

STAFF TESTIMONY BEFORE THE PENNSYLVANIA MILK MARKETING BOARD
COST REPLACEMENT HEARING – MILK MARKETING AREA 4
November 5, 2014

Staff Exhibit 1

Good Morning. My name is Clifford Ackman. As the Statistical Analyst for the Pennsylvania Milk Marketing Board, I collected the information for and produced Staff Exhibit 1, dealing with the cross-section of milk dealers in the South Central Milk Marketing Area (Area 4). I have listed these milk dealers in footnote 3 along with the percentage of sales by those dealers compared to all dealers selling into Area 4. As a representative sample of the entire area, these dealers were used to compile the data for the remaining Exhibits.

This cross-section of dealers' Year 2013 information contains the same companies as presented in last year's Area 4 cost replacement hearing information. This year, the cross-section data represents nearly seventy percent of the Area's market.

This Exhibit offers the cross-section of dealers as presenting a significant portion of all sales into the marketplace. It demonstrates the comparability of Class 1 controlled product sales by all dealers (the top section of the Exhibit) and the cross-section dealers (in the lower half of the Exhibit). The sales of cross-section dealer products compares favorably with the sales of all dealers in the marketplace falling within statistically acceptable limits.

I also studied the size and types of deliveries of the cross-section dealers along with the types of customers served by them. As a group, the cross-section dealers serve a variety of customers: schools, restaurants, convenience stores, supermarkets, etc. which is comparable to all dealer sales into Area 4. I also found that the cross-section dealers employ all types of delivery systems (tractor-trailers and smaller, straight body trucks) which are common to this Area as well.

Based on the amount and type of milk sold by these cross-section dealers, the types of customers and the delivery techniques employed by these listed dealers, I find this cross-section to be representative of all dealers doing business in Area 4.

Staff SURREBUTTAL Exhibit 2

Good morning. My name is David DeSantis. I am employed by the Pennsylvania Milk Marketing Board as the Chief of Enforcement & Accounting. This morning I will be discussing Staff Surrebuttal Exhibits 2 through 11 for Area 4.

Staff Surrebuttal Exhibit 2 provides information regarding the cost for processing, packaging and delivering milk for the cross-section of milk dealers referred to by Cliff Ackman in Staff Exhibit 1. We have segregated costs in this Surrebuttal Exhibit into the

major cost centers that identify the processes milk undergoes, as it arrives at the plant from the farm, and is transformed into the consumer packages you see in the grocery store.

For each of the cost centers listed in Staff Surrebuttal Exhibit 2, we have matched the expenses associated with the cost center with the volume of milk or other products that flowed through that cost center. The volumetric term in these exhibits is stated in points. A point equals one quart or quart equivalent. We weight all costs and points by the sales weighting method. That is, if a dairy were to have 25% of their sales in the area, then we would add 25% of their costs and 25% of their points in each of the cost centers to the weighted costs and weighted points of the other dairies in the cross-section.

Staff recommends that the Board replace the cost per point in the current Order with the cost per point in Staff Surrebuttal Exhibit 2.

Staff SURREBUTTAL Exhibit 3

Staff Surrebuttal Exhibit 3 provides information on the cost of containers for the cross-section dealers. For costs, we have an opportunity to be more current as compared to the costs in Staff Surrebuttal Exhibit 2. We have taken the invoiced costs paid by the cross-section dealers for plastic containers, paper containers and resin in April of 2014 to arrive at a weighted cost per unit. The costs for plastic containers are broken down into purchased containers and blow molded containers for the Gallon and Half Gallon. As was done in previous hearings, we are using controlled container sales volumes for the previous year. We are, therefore, pairing current costs with the weighted units sold in the previous year to arrive at the most current weighted cost per unit available. Where the market has both paper and plastic containers, like the half-gallon container, we have provided a combined paper/plastic price. After we established a cost for each container type in Column E, we are updating those April costs to the costs observed in our most current container surveys in Column F. In Column G we are applying factors for container shrinkage using the same methodology that was used for the last cost replacement hearings. The last column H simply adds the shrinkage factor to the updated container cost in Column F.

Staff recommends that the Board replace the base container costs with those found in Column C and the base weighted units with those found in Column D and continue to update these costs using the audited surveys submitted by the cross-section dealers. Staff also recommends that the Board continue the practice of providing separate plastic and paper half-pint prices through a plastic add-on.

Staff further recommends that the Board replace the current container costs with the container costs found in column E of this exhibit.

Staff SURREBUTTAL Exhibit 4

Staff Surrebuttal Exhibit 4 provides information on the cost of ingredients added to the various milk products like the chocolate powder and sugar in chocolate milk. This exhibit pairs Year 2013 sales activity with April 2014 costs to get a very current weighted cost for the ingredients in each of the milk products.

Staff recommends replacing the current ingredient costs with those found in Staff Surrebuttal Exhibit 4. Staff further recommends that we update chocolate and sweetener costs quarterly consistent with findings found in Cost Replacement Orders issued previously.

Staff SURREBUTTAL Exhibit 5

In the normal course of processing milk at a dairy, the dairy incurs costs and receives revenues from the act of processing the milk. For example, all dairies lose a small amount of milk as some milk is left in the lines and tanks as it moves through the plant. We call this normal loss shrinkage. Here we are accounting for the costs associated with shrinkage. In addition, dairies typically sell off excess bulk milk and cream they are unable to use in their own plants. In selling off the excess milk and cream, the dairy may have made a profit or a loss on the transaction. In conversation with the dealer representatives I became convinced that we could improve our methodology. We are now providing greater detail on how the cost for shrinkage and the profit or loss on bulk sales is calculated. These costs or profits are calculated by the unit cost system and remain unchanged from the last hearing. Row 1 shows the calculation for shrinkage cost showing the total product and butterfat pounds along with the cost or value of those lost pounds. Column G shows the weighted costs using the sales weighting methodology described earlier. Rows 2, 3 and 5 show calculations for determining a profit or loss on those diverted or transferred sales of bulk milk. Diverted milk is milk that is taken directly from the producer's farm to the purchasing dealer's plant and never enters the plant of the dealer selling the milk. Transferred milk is milk that is received at the cross-section dealer's plant and reloaded onto a truck for sale to another dealer. In the case of transferred milk the dealer incurred additional costs to process and sell the milk (Column E) which is in addition to the amount paid to the producer. We must add those additional processing costs to the producer costs in Column D to determine if the dealer made a profit or loss on the transaction.

The costs in the top panel are summarized in the bottom panel of Column H of the exhibit. In previous years we divided the costs by total producer pounds. This was the same methodology that was part of the original Unit Cost System. On further reflection I concluded that this methodology was flawed. If we want to incorporate these costs into the resale price more accurately, we should simply divide these costs by the number of pounds of product sold or manufactured by the dealer net of purchased packaged products. These weighted pounds from the dealer's packaged sales, net of packaged purchases, along with any manufacturing activity are represented in Column

I. By dividing the costs in Column H by the pounds in Column I we arrive at a weighted cost per pound in Column J.

Staff recommends that the Board use the costs and profits in Staff Surrebuttal Exhibit 5 to replace those that are in the existing Order.

Staff SURREBUTTAL Exhibit 6

Staff Surrebuttal Exhibit 6 summarizes the components of the milk cost prior to the milk going into the bottle. We are using the most current announced milk prices available prior to the submission date for the exhibits. The current fat and skim prices for Class I products are in the top numeric panel of the exhibit. In the lower numeric panel labeled Class I, we show the actual pounds of the Class I products (Columns A and B) sold by the cross-section dealers in this Milk Marketing Area. We have labeled the columns A through K and provided mathematical descriptors indicating how we arrive at the cost per pound for each of the products in the table.

This is the same methodology used in previous resale price hearings. Staff recommends that the Board continue to use this methodology for establishing the before bottling costs for the controlled milk products listed.

Staff SURREBUTTAL Exhibit 7

In Staff Surrebuttal Exhibit 7, we are obtaining the most current costs available for three significant cost categories; labor, utilities, and insurance costs. To bring these costs forward, we are comparing the costs and related plant volume in the first half-year of 2013, with the costs and plant volume in the first half-year of 2014. This is a departure from previous cost-replacement hearings where we compared only quarter-to-quarter costs. We believe this longer period will help to reduce the effects of seasonal variations in the business cycles of the dairy industry. Bottling points are a good measure of the plants' overall volume or activity. In columns A and B, we list the first half-year costs for 2014 and 2013 for each of the cost categories. In the next two columns, we list the bottling points for 2014 and 2013 for the first half-year. By dividing the costs by the points in columns E and F, we can compare the cost increase or decrease per point in column G.

Staff recommends replacing the quarter-to-quarter cost in the current Order with the first half cost adjustment in Staff Surrebuttal Exhibit 7.

