

AREA 5

COST REPLACEMENT HEARING DEALER SURREBUTTAL EXHIBITS

FEBRUARY 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)

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS (CONTINUED)

Greater Reading Economic Partnership (2005 – present)

Elizabethtown College

- Board of Trustees (1987 – 1992)
- Chair – Leadership Council (2007 – 2009)

Berkshire Country Club

- Board of Directors and Treasurer (October 2001 – 2007)

Carl D. Herbein, CPA

PUBLICATIONS

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

"Milk Costing and Regulation - Is There a Conflict?" which appeared in the 2003 *International Association of Milk Control Agencies'* publication

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

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

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

COMMUNITY AWARDS

2006 Eugene L. Shirk Community Builder Award

2010 Corporate Honoree – March of Dimes

2012 Franciscan Award – Alvernia University

2013 Business Weekly Unity Award

EXPERT REPORTS, DEPOSITION AND TESTIMONY

COURT AND OTHER TESTIMONY

Montana Department of Agriculture – Testimony concerning Montana Milk pool. (hearing held July 23, 2008)

State of Vermont – Expert testimony concerning establishment floor price – raw milk. (hearing held October 9, 2008)

Windsong Farms v. Telemark – Expert testimony – lender liability November 17, 2008

Niagara Milk Cooperative, Inc. v. Thomas J. Krenzer et al. – determination of fair value of dissenter's interest February 23, 2009

State of New Jersey Department of Agriculture – Expert testimony - Farmer premium establishment. (hearing held November 19, 2009, December 17, 2009 and January 28, 2010)

Sweetwater Valley Farm, Inc. v. Dairy Farmers of America, Inc. – June 15, 2010

Bross v. Bross – domestic matter. Testimony October 16, 2010.

Van Peenen Dairy, Inc. v. Tuscan/Lehigh Dairies, Inc. – contractual dispute, November 22, 2011

Nicholas Meat Packing Co. v. Brigandi, Gleghorn and Associates – August 20, 2011 and July 2013.

Supports Coordination Organization Modeled Rate Review – payment rate dispute - July 15, 2013.

Allen S. Fisher, et. al. v. Dominion Transmission, Inc. – crop damage – loss calculation – October 2013.

DeVries Dairy v. White Eagle Cooperative Association – expert testimony – economic discrimination – October 2013.

Carl D. Herbein, CPA

COMMONWEALTH OF PENNSYLVANIA MILK MARKETING BOARD APPEARANCES

2007

Expert witness appearing on behalf of dealer association concerning licensee to licensee discounts.

Expert witness appearing on behalf of dealer association concerning cost replacement hearings for Areas 1, 2, 3, 4, 5, and 6.

2008

Expert witness appearing on behalf of dealer association concerning cost replacement hearings for Areas 1, 2, 3, 4, 5, and 6.

Expert witness appearing on behalf of dealer association concerning bulk milk cream, shrinkage, producer premium related to recombinant bovine growth hormone, and milk prices and percentage discounts.

2009

Expert witness appearing on behalf of dealer association concerning cost replacement hearings for Areas 1, 2, 3, 4, 5 and 6.

Expert witness appearing on behalf of dealer association concerning emergency hearing related to level of Class I Over-order Premium.

2010

Expert witness appearing on behalf of dealer association concerning formula for calculating the Over Order Premium.

Expert witness appearing on behalf of dealer association concerning cost replacement in Area 4 and Area 5.

2011

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 1, 2, 3, 4, 5, and 6.

2012

Expert witness appearing on behalf of dealer associations concerning multi-store discounts in Area 5 and Area 6.

Expert witness appearing on behalf of dealer associations concerning Over Order Premium duration and level.

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 1, 2, 3, 4, 5, and 6.

2013

Expert witness appearing on behalf of dealer associations concerning wholesale milk discounts in Areas 1, 2, 3, 4, 5, and 6.

Expert witness appearing on behalf of dealer associations concerning over-price premium in Areas 1, 2, 3, and 4.

