies – Lansdale, H.P. Hood, Wawa, Balford Farms, Clover Farms, Turkey Hill, Swiss Premium, Lehigh Valley Dairies – Schuylkill Haven, Schneider valley Farms, Guers Dairy, Pocono Mountain, Galliker’s Dairy, Harrisburg Dairies, Rutter’s, Turner Dairy, United Dairy – Fikes, United Dairy – Martins Ferry, Dean Foods – Sharpville, Dean Foods – Meadow Brook, and Schneider’s Dairy**

## COMPARATIVE INCOME STATEMENT SUMMARY

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Sales	\$ 2,068,609,849	\$ 1,914,710,984	\$ 1,707,884,295
Cost of goods sold	<u>1,450,984,570</u>	<u>1,283,936,406</u>	<u>1,063,716,907</u>
Gross margin	<u>\$ 617,625,279</u> 29.9%	<u>\$ 630,774,578</u> 32.9%	<u>\$ 644,167,388</u> 37.7%
Cost center costs	<u>594,857,657</u>	<u>582,747,350</u>	<u>584,449,070</u>
Operating income	<u>\$ 22,767,622</u> 1.1%	<u>\$ 48,027,228</u> 2.5%	<u>\$ 59,718,318</u> 3.5%

## SURREBUTTAL EXHIBIT D8

## DEALER PROFITABILITY ANALYSIS

## WHOLESALE DISCOUNT HEARING

**Lehigh Valley Dairies – Lansdale, H.P. Hood, Wawa, Balford Farms, Clover Farms, Turkey Hill, Swiss Premium, Lehigh Valley Dairies – Schuylkill Haven, Schneider valley Farms, Guers Dairy, Pocono Mountain, Galliker’s Dairy, Harrisburg Dairies, Rutter’s, Turner Dairy, United Dairy – Fikes, United Dairy – Martins Ferry, Dean Foods – Sharpville, Dean Foods – Meadow Brook, and Schneider’s Dairy**

	2011	
	All Twenty Cross Section Dealers (A)	Ten Dealers With Mostly PMMB Price Controlled Sales (B)
Net sales	\$2,068,609,849	\$1,033,830,890
Cost of goods sold	\$1,450,984,570	\$729,141,204
Gross margin	\$617,625,279	\$304,689,686
	29.9%	29.5%
Cost center costs	\$594,857,657	\$305,252,412
Operating income	\$22,767,622	(\$562,726)
	1.1%	-0.1%

(A) Corresponds to PAMD Exhibit D7 (submitted August 23, 2013)

(B) Eliminates six (6) dealers from the cross-section that sell more than 60% of their milk sales outside Pennsylvania and eliminates four (4) dealers that have more than 40% of their bottling points from non-dairy packaging (juices, drinks, and teas).

Compares statewide profitability to ten (10) dealers with mostly PMMB price controlled sales.



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

**EXHIBIT D-4**  
Luke F. Brubaker - *Chairman*  
Lynda J. Bowman - *Consumer Member*  
Richard Kriebel - *Member*

Tom Corbett - *Governor*  
Tim Moyer - *Secretary*

Phone (717) 787-4194  
Fax (717) 783-6492  
Web Address: [www.mmb.state.pa.us](http://www.mmb.state.pa.us)  
E-Mail: [RA-PMMB@pa.gov](mailto:RA-PMMB@pa.gov)