Staff SURREBUTTAL Exhibit 8

To account for the volatility of fuel prices on an on-going basis, we have adopted the methodology found in Staff Surrebuttal Exhibit 8. Here we relate the cost of fuel for the previous year for all dealers and the points for the same period. Line 1 shows the weighted cost for diesel fuel for the cross-section dealers for Year 2013. Line 2 is the

Year 2013 average On-Highway diesel price per gallon as posted by the Energy Information Administration (EIA). Line 3 is the current EIA On-Highway diesel price. Line 4 represents the percentage of change in the diesel price from Year 2013 to the current price. Using the percentage of change on line 4, line 5 shows the current presumed diesel cost for the cross-section dealers. By subtracting line 1 from line 5 we find the changed diesel cost on line 6. By dividing the changed diesel cost on line 6 by the weighted delivery points of the cross-section dealers, we find the changed cost per point on line 8.

Staff recommends that the Board continue to include this adjustment in the cost replacement process. Staff also recommends that the Board replace the Year 2012 points and costs with the Year 2013 points and costs found in Staff Surrebuttal Exhibit 8.

Staff SURREBUTTAL Exhibit 9

Pursuant to the portion of Official General Order A-937 regarding heating fuel add-ons, staff has calculated the current heating fuel add-on using the same methodology used in Staff Surrebuttal Exhibit 8 except that here we are using Standardization and Pasteurization points and the Pennsylvania Natural Gas Industrial price as posted by the Energy Information Administration. Staff recommends that the Board continue to include this adjustment in the cost replacement process. Staff also recommends that the Board replace the Year 2012 points and costs with the Year 2013 points and costs found in Staff Surrebuttal Exhibit 9.

Staff SURREBUTTAL Exhibit 10

Staff Surrebuttal Exhibit 10 summarizes the information from all previous exhibits and relies on data from the base Order regarding Class I milk to arrive at a proposed wholesale price. In this exhibit, we also compare the proposed wholesale price with the current wholesale price so the Board can see the effect of the changes in costs on the wholesale price of milk.

Column A provides the milk cost from Staff Surrebuttal Exhibit 6. Staff Surrebuttal Exhibit 6 provides a milk cost in terms of a cost per pound. We must multiply the milk cost per pound by the number of pounds per container. For example, there are 2.15 pounds of milk in every quart of standard milk. By multiplying the cost per pound for standard milk on Staff Surrebuttal Exhibit 6 by 2.15, you have the quart price for standard milk in Column A of this exhibit.

Column B lists the container costs from Staff Surrebuttal Exhibit 3.

Column C combines the first half cost adjustment from Staff Surrebuttal Exhibit 7 with the diesel and heating fuel adjustments from Staff Surrebuttal Exhibits 8 and 9. It also includes an adjustment per O.G.O. A-972 for the 'Discount Effect'.

Column D is the container efficiency adjustment per the base order. This adjustment accounts for the relative efficiency of filling large containers as opposed to filling and handling smaller containers. You can put milk in a gallon container more quickly and handle gallon containers more efficiently than you can 16 half pints.

Column E lists the processing costs from Staff Surrebuttal Exhibit 2.

Column F is the sum of columns A through E.

Column G is profit. This percentage profit reflects the profit in the current Order.

Column H is the average price with profit. If all wholesale customers in the Milk Marketing Area received exactly the same amount of milk and the same level of service for every delivery we could stop here.

Column I removes the average delivery. By removing the average delivery, we arrive at a cost for processing the milk and bringing it to the dock. All milk regardless of its ultimate destination will have the same cost at this point.

Column J adds back the cost of a relatively small high-cost delivery. By adding back the high-cost delivery, we have a price from which we may subtract discounts. In this way, we can match the cost of the delivery with price. For a large efficient delivery to a supermarket, we can subtract a large discount reflecting a low into store price. For smaller less efficient deliveries, we subtract a smaller discount reflecting the higher cost of the smaller delivery.

Column K is the sum of Columns H, I and J and is our proposed wholesale price.

Column L is the wholesale price under the current cost replacement order.

Column M is the difference between the proposed wholesale price and the current wholesale price.

Staff SURREBUTTAL Exhibit 11

Staff Surrebuttal Exhibit 11 provides a methodology for arriving at the retail or out-of-store price for milk.

Column A is the proposed wholesale price from Staff Surrebuttal Exhibit 10.

Column B is the deepest discount per the base order.

Column C is the average in-store handling cost from the current general order. This in-store handling cost has been updated monthly by the Consumer Price Index. Staff recommends that the Board continue to employ this form of cost update for the retail price.

Column D reflects the retail profit in the current Order.

Column E is the sum of columns A through D and is the proposed retail or out-of-store price.

Column F is the most recently announced retail price.

Column G is the difference between the proposed retail price and the current retail price.

Pennsylvania Milk Marketing Board SALES IN PMMB AREA 4 BY TYPE OF MILK

PERCENTAGE OF CLASS I MILK SALES FOR ALL CLASS I DEALERS SELLING IN PMMB AREA 4 ^{(1) (2)}

Standard Milk	22.62
Flavored Milk	1.55
Egg Nog	0.54
Reduced Fat Flavored Milk	5.05
Nonfat Flavored Milk	4.68
Reduced Fat Milk	33.68
Low Fat Milk	15.49
Buttermilk	0.58
Nonfat Milk	<u>15.81</u>
	<u>100.0%</u>

PERCENTAGE OF CLASS I MILK SALES FOR CROSS SECTION DEALERS SELLING IN PMMB AREA 4 ^{(1) (2) (3)}

Standard Milk	23.38
Flavored Milk	1.67
Egg Nog	0.42
Reduced Fat Flavored Milk	4.40
Nonfat Flavored Milk	6.29
Reduced Fat Milk	34.04
Low Fat Milk	15.37
Buttermilk	0.41
Nonfat Milk	<u>14.02</u>
	<u>100.0%</u>

⁽¹⁾ Source - Pennsylvania Milk Marketing Board's Milk Dealer's Monthly Report, calendar year 2013

⁽²⁾ Pounds of milk used in deriving percentages.

⁽³⁾ Galliker's Dairy (Johnstown), Harrisburg Dairies, Rutters Dairy, Turkey Hill, Tuscan/Lehigh Dairies (Schuylkill Haven), Swiss Premium Dairy. The cross section dealers contribute 73.9% of the total milk to this area.

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**COSTS AND POINTS FOR PROCESSING, PACKAGING & DELIVERY
YEAR 2013 DATA**

Cost Center	Weighted Costs	Weighted Points	Cost per Point
Receiving, Lab & Field Work	\$ 2,033,672	176,065,250	\$ 0.0116
Standardization & Pasteurization	\$ 3,989,855	337,994,223	\$ 0.0118
Bottling	\$ 11,510,380	302,901,303	\$ 0.0380
Cold Room	\$ 12,339,196	317,228,296	\$ 0.0389
Delivery	\$ 17,789,543	165,409,751	\$ 0.1075
Selling	\$ 5,490,222	181,014,811	\$ 0.0303

Total Cost per Point **\$ 0.2381**

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**CONTAINER COSTS
YEAR 2013 UNITS (@ APRIL 2014 COSTS)**

A	B	C	D	E	F	G	H
				(C÷D)			(F x (1+G))
Container Size	Blow Molded or Purchased	Weighted Costs	Weighted Units	Weighted Cost per Unit	Updated (to OCT-14) Cost per Unit	Weighted Shrinkage Factor (%)	Adjusted for Shrinkage Cost per Unit
Gallon - Plastic	Blow Molded	\$ 409,248	2,274,173	\$ 0.1800			
Gallon - Plastic	Purchased	\$ 3,549,843	17,716,374	\$ 0.2004			
Gallon Combined		\$ 3,959,091	19,990,547	\$ 0.1980	\$ 0.2008	1.22%	\$ 0.2032
Half Gallon - Plastic	Blow Molded	\$ 65,961	526,464	\$ 0.1253			
Half Gallon - Plastic	Purchased	\$ 2,104,609	14,057,146	\$ 0.1497			
Half Gallon Combined		\$ 2,170,570	14,583,610	\$ 0.1488	\$ 0.1540	1.26%	\$ 0.1559
Quart - Plastic	Purchased	\$ 334,319	2,047,277	\$ 0.1633			
Quart - Paper	Purchased	\$ 5,330	62,075	\$ 0.0859			
Quart Combined		\$ 339,649	2,109,352	\$ 0.1610	\$ 0.1489	1.57%	\$ 0.1512
Pint - Plastic	Purchased	\$ 598,057	5,680,394	\$ 0.1053			
Pint - Paper	Purchased	\$ 6,788	142,526	\$ 0.0476			
Pint Combined		\$ 604,845	5,822,920	\$ 0.1039	\$ 0.1047	1.62%	\$ 0.1064
12 Ounce	Purchased			\$ 0.0630	\$ 0.0630		\$ 0.0630
10 Ounce	Purchased			\$ 0.0309	\$ 0.0309		\$ 0.0309
Half Pint - Plastic	Purchased	\$ 509,347	7,539,166	\$ 0.0676	\$ 0.0687	0.92%	\$ 0.0693
Half Pint - Paper	Purchased	\$ 1,319,192	48,326,292	\$ 0.0273	\$ 0.0275	0.85%	\$ 0.0277
4 Ounce	Purchased	\$ 30,175	1,080,103	\$ 0.0279	\$ 0.0279	1.53%	\$ 0.0283
Bulk Per Quart	Purchased	\$ 56,878	1,077,072	\$ 0.0528	\$ 0.0528	1.30%	\$ 0.0535

PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4

COSTS AND POINTS FOR INGREDIENTS, CONDENSED & POWDER
YEAR 2013 POUNDS (@ APRIL 2014 COSTS)

Product	Weighted Costs	Weighted Pounds	Cost per Pound
Standard (Whole) Milk	\$ 2,066	72,478,416	\$ -
Reduced Fat (2%) Milk	\$ 290,299	91,531,904	\$ 0.0032
Low Fat (1%) Milk	\$ 126,085	43,491,936	\$ 0.0029
Non Fat (Skim) Milk	\$ 140,475	38,079,646	\$ 0.0037
Flavored Milk	\$ 136,077	3,665,941	\$ 0.0371
Flavored Reduced Fat Milk	\$ 141,678	4,392,894	\$ 0.0323
Flavored NONFAT Milk	\$ 375,101	13,301,722	\$ 0.0282
Buttermilk	\$ 2,137	47,274	\$ 0.0452
Egg Nog	\$ 526,950	2,672,752	\$ 0.1972

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**COSTS AND (REVENUES) FOR SHRINKAGE AND SALES OF BULK PRODUCTS
YEAR 2013 DATA**

	A	B	C	D	E	F	G
						- (C - D - E)	
Cost/(Revenue) Factor	Product Pounds	Butterfat Pounds	Revenue	Costs	Additional Processing Costs	Net Cost or (Profit)/Loss	Weighted Cost or (Profit)/Loss
1 Shrinkage	11,287,070	856,909	n/a	\$ 2,852,140	n/a	\$ 2,852,140	\$ 975,307
2 Bulk MILK - diverted	101,514,560	3,784,826	\$ 17,722,628	\$ 18,891,601	n/a	\$ 1,168,973	\$ 898,563
3 Bulk MILK - transferred	237,929	5,699	\$ 77,136	\$ 45,411	\$ 5,753	\$ (25,972)	\$ (25,236)
4 Bulk MILK - TOTAL (Row 2 + Row 3)	101,752,489	3,790,525	\$ 17,799,764	\$ 18,937,012	\$ 5,753	\$ 1,143,001	\$ 873,327
5 Bulk CREAM - transferred	26,494,903	11,365,717	\$ 23,548,130	\$ 19,518,010	\$ 678,100	\$ (3,352,020)	\$ (1,580,805)

	H	I	J
			(H ÷ I)
Cost/(Revenue) Factor	Weighted Costs	Weighted Pounds	Cost per Pound
6 Shrinkage (Row 1)	\$ 975,307		
7 Bulk MILK (Profit)/Loss (Row 4)	\$ 873,327		
8 Bulk CREAM (Profit)/Loss (Row 5)	\$ (1,580,805)		
9 Total	\$ 267,829	328,317,891	\$ 0.0008

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**MILK COSTS BEFORE PACKAGING
OCTOBER 2014 MILK COSTS**

	Class I
Skim Rate	\$ 18.75
Butterfat Rate	\$ 3.1918

Product Description	A	B	C	D	E	F	G	H	I	J	K
	Product Pounds	Butterfat		Skim Pounds	Butterfat Value	Skim Value	Total Value	Cost per Pound	Ingredient Cost	Bulk Sale (Profit)/Loss	Total Cost per Pound
		Pounds	Percentage								
			(B ÷ A)	(A - B)	(B × BF Rate)	(D × Skim Rate)	(E + F)	(G ÷ A)	(EX. 4)	(EX. 5)	(H + I + J)
Class 1											
Standard (Whole) Milk	72,478,416	2,384,260	3.2896%	70,094,156	\$ 7,610,081	\$ 13,142,654	\$ 20,752,735	\$ 0.2863	\$ -	\$ 0.0008	\$ 0.2871
Reduced Fat (2%) Milk	91,531,904	1,802,033	1.9687%	89,729,871	\$ 5,751,729	\$ 16,824,351	\$ 22,576,080	\$ 0.2466	\$ 0.0032	\$ 0.0008	\$ 0.2506
Low Fat (1%) Milk	43,491,936	422,785	0.9721%	43,069,151	\$ 1,349,445	\$ 8,075,466	\$ 9,424,911	\$ 0.2167	\$ 0.0029	\$ 0.0008	\$ 0.2204
Non Fat (Skim) Milk	38,079,646	42,896	0.1126%	38,036,750	\$ 136,915	\$ 7,131,891	\$ 7,268,806	\$ 0.1909	\$ 0.0037	\$ 0.0008	\$ 0.1954
Flavored Milk	3,665,941	123,275	3.3627%	3,542,666	\$ 393,469	\$ 664,250	\$ 1,057,719	\$ 0.2885	\$ 0.0371	\$ 0.0008	\$ 0.3264
Flavored Reduced Fat Milk	4,392,894	41,467	0.9440%	4,351,427	\$ 132,354	\$ 815,893	\$ 948,247	\$ 0.2159	\$ 0.0323	\$ 0.0008	\$ 0.2490
Flavored NONFAT Milk	13,301,722	15,221	0.1144%	13,286,501	\$ 48,582	\$ 2,491,219	\$ 2,539,801	\$ 0.1909	\$ 0.0282	\$ 0.0008	\$ 0.2199
Buttermilk	47,274	473	1.0005%	46,801	\$ 1,510	\$ 8,775	\$ 10,285	\$ 0.2176	\$ 0.0452	\$ 0.0008	\$ 0.2636
Egg Nog	2,672,752	184,973	6.9207%	2,487,779	\$ 590,397	\$ 466,459	\$ 1,056,856	\$ 0.3954	\$ 0.1972	\$ 0.0008	\$ 0.5934

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**COST UPDATE ADJUSTMENT
1st HALF COMPARISON (Year 2014 vs. Year 2013)**

A	B	C	D	E	F	G
				(A ÷ C)	(B ÷ D)	(E - F)
1 st HALF EXPENSES		1 st HALF POINTS		1 st HALF COST/POINTS		INCREASE (DECREASE)
2014	2013	2014	2013	2014	2013	

WEIGHTED LABOR COSTS	\$ 16,809,674	\$ 16,717,209	156,095,800	146,996,207	\$ 0.1077	\$ 0.1137	\$ (0.0060)
WEIGHTED UTILITY COSTS	\$ 1,031,243	\$ 859,062	156,095,800	146,996,207	\$ 0.0066	\$ 0.0058	\$ 0.0008
WEIGHTED INSURANCE COSTS	\$ 134,861	\$ 126,527	156,095,800	146,996,207	\$ 0.0009	\$ 0.0009	\$ -

COST UPDATE ADJUSTMENT per BOTTLING POINT **\$ (0.0052)**

PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4

Diesel Fuel Costs Adjustment
Update of Diesel Fuel Costs from Year 2013 to AUGUST 2014

1. Weighted Diesel Fuel Costs - YEAR 2013	\$	2,473,221
2. Average On-Highway Diesel Price per Gallon - YEAR 2013 ⁽¹⁾	\$	4.010
3. On-Highway Diesel Price per Gallon - AUGUST 2014 ⁽¹⁾	\$	3.965
4. Percent Change In Diesel Fuel Price per Gallon ((Line 3 - Line 2) ÷ Line 2)		-1.12%
5. Presumed Diesel Fuel Costs - AUGUST 2014 ((Line 1 X Line 4) + Line 1)	\$	<u>2,445,466</u>
6. Change in Diesel Fuel Costs from YEAR 2013 to AUGUST 2014 (Line 5 - Line 1)	\$	(27,754)
7. Weighted Delivery Points - YEAR 2013		<u>165,409,751</u>
8. Change in Diesel Fuel Costs per Delivery Point (Line 6 ÷ Line 7)	\$	<u>(0.0002)</u>

Footnote:

1. Source: 'Weekly Retail On-Highway Diesel Prices' per Energy Information Administration website.
web address = http://tonto.eia.doe.gov/oog/info/wohdp/diesel_detail_report_combined.asp

PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4

Heating Fuel Costs Adjustment
Update of Heating Fuel Costs from Year 2013 to JUNE 2014

1. Weighted Heating Fuel Costs - YEAR 2013	\$	341,551
2. Pennsylvania Average Natural Gas Price - Industrial - YEAR 2013 ⁽¹⁾	\$	9.16
3. Pennsylvania Average Natural Gas Price - Industrial - JUNE 2014 ⁽¹⁾	\$	9.83
4. Percent Change In Natural Gas Price ((Line 3 - Line 2) ÷ Line 2)		7.31%
5. Presumed Heating Fuel Costs - JUNE 2014 ((Line 1 X Line 4) + Line 1)	\$	<u>366,518</u>
6. Change in Heating Fuel Costs from YEAR 2013 to JUNE 2014 (Line 5 - Line 1)	\$	24,967
7. Weighted Standardization & Pasteurization (S&P) Points - YEAR 2013		<u>337,994,223</u>
8. Change in Heating Fuel Costs per S&P Point (Line 6 ÷ Line 7)	\$	<u>0.0001</u>

Footnote:

1. Source: Pennsylvania Natural Gas Industrial Price per Energy Information Administration website.
web address = <http://tonto.eia.doe.gov/dnav/ng/hist/n3035pa3m.htm>

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**WHOLESALE PRICE BUILDUP
OCTOBER 2014 MILK PRICES**

	A EX. 6	B	C EXS. 7, 8 & 9 ⁽¹⁾	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.40%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
STANDARD (WHOLE) MILK	Gallon	\$ 2.4691	\$ 0.2032	\$ (0.0156)	\$ (0.0842)	\$ 0.9524	\$ 3.5249	\$ 0.1241	\$ 3.6490	\$ (0.4352)	\$ 0.9664	\$ 4.1802	\$ 4.1852	\$ (0.0050)
	Half Gallon	\$ 1.2345	\$ 0.1559	\$ (0.0078)	\$ (0.0340)	\$ 0.4762	\$ 1.8248	\$ 0.0642	\$ 1.8890	\$ (0.2176)	\$ 0.4832	\$ 2.1546	\$ 2.1571	\$ (0.0025)
	Quart	\$ 0.6173	\$ 0.1512	\$ (0.0039)	\$ 0.0188	\$ 0.2381	\$ 1.0215	\$ 0.0360	\$ 1.0575	\$ (0.1088)	\$ 0.2416	\$ 1.1903	\$ 1.1896	\$ 0.0007
	Pint	\$ 0.3086	\$ 0.1064	\$ (0.0020)	\$ 0.0567	\$ 0.1191	\$ 0.5888	\$ 0.0207	\$ 0.6095	\$ (0.0544)	\$ 0.1208	\$ 0.6759	\$ 0.6781	\$ (0.0022)
	12 Ounce	\$ 0.2315	\$ 0.0630	\$ (0.0015)	\$ 0.0580	\$ 0.0893	\$ 0.4403	\$ 0.0155	\$ 0.4558	\$ (0.0408)	\$ 0.0906	\$ 0.5056	\$ 0.5056	\$ -
	10 Ounce	\$ 0.1929	\$ 0.0309	\$ (0.0012)	\$ 0.0613	\$ 0.0744	\$ 0.3583	\$ 0.0126	\$ 0.3709	\$ (0.0340)	\$ 0.0755	\$ 0.4124	\$ 0.4125	\$ (0.0001)
	Half Pint	\$ 0.1543	\$ 0.0277	\$ (0.0010)	\$ 0.0210	\$ 0.0595	\$ 0.2615	\$ 0.0092	\$ 0.2707	\$ (0.0272)	\$ 0.0604	\$ 0.3039	\$ 0.3040	\$ (0.0001)
	4 Ounce	\$ 0.0772	\$ 0.0283	\$ (0.0005)	\$ 0.0452	\$ 0.0298	\$ 0.1800	\$ 0.0063	\$ 0.1863	\$ (0.0136)	\$ 0.0302	\$ 0.2029	\$ 0.2026	\$ 0.0003
	Dispenser	\$ 0.6173	\$ 0.0535	\$ (0.0039)	\$ 0.1518	\$ 0.2381	\$ 1.0568	\$ 0.0372	\$ 1.0940	\$ (0.1088)	\$ 0.2416	\$ 1.2268	\$ 1.2267	\$ 0.0001
REDUCED FAT (2%) MILK	Gallon	\$ 2.1602	\$ 0.2032	\$ (0.0156)	\$ (0.0842)	\$ 0.9524	\$ 3.2160	\$ 0.1132	\$ 3.3292	\$ (0.4352)	\$ 0.9664	\$ 3.8604	\$ 3.8566	\$ 0.0038
	Half Gallon	\$ 1.0801	\$ 0.1559	\$ (0.0078)	\$ (0.0340)	\$ 0.4762	\$ 1.6704	\$ 0.0588	\$ 1.7292	\$ (0.2176)	\$ 0.4832	\$ 1.9948	\$ 1.9927	\$ 0.0021
	Quart	\$ 0.5400	\$ 0.1512	\$ (0.0039)	\$ 0.0188	\$ 0.2381	\$ 0.9442	\$ 0.0332	\$ 0.9774	\$ (0.1088)	\$ 0.2416	\$ 1.1102	\$ 1.1075	\$ 0.0027
	Pint	\$ 0.2700	\$ 0.1064	\$ (0.0020)	\$ 0.0567	\$ 0.1191	\$ 0.5502	\$ 0.0194	\$ 0.5696	\$ (0.0544)	\$ 0.1208	\$ 0.6360	\$ 0.6370	\$ (0.0010)
