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Milk Marketing Board  
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Official General  
Order No. A-951

Posted: May 7, 2008  
Effective: June 1, 2008

**ORDER ESTABLISHING MINIMUM PRICES FOR MILK  
AND MILK PRODUCTS IN THE SOUTHEASTERN MILK  
MARKETING AREA, AREA NO. 1, AND OTHERWISE  
REGULATING THE MARKETING AND DISTRIBUTION OF  
MILK AND MILK PRODUCTS IN AREA NO. 1**

The Commonwealth of Pennsylvania, Milk Marketing Board, under the authority conferred by the Milk Marketing Law, 31 P.S. §§ 700j-101 – 700j-1204, hereby orders that all parts of Milk Marketing Board official general orders inconsistent with this Official General Order No. A-951 are superseded with respect to the Southeastern Milk Marketing Area, known as Milk Marketing Area No. 1. This order will become effective at 12:01 a.m. on June 1, 2008.

**SECTION A  
SCOPE; INCORPORATION**

(a) This official general order governs the sale and distribution of milk in Area No. 1, as defined in section B.

(b) The attached Findings of Fact, Conclusions of Law, Schedules I and II, and Attachments are incorporated herein by this reference as though fully set forth in this order.

**SECTION B  
DEFINITIONS**

The following words and terms have the meanings set forth in this section unless the context clearly indicates otherwise:

**Area No. 1** - All municipalities, cities, boroughs and townships located within the counties of Bucks, Chester, Delaware, Montgomery and Philadelphia.

**Board** – The Pennsylvania Milk Marketing Board.

**Bulk Milk** – Milk and cream sold in large containers to other milk dealers or manufacturers not subject to resale price control.

**Bulk Packaged Milk** – Milk and cream sold in dispenser type containers ultimately sold and dispensed to consumers exclusively for on-premise consumption and subject to resale price control under the terms of this Order as listed on Schedule I and Schedule II, which is sometimes referred to as dispenser milk.

**Consumer** – As defined in Section 103 of the Law (31 P. S. §700j-103).

**Cooperative** – As defined in Section 103 of the Law.

**Dealer** – As defined in Section 103 of the Law (definition of “milk dealer” or “handler”).

**Fluid Cream Product** – As defined by applicable federal market orders.

**Fluid Milk Product** – As defined by applicable federal market orders.

**Full Service Delivery** – Delivery of Class I or II price-controlled packaged products to an individual stop, in connection with which the seller provides one or more of the following services: taking the delivered products from the dock to the dairy case or cooler, stocking cases with the delivered products, pricing the delivered products, rotating stock, removing leakers and defective products, taking inventory and ordering products to be delivered.

**Law** – The Pennsylvania Milk Marketing Law (31 P. S. §§700j-101 – 700j-1204).

**Limited Service Delivery** – Delivery of Class I or II price-controlled packaged products to one specified point used normally for the receiving of food products, with the purchaser being responsible for any further handling of the products and the seller providing none of the services associated with full service delivery.

**Multi-Store Group** - Three or more stores that satisfy the requirements in Section F, Provision 7.

**Person** – As defined in Section 103 of the Law.

**Price-Controlled Packaged Products** – All packaged Class I and Class II milk products listed on Pennsylvania Milk Marketing Area price sheets (Schedules I & II) issued by the Board, when these products are sold in Pennsylvania.

**Primary Supplier** – A milk dealer making a wholesale sale of Class I or II price-controlled packaged products to a multi-store group for a price that may be discounted under Section F, Provisions 7 and 9, based on the volume of sales by that milk dealer to the multi-store group.

**Producer** – As defined in Section 103 of the Law.

**Rounding** – A uniform method for expressing a price to the fourth decimal place. If the fifth decimal place is five or more, the fourth decimal place is increased by one. If the fifth decimal place is less than five, the fourth decimal place is unchanged. Example: \$1.05655 becomes \$1.0566 and \$1.0565499 becomes \$1.0565.

**School** – A public or private educational institution serving any grade levels between kindergarten and grade 12.

**Secondary Supplier** – A milk dealer making a wholesale sale of Class I or II price-controlled packaged products to one or more stores within a multi-store group for a price that may be discounted under Section F, Provisions 7 and 9, based on the volume of sales by the primary supplier to the multi-store group.

**Subdealer** – As defined in Section 103 of the Law.

**Wholesale Sale** – The sale of Class I or II price-controlled packaged products by a person other than a producer to a person other than a consumer.

### **SECTION C CLASSIFICATION OF MILK**

Reserved. See Official General Order A-903 Amended and subsequent orders.

