

# **AREA 5**

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

**NOVEMBER 5, 2014**

## **PMMB AREA 5**

### **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

Submitted: October 30, 2014

**Carl D. Herbein, CPA**

**PUBLICATIONS**

“Product Costing In A Volatile Environment,” which appeared in the *National Ice Cream Mix Association, Inc.* publication

“Milk Costing and Regulation – Is There a Conflict?” which appeared in the 2003 *International Association of Milk Control Agencies’* publication

“Benchmarking,” which appeared in the August 2004, *422 Business Advisor*

“Financing Agribusiness Growth”, which appeared in the *Pennsylvania CPA Journal*

“Processors Improve Profits With Benchmarking”, which appeared in the October 2011, *Dairy Foods Magazine*

**COMMUNITY AWARDS**

2006 Eugene L. Shirk Community Builder Award

2010 Corporate Honoree – March of Dimes

2012 Franciscan Award – Alvernia University

2013 Business Weekly Unity Award

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 5**

**COST REPLACEMENT HEARING**

**SUMMARY OF CURRENT INGREDIENT COSTS  
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 5)**

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

	March 2014 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0002
Non fat (skim) milk	.0010
Flavored milk	.0410
Flavored reduced fat milk	.0291
Flavored nonfat milk	.0264
Buttermilk	.0256
Eggnog	.1305

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

**SURREBUTTAL EXHIBIT D2-A**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS**

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

	<b>March 2014 Weighted Average Cost/Pound</b>	<b>Cost/Pound included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0001	0.0000
Lowfat milk (1%)	0.0002	0.0002	0.0000
Nonfat milk (skim)	0.0010	0.0007	0.0003
Flavored milk (2)	0.0410	0.0378	0.0032
Flavored reduced fat milk (2)	0.0291	0.0276	0.0015
Flavored nonfat milk (2)	0.0264	0.0275	(0.0011)
Buttermilk	0.0256	0.0253	0.0003
Eggnog	0.1305	0.1304	0.0001

- (1) Per General Order OGO A-954 (CRO 4) 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 5**

**COST REPLACEMENT HEARING**

**BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS**

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

	<b>2013 Weighted Average Butterfat Test</b>	<b>Butterfat Test included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	3.2605%	3.2639%	-0.0034%
Reduced fat milk (2%)	1.9407%	1.9403%	0.0004%
Lowfat milk (1%)	0.9633%	0.9640%	-0.0007%
Nonfat milk (skim)	0.0940%	0.0961%	-0.0021%
Flavored milk	3.4291%	3.3586%	0.0705%
Flavored reduced fat milk	1.0407%	1.0235%	0.0172%
Flavored nonfat milk	0.1510%	0.1589%	-0.0079%
Buttermilk	2.3007%	2.1507%	0.1500%
Eggnog	6.4006%	6.7882%	-0.3876%

(1) Per General Order No. A-954 (CRO 4)

**SURREBUTTAL EXHIBIT D3**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

**PROCESSING, PACKAGING AND DELIVERY COSTS/POINT  
(WEIGHTED AVERAGE BASED ON SALES IN AREA 5)**

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

<b>Cost Center</b>	<b>Total Points in PMMB Area 5 (1)</b>	<b>Average Cost/Point (1)</b>
Receiving, lab and field work	203,718,676	\$ 0.0101
Standardization and pasteurization	224,658,871	0.0209
Bottling	229,254,468	0.0380
Cold room	259,970,004	0.0436
Delivery	246,213,180	0.1398
Selling	246,359,928	0.0316
		<u>\$ 0.2840</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 5 for the cross-section dealers.

**SURREBUTTAL EXHIBIT D3-A**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

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

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

	<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	\$0.0101	\$0.0102	(\$0.0001)
Standardization and pasteurization	0.0209	0.0203	0.0006
Bottling	0.0380	0.0358	0.0022
Cold room	0.0436	0.0427	0.0009
Delivery	0.1398	0.1305	0.0093
Selling	<u>0.0316</u>	<u>0.0293</u>	<u>0.0023</u>
Sub total	\$0.2840	\$0.2688	\$0.0152
Add:			
2014 Cost increase (decrease) adjustment - Exhibit D4			(0.0013)
Less:			
2013 Cost (increase) decrease adjustment (1)			<u>(0.0039)</u>
Net change			<u>\$0.0100</u>

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

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

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

<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	\$ 20,117,192	\$ 20,393,048	110,727,213	111,537,937	\$ 0.1817	\$ 0.1828	(\$0.0011)
Utilities	1,087,369	1,123,702	110,727,213	111,537,937	0.0098	0.0101	(0.0003)
Insurance	167,272	152,561	110,727,213	111,537,937	0.0015	0.0014	<u>0.0001</u>
							<u><u>(\$0.0013)</u></u>

(1) Weighted based on sales in PMMB Area 5

**SURREBUTTAL EXHIBIT D5**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

**CHANGES IN DIESEL FUEL COSTS**

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

Diesel fuel costs – calendar year 2013 (1)	\$4,395,770
Delivery points – calendar year 2013 (1)	<u>246,213,180</u>
Diesel fuel cost per point delivered	<u><u>\$0.0179</u></u>
Average diesel price – calendar year 2013 (2)	\$4.010
Average diesel price – August 2014 (2) (3)	<u>\$3.965</u>
Increase (decrease) from year 2013 to month August 2014	-1.12%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0002)</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 5.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) August 2014 diesel fuel costs were used by the PMMB in establishing minimum prices for October 2014.

