



**Commonwealth of Pennsylvania**

Milk Marketing Board  
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Official General  
Order No. A-936

Posted: January 4, 2006  
Effective: February 1, 2006

**AN ORDER REGARDING CONTAINER COSTS AND PLASTIC MILK CASES**

NOW, this 4<sup>th</sup> day of January 2006, the Commonwealth of Pennsylvania, Milk Marketing Board (Board), adopts and issues this official general order pursuant to the authority conferred by the Milk Marketing Law, 31 P.S. §§ 700j-101 – 700j-1204. This order will become effective at 12:01 a.m. on February 1, 2006.

**SECTION I**

The attached findings of fact and conclusions of law are incorporated herein by this reference as though fully set forth in this order.

**SECTION II**

- a. In each milk marketing area minimum wholesale and retail prices shall reflect the container costs adopted in this order.
- b. In each milk marketing area minimum wholesale and retail prices shall reflect the increased cost of plastic milk cases adopted in this order.

PENNSYLVANIA MILK MARKETING BOARD

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Boyd E. Wolff, Chairman

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Luke F. Brubaker, Member

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Barbara A. Grumbine, Consumer Member

Date: January 4, 2006

## **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

### **CONTAINER COSTS AND PLASTIC MILK CASES**

**December 7, 2005**

#### **FINDINGS OF FACT**

1. On December 7, 2005, the Pennsylvania Milk Marketing Board (Board) convened a hearing for all milk marketing areas to receive testimony and evidence regarding the effect of rising paper container costs and increased costs for petroleum-based products, such as plastic milk cases.
2. Notice of the hearing was published at 35 *Pennsylvania Bulletin* 5894 on October 21, 2005, and was mailed to those who have requested notice of Board hearings by means of Bulletin No. 1390, dated October 12, 2005.
3. Carl Herbein testified for the Pennsylvania Association of Milk Dealers (Dealers) as an expert in milk cost accounting. Mr. Herbein explained that a hearing was necessary to address paper container costs because the Dealers experienced a significant paper container cost increase that was not accounted for in the most recent cost replacement hearings for each of the six milk marketing areas. Mr. Herbein also explained that a hearing was necessary to address increases in milk case costs caused primarily by increased plastic costs as a result of two hurricanes earlier in the year.
4. Mr. Herbein and David DeSantis, testifying on behalf of Board Staff as an expert in milk marketing and milk accounting, offered identical evidence of paper container costs in each of the six milk marketing areas as of October 2005. Their evidence was based on the same cross section of dealers used in the most recent cost replacement hearings for each of the milk marketing areas. Both Mr. Herbein and Mr. DeSantis recommended that the container costs contained in the cost replacement orders for each of the six milk marketing areas be updated to account for the increases in paper container costs. The Board finds that the increases in paper container costs have a significant impact on Dealer costs and should therefore be incorporated into the container costs used to establish minimum wholesale and retail prices.

Mr. DeSantis provided exhibits showing the blended container costs in each of the six milk marketing areas incorporating the updated paper container costs. The updated blended costs are detailed in Findings of Fact 5 – 10 below and the Board finds that the updated container costs should replace the container costs in the respective cost replacement orders.

5. Area 1 blended, or weighted average, container costs: Gallon - \$0.1872; Half Gallon - \$0.1480; Quart - \$0.1069; Pint - \$0.0900; Half Pint - \$0.0213; Third Quart - \$0.0301; 4 Ounce - \$0.0206; Bulk Per Quart (Dispenser) - \$0.0563.

6. Area 2 blended, or weighted average, container costs: Gallon - \$0.1993; Half Gallon - \$0.1218; Quart - \$0.0697; Pint - \$0.0799; Half Pint - \$0.0218; Third Quart - \$0.0855; 4 Ounce - \$0.0191; Bulk Per Quart (Dispenser) - \$0.0311.
7. Area 3 blended, or weighted average, container costs: Gallon - \$0.1982; Half Gallon - \$0.1173; Quart - \$0.0696; Pint - \$0.0532; Half Pint - \$0.0225; Third Quart - \$0.0337; 4 Ounce - \$0.0200; Bulk Per Quart (Dispenser) - \$0.0324.
8. Area 4 blended, or weighted average, container costs: Gallon - \$0.1916; Half Gallon - \$0.1408; Quart - \$0.0948; Pint - \$0.0877; Half Pint - \$0.0222; Third Quart - \$0.0292; 4 Ounce - \$0.0180; Bulk Per Quart (Dispenser) - \$0.0360.
9. Area 5 blended, or weighted average, container costs: Gallon - \$0.1703; Half Gallon - \$0.1168; Quart - \$0.0751; Pint - \$0.0837; Half Pint - \$0.0204; Third Quart - \$0.0321; 4 Ounce - \$0.0182; Bulk Per Quart (Dispenser) - \$0.0361.
10. Area 6 blended, or weighted average, container costs: Gallon - \$0.1850; Half Gallon - \$0.1161; Quart - \$0.1270; Pint - \$0.1149; Half Pint - \$0.0184; Third Quart - \$0.0296; 4 Ounce - \$0.0188; Bulk Per Quart (Dispenser) - \$0.0976.
11. Mr. Herbein and Mr. DeSantis also presented concurring evidence regarding the cost increase from 2004 to 2005 attributable to the increased cost of plastic milk cases. The Board finds that the increased cost of plastic milk cases has had a significant on Dealer costs and should therefore be incorporated into minimum wholesale and retail milk prices. The Board further finds that these costs shall be reviewed at the next cost replacement hearing for each milk marketing area, at which time a decision will be made regarding whether and for how long the increased costs will be incorporated into minimum wholesale and retail prices.
12. The Board finds that Dealers experienced the following increases in plastic milk case costs between 2004 and 2005 and that these costs should be reflected in minimum wholesale and retail prices. Area 1: \$0.0007 per point; Area 2: \$0.0013 per point; Area 3: \$0.0007 per point; Area 4: \$0.0003 per point; Area 5: \$0.0003 per point; Area 6: \$0.0008 per point.

**CONCLUSIONS OF LAW**

1. The December 7, 2005, hearing regarding paper container costs and petroleum-based product costs was held pursuant to the authority granted to the Board in sections 801 and 803 of the Milk Marketing Law (Law), 31 P.S. §§ 700j-801 and 700j-803.
2. The hearing was held following adequate notice and all interested parties were given a reasonable opportunity to be heard.
3. In adopting the attached order, the Board has considered the entire record and concludes that the order is supported by a preponderance of credible evidence and is reasonable and appropriate under sections 801 and 803 of the Law.
4. The attached order may be amended pursuant to the procedures set out in section 801 of the Law.

PENNSYLVANIA MILK MARKETING BOARD

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Boyd E. Wolff, Chairman

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Luke F. Brubaker, Member

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Barbara A. Grumbine, Consumer Member

Dated: January 4, 2005

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