### **SECTION D MINIMUM CLASS PRICES**

Reserved. See Official General Order A-903 Amended and subsequent orders.

### **SECTION E PAYMENTS TO PRODUCERS**

Reserved. See Official General Order A-903 Amended and subsequent orders.

### **SECTION F RESALE PRICES**

#### **PROVISION 1 – MINIMUM RESALE PRICES**

Subject to the remaining provisions of this section, the minimum wholesale and retail prices for Class I or II price-controlled packaged products sold or made available in Area 1 by persons other than producers shall be as set forth in Subsections (a) – (f). Wholesale sales and retail sales in any other milk marketing area shall be in accordance with the prices established for that area.

(a) The minimum price of price-controlled packaged milk will be determined according to the Official General Order governing the milk marketing area in which the milk is located when it leaves the selling dealer's control. Absent other evidence regarding control, the Board will presume that the milk has left the selling dealer's control upon:

(1) Arrival at the destination point designated by the purchaser if the seller incurs the costs associated with delivery; or

(2) Placement on the seller's dock if the purchaser takes possession using:

(A) Equipment owned or leased and personnel employed by the purchaser; or

(B) A trucking company that is independent from the seller.

In determining whether a trucking company is independent from the seller, the Board will consider the totality of the relationship between the seller and the trucking company, including whether the seller:

(i) Owns any interest in the trucking company and, if so, the extent of such interest;

(ii) Shares common directors, officers, management personnel, or employees with the trucking company;

(iii) Uses equipment or facilities in common with the trucking company;

(iv) Shares common accounting, purchasing, accounts receivable, or billing operations with the trucking company;

(v) Has common financing or credit arrangements with the trucking company.

(b) The minimum wholesale prices described in Schedule I of this Order are the prices applicable to a wholesale sale of packaged, including bulk packaged, Class I or Class II fluid milk products and fluid cream products, or both. The selling dealer may reduce the minimum prices set forth in Schedule I by an applicable discount set forth in the succeeding provisions of this section, provided that, all such reductions shall be rounded in accordance with the definition of "rounding" in Section B. Return for credit or replacement of non-defective, including out of code or in code, Class I or II price-controlled packaged products is prohibited under any circumstances or pricing scheme.

(c) The minimum retail out-of-store prices prescribed in Schedule II of this Order are the minimum prices to be charged by and paid to a store by a consumer who purchases a Class I or Class II price-controlled packaged product, or both, for off-premises consumption or use. These prices are applicable irrespective of the off-premise use by the consumer.

(d) The minimum retail home-delivered prices prescribed in Schedule II, footnote 4 of this Order are the minimum prices to be charged and paid when the product

purchased is delivered by a milk dealer or subdealer to a consumer. These prices are applicable irrespective of the ultimate use by the consumer and apply to all sales to a consumer except those as defined in Subsection (c).

(e) Any special fees, assessments, or other charges imposed on milk dealers by Pennsylvania or the federal government will be recognized in the computation of resale prices for Area 1, PROVIDED that these fees, assessments, or other charges are based on the amount of Class I milk sold or handled in Pennsylvania by the milk dealers, and PROVIDED further that these fees, assessments, or other charges are not currently recognized in the computation of resale prices for Area 1.

(f) Generally the Board shall build up the wholesale and retail prices by performing the following operations:

1. Undiscounted Wholesale Price Buildup

A. Add together the announced skim and butterfat values ingredient costs, and the bulk costs, such as shrink, and gain or loss on bulk milk or cream, for each of the products priced by the Board to arrive at a total price per pound.

B. Multiply the total price per pound for each of the price-controlled products by the appropriate factor for each of the container sizes priced to arrive at a raw product cost per container.

C. Add together the raw product cost per container calculated in (f)1.B., the cost center costs (processing, packing and delivery costs), the updated energy adjustments (the diesel fuel adjustment and the heating fuel adjustment), the quarter-to-quarter cost update adjustment, and the container efficiency adjustment to arrive at the average delivered cost.

D. Add together the average delivered cost and the Board defined profit to arrive at a price with profit.

E. Subtract from the price with profit the average cost of delivery before adding the small stop-high cost delivery cost to arrive at the undiscounted minimum wholesale price.

2. Retail Price Buildup

A. Subtract from the undiscounted wholesale price the discount most prevalent in the marketplace before adding the in-store handling cost to arrive at a retail price before profit.

