



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

BULLETIN

No. 1459
January 21, 2010

**CORRECTION TO OFFICIAL GENERAL ORDER A-956 (CRO 1)
AREA 6 COST REPLACEMENT ORDER**

There is a typographical error in Finding of Fact 11 of Official General Order A-956 (CRO 1).

Finding of Fact 11 contains incorrect container shrinkage factors for the gallon and half gallon containers. The correct shrinkage factors are 2.02% for the gallon container and 1.98% for the half gallon container. The attached page 4 of OGO A-956 (CRO 1) contains the correct shrinkage factors and should replace page 4 of the original OGO A-956 (CRO 1).

The correct container shrinkage factor was used to develop the price sheets attached to OGO A-956 (CRO 1). The error was limited to the wording of Finding of Fact 11.

PENNSYLVANIA MILK MARKETING BOARD

A handwritten signature in cursive script that reads "Keith Bierly".

Keith Bierly, Secretary

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7. Mr. Gojsovich and Mr. Herbein presented concurring evidence regarding the cost update for labor, insurance, and utility costs of \$0.0048 per point between the second quarters of 2008 and 2009. The Board finds that \$0.0048 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. The Board finds that the adjustment should continue, based on the methodology presented by Mr. Gojsovich in Staff Surrebuttal Exhibit 7 and attached to this order as Attachment 2.

10. Mr. Gojsovich and Mr. Herbein presented concurring evidence regarding the cost of shrinkage and sales of bulk products of \$0.0041 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 \$0.0041 per pound.

11. Mr. Gojsovich presented evidence of the following container costs: Gallon - \$0.1697; Half Gallon (combined)- \$0.1001; Quart (combined)- \$0.1489; Pint (combined)- \$0.1299; Half Pint (paper) - \$0.0225; Half Pint (plastic) - \$0.0676; 10 Ounce - \$0.0310; 4 Ounce - \$0.0232; Bulk Per Quart (Dispenser) - \$0.1334. 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 – 2.02%; Half Gallon – 1.98%; 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.