

# **AREA 1**

## **COST REPLACEMENT HEARING DEALER SURREBUTTAL EXHIBITS**

**DECEMBER 3, 2014**

## **PMMB AREA 1**

### **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 D4-A	Cost Increases (Decreases) For Labor, Insurance And Utility Costs Points Normalized
Surrebuttal Exhibit D4-B	Changes in Points
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	Update
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

**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.

**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 1**

**COST REPLACEMENT HEARING**

**SUMMARY OF CURRENT INGREDIENT COSTS  
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 1)**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	March 2014 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0001
Non fat (skim) milk	.0001
Flavored milk	.0676
Flavored reduced fat milk	.0355
Flavored nonfat milk	.0299
Buttermilk	.0135
Eggnog	.1168

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

**SURREBUTTAL EXHIBIT D2-A**

**PMMB AREA 1**

**COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	<u>March 2014 Weighted Average Cost/Pound</u>	<u>Cost/Pound included in Existing Order (1)</u>	<u>Increase (Decrease )</u>
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0001	0.0000
Lowfat milk (1%)	0.0001	0.0001	0.0000
Nonfat milk (skim)	0.0001	0.0001	0.0000
Flavored milk (2)	0.0676	0.0604	0.0072
Flavored reduced fat milk (2)	0.0355	0.0291	0.0064
Flavored nonfat milk (2)	0.0299	0.0334	(0.0035)
Buttermilk	0.0135	0.0131	0.0004
Eggnog	0.1168	0.1161	0.0007

(1) Per General Order OGO A-951 (CRO 5) 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 1**

**COST REPLACEMENT HEARING**

**BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	<b><u>2013 Weighted Average Butterfat Test</u></b>	<b><u>2012 Weighted Average Butterfat Test Included in Existing Order (1)</u></b>	<b><u>Increase (Decrease )</u></b>
Standard milk	3.3044%	3.3000%	0.0044%
Reduced fat milk (2%)	1.9377%	1.9434%	-0.0057%
Lowfat milk (1%)	0.9679%	0.9704%	-0.0025%
Nonfat milk (skim)	0.0888%	0.0884%	0.0004%
Flavored milk	3.3119%	3.3306%	-0.0187%
Flavored reduced fat milk	1.0369%	0.7597%	0.2772%
Flavored nonfat milk	0.0970%	0.0411%	0.0559%
Buttermilk	1.9661%	1.9565%	0.0096%
Eggnog	6.9833%	6.9742%	0.0091%

(1) Per General Order No. A-951 (CRO 5)

**SURREBUTTAL EXHIBIT D3**

**PMMB AREA 1**

**COST REPLACEMENT HEARING**

**PROCESSING, PACKAGING AND DELIVERY COSTS/POINT FOR 2013  
(WEIGHTED AVERAGE BASED ON SALES IN AREA 1)**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

<b>Cost Center</b>	<b>Total Points in PMMB Area 1 (1)</b>	<b>Weighted Average Cost/Point (1)</b>
Receiving, lab and field work	158,526,551	\$ 0.0135
Standardization and pasteurization	181,574,634	0.0141
Bottling	156,178,650	0.0388
Cold room	189,220,586	0.0548
Delivery	191,419,014	0.1462
Selling	212,818,591	0.0273
		<hr/>
		\$ 0.2947

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

**SURREBUTTAL EXHIBIT D3-A**

**PMMB AREA 1**

**COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	<u>2013 Weighted Average Cost/Point</u>	<u>2012 Cost/Point Included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Receiving, lab and field work	\$0.0135	\$0.0118	\$0.0017
Standardization and pasteurization	0.0141	0.0141	0.0000
Bottling	0.0388	0.0366	0.0022
Cold room	0.0548	0.0514	0.0034
Delivery	0.1462	0.1267	0.0195
Selling	<u>0.0273</u>	<u>0.0230</u>	<u>0.0043</u>
Sub total	\$0.2947	\$0.2636	\$0.0311
Add:			
2014 Cost increase (decrease) adjustment - Exhibit D4			0.0147
Less:			
2013 Cost (increase) decrease adjustment (1)			<u>(0.0022)</u>
Net change			<u>\$0.0436</u>

(1) Per General Order No. A-951 (CRO 5)

**PMMB AREA 1**

**COST REPLACEMENT HEARING**

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

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

<b>Type of Expense</b>	<b>Weighted Expenses for the Six Months Ended June 30 (1)</b>		<b>Weighted Points for the Six Months Ended June 30 (1)</b>		<b>Cost Per Point</b>		<b>Increase (Decrease) Per Point</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	
Labor and fringe benefits	\$ 15,465,504	\$ 13,558,808	115,362,914	113,466,527	\$ 0.1341	\$ 0.1195	\$0.0146
Utilities	744,509	715,456	115,362,914	113,466,527	0.0065	0.0063	0.0002
Insurance	254,416	256,676	115,362,914	113,466,527	0.0022	0.0023	<u>(0.0001)</u>
							<u><u>\$0.0147</u></u>

