

AREA 2

COST REPLACEMENT HEARING DEALER SURREBUTTAL EXHIBITS

DECEMBER 3, 2014

PMMB AREA 2

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)

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 2

COST REPLACEMENT HEARING

**SUMMARY OF CURRENT INGREDIENT COSTS
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 2)**

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

| | March 2014 Ingredient Cost Per Pound (1) |
|---------------------------|---|
| Standard | \$.0000 |
| Reduced fat (2%) milk | .0007 |
| Low fat (1%) milk | .0006 |
| Non fat (skim) milk | .0006 |
| Flavored milk | .0407 |
| Flavored reduced fat milk | .0305 |
| Flavored nonfat milk | .0281 |
| Buttermilk (2) | .0326 |
| Eggnog | .1958 |

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

(2) Buttermilk not manufactured in the Area. Cost is from current order.

SURREBUTTAL EXHIBIT D2-A

PMMB AREA 2

COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

| | <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%) | 0.0007 | 0.0007 | 0.0000 |
| Lowfat milk (1%) | 0.0006 | 0.0006 | 0.0000 |
| Nonfat milk (skim) | 0.0006 | 0.0006 | 0.0000 |
| Flavored milk (3) | 0.0407 | 0.0513 | (0.0106) |
| Flavored reduced fat milk (3) | 0.0305 | 0.0314 | (0.0009) |
| Flavored nonfat milk (3) | 0.0281 | 0.0307 | (0.0026) |
| Buttermilk (2) | 0.0326 | 0.0326 | 0.0000 |
| Eggnog | 0.1958 | 0.1975 | (0.0017) |

- (1) Per General Order OGO A-953 (CRO 5) as updated for flavored milk on October 1, 2014.
- (2) Buttermilk not manufactured in the Area. Cost is from current order.
- (3) 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 2

COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

| | <u>2013 Product Butterfat Test</u> | <u>2012 Product Butterfat Test Included in Existing Order (1)</u> | <u>Increase (Decrease)</u> |
|-------------------------------|--|---|--------------------------------|
| Standard milk | 3.2588% | 3.2648% | (0.0060%) |
| Reduced fat milk (2%) | 1.9570% | 1.9546% | 0.0024% |
| Lowfat milk (1%) | 0.9680% | 0.9626% | 0.0054% |
| Nonfat milk (skim) | 0.0788% | 0.0868% | (0.0080%) |
| Flavored milk | 3.3195% | 3.3348% | (0.0153%) |
| Flavored reduced fat milk (3) | 0.9747% | 0.9761% | (0.0014%) |
| Flavored nonfat milk (3) | 0.0411% | 0.0694% | (0.0283%) |
| Buttermilk (2) | 1.5735% | 1.5735% | 0.0000% |
| Eggnog | 6.9683% | 6.8953% | 0.0730% |

(1) Per General Order No. A-953 (CRO 5)

(2) Buttermilk is not manufactured in this Area. Butterfat test is from current order.

SURREBUTTAL EXHIBIT D3**PMMB AREA 2****COST REPLACEMENT HEARING****PROCESSING, PACKAGING AND DELIVERY COSTS/POINT FOR 2013
(WEIGHTED AVERAGE BASED ON SALES IN AREA 2)****Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

| Cost Center | Total Points in PMMB Area 2 (1) | Weighted Average Cost/Point (1) |
|------------------------------------|--|--|
| Receiving, lab and field work | 67,481,799 | \$ 0.0090 |
| Standardization and pasteurization | 92,170,186 | 0.0139 |
| Bottling | 87,266,080 | 0.0353 |
| Cold room | 92,743,502 | 0.0341 |
| Delivery | 70,658,621 | 0.0877 |
| Selling | 70,402,099 | 0.0198 |
| | | <hr/> |
| | | \$ 0.1998 |

(1) Reflects points (and related cost/point) for sales in PMMB Area 2 for the cross-section dealers.