**SURREBUTTAL EXHIBIT D6**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

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

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

Heating fuel costs – calendar year 2013 (1)	\$370,735
Standardization & pasteurization points – calendar year 2013 (1)	<u>224,658,871</u>
Heating fuel cost per point pasteurized	<u>\$0.0017</u>
Average heating fuel costs – calendar year 2013 (2)	\$9.16
Average heating fuel costs – June 2014 (2) (3)	<u>9.83</u>
Increase (decrease) from year 2013 to month June 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 5.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) June 2014 natural gas costs were used by the PMMB in establishing minimum prices for October 2014.

PMMB AREA 5

COST REPLACEMENT HEARING

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

Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy

<u>PMMB Area 5</u>	<u>Costs</u>	<u>Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds (1)</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 4,024,576		\$ 1,669,463		
Bulk milk revenue minus milk costs		2,733,681			
Bulk milk cost center costs & freight	367,074				
Net bulk milk cost (revenue)			(861,741)		
Bulk cream revenue minus milk costs		4,865,612			
Bulk cream cost center costs	1,373,873				
Net bulk cream cost (revenue)			(1,142,585)		
Total	<u>\$ 5,765,523</u>	<u>\$ 7,599,293</u>			
Net cost (net revenue) - calendar year 2013			\$ (334,863)	426,149,513	\$ (0.0008)
Net cost (net revenue) in current order - calendar year 2012			<u>\$ 452,086</u>	545,890,891	<u>0.0008</u>
Net change - cost increase (cost reduction)			<u>\$ (786,949)</u>		<u>\$ (0.0016)</u>

(1) Beginning in calendar year 2013 producer milk diverted to other plants is excluded from the calculation of weighted pounds.

PMMB AREA 5

COST REPLACEMENT HEARING

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

Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy

<u>Container Size</u>	<u>March 2014 Container Cost (1)</u>	<u>Adjust from March 2014 to September 2014 - Current (2)</u>	<u>Subtotal</u>	<u>Calculated Shrinkage and Loss (4)</u>	<u>Shrinkage Cost</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.1669	\$ 0.0088	\$ 0.1757	1.94%	\$ 0.0034	\$ 0.1791
1/2 gallon - plastic	0.1337					
1/2 gallon - paper	0.1399					
1/2 gallon - blended (5)	<u>0.1338</u>	0.0051	0.1389	1.64%	0.0023	0.1412
Quart - plastic	0.1340					
Quart - paper	0.0810					
Quart - blended (5)	<u>0.1063</u>	0.0026	0.1089	1.57%	0.0017	0.1106
Pint - plastic	0.1046					
Pint - paper	0.0485					
Pint - blended (5)	<u>0.1039</u>	0.0042	0.1081	1.62%	0.0018	0.1099
Twelve ounce	(3)					
Ten ounce	0.0544		0.0544			0.0544
1/2 pint - plastic (5)	0.0614	0.0009	0.0623	0.92%	0.0006	0.0629
1/2 pint - paper (5)	0.0270	0.0025	0.0295	0.85%	0.0003	0.0298
Four ounce - paper	0.0259		0.0259	1.53%	0.0004	0.0263
Dispenser	0.0754		0.0754	1.30%	0.0009	0.0763

- (1) For containers not purchased in March 2014 the most recent invoice was used.
- (2) September 2014 container costs were used by the PMMB to establish minimum resale prices for October 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 5**

**COST REPLACEMENT HEARING**

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

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

<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)	\$ 0.1791	\$ 0.1825	\$ (0.0034)
Half Gallon (2)	0.1412	0.1425	(0.0013)
Quart (2)	0.1106	0.1092	0.0014
Pint (2)	0.1099	0.1058	0.0041
1/2 pint - plastic (2)	0.0629	0.0642	(0.0013)
1/2 pint - paper (2)	0.0298	0.0298	-
Four ounce - paper	0.0263	0.0272	(0.0009)
Dispenser (per quart)	0.0763	0.0742	0.0021

(1) Per General Order No. A-954 (CRO 4) as updated.

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

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0331. PMMB resale price schedules show the ½ pint paper price. \$0.0331 is the plastic add-on.