	12 Ounce	\$ 0.2025	\$ 0.0630	\$ (0.0015)	\$ 0.0580	\$ 0.0893	\$ 0.4113	\$ 0.0145	\$ 0.4258	\$ (0.0408)	\$ 0.0906	\$ 0.4756	\$ 0.4749	\$ 0.0007
	10 Ounce	\$ 0.1688	\$ 0.0309	\$ (0.0012)	\$ 0.0613	\$ 0.0744	\$ 0.3342	\$ 0.0118	\$ 0.3460	\$ (0.0340)	\$ 0.0755	\$ 0.3875	\$ 0.3868	\$ 0.0007
	Half Pint	\$ 0.1350	\$ 0.0277	\$ (0.0010)	\$ 0.0210	\$ 0.0595	\$ 0.2422	\$ 0.0085	\$ 0.2507	\$ (0.0272)	\$ 0.0604	\$ 0.2839	\$ 0.2834	\$ 0.0005
	4 Ounce	\$ 0.0675	\$ 0.0283	\$ (0.0005)	\$ 0.0452	\$ 0.0298	\$ 0.1703	\$ 0.0060	\$ 0.1763	\$ (0.0136)	\$ 0.0302	\$ 0.1929	\$ 0.1924	\$ 0.0005
	Dispenser	\$ 0.5400	\$ 0.0535	\$ (0.0039)	\$ 0.1518	\$ 0.2381	\$ 0.9795	\$ 0.0345	\$ 1.0140	\$ (0.1088)	\$ 0.2416	\$ 1.1468	\$ 1.1446	\$ 0.0022
LOW FAT (1%) MILK	Gallon	\$ 1.8998	\$ 0.2032	\$ (0.0156)	\$ (0.0842)	\$ 0.9524	\$ 2.9556	\$ 0.1040	\$ 3.0596	\$ (0.4352)	\$ 0.9664	\$ 3.5908	\$ 3.5879	\$ 0.0029
	Half Gallon	\$ 0.9499	\$ 0.1559	\$ (0.0078)	\$ (0.0340)	\$ 0.4762	\$ 1.5402	\$ 0.0542	\$ 1.5944	\$ (0.2176)	\$ 0.4832	\$ 1.8600	\$ 1.8585	\$ 0.0015
	Quart	\$ 0.4750	\$ 0.1512	\$ (0.0039)	\$ 0.0188	\$ 0.2381	\$ 0.8792	\$ 0.0309	\$ 0.9101	\$ (0.1088)	\$ 0.2416	\$ 1.0429	\$ 1.0404	\$ 0.0025
	Pint	\$ 0.2375	\$ 0.1064	\$ (0.0020)	\$ 0.0567	\$ 0.1191	\$ 0.5177	\$ 0.0182	\$ 0.5359	\$ (0.0544)	\$ 0.1208	\$ 0.6023	\$ 0.6034	\$ (0.0011)
	12 Ounce	\$ 0.1781	\$ 0.0630	\$ (0.0015)	\$ 0.0580	\$ 0.0893	\$ 0.3869	\$ 0.0136	\$ 0.4005	\$ (0.0408)	\$ 0.0906	\$ 0.4503	\$ 0.4496	\$ 0.0007
	10 Ounce	\$ 0.1484	\$ 0.0309	\$ (0.0012)	\$ 0.0613	\$ 0.0744	\$ 0.3138	\$ 0.0110	\$ 0.3248	\$ (0.0340)	\$ 0.0755	\$ 0.3663	\$ 0.3658	\$ 0.0005
	Half Pint	\$ 0.1187	\$ 0.0277	\$ (0.0010)	\$ 0.0210	\$ 0.0595	\$ 0.2259	\$ 0.0080	\$ 0.2339	\$ (0.0272)	\$ 0.0604	\$ 0.2671	\$ 0.2666	\$ 0.0005
	4 Ounce	\$ 0.0594	\$ 0.0283	\$ (0.0005)	\$ 0.0452	\$ 0.0298	\$ 0.1622	\$ 0.0057	\$ 0.1679	\$ (0.0136)	\$ 0.0302	\$ 0.1845	\$ 0.1840	\$ 0.0005
	Dispenser	\$ 0.4750	\$ 0.0535	\$ (0.0039)	\$ 0.1518	\$ 0.2381	\$ 0.9145	\$ 0.0322	\$ 0.9467	\$ (0.1088)	\$ 0.2416	\$ 1.0795	\$ 1.0774	\$ 0.0021
NON FAT (SKIM) MILK	Gallon	\$ 1.6863	\$ 0.2032	\$ (0.0156)	\$ (0.0842)	\$ 0.9524	\$ 2.7421	\$ 0.0965	\$ 2.8386	\$ (0.4352)	\$ 0.9664	\$ 3.3698	\$ 3.3651	\$ 0.0047
	Half Gallon	\$ 0.8432	\$ 0.1559	\$ (0.0078)	\$ (0.0340)	\$ 0.4762	\$ 1.4335	\$ 0.0505	\$ 1.4840	\$ (0.2176)	\$ 0.4832	\$ 1.7496	\$ 1.7471	\$ 0.0025
	Quart	\$ 0.4216	\$ 0.1512	\$ (0.0039)	\$ 0.0188	\$ 0.2381	\$ 0.8258	\$ 0.0291	\$ 0.8549	\$ (0.1088)	\$ 0.2416	\$ 0.9877	\$ 0.9847	\$ 0.0030
	Pint	\$ 0.2108	\$ 0.1064	\$ (0.0020)	\$ 0.0567	\$ 0.1191	\$ 0.4910	\$ 0.0173	\$ 0.5083	\$ (0.0544)	\$ 0.1208	\$ 0.5747	\$ 0.5755	\$ (0.0008)
	12 Ounce	\$ 0.1581	\$ 0.0630	\$ (0.0015)	\$ 0.0580	\$ 0.0893	\$ 0.3669	\$ 0.0129	\$ 0.3798	\$ (0.0408)	\$ 0.0906	\$ 0.4296	\$ 0.4288	\$ 0.0008
	10 Ounce	\$ 0.1317	\$ 0.0309	\$ (0.0012)	\$ 0.0613	\$ 0.0744	\$ 0.2971	\$ 0.0105	\$ 0.3076	\$ (0.0340)	\$ 0.0755	\$ 0.3491	\$ 0.3484	\$ 0.0007
	Half Pint	\$ 0.1054	\$ 0.0277	\$ (0.0010)	\$ 0.0210	\$ 0.0595	\$ 0.2126	\$ 0.0075	\$ 0.2201	\$ (0.0272)	\$ 0.0604	\$ 0.2533	\$ 0.2528	\$ 0.0005
	4 Ounce	\$ 0.0527	\$ 0.0283	\$ (0.0005)	\$ 0.0452	\$ 0.0298	\$ 0.1555	\$ 0.0055	\$ 0.1610	\$ (0.0136)	\$ 0.0302	\$ 0.1776	\$ 0.1771	\$ 0.0005
	Dispenser	\$ 0.4216	\$ 0.0535	\$ (0.0039)	\$ 0.1518	\$ 0.2381	\$ 0.8611	\$ 0.0303	\$ 0.8914	\$ (0.1088)	\$ 0.2416	\$ 1.0242	\$ 1.0217	\$ 0.0025