SURREBUTTAL EXHIBIT D3-A

PMMB AREA 2

COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

| | <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 | \$0.0090 | \$0.0085 | \$0.0005 |
| Standardization and pasteurization | 0.0139 | 0.0129 | 0.0010 |
| Bottling | 0.0353 | 0.0329 | 0.0024 |
| Cold room | 0.0341 | 0.0316 | 0.0025 |
| Delivery | 0.0877 | 0.0839 | 0.0038 |
| Selling | <u>0.0198</u> | <u>0.0196</u> | <u>0.0002</u> |
| Sub total | \$0.1998 | \$0.1894 | \$0.0104 |
| Add: | | | |
| 2014 Cost increase (decrease) adjustment - Exhibit D4 | | | (0.0025) |
| Less: | | | |
| 2013 Cost (increase) decrease adjustment (1) | | | <u>(0.0036)</u> |
| Net change | | | <u>\$0.0043</u> |

(1) Per General Order No. A-953 (CRO 5)

PMMB AREA 2

COST REPLACEMENT HEARING

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

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

| Type of Expense | Weighted Expenses for the Six Months Ended June 30 (1) | | Weighted Points for the Six Months Ended June 30 (1) | | Cost Per Point | | Increase (Decrease) Per Point |
|-----------------|--|--------------|--|------------|----------------|----------|-------------------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| | Labor and fringe benefits | \$ 4,556,303 | \$ 4,463,028 | 45,256,398 | 42,991,836 | \$0.1007 | |
| Utilities | 378,662 | 337,315 | 45,256,398 | 42,991,836 | 0.0084 | 0.0078 | 0.0006 |
| Insurance | 30,367 | 29,149 | 45,256,398 | 42,991,836 | 0.0007 | 0.0007 | 0.0000 |
| | | | | | | | <u>(\$0.0025)</u> |

(1) Weighted based on sales in PMMB Area 2

SURREBUTTAL EXHIBIT D5

PMMB AREA 2

COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

| | |
|---|------------------------|
| Diesel fuel costs – calendar year 2013 (1) | \$725,565 |
| Delivery points – calendar year 2013 (1) | <u>70,658,621</u> |
| Diesel fuel cost per point delivered | <u><u>\$0.0103</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>(\$0.0003)</u> |

- (1) Costs of cross-section dealers weighted by sales in Area 2
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) September 2014 diesel fuel costs were used by the PMMB in establishing minimum prices for November 2014.

SURREBUTTAL EXHIBIT D6

PMMB AREA 2

COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

| | |
|--|------------------------|
| Heating fuel costs – calendar year 2013 (1) | \$114,432 |
| Standardization & pasteurization points – calendar year 2013 (1) | <u>92,170,186</u> |
| Heating fuel cost per point pasteurized | <u><u>\$0.0012</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 2.
- (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 2

COST REPLACEMENT HEARING

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

Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven

| <u>PMMB Area 2</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 | \$ 363,557 | | \$ 363,557 | | |
| Bulk milk revenue minus milk costs | | 54,328 | | | |
| Bulk milk cost center costs & freight | 72,015 | | | | |
| Net bulk milk cost (revenue) | | | 17,687 | | |
| Bulk cream revenue minus milk costs | | 735,532 | | | |
| Bulk cream cost center costs | 99,189 | | | | |
| Net bulk cream cost (revenue) | | | (636,343) | | |
| Total | <u>\$ 534,761</u> | <u>\$ 789,860</u> | | | |
| Net cost (revenue) - calendar year 2013 | | | \$ (255,099) | 129,879,759 | \$ (0.0020) |
| Net cost (revenue) in current order - calendar year 2012 | | | <u>\$ (329,415)</u> | 137,491,484 | <u>(0.0024)</u> |
| Net change - cost increase (cost reduction) | | | <u>\$ 74,316</u> | | <u>\$ 0.0004</u> |

