

AREA 3

COST REPLACEMENT HEARING DEALER SURREBUTTAL EXHIBITS

JANUARY 8, 2014

PMMB AREA 3

COST REPLACEMENT HEARING

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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)

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS (CONTINUED)

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)

Submitted: January 3, 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

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.

Submitted: January 3, 2014

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.

SURREBUTTAL EXHIBIT D2

PMMB AREA 3

COST REPLACEMENT HEARING

**SUMMARY OF CURRENT INGREDIENT COSTS
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 3)**

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

	March 2013 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0008
Low fat (1%) milk	.0008
Non fat (skim) milk	.0023
Flavored milk	.0405
Flavored reduced fat milk	.0393
Flavored nonfat milk	.0320
Buttermilk	.0363
Eggnog	.1690

(1) For ingredients not purchased in March 2013 the most recent invoice was used.

SURREBUTTAL EXHIBIT D2-A

PMMB AREA 3

COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc., Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven

	March 2013 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%)	0.0008	0.0007	0.0001
Lowfat milk (1%)	0.0008	0.0008	0.0000
Nonfat milk (skim)	0.0023	0.0022	0.0001
Flavored milk (2)	0.0405	0.0397	0.0008
Flavored reduced fat milk (2)	0.0393	0.0333	0.0060
Flavored nonfat milk (2)	0.0320	0.0392	(0.0072)
Buttermilk	0.0363	0.0285	0.0078
Eggnog	0.1690	0.1646	0.0044

- (1) Per General Order OGO A-962 (CRO 3) as updated for flavored milk on October 1, 2013
- (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 3

COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

	<u>2012 Weighted Average Butterfat Test</u>	<u>2011 Weighted Average Butterfat Test Included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Standard milk	3.2609%	3.2645%	-0.0036%
Reduced fat milk (2%)	1.9581%	1.9623%	-0.0042%
Lowfat milk (1%)	0.9488%	0.9503%	-0.0015%
Nonfat milk (skim)	0.0990%	0.0987%	0.0003%
Flavored milk	3.3487%	3.3360%	0.0127%
Flavored reduced fat milk (2)	1.3474%	1.0462%	0.3012%
Flavored nonfat milk (2)	0.0947%	0.0488%	0.0459%
Buttermilk	3.7995%	3.8007%	-0.0012%
Eggnog	6.3921%	6.5169%	-0.1248%

(1) Per General Order No. A-962 (CRO 3)

(2) Butterfat test from product sales from July 2012 through December 2012. PMMB did not establish a reporting category for flavored nonfat milk until July 2012.

SURREBUTTAL EXHIBIT D3**PMMB AREA 3****COST REPLACEMENT HEARING****PROCESSING, PACKAGING AND DELIVERY COSTS/POINT FOR 2011
(WEIGHTED AVERAGE BASED ON SALES IN AREA 3)**

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

Cost Center	Total Points in PMMB Area 3 (1)	Weighted Average Cost/Point (1)
Receiving, lab and field work	111,716,579	\$ 0.0131
Standardization and pasteurization	158,052,799	0.0160
Bottling	156,291,182	0.0332
Cold room	167,922,502	0.0365
Delivery	127,785,085	0.1248
Selling	126,689,571	0.0242
		<hr/>
		\$ 0.2478

(1) Reflects points (and related cost/point) for sales in PMMB Area 3 for the cross-section dealers.

SURREBUTTAL EXHIBIT D3-A

PMMB AREA 3

COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

	<u>2012 Weighted Average Cost/Point</u>	<u>2011 Cost/Point Included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Receiving, lab and field work	\$0.0131	\$0.0119	\$0.0012
Standardization and pasteurization	0.0160	0.0161	(0.0001)
Bottling	0.0332	0.0330	0.0002
Cold room	0.0365	0.0353	0.0012
Delivery	0.1248	0.1203	0.0045
Selling	<u>0.0242</u>	<u>0.0244</u>	<u>(0.0002)</u>
Sub total	\$0.2478	\$0.2410	\$0.0068
Add:			
2013 Cost increase (decrease) adjustment - Exhibit D4			0.0119
Less:			
2012 Cost (increase) decrease adjustment (1)			<u>(0.0070)</u>
Net change			<u><u>\$0.0117</u></u>

(1) Per General Order No. A-962 (CRO 3)

PMMB AREA 3

COST REPLACEMENT HEARING

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

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

Type of Expense	Weighted Expenses for 2nd Quarter (1)		Weighted Points for 2nd Quarter (1)		Cost Per Point		Increase (Decrease) Per Point
	2013	2012	2013	2012	2013	2012	
Labor and fringe benefits	\$ 5,262,071	\$ 5,236,213	39,049,208	41,789,478	\$ 0.1348	\$ 0.1253	\$0.0095
Utilities	336,269	276,466	39,049,208	41,789,478	0.0086	0.0066	0.0020
Insurance	322,800	328,556	39,049,208	41,789,478	0.0083	0.0079	<u>0.0004</u>
							<u><u>\$0.0119</u></u>