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of \$0.0014 per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**WHOLESALE PRICE BUILDUP
OCTOBER 2014 MILK PRICES**

	A EX. 6	B	C EXS. 7, 8 & 9 ⁽¹⁾	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.40%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
FLAVORED MILK	Gallon	\$ 2.6112	\$ 0.2032	\$ (0.0156)	\$ (0.0842)	\$ 0.9524	\$ 3.6670	\$ 0.1291	\$ 3.7961	\$ (0.4352)	\$ 0.9664	\$ 4.3273	\$ 4.3635	\$ (0.0362)
	Half Gallon	\$ 1.3056	\$ 0.1559	\$ (0.0078)	\$ (0.0340)	\$ 0.4762	\$ 1.8959	\$ 0.0667	\$ 1.9626	\$ (0.2176)	\$ 0.4832	\$ 2.2282	\$ 2.2462	\$ (0.0180)
	Quart	\$ 0.6528	\$ 0.1512	\$ (0.0039)	\$ 0.0188	\$ 0.2381	\$ 1.0570	\$ 0.0372	\$ 1.0942	\$ (0.1088)	\$ 0.2416	\$ 1.2270	\$ 1.2342	\$ (0.0072)
	Pint	\$ 0.3264	\$ 0.1064	\$ (0.0020)	\$ 0.0567	\$ 0.1191	\$ 0.6066	\$ 0.0214	\$ 0.6280	\$ (0.0544)	\$ 0.1208	\$ 0.6944	\$ 0.7004	\$ (0.0060)
	12 Ounce	\$ 0.2448	\$ 0.0630	\$ (0.0015)	\$ 0.0580	\$ 0.0893	\$ 0.4536	\$ 0.0160	\$ 0.4696	\$ (0.0408)	\$ 0.0906	\$ 0.5194	\$ 0.5224	\$ (0.0030)
	10 Ounce	\$ 0.2040	\$ 0.0309	\$ (0.0012)	\$ 0.0613	\$ 0.0744	\$ 0.3694	\$ 0.0130	\$ 0.3824	\$ (0.0340)	\$ 0.0755	\$ 0.4239	\$ 0.4264	\$ (0.0025)
	Half Pint	\$ 0.1632	\$ 0.0277	\$ (0.0010)	\$ 0.0210	\$ 0.0595	\$ 0.2704	\$ 0.0095	\$ 0.2799	\$ (0.0272)	\$ 0.0604	\$ 0.3131	\$ 0.3152	\$ (0.0021)
	4 Ounce	\$ 0.0816	\$ 0.0283	\$ (0.0005)	\$ 0.0452	\$ 0.0298	\$ 0.1844	\$ 0.0065	\$ 0.1909	\$ (0.0136)	\$ 0.0302	\$ 0.2075	\$ 0.2082	\$ (0.0007)
	Dispenser	\$ 0.6528	\$ 0.0535	\$ (0.0039)	\$ 0.1518	\$ 0.2381	\$ 1.0923	\$ 0.0384	\$ 1.1307	\$ (0.1088)	\$ 0.2416	\$ 1.2635	\$ 1.2713	\$ (0.0078)
FLAVORED REDUCED FAT MILK	Gallon	\$ 1.9920	\$ 0.2032	\$ (0.0156)	\$ (0.0842)	\$ 0.9524	\$ 3.0478	\$ 0.1073	\$ 3.1551	\$ (0.4352)	\$ 0.9664	\$ 3.6863	\$ 3.6836	\$ 0.0027
	Half Gallon	\$ 0.9960	\$ 0.1559	\$ (0.0078)	\$ (0.0340)	\$ 0.4762	\$ 1.5863	\$ 0.0558	\$ 1.6421	\$ (0.2176)	\$ 0.4832	\$ 1.9077	\$ 1.9063	\$ 0.0014
	Quart	\$ 0.4980	\$ 0.1512	\$ (0.0039)	\$ 0.0188	\$ 0.2381	\$ 0.9022	\$ 0.0318	\$ 0.9340	\$ (0.1088)	\$ 0.2416	\$ 1.0668	\$ 1.0643	\$ 0.0025
	Pint	\$ 0.2490	\$ 0.1064	\$ (0.0020)	\$ 0.0567	\$ 0.1191	\$ 0.5292	\$ 0.0186	\$ 0.5478	\$ (0.0544)	\$ 0.1208	\$ 0.6142	\$ 0.6154	\$ (0.0012)
	12 Ounce	\$ 0.1868	\$ 0.0630	\$ (0.0015)	\$ 0.0580	\$ 0.0893	\$ 0.3956	\$ 0.0139	\$ 0.4095	\$ (0.0408)	\$ 0.0906	\$ 0.4593	\$ 0.4586	\$ 0.0007
	10 Ounce	\$ 0.1556	\$ 0.0309	\$ (0.0012)	\$ 0.0613	\$ 0.0744	\$ 0.3210	\$ 0.0113	\$ 0.3323	\$ (0.0340)	\$ 0.0755	\$ 0.3738	\$ 0.3733	\$ 0.0005
	Half Pint	\$ 0.1245	\$ 0.0277	\$ (0.0010)	\$ 0.0210	\$ 0.0595	\$ 0.2317	\$ 0.0082	\$ 0.2399	\$ (0.0272)	\$ 0.0604	\$ 0.2731	\$ 0.2726	\$ 0.0005
	4 Ounce	\$ 0.0623	\$ 0.0283	\$ (0.0005)	\$ 0.0452	\$ 0.0298	\$ 0.1651	\$ 0.0058	\$ 0.1709	\$ (0.0136)	\$ 0.0302	\$ 0.1875	\$ 0.1870	\$ 0.0005
	Dispenser	\$ 0.4980	\$ 0.0535	\$ (0.0039)	\$ 0.1518	\$ 0.2381	\$ 0.9375	\$ 0.0330	\$ 0.9705	\$ (0.1088)	\$ 0.2416	\$ 1.1033	\$ 1.1013	\$ 0.0020
FLAVORED NONFAT MILK	Gallon	\$ 1.7592	\$ 0.2032	\$ (0.0156)	\$ (0.0842)	\$ 0.9524	\$ 2.8150	\$ 0.0991	\$ 2.9141	\$ (0.4352)	\$ 0.9664	\$ 3.4453	\$ 3.4534	\$ (0.0081)
	Half Gallon	\$ 0.8796	\$ 0.1559	\$ (0.0078)	\$ (0.0340)	\$ 0.4762	\$ 1.4699	\$ 0.0517	\$ 1.5216	\$ (0.2176)	\$ 0.4832	\$ 1.7872	\$ 1.7912	\$ (0.0040)
	Quart	\$ 0.4398	\$ 0.1512	\$ (0.0039)	\$ 0.0188	\$ 0.2381	\$ 0.8440	\$ 0.0297	\$ 0.8737	\$ (0.1088)	\$ 0.2416	\$ 1.0065	\$ 1.0067	\$ (0.0002)
	Pint	\$ 0.2199	\$ 0.1064	\$ (0.0020)	\$ 0.0567	\$ 0.1191	\$ 0.5001	\$ 0.0176	\$ 0.5177	\$ (0.0544)	\$ 0.1208	\$ 0.5841	\$ 0.5866	\$ (0.0025)
	12 Ounce	\$ 0.1649	\$ 0.0630	\$ (0.0015)	\$ 0.0580	\$ 0.0893	\$ 0.3737	\$ 0.0132	\$ 0.3869	\$ (0.0408)	\$ 0.0906	\$ 0.4367	\$ 0.4371	\$ (0.0004)
	10 Ounce	\$ 0.1374	\$ 0.0309	\$ (0.0012)	\$ 0.0613	\$ 0.0744	\$ 0.3028	\$ 0.0107	\$ 0.3135	\$ (0.0340)	\$ 0.0755	\$ 0.3550	\$ 0.3553	\$ (0.0003)
	Half Pint	\$ 0.1100	\$ 0.0277	\$ (0.0010)	\$ 0.0210	\$ 0.0595	\$ 0.2172	\$ 0.0076	\$ 0.2248	\$ (0.0272)	\$ 0.0604	\$ 0.2580	\$ 0.2583	\$ (0.0003)
	4 Ounce	\$ 0.0550	\$ 0.0283	\$ (0.0005)	\$ 0.0452	\$ 0.0298	\$ 0.1578	\$ 0.0056	\$ 0.1634	\$ (0.0136)	\$ 0.0302	\$ 0.1800	\$ 0.1799	\$ 0.0001
	Dispenser	\$ 0.4398	\$ 0.0535	\$ (0.0039)	\$ 0.1518	\$ 0.2381	\$ 0.8793	\$ 0.0309	\$ 0.9102	\$ (0.1088)	\$ 0.2416	\$ 1.0430	\$ 1.0438	\$ (0.0008)
BUTTERMILK	Gallon	\$ 2.2722	\$ 0.2032	\$ (0.0156)	\$ (0.0842)	\$ 0.9524	\$ 3.3280	\$ 0.1171	\$ 3.4451	\$ (0.4352)	\$ 0.9664	\$ 3.9763	\$ 3.8984	\$ 0.0779
	Half Gallon	\$ 1.1361	\$ 0.1559	\$ (0.0078)	\$ (0.0340)	\$ 0.4762	\$ 1.7264	\$ 0.0608	\$ 1.7872	\$ (0.2176)	\$ 0.4832	\$ 2.0528	\$ 2.0137	\$ 0.0391
	Quart	\$ 0.5681	\$ 0.1512	\$ (0.0039)	\$ 0.0188	\$ 0.2381	\$ 0.9723	\$ 0.0342	\$ 1.0065	\$ (0.1088)	\$ 0.2416	\$ 1.1393	\$ 1.1180	\$ 0.0213
	Pint	\$ 0.2840	\$ 0.1064	\$ (0.0020)	\$ 0.0567	\$ 0.1191	\$ 0.5642	\$ 0.0199	\$ 0.5841	\$ (0.0544)	\$ 0.1208	\$ 0.6505	\$ 0.6423	\$ 0.0082
	12 Ounce	\$ 0.2130	\$ 0.0630	\$ (0.0015)	\$ 0.0580	\$ 0.0893	\$ 0.4218	\$ 0.0148	\$ 0.4366	\$ (0.0408)	\$ 0.0906	\$ 0.4864	\$ 0.4788	\$ 0.0076
	10 Ounce	\$ 0.1775	\$ 0.0309	\$ (0.0012)	\$ 0.0613	\$ 0.0744	\$ 0.3429	\$ 0.0121	\$ 0.3550	\$ (0.0340)	\$ 0.0755	\$ 0.3965	\$ 0.3901	\$ 0.0064
	Half Pint	\$ 0.1420	\$ 0.0277	\$ (0.0010)	\$ 0.0210	\$ 0.0595	\$ 0.2492	\$ 0.0088	\$ 0.2580	\$ (0.0272)	\$ 0.0604	\$ 0.2912	\$ 0.2861	\$ 0.0051
	4 Ounce	\$ 0.0710	\$ 0.0283	\$ (0.0005)	\$ 0.0452	\$ 0.0298	\$ 0.1738	\$ 0.0061	\$ 0.1799	\$ (0.0136)	\$ 0.0302	\$ 0.1965	\$ 0.1937	\$ 0.0028
	Dispenser	\$ 0.5681	\$ 0.0535	\$ (0.0039)	\$ 0.1518	\$ 0.2381	\$ 1.0076	\$ 0.0355	\$ 1.0431	\$ (0.1088)	\$ 0.2416	\$ 1.1759	\$ 1.1551	\$ 0.0208

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of \$0.0014 per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**WHOLESALE PRICE BUILDUP
OCTOBER 2014 MILK PRICES**