**SURREBUTTAL EXHIBIT D5**

**PMMB AREA 1**

**COST REPLACEMENT HEARING**

**CHANGES IN DIESEL FUEL COSTS**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

Diesel fuel costs – calendar year 2013 (1)	\$2,787,056
Delivery points – calendar year 2013 (1)	<u>191,419,014</u>
Diesel fuel cost per point delivered	<u><u>\$0.0146</u></u>
Average diesel price – calendar year 2013 (2)	\$4.010
Average diesel price – September 2014 (2) (3)	<u>\$3.900</u>
Increase (decrease) from year 2013 to month September 2014	-2.74%
Increase (decrease) in diesel fuel cost per point delivered	<u>(\$0.0004)</u>

- (1) Costs of cross-section dealers weighted by sales in Area 1
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration
- (3) September 201 diesel fuel costs were used by the PMMB in establishing minimum prices for November 201.

**SURREBUTTAL EXHIBIT D6**

**PMMB AREA 1**

**COST REPLACEMENT HEARING**

**CHANGES IN HEATING FUEL COSTS (NATURAL GAS)**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

Heating fuel costs – calendar year 2013 (1)	\$210,803
Standardization & pasteurization points – calendar year 2013 (1)	<u>198,356,356</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0011</u></u>
Average heating fuel costs – calendar year 2013 (2)	\$9.16
Average heating fuel costs – July 2014 (2) (3)	<u>9.83</u>
Increase (decrease) from year 2013 to month July 2014	7.31%
Increase (decrease) in heating fuel cost per point pasteurized	<u>\$0.0001</u>

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

PMMB AREA 1

COST REPLACEMENT HEARING

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

Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms

<u>PMMB Area 1</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	\$ 1,332,424		\$ 1,332,424		
Bulk milk revenue minus milk costs		477,604			
Bulk milk cost center costs	994,430				
Net bulk milk cost (revenue)			516,826		
Bulk cream revenue minus milk costs		1,168,263			
Bulk cream cost center costs	339,520				
Net bulk cream cost (revenue)			(828,743)		
Total	<u>\$ 2,666,374</u>	<u>\$ 1,645,867</u>			
Net cost (revenue) - calendar year 2013			\$ 1,020,507	279,955,720	\$ 0.0037
Net cost (revenue) in current order - calendar year 2012			\$ 85,021	350,476,679	0.0002
Net change - cost increase (cost reduction)			\$ 935,486		\$ 0.0035

**SURREBUTTAL EXHIBIT D8**

**PMMB AREA 1**

**COST REPLACEMENT HEARING**

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

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

<b>Container Size</b>	<b>March 2014 Container Cost (1)</b>	<b>Adjust from March 2014 to October 2014 - Current (2)</b>	<b>Subtotal</b>	<b>Calculated Shrinkage and Loss (4)</b>	<b>Shrinkage Cost</b>	<b>Total Container Cost</b>
Gallon (5)	\$ 0.1862	\$ 0.0029	\$ 0.1891	1.80%	\$ 0.0034	\$ 0.1925
1/2 gallon - plastic	0.1382					
1/2 gallon - paper	(3)					
1/2 gallon - blended (5)	<u>0.1382</u>	0.0021	0.1403	1.79%	0.0025	0.1428
Quart - plastic	0.1255					
Quart - paper	(3)					
Quart - blended (5)	<u>0.1255</u>	0.0023	0.1278	1.57%	0.0020	0.1298
Pint - plastic	0.0911					
Pint - paper	(3)					
Pint - blended (5)	<u>0.0911</u>	0.0014	0.0925	1.62%	0.0015	0.0940
Twelve ounce	(3)					
Ten ounce	(3)		-			-
1/2 pint - plastic (5)	0.0634	0.0012	0.0646	0.92%	0.0006	0.0652
1/2 pint - paper (5)	0.0240	0.0010	0.0250	0.85%	0.0002	0.0252
Four ounce - paper	0.0250		0.0250	1.53%	0.0004	0.0254
Dispenser	0.0589		0.0589	1.30%	0.0008	0.0597

- (1) For containers not purchased in March 2014 the most recent invoice was used.
- (2) October 2014 container costs were used by the PMMB to establish minimum resale prices for November 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 1**

**COST REPLACEMENT HEARING**

**ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH  
CONTAINER COSTS – NOVEMBER 2014**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

<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)	\$ 0.1925	\$ 0.2042	\$ (0.0117)
Half Gallon (2)	0.1428	0.1520	(0.0092)
Quart (2)	0.1298	0.1343	(0.0045)
Pint (2)	0.0940	0.0944	(0.0004)
1/2 pint - plastic (2) (3)	0.0652	0.0661	(0.0009)
1/2 pint - paper (2)	0.0252	0.0250	0.0002
Four ounce - paper	0.0254	0.0266	(0.0012)
Dispenser (per quart)	0.0597	0.0588	0.0009

(1) Per General Order No. A-951 (CRO 5) as updated.

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

(3) The difference in the proposed cost replacement order between plastic ½ pint and paper ½ pint is \$0.0400. The current PMMB wholesale price schedule shows \$0.0411 as the plastic add-on to the ½ pint paper price.