(1) Weighted based on sales in PMMB Area 3

SURREBUTTAL EXHIBIT D5

PMMB AREA 3

COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

Diesel fuel costs – calendar year 2012 (1)	\$2,559,662
Delivery points – calendar year 2012 (1)	<u>127,785,085</u>
Diesel fuel cost per point delivered	<u><u>\$0.0200</u></u>
Average diesel price – calendar year 2012 (2)	\$4.100
Average diesel price – October 2013 (2) (3)	<u>\$3.961</u>
Increase (decrease) from year 2012 to month October 2013	-3.39%
Increase (decrease) in diesel fuel cost per point delivered	<u>(\$0.0007)</u>

- (1) Costs of cross-section dealers weighted by sales in Area 3
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration

October 2013 diesel fuel costs were used by the PMMB in establishing minimum prices for December 2013

PMMB AREA 3

COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

Heating fuel costs – calendar year 2012 (1)	\$298,853
Standardization & pasteurization points – calendar year 2012 (1)	<u>158,052,799</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0019</u></u>
Average heating fuel costs – calendar year 2012 (2)	\$8.75
Average heating fuel costs – August 2013 (2) (3)	<u>9.53</u>
Increase (decrease) from year 2012 to month August 2013	8.91%
Increase (decrease) in heating fuel cost per point pasteurized	<u>\$0.0002</u>

- (1) Costs of cross-section dealers weighted by sales in Area 3.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) August 2013 natural gas costs were used by the PMMB in establishing minimum prices for December 2013.

PMMB AREA 3

COST REPLACEMENT HEARING

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

Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc.,
Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven

<u>PMMB Area 3</u>	<u>Weighted Costs</u>	<u>Weighted Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 641,159		\$ 641,159		
Bulk milk revenue minus milk costs		526,792			
Bulk milk cost center costs & freight	118,755				
Net bulk milk cost (revenue)			(408,037)		
Bulk cream revenue minus milk costs		1,057,536			
Bulk cream cost center costs	218,825				
Net bulk cream cost (revenue)			(838,711)		
Total	<u>\$ 978,739</u>	<u>\$ 1,584,328</u>			
Net cost (revenue) - calendar year 2012			\$ (605,589)	211,824,552	\$ (0.0029)
Net cost (revenue) in current order - calendar year 2011			<u>\$ (564,697)</u>	232,966,604	<u>(0.0024)</u>
Net change - cost increase (cost reduction)			<u>\$ (40,892)</u>		<u>\$ (0.0005)</u>

SURREBUTTAL EXHIBIT D8

PMMB AREA 3

COST REPLACEMENT HEARING

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

Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, Inc., Swiss Premium Dairy, Inc., Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven

<u>Container Size</u>	<u>March 2013 Container Cost (1)</u>	<u>Adjust from March 2013 to November 2013 - Current (2)</u>	<u>Subtotal</u>	<u>Calculated Shrinkage and Loss (4)</u>	<u>Shrinkage Cost</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.1960	\$ 0.0163	\$ 0.2123	1.51%	\$ 0.0032	\$ 0.2155
1/2 gallon - plastic	0.1434					
1/2 gallon - paper	0.1428					
1/2 gallon - blended (5)	<u>0.1433</u>	0.0097	0.1530	1.22%	0.0019	0.1549
Quart - plastic	0.1294					
Quart - paper	0.0848					
Quart - blended (5)	<u>0.1086</u>	0.0104	0.1190	1.57%	0.0019	0.1209
Pint - plastic	0.0953					
Pint - paper	0.0552					
Pint - blended (5)	<u>0.0787</u>	0.0040	0.0827	1.62%	0.0013	0.0840
Twelve ounce	(3)					
Ten ounce	0.0548		0.0548			0.0548
1/2 pint - plastic (5)	0.0654	0.0063	0.0717	0.92%	0.0007	0.0724
1/2 pint - paper (5)	0.0285	(0.0001)	0.0284	0.85%	0.0002	0.0286
Four ounce - paper	0.0272		0.0272	1.53%	0.0004	0.0276
Dispenser	0.0398		0.0398	1.30%	0.0005	0.0403

- (1) For containers not purchased in March 2013 the most recent invoice was used.
- (2) November 2013 container costs were used by the PMMB to establish minimum resale prices for December 2013.
- (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 3

COST REPLACEMENT HEARING

**ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH
CONTAINER COSTS – DECEMBER 2013**

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, 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)	\$ 0.2155	\$ 0.2034	\$ 0.0121
Half Gallon (2)	0.1549	0.1530	0.0019
Quart (2)	0.1209	0.1191	0.0018
Pint (2)	0.0840	0.0831	0.0009
Ten Ounce	0.0548	0.0548	-
1/2 pint - plastic (2) (3)	0.0724	0.0717	0.0007
1/2 pint - paper (2)	0.0286	0.0283	0.0003
Four ounce - paper	0.0276	0.0254	0.0022
Dispenser (per quart)	0.0403	0.0424	(0.0021)

(1) Per General Order No. A-962 (CRO 3) as updated.

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

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0438. PMMB resale price schedules show the ½ pint paper price. \$0.0439 is the plastic add-on.