	A EX. 6	B	C EXS. 7, 8 & 9 ⁽¹⁾	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.40%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
EGG NOG	Gallon	\$ 4.7472	\$ 0.2032	\$ (0.0156)	\$ (0.0842)	\$ 0.9524	\$ 5.8030	\$ 0.2042	\$ 6.0072	\$ (0.4352)	\$ 0.9664	\$ 6.5384	\$ 6.5233	\$ 0.0151
	Half Gallon	\$ 2.3736	\$ 0.1559	\$ (0.0078)	\$ (0.0340)	\$ 0.4762	\$ 2.9639	\$ 0.1043	\$ 3.0682	\$ (0.2176)	\$ 0.4832	\$ 3.3338	\$ 3.3262	\$ 0.0076
	Quart	\$ 1.1868	\$ 0.1512	\$ (0.0039)	\$ 0.0188	\$ 0.2381	\$ 1.5910	\$ 0.0560	\$ 1.6470	\$ (0.1088)	\$ 0.2416	\$ 1.7798	\$ 1.7742	\$ 0.0056
	Pint	\$ 0.5934	\$ 0.1064	\$ (0.0020)	\$ 0.0567	\$ 0.1191	\$ 0.8736	\$ 0.0307	\$ 0.9043	\$ (0.0544)	\$ 0.1208	\$ 0.9707	\$ 0.9703	\$ 0.0004
	12 Ounce	\$ 0.4451	\$ 0.0630	\$ (0.0015)	\$ 0.0580	\$ 0.0893	\$ 0.6539	\$ 0.0230	\$ 0.6769	\$ (0.0408)	\$ 0.0906	\$ 0.7267	\$ 0.7249	\$ 0.0018
	10 Ounce	\$ 0.3709	\$ 0.0309	\$ (0.0012)	\$ 0.0613	\$ 0.0744	\$ 0.5363	\$ 0.0189	\$ 0.5552	\$ (0.0340)	\$ 0.0755	\$ 0.5967	\$ 0.5951	\$ 0.0016
	Half Pint	\$ 0.2967	\$ 0.0277	\$ (0.0010)	\$ 0.0210	\$ 0.0595	\$ 0.4039	\$ 0.0142	\$ 0.4181	\$ (0.0272)	\$ 0.0604	\$ 0.4513	\$ 0.4502	\$ 0.0011
	4 Ounce	\$ 0.1484	\$ 0.0283	\$ (0.0005)	\$ 0.0452	\$ 0.0298	\$ 0.2512	\$ 0.0088	\$ 0.2600	\$ (0.0136)	\$ 0.0302	\$ 0.2766	\$ 0.2757	\$ 0.0009
Dispenser	\$ 1.1868	\$ 0.0535	\$ (0.0039)	\$ 0.1518	\$ 0.2381	\$ 1.6263	\$ 0.0572	\$ 1.6835	\$ (0.1088)	\$ 0.2416	\$ 1.8163	\$ 1.8113	\$ 0.0050	

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of \$0.0014 per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**RETAIL PRICE BUILDUP
OCTOBER 2014 MILK PRICES**

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)	
Container Size	Proposed Wholesale Price	\$ 0.1010 Deepest Discount	In-Store Handling \$ 0.1699	2.5% Store Profit	Proposed Retail Price	Current Retail Price	Increase (Decrease)	
STANDARD (WHOLE) MILK	Gallon	\$ 4.1802	\$ (0.4040)	\$ 0.6796	\$ 0.1143	\$ 4.57	\$ 4.58	\$ (0.01)
	Half Gallon	\$ 2.1546	\$ (0.2020)	\$ 0.3398	\$ 0.0588	\$ 2.35	\$ 2.35	\$ -
	Quart	\$ 1.1903	\$ (0.1010)	\$ 0.1699	\$ 0.0323	\$ 1.29	\$ 1.29	\$ -
	Pint	\$ 0.6759	\$ (0.0505)	\$ 0.0850	\$ 0.0182	\$ 0.73	\$ 0.73	\$ -
	12 Ounce	\$ 0.5056	\$ (0.0379)	\$ 0.0637	\$ 0.0136	\$ 0.55	\$ 0.55	\$ -
	10 Ounce	\$ 0.4124	\$ (0.0316)	\$ 0.0531	\$ 0.0111	\$ 0.45	\$ 0.45	\$ -
	Half Pint	\$ 0.3039	\$ (0.0253)	\$ 0.0425	\$ 0.0082	\$ 0.33	\$ 0.33	\$ -
	4 Ounce	\$ 0.2029	\$ (0.0126)	\$ 0.0212	\$ 0.0054	\$ 0.22	\$ 0.22	\$ -
	Dispenser	\$ 1.2268	\$ (0.1010)	\$ 0.1699	\$ 0.0332	\$ 1.33	\$ 1.33	\$ -
REDUCED FAT (2%) MILK	Gallon	\$ 3.8604	\$ (0.4040)	\$ 0.6796	\$ 0.1061	\$ 4.24	\$ 4.24	\$ -
	Half Gallon	\$ 1.9948	\$ (0.2020)	\$ 0.3398	\$ 0.0547	\$ 2.19	\$ 2.19	\$ -
	Quart	\$ 1.1102	\$ (0.1010)	\$ 0.1699	\$ 0.0302	\$ 1.21	\$ 1.21	\$ -
	Pint	\$ 0.6360	\$ (0.0505)	\$ 0.0850	\$ 0.0172	\$ 0.69	\$ 0.69	\$ -
	12 Ounce	\$ 0.4756	\$ (0.0379)	\$ 0.0637	\$ 0.0129	\$ 0.51	\$ 0.51	\$ -
	10 Ounce	\$ 0.3875	\$ (0.0316)	\$ 0.0531	\$ 0.0105	\$ 0.42	\$ 0.42	\$ -
	Half Pint	\$ 0.2839	\$ (0.0253)	\$ 0.0425	\$ 0.0077	\$ 0.31	\$ 0.31	\$ -
	4 Ounce	\$ 0.1929	\$ (0.0126)	\$ 0.0212	\$ 0.0052	\$ 0.21	\$ 0.21	\$ -
	Dispenser	\$ 1.1468	\$ (0.1010)	\$ 0.1699	\$ 0.0312	\$ 1.25	\$ 1.24	\$ 0.01
LOW FAT (1%) MILK	Gallon	\$ 3.5908	\$ (0.4040)	\$ 0.6796	\$ 0.0991	\$ 3.97	\$ 3.96	\$ 0.01
	Half Gallon	\$ 1.8600	\$ (0.2020)	\$ 0.3398	\$ 0.0512	\$ 2.05	\$ 2.05	\$ -
	Quart	\$ 1.0429	\$ (0.1010)	\$ 0.1699	\$ 0.0285	\$ 1.14	\$ 1.14	\$ -
	Pint	\$ 0.6023	\$ (0.0505)	\$ 0.0850	\$ 0.0163	\$ 0.65	\$ 0.65	\$ -
	12 Ounce	\$ 0.4503	\$ (0.0379)	\$ 0.0637	\$ 0.0122	\$ 0.49	\$ 0.49	\$ -
	10 Ounce	\$ 0.3663	\$ (0.0316)	\$ 0.0531	\$ 0.0099	\$ 0.40	\$ 0.40	\$ -
	Half Pint	\$ 0.2671	\$ (0.0253)	\$ 0.0425	\$ 0.0073	\$ 0.29	\$ 0.29	\$ -
	4 Ounce	\$ 0.1845	\$ (0.0126)	\$ 0.0212	\$ 0.0050	\$ 0.20	\$ 0.20	\$ -
	Dispenser	\$ 1.0795	\$ (0.1010)	\$ 0.1699	\$ 0.0294	\$ 1.18	\$ 1.18	\$ -
NON FAT (SKIM) MILK	Gallon	\$ 3.3698	\$ (0.4040)	\$ 0.6796	\$ 0.0935	\$ 3.74	\$ 3.73	\$ 0.01
	Half Gallon	\$ 1.7496	\$ (0.2020)	\$ 0.3398	\$ 0.0484	\$ 1.94	\$ 1.93	\$ 0.01
	Quart	\$ 0.9877	\$ (0.1010)	\$ 0.1699	\$ 0.0271	\$ 1.08	\$ 1.08	\$ -
	Pint	\$ 0.5747	\$ (0.0505)	\$ 0.0850	\$ 0.0156	\$ 0.62	\$ 0.63	\$ (0.01)
	12 Ounce	\$ 0.4296	\$ (0.0379)	\$ 0.0637	\$ 0.0117	\$ 0.47	\$ 0.47	\$ -
	10 Ounce	\$ 0.3491	\$ (0.0316)	\$ 0.0531	\$ 0.0095	\$ 0.38	\$ 0.38	\$ -
	Half Pint	\$ 0.2533	\$ (0.0253)	\$ 0.0425	\$ 0.0069	\$ 0.28	\$ 0.28	\$ -
	4 Ounce	\$ 0.1776	\$ (0.0126)	\$ 0.0212	\$ 0.0048	\$ 0.19	\$ 0.19	\$ -
	Dispenser	\$ 1.0242	\$ (0.1010)	\$ 0.1699	\$ 0.0280	\$ 1.12	\$ 1.12	\$ -

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**RETAIL PRICE BUILDUP
OCTOBER 2014 MILK PRICES**