SURREBUTTAL EXHIBIT D2

PMMB AREA 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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

	March 2013 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0002
Non fat (skim) milk	.0007
Flavored milk	.0509
Flavored reduced fat milk	.0338
Flavored nonfat milk	.0340
Buttermilk	.0253
Eggnog	.1304

(1) For ingredients not purchased in March 2013 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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

	March 2013 Weighted Average Cost/Pound	Cost/Pound included in Existing Order (1)	Increase (Decrease)
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0001	0.0000
Lowfat milk (1%)	0.0002	0.0002	0.0000
Nonfat milk (skim)	0.0007	0.0009	(0.0002)
Flavored milk (2)	0.0509	0.0433	0.0076
Flavored reduced fat milk (2)	0.0338	0.0318	0.0020
Flavored nonfat milk (2)	0.0340	0.0432	(0.0092)
Buttermilk	0.0253	0.0233	0.0020
Eggnog	0.1304	0.1242	0.0062

- (1) Per General Order OGO A-954 (CRO 3) as updated for flavored milk on January 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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

	<u>2012 Weighted Average Butterfat Test</u>	<u>Butterfat Test included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Standard milk	3.2639%	3.2525%	0.0114%
Reduced fat milk (2%)	1.9403%	1.9425%	-0.0022%
Lowfat milk (1%)	0.9640%	0.9604%	0.0036%
Nonfat milk (skim)	0.0961%	0.0996%	-0.0035%
Flavored milk	3.3586%	3.3401%	0.0185%
Flavored reduced fat milk (2)	1.0235%	1.1040%	-0.0805%
Flavored nonfat milk (2)	0.1589%	0.1385%	0.0204%
Buttermilk	2.1507%	1.9613%	0.1894%
Eggnog	6.7882%	6.8222%	-0.0340%

(1) Per General Order No. A-954 (CRO 3)

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

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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

Cost Center	Total Points in PMMB Area 5 (1)	Weighted Average Cost/Point (1)
Receiving, lab and field work	215,598,142	\$ 0.0102
Standardization and pasteurization	239,914,812	0.0203
Bottling	243,561,766	0.0358
Cold room	276,717,208	0.0427
Delivery	265,471,300	0.1305
Selling	265,623,733	0.0293
		<hr/>
		\$ 0.2688

(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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

	2012 Weighted Average Cost/Point	2011 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0102	\$0.0103	(\$0.0001)
Standardization and pasteurization	0.0203	0.0196	0.0007
Bottling	0.0358	0.0373	(0.0015)
Cold room	0.0427	0.0423	0.0004
Delivery	0.1305	0.1324	(0.0019)
Selling	0.0293	0.0314	(0.0021)
Sub total	\$0.2688	\$0.2733	(\$0.0045)
Add:			
2013 Cost increase (decrease) adjustment - Exhibit D4			0.0039
Less:			
2012 Cost (increase) decrease adjustment (1)			0.0049
Net change			<u>\$0.0043</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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

Type of Expense	Weighted Expenses for 2nd Quarter (1)		Weighted Points for 2nd Quarter (1)		Cost Per Point		Increase (Decrease) Per Point
	2013	2012	2013	2012	2013	2012	
Labor and fringe benefits	\$ 10,873,655	\$ 10,654,523	58,440,204	58,431,326	\$0.1861	\$0.1823	\$0.0038
Utilities	656,228	654,245	58,440,204	58,431,326	0.0112	0.0112	0.0000
Insurance	82,189	74,135	58,440,204	58,431,326	0.0014	0.0013	<u>0.0001</u>
							<u><u>\$0.0039</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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

Diesel fuel costs – calendar year 2012 (1)	\$4,837,463
Delivery points – calendar year 2012 (1)	<u>265,471,300</u>
Diesel fuel cost per point delivered	<u><u>\$0.0182</u></u>
Average diesel price – calendar year 2012 (2)	\$4.100
Average diesel price – November 2013 (2) (3)	<u>\$3.913</u>
Increase (decrease) from year 2012 to month November 2013	-4.56%
Increase (decrease) in diesel fuel cost per point delivered	<u>(\$0.0008)</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) November 2013 diesel fuel costs were used by the PMMB in establishing minimum prices for January 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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

Heating fuel costs – calendar year 2012 (1)	\$369,085
Standardization & pasteurization points – calendar year 2012 (1)	<u>239,914,812</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0015</u></u>
Average heating fuel costs – calendar year 2012 (2)	\$8.75
Average heating fuel costs – September 2013 (2) (3)	<u>8.84</u>
Increase (decrease) from year 2012 to month September 2013	1.03%
Increase (decrease) in heating fuel cost per point pasteurized	<u>\$0.0000</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) September 2013 natural gas costs were used by the PMMB in establishing minimum prices for January 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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy

<u>PMMB Area 5</u>	<u>Weighted Costs</u>	<u>Weighted Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 1,121,548		\$ 1,286,045		
Bulk milk revenue minus milk costs		1,442,620			
Bulk milk cost center costs & freight	1,702,626				
Net bulk milk cost (revenue)			260,006		
Bulk cream revenue minus milk costs		1,693,246			
Bulk cream cost center costs	599,281				
Net bulk cream cost (revenue)			<u>(1,093,965)</u>		
Total	<u>\$ 3,423,455</u>	<u>\$ 3,135,866</u>			
Net cost (net revenue) - calendar year 2012			\$ 452,086	545,890,891	\$ 0.0008
Net cost (net revenue) in current order - calendar year 2011			<u>\$ 492,867</u>	552,738,654	<u>0.0009</u>
Net change - cost increase (cost reduction)			<u>\$ (40,781)</u>		<u>\$ (0.0001)</u>

SURREBUTTAL EXHIBIT D8

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 Dairy, Inc.
Turner Dairy Farms, United Dairy, Inc., United/Fike Dairy**

<u>Container Size</u>	<u>March 2013 Container Cost (1)</u>	<u>Adjust from March 2013 to December 2013 - Current (2)</u>	<u>Subtotal</u>	<u>Calculated Shrinkage and Loss (4)</u>	<u>Shrinkage Cost</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.1656	\$ 0.0057	\$ 0.1713	1.93%	\$ 0.0033	\$ 0.1746
1/2 gallon - plastic	0.1316					
1/2 gallon - paper	0.1404					
1/2 gallon - blended (5)	<u>0.1319</u>	0.0029	0.1348	1.59%	0.0021	0.1369
Quart - plastic	0.1229					
Quart - paper	0.0867					
Quart - blended (5)	<u>0.1039</u>	0.0030	0.1069	1.57%	0.0017	0.1086
Pint - plastic	0.1002					
Pint - paper	0.0498					
Pint - blended (5)	<u>0.0998</u>	(0.0003)	0.0995	1.62%	0.0016	0.1011
Twelve ounce	(3)					
Ten ounce	0.0543		0.0543			0.0543
1/2 pint - plastic (5)	0.0597	0.0014	0.0611	0.92%	0.0006	0.0617
1/2 pint - paper (5)	0.0281	0.0006	0.0287	0.85%	0.0002	0.0289
Four ounce - paper	0.0272		0.0272	1.53%	0.0004	0.0276
Dispenser	0.0742		0.0742	1.30%	0.0010	0.0752

- (1) For containers not purchased in March 2013 the most recent invoice was used.
- (2) December 2013 container costs were used by the PMMB to establish minimum resale prices for January 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 – JANUARY 2014**

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider 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)	\$ 0.1746	\$ 0.1841	\$ (0.0095)
Half Gallon (2)	0.1369	0.1410	(0.0041)
Quart (2)	0.1086	0.1099	(0.0013)
Pint (2)	0.1011	0.1041	(0.0030)
1/2 pint - plastic (2)	0.0617	0.0619	(0.0002)
1/2 pint - paper (2)	0.0289	0.0299	(0.0010)
Four ounce - paper	0.0276	0.0267	0.0009
Dispenser (per quart)	0.0752	0.0692	0.0060

(1) Per General Order No. A-954 (CRO 3) as updated.

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

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0328. PMMB resale price schedules show the ½ pint paper price. \$0.0328 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 JANUARY 2014**