SURREBUTTAL EXHIBIT D9-A

PMMB AREA 5

COST REPLACEMENT HEARING

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

Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B	1.9407%	1.9403%	0.0004%
Butterfat price as announced by PMMB	(1)	\$ 3.1867 per lb.	\$ 3.1867 per lb.	
Extended butterfat value		\$ 0.0618 per lb.	\$ 0.0618 per lb.	
Skim price as announced by PMMB	(1)	\$ 18.24 per cwt.	\$ 18.24 per cwt.	
Extended skim value		\$ 0.1789 per lb.	\$ 0.1789 per lb.	
Total milk value at announced prices		<u>\$ 0.2407 per lb.</u>	<u>\$ 0.2407 per lb.</u>	<u>\$ -</u>
Ingredient cost	D2	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D7	(0.0008)	0.0008	
Total milk cost per pound		<u>\$ 0.2400 per lb.</u>	<u>\$ 0.2416 per lb.</u>	<u>\$ (0.0016)</u>
Pounds per gallon (conversion)		<u>8.62</u>	<u>8.62</u>	
Total milk cost per gallon		<u>\$ 2.0688</u>	<u>\$ 2.0826</u>	<u>\$ (0.0138)</u>
Container cost (adjusted for shrinkage)	D8	0.1791 each	0.1825 each	(0.0034)
Cost center costs	D3	1.1360	1.0752	0.0608
1st half 2013 to 1st half 2014 adjustment	D4	(0.0052)	0.0156	(0.0208)
Container efficiency adjustment	(2)	(0.1067)	(0.1067)	-
Percentage discount adjustment	(2)	0.0140	0.0140	-
Diesel fuel adjustment	D5	(0.0008)	0.0008	(0.0016)
Heating fuels adjustment	D6	0.0004	(0.0024)	0.0028
		<u>\$ 3.2856 each</u>	<u>\$ 3.2616 each</u>	<u>\$ 0.0240</u>
Dealer profit at 3.5%	(2)	0.1192	0.1183	\$ 0.0009
Subtotal		<u>\$ 3.4048 each</u>	<u>\$ 3.3799 each</u>	<u>\$ 0.0249</u>
Less: average delivery cost	(2)	(0.5220)	(0.5220)	
Add: high cost delivery	(2)	0.9748	0.9748	
<b>Wholesale price</b>		<u><b>\$ 3.8576 each</b></u>	<u><b>\$ 3.8327 each</b></u>	<u><b>\$ 0.0249</b></u>

(1) As announced for October 2014 by PMMB on September 18, 2014.

(2) Per OGO A-954 (CRO 4) 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 5**

**COST REPLACEMENT HEARING**

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

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider’s Dairy, Inc.  
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B	0.1510%	0.1589%	-0.0079%
Butterfat price as announced by PMMB	(1)	\$ 3.1867 per lb.	\$ 3.1867 per lb.	
Extended butterfat value		\$ 0.0048 per lb.	\$ 0.0051 per lb.	
Skim price as announced by PMMB	(1)	\$ 18.24 per cwt.	\$ 18.24 per cwt.	
Extended skim value		\$ 0.1821 per lb.	\$ 0.1821 per lb.	
Total milk value at announced prices		<u>\$ 0.1869</u> per lb.	<u>\$ 0.1872</u> per lb.	<u>\$ (0.0003)</u>
Ingredient cost	D2	0.0264	0.0275	
Cost of shrinkage / bulk milk & cream	D7	<u>(0.0008)</u>	<u>0.0008</u>	
Total milk cost per pound		<u>\$ 0.2125</u> per lb.	<u>\$ 0.2155</u> per lb.	<u>\$ (0.0030)</u>
Pounds per gallon (conversion)		<u>0.50</u>	<u>0.50</u>	
Total milk cost per half pint		<u>\$ 0.1063</u>	<u>\$ 0.1078</u>	<u>\$ (0.0015)</u>
Container cost (adjusted for shrinkage)	D8	0.0298 each	0.0298 each	-
Cost center costs	D3	0.0710	0.0672	0.0038
1st half 2013 to 1st half 2014 adjustment	D4	(0.0004)	0.0010	(0.0014)
Container efficiency adjustment	(2)	0.0367	0.0367	-
Percentage discount adjustment	(2)	0.0009	0.0009	-
Diesel fuel adjustment	D5	(0.0001)	-	(0.0001)
Heating fuels adjustment	D6	<u>0.0001</u>	<u>(0.0001)</u>	<u>0.0002</u>
		<u>\$ 0.2443</u> each	<u>\$ 0.2433</u> each	<u>\$ 0.0010</u>
Dealer profit at 3.5%	(2)	<u>0.0089</u>	<u>0.0088</u>	<u>\$ 0.0001</u>
Subtotal		<u>\$ 0.2532</u> each	<u>\$ 0.2521</u> each	<u>\$ 0.0011</u>
Less: average delivery cost	(2)	(0.0326)	(0.0326)	
Add: high cost delivery	(2)	<u>0.0609</u>	<u>0.0609</u>	
<b>Wholesale price</b>		<u><u>\$ 0.2815</u></u> each	<u><u>\$ 0.2804</u></u> each	<u><u>\$ 0.0011</u></u>

(1) As announced for October 2014 by PMMB on September 18, 2014.

(2) Per OGO A-954 (CRO 3) as updated.

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