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)
Container Size	Proposed Wholesale Price	\$ 0.1010 Deepest Discount	In-Store Handling \$ 0.1699	2.5% Store Profit	Proposed Retail Price	Current Retail Price	Increase (Decrease)
FLAVORED MILK	Gallon	\$ 4.3273	\$ (0.4040)	\$ 0.6796	\$ 0.1180	\$ 4.72	\$ 4.76 \$ (0.04)
	Half Gallon	\$ 2.2282	\$ (0.2020)	\$ 0.3398	\$ 0.0607	\$ 2.43	\$ 2.45 \$ (0.02)
	Quart	\$ 1.2270	\$ (0.1010)	\$ 0.1699	\$ 0.0332	\$ 1.33	\$ 1.34 \$ (0.01)
	Pint	\$ 0.6944	\$ (0.0505)	\$ 0.0850	\$ 0.0187	\$ 0.75	\$ 0.75 \$ -
	12 Ounce	\$ 0.5194	\$ (0.0379)	\$ 0.0637	\$ 0.0140	\$ 0.56	\$ 0.56 \$ -
	10 Ounce	\$ 0.4239	\$ (0.0316)	\$ 0.0531	\$ 0.0114	\$ 0.46	\$ 0.46 \$ -
	Half Pint	\$ 0.3131	\$ (0.0253)	\$ 0.0425	\$ 0.0085	\$ 0.34	\$ 0.34 \$ -
	4 Ounce	\$ 0.2075	\$ (0.0126)	\$ 0.0212	\$ 0.0055	\$ 0.22	\$ 0.22 \$ -
	Dispenser	\$ 1.2635	\$ (0.1010)	\$ 0.1699	\$ 0.0342	\$ 1.37	\$ 1.37 \$ -
FLAVORED REDUCED FAT MILK	Gallon	\$ 3.6863	\$ (0.4040)	\$ 0.6796	\$ 0.1016	\$ 4.06	\$ 4.06 \$ -
	Half Gallon	\$ 1.9077	\$ (0.2020)	\$ 0.3398	\$ 0.0524	\$ 2.10	\$ 2.10 \$ -
	Quart	\$ 1.0668	\$ (0.1010)	\$ 0.1699	\$ 0.0291	\$ 1.16	\$ 1.16 \$ -
	Pint	\$ 0.6142	\$ (0.0505)	\$ 0.0850	\$ 0.0166	\$ 0.67	\$ 0.67 \$ -
	12 Ounce	\$ 0.4593	\$ (0.0379)	\$ 0.0637	\$ 0.0124	\$ 0.50	\$ 0.50 \$ -
	10 Ounce	\$ 0.3738	\$ (0.0316)	\$ 0.0531	\$ 0.0101	\$ 0.41	\$ 0.40 \$ 0.01
	Half Pint	\$ 0.2731	\$ (0.0253)	\$ 0.0425	\$ 0.0074	\$ 0.30	\$ 0.30 \$ -
	4 Ounce	\$ 0.1875	\$ (0.0126)	\$ 0.0212	\$ 0.0050	\$ 0.20	\$ 0.20 \$ -
	Dispenser	\$ 1.1033	\$ (0.1010)	\$ 0.1699	\$ 0.0301	\$ 1.20	\$ 1.20 \$ -
FLAVORED NONFAT MILK	Gallon	\$ 3.4453	\$ (0.4040)	\$ 0.6796	\$ 0.0954	\$ 3.82	\$ 3.82 \$ -
	Half Gallon	\$ 1.7872	\$ (0.2020)	\$ 0.3398	\$ 0.0494	\$ 1.97	\$ 1.98 \$ (0.01)
	Quart	\$ 1.0065	\$ (0.1010)	\$ 0.1699	\$ 0.0276	\$ 1.10	\$ 1.10 \$ -
	Pint	\$ 0.5841	\$ (0.0505)	\$ 0.0850	\$ 0.0159	\$ 0.63	\$ 0.64 \$ (0.01)
	12 Ounce	\$ 0.4367	\$ (0.0379)	\$ 0.0637	\$ 0.0119	\$ 0.47	\$ 0.47 \$ -
	10 Ounce	\$ 0.3550	\$ (0.0316)	\$ 0.0531	\$ 0.0097	\$ 0.39	\$ 0.39 \$ -
	Half Pint	\$ 0.2580	\$ (0.0253)	\$ 0.0425	\$ 0.0071	\$ 0.28	\$ 0.28 \$ -
	4 Ounce	\$ 0.1800	\$ (0.0126)	\$ 0.0212	\$ 0.0048	\$ 0.19	\$ 0.19 \$ -
	Dispenser	\$ 1.0430	\$ (0.1010)	\$ 0.1699	\$ 0.0285	\$ 1.14	\$ 1.14 \$ -
BUTTERMILK	Gallon	\$ 3.9763	\$ (0.4040)	\$ 0.6796	\$ 0.1090	\$ 4.36	\$ 4.28 \$ 0.08
	Half Gallon	\$ 2.0528	\$ (0.2020)	\$ 0.3398	\$ 0.0562	\$ 2.25	\$ 2.21 \$ 0.04
	Quart	\$ 1.1393	\$ (0.1010)	\$ 0.1699	\$ 0.0310	\$ 1.24	\$ 1.22 \$ 0.02
	Pint	\$ 0.6505	\$ (0.0505)	\$ 0.0850	\$ 0.0176	\$ 0.70	\$ 0.69 \$ 0.01
	12 Ounce	\$ 0.4864	\$ (0.0379)	\$ 0.0637	\$ 0.0131	\$ 0.53	\$ 0.52 \$ 0.01
	10 Ounce	\$ 0.3965	\$ (0.0316)	\$ 0.0531	\$ 0.0107	\$ 0.43	\$ 0.42 \$ 0.01
	Half Pint	\$ 0.2912	\$ (0.0253)	\$ 0.0425	\$ 0.0079	\$ 0.32	\$ 0.31 \$ 0.01
	4 Ounce	\$ 0.1965	\$ (0.0126)	\$ 0.0212	\$ 0.0053	\$ 0.21	\$ 0.21 \$ -
	Dispenser	\$ 1.1759	\$ (0.1010)	\$ 0.1699	\$ 0.0319	\$ 1.28	\$ 1.26 \$ 0.02

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4**

**RETAIL PRICE BUILDUP
OCTOBER 2014 MILK PRICES**

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)	
Container Size	Proposed Wholesale Price	\$ 0.1010 Deepest Discount	In-Store Handling \$ 0.1699	2.5% Store Profit	Proposed Retail Price	Current Retail Price	Increase (Decrease)	
EGG NOG	Gallon	\$ 6.5384	\$ (0.4040)	\$ 0.6796	\$ 0.1747	\$ 6.99	\$ 6.97	\$ 0.02
	Half Gallon	\$ 3.3338	\$ (0.2020)	\$ 0.3398	\$ 0.0890	\$ 3.56	\$ 3.55	\$ 0.01
	Quart	\$ 1.7798	\$ (0.1010)	\$ 0.1699	\$ 0.0474	\$ 1.90	\$ 1.89	\$ 0.01
	Pint	\$ 0.9707	\$ (0.0505)	\$ 0.0850	\$ 0.0258	\$ 1.03	\$ 1.03	\$ -
	12 Ounce	\$ 0.7267	\$ (0.0379)	\$ 0.0637	\$ 0.0193	\$ 0.77	\$ 0.77	\$ -
	10 Ounce	\$ 0.5967	\$ (0.0316)	\$ 0.0531	\$ 0.0159	\$ 0.63	\$ 0.63	\$ -
	Half Pint	\$ 0.4513	\$ (0.0253)	\$ 0.0425	\$ 0.0120	\$ 0.48	\$ 0.48	\$ -
	4 Ounce	\$ 0.2766	\$ (0.0126)	\$ 0.0212	\$ 0.0073	\$ 0.29	\$ 0.29	\$ -
	Dispenser	\$ 1.8163	\$ (0.1010)	\$ 0.1699	\$ 0.0483	\$ 1.93	\$ 1.93	\$ -

**PENNSYLVANIA MILK MARKETING BOARD STAFF
AREA 4 COST REPLACEMENT HEARING – NOVEMBER 5, 2014
LIST OF WITNESSES**

The following individuals will testify at the Milk Marketing Area 4 Cost Replacement Hearing on November 5, 2014 on behalf of the Milk Marketing Board Staff. Copies of their curriculum vitae will be available at the hearing.

Clifford Ackman, Milk Marketing Board Statistical Analyst, will testify as an expert witness on milk statistics, related to the selection and validity of the cross section of milk dealers for the Milk Marketing Area, including the prepared testimony which is being provided.

David DeSantis, Chief of Enforcement and Accounting, will testify as an expert on milk industry cost accounting and regulation of the milk industry in Pennsylvania, which includes determining wholesale and retail milk prices, and industry costs including processing, packaging, delivering, and selling milk. His testimony will address the subjects included in his presubmitted testimony, but it is not necessarily limited to the presubmitted testimony.

Date: October 30, 2014

Respectfully submitted,

Andy Saylor

Andrew L. Saylor
Staff Attorney
Pennsylvania Milk Marketing Board

**COST REPLACEMENT HEARING – AREA 4 –NOVEMBER 5, 2014
CERTIFICATE OF SERVICE**

I hereby certify that on October 30, 2014 I have served true and correct copies of the foregoing by email on behalf of the Milk Marketing Board Staff to the following (all of whom will accept service by email):

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