**SURREBUTTAL EXHIBIT D9-A**

**PMMB AREA 1**

**COST REPLACEMENT HEARING**

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

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	<u>Reference</u>	<u>Proposed Order</u>		<u>Current Order (2)</u>		<u>Change</u>
Butterfat test	D2-B	1.9377%		1.9434%		-0.0057%
Butterfat price as announced by PMMB	(1)	\$ 3.2750	per lb.	\$ 3.2750	per lb.	
Extended butterfat value		\$ 0.0635	per lb.	\$ 0.0636	per lb.	
Skim price as announced by PMMB	(1)	\$ 18.59	per Cwt	\$ 18.59	per Cwt	
Extended skim value		\$ 0.1823	per lb.	\$ 0.1823	per lb.	
Total milk value at announced prices		\$ 0.2458	per lb.	\$ 0.2459	per lb.	\$ (0.0001)
Ingredient cost	D2	0.0001		0.0001		
Cost of shrinkage / bulk milk & cream	D7	0.0037		0.0002		
Total milk cost per pound		\$ 0.2496	per lb.	\$ 0.2462	per lb.	\$ 0.0034
Pounds per gallon (conversion)		8.62		8.62		
Total milk cost per gallon		\$ 2.1516		\$ 2.1222		\$ 0.0294
Container cost (adjusted for shrinkage)	D8	0.1925	each	0.2042	each	(0.0117)
Cost center costs	D3	1.1788		1.0544		0.1244
1st six month 2013 to 2014 adjustment	D4	0.0588		0.0088		0.0500
Container efficiency adjustment	(2)	(0.0720)		(0.0720)		-
Percentage discount adjustment	(3)	0.0068		0.0068		-
Diesel fuel adjustment	D5	(0.0016)		(0.0028)		0.0012
Heating fuels adjustment	D6	0.0004		0.0004		-
		\$ 3.5153	each	\$ 3.3220	each	\$ 0.1933
Dealer profit at 3.4%	(2)	0.1237		0.1169		
Subtotal		\$ 3.6390	each	\$ 3.4389	each	\$ 0.2001
Less: average delivery cost	(2)	(0.5068)		(0.5068)		
Add: high cost delivery	(2)	1.0552		1.0552		
<b>Wholesale price</b>		<b>\$ 4.1874</b>	each	<b>\$ 3.9873</b>	each	<b>\$ 0.2001</b>

(1) As announced for November 2014 by PMMB on October 23, 2014.

(2) Per OGO A-951 (CRO 5) 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 1**

**COST REPLACEMENT HEARING**

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

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,  
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B	0.0970%	0.0411%	0.0559%
Butterfat price as announced by PMMB	(1)	\$ 3.2750 per lb.	\$ 3.2750 per lb.	
Extended butterfat value		\$ 0.0032 per lb.	\$ 0.0013 per lb.	
Skim price as announced by PMMB	(1)	\$ 18.59 per Cwt	\$ 18.59 per Cwt	
Extended skim value		\$ 0.1857 per lb.	\$ 0.1858 per lb.	
Total milk value at announced prices		<u>\$ 0.1889 per lb.</u>	<u>\$ 0.1872 per lb.</u>	<u>\$ 0.0017</u>
Ingredient cost	D2	0.0299	0.0291	
Cost of shrinkage / bulk milk & cream	D7	0.0037	0.0002	
Total milk cost per pound		<u>\$ 0.2225 per lb.</u>	<u>\$ 0.2165 per lb.</u>	<u>\$ 0.0060</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per gallon		<u>\$ 0.1113</u>	<u>\$ 0.1083</u>	<u>\$ 0.0030</u>
Container cost (adjusted for shrinkage)	D8	0.0252 each	0.0250 each	0.0002
Cost center costs	D3	0.0737	0.0659	0.0078
1st six months 2013 to 2014 adjustment	D4	0.0036	0.0006	0.0030
Container efficiency adjustment	(2)	0.0268	0.0268	-
Percentage discount adjustment	(2)	0.0004	0.0004	-
Diesel fuel adjustment	D5	(0.0001)	(0.0001)	-
Heating fuels adjustment	D6	0.0001	-	0.0001
		<u>\$ 0.2410 each</u>	<u>\$ 0.2269 each</u>	<u>\$ 0.0141</u>
Dealer profit at 3.4%	(2)	0.0085	0.0080	
Subtotal		<u>\$ 0.2495 each</u>	<u>\$ 0.2349 each</u>	<u>\$ 0.0146</u>
Less: average delivery cost	(2)	(0.0317)	(0.0317)	
Add: high cost delivery	(2)	0.0660	0.0660	
<b>Wholesale price</b>		<u><b>\$ 0.2838 each</b></u>	<u><b>\$ 0.2692 each</b></u>	<u><b>\$ 0.0146</b></u>

(1) As announced for November 2014 by PMMB on October 23, 2014.

(2) Per OGO A-951 (CRO 5) as updated.

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