SURREBUTTAL EXHIBIT D8

PMMB AREA 2

COST REPLACEMENT HEARING

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

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, Swiss Premium Dairy, Inc.,
Turkey Hill L.P., Tuscan/Lehigh Dairies, L.P. – Schuylkill Haven**

| Container Size | March 2014 Container Cost (1) | Adjust from March 2014 to October 2014 - Current (2) | Subtotal | Calculated Shrinkage and Loss (4) | Shrinkage Cost | Total Container Cost |
|--------------------------|--------------------------------------|---|-----------------|--|-----------------------|-----------------------------|
| Gallon (5) | \$ 0.1859 | \$ 0.0016 | \$ 0.1875 | 1.62% | \$ 0.0030 | \$ 0.1905 |
| 1/2 gallon - plastic | 0.1478 | | | | | |
| 1/2 gallon - paper | (3) | | | | | |
| 1/2 gallon - blended (5) | <u>0.1478</u> | (0.0024) | 0.1454 | 1.22% | 0.0018 | 0.1472 |
| Quart - plastic | 0.1130 | | | | | |
| Quart - paper | 0.0817 | | | | | |
| Quart - blended (5) | <u>0.1037</u> | 0.0013 | 0.1050 | 1.57% | 0.0016 | 0.1066 |
| Pint - plastic | 0.0922 | | | | | |
| Pint - paper | 0.0450 | | | | | |
| Pint - blended (5) | <u>0.0839</u> | 0.0014 | 0.0853 | 1.62% | 0.0014 | 0.0867 |
| Twelve ounce | (3) | | | | | |
| Ten ounce | (3) | | - | | | - |
| 1/2 pint - plastic (5) | 0.0768 | (0.0001) | 0.0767 | 0.92% | 0.0007 | 0.0774 |
| 1/2 pint - paper (5) | 0.0259 | - | 0.0259 | 0.85% | 0.0002 | 0.0261 |
| Four ounce - paper | 0.0267 | | 0.0267 | 1.53% | 0.0004 | 0.0271 |
| Dispenser | 0.0453 | | 0.0453 | 1.30% | 0.0006 | 0.0459 |

- (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 2

COST REPLACEMENT HEARING

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

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, 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) | \$ 0.1905 | \$ 0.2066 | \$ (0.0161) |
| Half Gallon (2) | 0.1472 | 0.1541 | (0.0069) |
| Quart (2) | 0.1066 | 0.1221 | (0.0155) |
| Pint (2) | 0.0867 | 0.0868 | (0.0001) |
| 1/2 pint - plastic (2) (3) | 0.0774 | 0.0739 | 0.0035 |
| 1/2 pint - paper (2) | 0.0261 | 0.0262 | (0.0001) |
| Four ounce - paper | 0.0271 | 0.0263 | 0.0008 |
| Dispenser (per quart) | 0.0459 | 0.0444 | 0.0015 |

(1) Per General Order No. A-953 (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 \$0.0514. The current PMMB wholesale price schedule shows \$0.0477 as the plastic add-on to the ½ pint paper price.

SURREBUTTAL EXHIBIT D9-A

PMMB AREA 2

COST REPLACEMENT HEARING

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

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, 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 | 1.9570% | 1.9546% | 0.0024% |
| Butterfat price as announced by PMMB | (1) | \$ 3.2739 per lb. | \$ 3.2739 per lb. | |
| Extended butterfat value | | \$ 0.0641 per lb. | \$ 0.0640 per lb. | |
| Skim price as announced by PMMB | (1) | \$ 18.48 per Cwt | \$ 18.48 per Cwt | |
| Extended skim value | | \$ 0.1812 per lb. | \$ 0.1812 per lb. | |
| Total milk value at announced prices | | <u>\$ 0.2453</u> per lb. | <u>\$ 0.2452</u> per lb. | <u>\$ 0.0001</u> |
| Ingredient cost | D2 | 0.0007 | 0.0007 | |
| Cost of shrinkage / bulk milk & cream | D7 | (0.0020) | (0.0024) | |
| Total milk cost per pound | | <u>\$ 0.2440</u> per lb. | <u>\$ 0.2435</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>\$ 2.1033</u> | <u>\$ 2.0990</u> | <u>\$ 0.0043</u> |
| Container cost (adjusted for shrinkage) | D8 | 0.1905 each | 0.2066 each | (0.0161) |
| Cost center costs | D3 | 0.7992 | 0.7576 | 0.0416 |
| 1st six months 2013 to 2014 adjustment | D4 | (0.0100) | 0.0144 | (0.0244) |
| Container efficiency adjustment | (2) | (0.0794) | (0.0794) | - |
| Percentage discount adjustment | (3) | 0.0336 | 0.0336 | - |
| Diesel fuel adjustment | D5 | (0.0012) | (0.0020) | 0.0008 |
| Heating fuels adjustment | D6 | 0.0004 | 0.0004 | - |
| | | <u>\$ 3.0364</u> each | <u>\$ 3.0302</u> each | <u>\$ 0.0062</u> |
| Dealer profit at 3.5% | (2) | 0.1101 | 0.1099 | |
| Subtotal | | <u>\$ 3.1465</u> each | <u>\$ 3.1401</u> each | <u>\$ 0.0064</u> |
| Less: average delivery cost | (2) | (0.3356) | (0.3356) | |
| Add: high cost delivery | (2) | 0.9364 | 0.9364 | |
| Wholesale price | | <u>\$ 3.7473</u> each | <u>\$ 3.7409</u> each | <u>\$ 0.0064</u> |