**Minimum Resale Prices For October 2013**

AREA-ZONE	OFFICIAL GENERAL ORDERS		CLASS I DIFF.	OVER-PRICE PREMIUM	OVER-ORDER PREMIUM /1/	BUTTERFAT VALUE /2/3/	SKIM VALUE /2/3/	CLASS I PRICE @ 3.6%	
1-0	<b>A-951 (CRO 4)</b>	893, 899, 925, 942, 972, 980, 982, 983	\$3.05	\$0.47 <sup>27</sup>	\$1.85	\$1.5264	\$19.92	\$24.57	
2-0	<b>A-953 (CRO 4)</b>	893, 925, 942, 972, 980, 982, 983	\$2.80	\$0.70 <sup>50</sup>	\$1.85	\$1.5262	\$19.90	\$24.55	
3-0	<b>A-962 (CRO 3)</b>	893, 925, 942, 972, 980, 982, 983	\$2.80	\$0.48 <sup>28</sup>	\$1.85	\$1.5240	\$19.68	\$24.33	
4-0	<b>A-963 (CRO 3)</b>	893, 925, 942, 972, 980, 982, 983	\$2.90	\$0.44 <sup>24</sup>	\$1.85	\$1.5246	\$19.74	\$24.39	
5-0	<b>A-954 (CRO 3)</b>	893, 925, 942, 972, 980, 982, 983	\$2.30	\$0.51 <sup>31</sup>	\$1.85	\$1.5193	\$19.21	\$23.86	
6-0	<b>A-956 (CRO 3)</b>	893, 925, 942, 960, 972, 980, 982, 983	\$2.50	\$0.50 <sup>39</sup>	\$1.85	\$1.5221	\$19.49	\$24.14	
Advanced Class II Butterfat Price /2/			\$1.6339	Class I Butterfat Differential			\$1.33		
Advanced Class II Skim Price /2/			\$15.25	Advanced Class III Skim Price			\$13.22		
Class II Price @ 3.6% Butterfat			\$20.44	Advanced Class IV Skim Price			\$14.55		
School Stop Charge for Area 1 /2/			\$14.15	Advanced Class III & IV Butterfat Price			\$1.4727		
Consumer Price Index /2/			233.877						
<b>Container Cost /2/</b>			<b>Area 1</b>	<b>Area 2</b>	<b>Area 3</b>	<b>Area 4</b>	<b>Area 5</b>	<b>Area 6</b>	
Gallon			\$0.1970	\$0.1815	\$0.1945	\$0.1899	\$0.1772	\$0.2057	
Half Gallon			\$0.1374	\$0.1421	\$0.1466	\$0.1524	\$0.1368	\$0.1379	
Quart			\$0.1294	\$0.1130	\$0.1140	\$0.1487	\$0.1096	\$0.1810	
Pint			\$0.0917	\$0.0811	\$0.0817	\$0.0997	\$0.1033	\$0.1430	
Half Pint Paper			\$0.0240	\$0.0255	\$0.0281	\$0.0279	\$0.0295	\$0.0295	
Half Pint Plastic Add On			\$0.0384	\$0.0454	\$0.0417	\$0.0433	\$0.0314	\$0.0476	
Ingredients - Flavored Milk /2/			\$0.0652	\$0.0500	\$0.0397	\$0.0446	\$0.0440	\$0.0403	
Ingredients - Flavored Reduced Fat Milk /2/			\$0.0395	\$0.0375	\$0.0333	\$0.0395	\$0.0318	\$0.0361	
Ingredients - Flavored Non-Fat Milk /2/			\$0.0389	\$0.0410	\$0.0392	\$0.0403	\$0.0432	\$0.0441	
Energy, Heating & Disc Eff. Add-Ons /2/			-\$0.0004	\$0.0001	-\$0.0001	\$0.0000	\$0.0000	\$0.0004	

/1/ The Over-Order Premium includes an \$0.25 Fuel Adjustment pursuant to O.G.O A-983.

/2/ For generating PMMB Excel prices.

/3/ The butterfat and skim value includes the \$0.20/cwt. on a per pound basis.

**WHOLESALE / RETAIL PRICES OF PROMINENT PRODUCTS AND SIZES**

AREA-ZONE	CONTAINER SIZE	WHOLESALE				RETAIL (OUT-OF-STORE)			
		HOMO	REDUCED FAT	LOW-FAT	NONFAT	HOMO	REDUCED FAT	LOW-FAT	NONFAT
1-0	Gallon	\$3.8268	\$3.6739	\$3.5570	\$3.4573	\$3.93	\$3.80	\$3.70	\$3.61
	Half Gallon	\$1.9439	\$1.8674	\$1.8089	\$1.7591	\$1.99	\$1.93	\$1.88	\$1.83
	Quart	\$1.0844	\$1.0462	\$1.0170	\$0.9920	\$1.09	\$1.06	\$1.04	\$1.01
2-0	Gallon	\$3.5975	\$3.4524	\$3.3346	\$3.2330	\$3.81	\$3.68	\$3.58	\$3.49
	Half Gallon	\$1.8606	\$1.7880	\$1.7291	\$1.6783	\$1.96	\$1.90	\$1.84	\$1.80
	Quart	\$1.0083	\$0.9720	\$0.9425	\$0.9171	\$1.05	\$1.02	\$0.99	\$0.97
3-0	Gallon	\$3.6315	\$3.4884	\$3.3696	\$3.2834	\$3.77	\$3.64	\$3.53	\$3.46
	Half Gallon	\$1.8600	\$1.7884	\$1.7291	\$1.6859	\$1.92	\$1.86	\$1.81	\$1.77
	Quart	\$1.0194	\$0.9836	\$0.9539	\$0.9323	\$1.04	\$1.01	\$0.98	\$0.96
4-0	Gallon	\$3.6343	\$3.5019	\$3.3840	\$3.2889	\$4.00	\$3.86	\$3.74	\$3.64
	Half Gallon	\$1.8850	\$1.8188	\$1.7599	\$1.7123	\$2.07	\$2.00	\$1.94	\$1.89
	Quart	\$1.0546	\$1.0216	\$0.9921	\$0.9682	\$1.15	\$1.12	\$1.09	\$1.06
5-0	Gallon	\$3.6778	\$3.5281	\$3.4121	\$3.3185	\$3.90	\$3.77	\$3.66	\$3.58
	Half Gallon	\$1.9008	\$1.8259	\$1.7678	\$1.7211	\$2.01	\$1.94	\$1.89	\$1.85
	Quart	\$1.0489	\$1.0115	\$0.9825	\$0.9591	\$1.09	\$1.06	\$1.03	\$1.01
6-0	Gallon	\$3.7775	\$3.6280	\$3.5112	\$3.4284	\$3.96	\$3.82	\$3.72	\$3.64
	Half Gallon	\$1.9399	\$1.8652	\$1.8068	\$1.7654	\$2.02	\$1.96	\$1.90	\$1.87
	Quart	\$1.1300	\$1.0927	\$1.0635	\$1.0428	\$1.16	\$1.12	\$1.10	\$1.08