SURREBUTTAL EXHIBIT D9-A

PMMB AREA 3

COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
GALLON REDUCED FAT MILK (2%) FOR DECEMBER 2013**

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, 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	1.9581%	1.9623%	-0.0042%
Butterfat price as announced by PMMB	(1)	\$ 1.6491 per lb.	\$ 1.6491 per lb.	
Extended butterfat value		\$ 0.0323 per lb.	\$ 0.0324 per lb.	
Skim price as announced by PMMB	(1)	\$ 20.36 per Cwt	\$ 20.36 per Cwt	
Extended skim value		\$ 0.1996 per lb.	\$ 0.1996 per lb.	
Total milk value at announced prices		<u>\$ 0.2319</u> per lb.	<u>\$ 0.2320</u> per lb.	<u>\$ (0.0001)</u>
Ingredient cost	D2	0.0008	0.0007	
Cost of shrinkage / bulk milk & cream	D7	(0.0029)	(0.0024)	
Total milk cost per pound		<u>\$ 0.2298</u> per lb.	<u>\$ 0.2303</u> per lb.	<u>\$ (0.0005)</u>
Pounds per gallon (conversion)		<u>8.62</u>	<u>8.62</u>	
Total milk cost per gallon		<u>\$ 1.9809</u>	<u>\$ 1.9852</u>	<u>\$ (0.0043)</u>
Container cost (adjusted for shrinkage)	D8	0.2155 each	0.2034 each	0.0121
Cost center costs	D3	0.9912	0.9640	0.0272
2nd quarter-to- 2nd quarter update	D4	0.0476	0.0280	0.0196
Container efficiency adjustment	(2)	(0.0812)	(0.0812)	-
Percentage discount adjustment	(3)	0.0080	0.0080	-
Diesel fuel adjustment	D5	(0.0028)	(0.0004)	(0.0024)
Heating fuels adjustment	D6	0.0008	(0.0004)	0.0012
		<u>\$ 3.1600</u> each	<u>\$ 3.1066</u> each	<u>\$ 0.0534</u>
Dealer profit at 3.4%	(2)	0.1112	0.1093	
Subtotal		<u>\$ 3.2712</u> each	<u>\$ 3.2159</u> each	<u>\$ 0.0553</u>
Less: average delivery cost	(2)	(0.4284)	(0.4284)	
Add: high cost delivery	(2)	0.8000	0.8000	
Wholesale price		<u>\$ 3.6428</u> each	<u>\$ 3.5875</u> each	<u>\$ 0.0553</u>

(1) As announced for December 2013 by PMMB on November 21, 2013.

(2) Per OGO A-962 (CRO 3) 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 3

COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR DECEMBER 2013**

**Clover Farms Dairy Co., Guers Dairy, Pocono Mountain Dairies, Schneider – Valley Farms, 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	0.0947%	0.0488%	0.0459%
Butterfat price as announced by PMMB	(1)	\$ 1.6491 per lb.	\$ 1.6491 per lb.	
Extended butterfat value		\$ 0.0016 per lb.	\$ 0.0008 per lb.	
Skim price as announced by PMMB	(1)	\$ 20.36 per Cwt	\$ 20.36 per Cwt	
Extended skim value		\$ 0.2034 per lb.	\$ 0.2035 per lb.	
Total milk value at announced prices		<u>\$ 0.2050</u> per lb.	<u>\$ 0.2043</u> per lb.	<u>\$ 0.0007</u>
Ingredient cost	D2	0.0320	0.0392	
Cost of shrinkage / bulk milk & cream	D7	(0.0029)	(0.0024)	
Total milk cost per pound		<u>\$ 0.2341</u> per lb.	<u>\$ 0.2411</u> per lb.	<u>\$ (0.0070)</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per gallon		<u>\$ 0.1171</u>	<u>\$ 0.1206</u>	<u>\$ (0.0035)</u>
Container cost (adjusted for shrinkage)	D8	0.0286 each	0.0283 each	0.0003
Cost center costs	D3	0.0620	0.0603	0.0017
2nd quarter-to- 2nd quarter update	D4	0.0030	0.0018	0.0012
Container efficiency adjustment	(2)	0.0202	0.0202	-
Percentage discount adjustment	(3)	0.0005	0.0005	-
Diesel fuel adjustment	D5	(0.0002)	-	(0.0002)
Heating fuels adjustment	D6	0.0001	-	0.0001
		<u>\$ 0.2313</u> each	<u>\$ 0.2317</u> each	<u>\$ (0.0004)</u>
Dealer profit at 3.4%	(2)	0.0081	0.0082	
Subtotal		<u>\$ 0.2394</u> each	<u>\$ 0.2399</u> each	<u>\$ (0.0005)</u>
Less: average delivery cost	(2)	(0.0268)	(0.0268)	
Add: high cost delivery	(2)	0.0500	0.0500	
Wholesale price		<u>\$ 0.2626</u> each	<u>\$ 0.2631</u> each	<u>\$ (0.0005)</u>

(1) As announced for December 2013 by PMMB on November 21, 2013.

(2) Per OGO A-962 (CRO 3) as updated.

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