(1) As announced for November 2014 by PMMB on October 23, 2013.

(2) Per OGO A-953 (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 2

COST REPLACEMENT HEARING

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

**Clover Farms Dairy Co., HP Hood LLC-Hatfield, 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 | 0.0411% | 0.0694% | -0.0283% |
| Butterfat price as announced by PMMB | (1) | \$ 3.2739 per lb. | \$ 3.2739 per lb. | |
| Extended butterfat value | | \$ 0.0013 per lb. | \$ 0.0022 per lb. | |
| Skim price as announced by PMMB | (1) | \$ 18.48 per Cwt | \$ 18.48 per Cwt | |
| Extended skim value | | \$ 0.1847 per lb. | \$ 0.1847 per lb. | |
| Total milk value at announced prices | | <u>\$ 0.1860 per lb.</u> | <u>\$ 0.1869 per lb.</u> | <u>\$(0.0009)</u> |
| Ingredient cost | D2 | 0.0281 | 0.0307 | |
| Cost of shrinkage / bulk milk & cream | D7 | (0.0020) | (0.0024) | |
| Total milk cost per pound | | <u>\$ 0.2121 per lb.</u> | <u>\$ 0.2152 per lb.</u> | <u>\$(0.0031)</u> |
| Pounds per gallon (conversion) | | <u>0.50</u> | <u>0.50</u> | |
| Total milk cost per gallon | | <u>\$ 0.1061</u> | <u>\$ 0.1076</u> | <u>\$(0.0015)</u> |
| Container cost (adjusted for shrinkage) | D8 | 0.0261 each | 0.0262 each | (0.0001) |
| Cost center costs | D3 | 0.0500 | 0.0474 | 0.0026 |
| 1st six months 2013 to 2014 adjustment | D4 | (0.0006) | 0.0009 | (0.0015) |
| Container efficiency adjustment | (2) | 0.0233 | 0.0233 | - |
| Percentage discount adjustment | (3) | 0.0021 | 0.0021 | - |
| Diesel fuel adjustment | D5 | (0.0001) | (0.0001) | - |
| Heating fuels adjustment | D6 | - | - | - |
| | | <u>\$ 0.2069 each</u> | <u>\$ 0.2074 each</u> | <u>\$(0.0005)</u> |
| Dealer profit at 3.5% | (2) | 0.0075 | 0.0075 | |
| Subtotal | | <u>\$ 0.2144 each</u> | <u>\$ 0.2149 each</u> | <u>\$(0.0005)</u> |
| Less: average delivery cost | (2) | (0.0210) | (0.0210) | |
| Add: high cost delivery | (2) | 0.0585 | 0.0585 2524 | |
| Wholesale price | | <u>\$ 0.2519 each</u> | <u>\$ 0.2524 each</u> | <u>\$(0.0005)</u> |

- (1) As announced for November 2014 by PMMB on October 23, 2014.
- (2) Per OGO A-953 (CRO 5) as updated.
- (3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."