Issued on September 19, 2013

INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES  
 SUPERMARKET MILK PRICE SURVEY SUMMARY

1 - WHOLE MILK

	PP or Min BF	Avg. Price	QUARTS PAPER		HALF GALLONS PAPER		GALLONS PLASTIC		Class I Price 3.5 BF	Pre- mium
			Range	PP/Avg	Range	PP/Avg	Range	PP/Avg		
California	3.5	Avg.								
Los Angeles			-		-		-	3.35	20.48	<input type="checkbox"/>
Sacramento			-		-		-	3.97	20.21	<input type="checkbox"/>
San Diego			-		-		-	3.44	20.48	<input type="checkbox"/>
San Francisco			-		-		-	4.19	20.21	<input type="checkbox"/>
Colorado	3.25	P.P.								
Denver			1.00 - 2.59	1.85	1.98 - 2.79	2.20	1.99 - 3.99	3.09	23.66	<input checked="" type="checkbox"/>
Maine	3.25	P.P.								
Augusta			1.49 - 1.98	1.69	2.28 - 2.79	2.39	3.91 - 4.87	3.91	22.13	<input type="checkbox"/>
Nevada	3.25	P.P.								
Las Vegas			-		1.99 - 3.39	2.53	2.69 - 4.99	3.68	20.28	<input type="checkbox"/>
Reno			-		1.87 - 3.29	2.40	2.70 - 4.99	3.82	20.21	<input type="checkbox"/>
Oregon	3.25	Avg.								
Portland			1.29 - 1.99	1.64	1.85 - 4.49	3.17	2.59 - 5.99	4.29	20.98	<input type="checkbox"/>
Salem			1.29 - 1.87	1.58	1.68 - 4.98	3.33	2.44 - 7.19	4.82	0.00	<input type="checkbox"/>

INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES  
SUPERMARKET MILK PRICE SURVEY SUMMARY

1 - WHOLE MILK

	PP or Min Avg. BF Price	QUARTS PAPER		HALF GALLONS PAPER		GALLONS PLASTIC		Class I Price 3.5 BF	Pre- mium
		Range	PP/Avg	Range	PP/Avg	Range	PP/Avg		
<b>Pennsylvania</b>	3.25 Avg.								
Altoona/Johnstown		-	1.15	-	2.01	-	3.92	23.78	<input checked="" type="checkbox"/>
Harrisburg		-	1.14	-	2.05	-	3.96	24.03	<input checked="" type="checkbox"/>
Philadelphia		1.09 - 1.35	1.19	1.98 - 2.13	2.04	-	3.90	24.24	<input checked="" type="checkbox"/>
Pittsburgh		-	1.08	-	1.99	-	3.87	23.51	<input checked="" type="checkbox"/>
Reading		-	1.04	-	1.94	-	3.77	24.13	<input checked="" type="checkbox"/>
Scranton/Wilkes Barr		-	1.03	-	1.90	-	3.73	23.95	<input checked="" type="checkbox"/>
<b>Virginia</b>	3.25 P.P.								
Eastern		1.52 - 1.80	1.64	1.90 - 2.49	2.44	3.55 - 4.65	3.53	26.10	<input checked="" type="checkbox"/>
Southwest		-	1.80	1.87 - 3.12	2.50	3.47 - 3.90	3.62	25.90	<input checked="" type="checkbox"/>
Western		1.59 - 2.00	1.73	1.90 - 3.20	2.50	3.39 - 4.65	3.69	25.33	<input checked="" type="checkbox"/>
<b>Washington</b>	Avg.								
Seattle		1.29 - 1.79	1.54	-	1.79	2.59 - 3.19	2.89	0.00	<input type="checkbox"/>

INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES  
 SUPERMARKET MILK PRICE SURVEY SUMMARY

2 - LOW FAT MILK 1.5-2%

	PP or Avg. Price	QUARTS PAPER		HALF GALLONS PAPER		GALLONS PLASTIC	
		Range	PP/Avg	Range	PP/Avg	Range	PP/Avg
California	Avg.						
Los Angeles		-		-		-	3.27
Sacramento		-		-		-	3.76
San Diego		-		-		-	3.35
San Francisco		-		-		-	3.97
Colorado	P.P.						
Denver		1.00 - 2.39	1.71	1.98 - 2.79	2.18	1.99 - 3.99	3.06
Maine	P.P.						
Augusta		1.49 - 1.70	1.69	1.83 - 2.79	2.29	3.90 - 4.72	4.09
Nevada	P.P.						
Las Vegas		-		1.99 - 3.39	2.53	2.68 - 4.99	3.47
Reno		-		1.87 - 3.29	2.37	2.61 - 4.99	3.69
Oregon	Avg.						
Portland		1.29 - 1.99	1.64	1.85 - 4.49	3.17	2.59 - 5.99	4.29
Salem		1.28 - 1.87	1.58	1.68 - 4.98	3.33	2.44 - 7.19	4.82

INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES  
 SUPERMARKET MILK PRICE SURVEY SUMMARY

2 - LOW FAT MILK 1.5-2%

	PP or Avg. Price	QUARTS PAPER		HALF GALLONS PAPER		GALLONS PLASTIC	
		Range	PP/Avg	Range	PP/Avg	Range	PP/Avg
<b>Pennsylvania</b>	Avg.						
Altoona/Johnstown		-	1.11	-	1.93	-	3.77
Harrisburg		-	1.10	-	1.97	-	3.80
Philadelphia		1.05 - 1.29	1.14	1.90 - 2.05	1.96	-	3.75
Pittsburgh		-	1.04	-	1.91	-	3.72
Reading		-	1.00	-	1.87	-	3.63
Scranton/Wilkes Barr		-	0.99	-	1.83	-	3.58
<b>Virginia</b>	P.P.						
Eastern		1.47 - 1.80	1.62	1.81 - 2.36	2.36	3.34 - 4.37	3.41
Southwest		-	1.80	1.77 - 3.12	2.45	3.26 - 3.90	3.51
Western		1.59 - 1.98	1.66	1.80 - 3.20	2.42	3.19 - 4.39	3.59
<b>Washington</b>	Avg.						
Seattle		1.29 - 1.79	1.54	-	1.79	2.59 - 3.19	2.89



INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES  
SUPERMARKET MILK PRICE SURVEY SUMMARY

3 - LOW FAT MILK 0.5-1%

	PP or Avg. Price	QUARTS PAPER		HALF GALLONS PAPER		GALLONS PLASTIC	
		Range	PP/Avg	Range	PP/Avg	Range	PP/Avg
<b>California</b>	Avg.						
Los Angeles		-		-		-	3.38
Sacramento		-		-		-	3.74
San Diego		-		-		-	3.57
San Francisco		-		-		-	4.35
<b>Colorado</b>	P.P.						
Denver		1.00 - 1.59	1.33	1.98 - 2.79	2.20	1.99 - 3.99	3.04
<b>Maine</b>	P.P.						
Augusta		1.49 - 1.70	1.69	2.18 - 2.79	2.29	3.90 - 4.62	4.05
<b>Nevada</b>	P.P.						
Las Vegas		-		1.99 - 3.39	2.53	2.68 - 4.99	3.66
Reno		-		1.73 - 3.29	2.35	2.57 - 4.99	3.68
<b>Oregon</b>	Avg.						
Portland		1.29 - 1.99	1.64	1.85 - 4.49	3.17	2.59 - 5.99	4.29
Salem		1.28 - 1.87	1.58	1.68 - 4.98	3.33	2.44 - 5.78	4.11

INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES  
 SUPERMARKET MILK PRICE SURVEY SUMMARY

3 - LOW FAT MILK 0.5-1%

	PP or Avg. Price	QUARTS PAPER		HALF GALLONS PAPER		GALLONS PLASTIC	
		Range	PP/Avg	Range	PP/Avg	Range	PP/Avg
<b>Pennsylvania</b>	Avg.						
Altoona/Johnstown		-	1.08	-	1.87	-	3.65
Harrisburg		-	1.07	-	1.90	-	3.67
Philadelphia		1.02 - 1.29	1.12	1.85 - 1.99	1.90	-	3.64
Pittsburgh		-		-	1.86	-	3.60
Reading		-	0.97	-	1.81	-	3.51
Scranton/Wilkes Barr		-	0.97	-	1.77	-	3.47
<b>Virginia</b>	P.P.						
Eastern		1.42 - 1.59	1.51	1.68 - 2.20	2.20	3.08 - 4.04	3.21
Southwest		-		1.69 - 2.25	2.02	3.10 - 3.55	3.25
Western		1.54 - 1.69	1.63	1.71 - 2.79	2.31	3.04 - 3.99	3.48
<b>Washington</b>	Avg.						
Seattle		1.29 - 1.79	1.54	-	1.79	2.59 - 3.19	2.89

INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES  
 SUPERMARKET MILK PRICE SURVEY SUMMARY

4 - SKIM MILK

	PP or Avg. Price	QUARTS PAPER		HALF GALLONS PAPER		GALLONS PLASTIC	
		Range	PP/Avg	Range	PP/Avg	Range	PP/Avg
California	Avg.						
Los Angeles		-		-		-	3.10
Sacramento		-		-		-	3.86
San Diego		-		-		-	3.26
San Francisco		-		-		-	4.09
Colorado	P.P.						
Denver		1.00 - 2.39	1.63	1.98 - 2.79	2.20	1.99 - 3.99	3.03
Maine	P.P.						
Augusta		1.49 - 1.85	1.69	1.77 - 2.79	2.34	3.61 - 4.59	3.99
Nevada	P.P.						
Las Vegas		-		1.99 - 3.39	2.53	2.38 - 4.99	3.52
Reno		-		1.70 - 3.29	2.33	2.26 - 4.99	3.63
Oregon	Avg.						
Portland		1.29 - 1.99	1.64	1.85 - 4.49	3.17	2.59 - 5.99	4.29
Salem		1.18 - 1.77	1.48	1.68 - 4.98	3.33	2.44 - 5.78	4.11

INTERNATIONAL ASSOCIATION OF MILK CONTROL AGENCIES  
 SUPERMARKET MILK PRICE SURVEY SUMMARY

4 - SKIM MILK

	PP or Avg. Price	QUARTS PAPER		HALF GALLONS PAPER		GALLONS PLASTIC	
		Range	PP/Avg	Range	PP/Avg	Range	PP/Avg
<b>Pennsylvania</b>	Avg.						
Altoona/Johnstown		-	1.06	-	1.83	-	3.57
Harrisburg		-	1.04	-	1.85	-	3.56
Philadelphia		1.00 - 1.25	1.10	1.80 - 1.95	1.86	-	3.54
Pittsburgh		-	0.99	-	1.81	-	3.51
Reading		-	0.95	-	1.76	-	3.41
Scranton/Wilkes Barr		-	0.94	-	1.73	-	3.38
<b>Virginia</b>	P.P.						
Eastern		1.37 - 1.80	1.59	1.68 - 2.20	2.27	3.08 - 4.04	3.25
Southwest		-	1.80	1.64 - 3.12	2.35	3.00 - 3.90	3.38
Western		1.50 - 1.98	1.62	1.67 - 3.20	2.35	2.94 - 4.39	3.46
<b>Washington</b>	Avg.						
Seattle		1.29 - 1.79	1.54	-	1.79	2.59 - 3.19	2.89

**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)

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

**Carl D. Herbein, CPA**

**PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS (CONTINUED)**

Greater Reading Economic Partnership (2005 – present)

Elizabethtown College

- Board of Trustees (1987 – 1992)
- Accounting Advisory Committee (1993 – present)
- Chair – Leadership Council (2007 – 2009)

Berkshire Country Club

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

**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

**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

**Carl D. Herbein, CPA**

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

DeVries v. Jacoby White Eagle – September 2013 – Milk payment dispute.

**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, 4 and 5.

**2013**

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 3 and 6.

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