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider 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	1.9403%	1.9425%	-0.0022%
Butterfat price as announced by PMMB	(1)	\$ 1.8261 per lb.	\$ 1.8261 per lb.	
Extended butterfat value		\$ 0.0354 per lb.	\$ 0.0355 per lb.	
Skim price as announced by PMMB	(1)	\$ 20.51 per Cwt	\$ 20.51 per Cwt	
Extended skim value		\$ 0.2011 per lb.	\$ 0.2011 per lb.	
Total milk value at announced prices		<u>\$ 0.2366</u> per lb.	<u>\$ 0.2366</u> per lb.	<u>\$ -</u>
Ingredient cost	D2	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D7	0.0008	0.0009	
Total milk cost per pound		<u>\$ 0.2375</u> per lb.	<u>\$ 0.2376</u> per lb.	<u>\$(0.0001)</u>
Pounds per gallon (conversion)		8.62	8.62	
Total milk cost per gallon		<u>\$ 2.0473</u>	<u>\$ 2.0481</u>	<u>\$(0.0008)</u>
Container cost (adjusted for shrinkage)	D8	0.1746 each	0.1841 each	(0.0095)
Cost center costs	D3	1.0752	1.0932	(0.0180)
2nd quarter-to- 2nd quarter update	D4	0.0156	(0.0196)	0.0352
Container efficiency adjustment	(2)	(0.1067)	(0.1067)	-
Percentage discount adjustment	(2)	0.0096	0.0096	-
Diesel fuel adjustment	D5	(0.0032)	(0.0012)	(0.0020)
Heating fuels adjustment	D6	-	(0.0008)	0.0008
		<u>\$ 3.2124</u> each	<u>\$ 3.2067</u> each	<u>\$ 0.0057</u>
Dealer profit at 3.5%	(2)	0.1165	0.1163	
Subtotal		<u>\$ 3.3289</u> each	<u>\$ 3.3230</u> each	<u>\$ 0.0059</u>
Less: average delivery cost	(2)	(0.4664)	(0.4664)	
Add: high cost delivery	(2)	0.8536	0.8536	
Wholesale price		<u>\$ 3.7161</u> each	<u>\$ 3.7102</u> each	<u>\$ 0.0059</u>

(1) As announced for January 2014 by PMMB on December 19, 2013.

(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.”

SURREBUTTAL EXHIBIT D9-B

PMMB AREA 5

COST REPLACEMENT HEARING

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

**Dean Foods Company – Sharpsville, Dean Foods Company – Erie, Schneider 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	0.1589%	0.1385%	0.0204%
Butterfat price as announced by PMMB	(1)	\$ 1.8261 per lb.	\$ 1.8261 per lb.	
Extended butterfat value		\$ 0.0029 per lb.	\$ 0.0025 per lb.	
Skim price as announced by PMMB	(1)	\$ 20.51 per Cwt	\$ 20.51 per Cwt	
Extended skim value		\$ 0.2048 per lb.	\$ 0.2048 per lb.	
Total milk value at announced prices		<u>\$ 0.2077</u> per lb.	<u>\$ 0.2073</u> per lb.	<u>\$ 0.0004</u>
Ingredient cost	D2	0.0340	0.0432	
Cost of shrinkage / bulk milk & cream	D7	0.0008	0.0009	
Total milk cost per pound		<u>\$ 0.2425</u> per lb.	<u>\$ 0.2514</u> per lb.	<u>\$(0.0089)</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		<u>\$ 0.1213</u>	<u>\$ 0.1257</u>	<u>\$(0.0044)</u>
Container cost (adjusted for shrinkage)	D8	0.0289 each	0.0299 each	(0.0010)
Cost center costs	D3	0.0672	0.0683	(0.0011)
2nd quarter-to- 2nd quarter update	D4	0.0010	(0.0012)	0.0022
Container efficiency adjustment	(2)	0.0367	0.0367	-
Percentage discount adjustment	(2)	0.0006	0.0006	-
Diesel fuel adjustment	D5	(0.0002)	(0.0001)	(0.0001)
Heating fuels adjustment	D6	-	-	-
		<u>\$ 0.2555</u> each	<u>\$ 0.2599</u> each	<u>\$(0.0044)</u>
Dealer profit at 3.5%	(2)	0.0093	0.0094	
Subtotal		<u>\$ 0.2648</u> each	<u>\$ 0.2693</u> each	<u>\$(0.0045)</u>
Less: average delivery cost	(2)	(0.0292)	(0.0292)	
Add: high cost delivery	(2)	0.0534	0.0534	
Wholesale price		<u>\$ 0.2890</u> each	<u>\$ 0.2935</u> each	<u>\$(0.0045)</u>

(4) As announced for January 2014 by PMMB on December 19, 2013.

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

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