B. Add the retail price before profit and the Board defined profit to arrive at the minimum retail price.

## PROVISION 2 – RESALE PRICE ADJUSTMENTS

(a) The minimum resale prices for all products prescribed in Schedules I and II of this Order will be adjusted upward or downward with movements in the Class I and Class II skim and butterfat price along with other monthly adjustments as called for by Orders of the Board.

(b) In-store handling costs shall be adjusted monthly with changes in the Consumer Price Index.

## PROVISION 3 – PREVAILING MILK COST

Reserved. See Official General Order A-903 Amended and subsequent orders.

## PROVISION 4 – PRICING MULTIPLE UNIT PACKAGES

Reserved.

## PROVISION 5 – EXEMPTIONS FROM BULK RESALE PRICING PROVISIONS

The following sales of bulk milk or bulk cream or both are exempt from the resale prices set forth in Schedule I of this Order:

(a) Any sale of bulk cream in excess of 320 quarts per sale;

(b) Any sale of bulk milk or bulk cream (sweet or sour) to a manufacturer of food products, provided the milk or cream is used exclusively for the manufacture of food products at the plant or plants of the manufacturer and no fluid milk or cream is moved from the manufacturing location;

(c) Any sale to a bakery, hotel, restaurant, hospital, or institution that operates a commissary separate and apart from its other accommodations. "Separate and apart" as used herein means separately housed and completely detached from other accommodations.

(d) This Provision is not applicable to any sales in which the buyer takes physical possession of bulk packaged milk containers, gallon, half gallon, quart, pint, one-third quart, half pint, or other similar containers for which a resale price is established by this Order.

(e) Any sale made under this Provision shall not be used in computing the average daily delivery under the bulk pricing in Schedule I of this Order.

(f) A dealer making sales under this Provision, whether cash or credit, shall be required to have readily available for inspection by personnel of the Board, for a period of two (2) years, the following:

- (1) Exact location of the manufacturing plant(s) where products were utilized;
- (2) The selling price and quantity of any product sold under this Provision together with the price and quantity of any other products sold; and
- (3) A record from which the Board can readily ascertain the method by which the sales price was determined.

#### PROVISION 6 – LIMITED SERVICE DISCOUNT

(a) A person making a wholesale sale of Class I or II price-controlled packaged products for resale or use in Area 1 by means of limited service delivery as defined in Section B may reduce the prices set forth in Schedule I of this Order by:

- (1) 4% if the weekly average delivery to an individual stop is at least 400 quarts;
- (2) 7% if the weekly average delivery to an individual stop is at least 700 quarts;
- (3) 13% if the weekly average delivery to an individual stop is at least 1,200 quarts;

PROVIDED that Subsections (b) through (d) of this Provision are complied with.

(b) For purposes of this Provision, the weekly average delivery shall be the total number of quarts of Class I or II price-controlled packaged products, net of returns of defective products, delivered to or picked up by the purchaser at an individual stop for resale in the original package, divided by the number of actual deliveries of price-controlled packaged products made from 12:01 A.M. on Monday to 12:00 midnight on the following Sunday. Each seller making a wholesale sale may consider only that seller's own sales and not sales by other sellers in determining whether the purchaser qualifies for a price reduction under this Provision.

(c) The price reductions set forth in this Provision shall apply only when an order for Class I or II price-controlled packaged products is placed by the purchaser at least a day before each delivery.

(d) Empty cases or containers shall be assembled by the purchaser for convenient pickup by the seller.

#### PROVISION 7 – MULTI-STORE DISCOUNT: QUALIFICATIONS

(a) Three or more stores may form a multi-store group provided all of the following are satisfied:

- (1) The stores are owned by the same person or persons, are operated under franchises granted by the same franchiser, or purchase Class I or II price-

controlled packaged products pursuant to a contract with the same contracting entity;

(2) All invoices for Class I or II price-controlled packaged products purchased by the stores are received and processed by the common owner, franchiser, or contracting entity and payment for all Class I or II price-controlled packaged products purchased under a multi-store discount is guaranteed by the common owner, franchiser, or contracting entity;

(3) Each store receives an average of 400 quarts of Class I or II price-controlled packaged products per delivery; and

(4) The primary dealer files with the Board a sworn statement listing the name and address of each store in the multi-store group and the aggregate weekly volume of purchases of Class I or II price-controlled packaged products for all stores in the multi-store group. The multi-store group may file the information required by this paragraph if the primary dealer fails to do so.

(5) The primary dealer serving a qualified multi-store group must provide to each member store of the group a letter certifying that the multi-store group qualifies for the discount based upon its stated volume transactions with that same primary supplier.

(b) A milk dealer making a limited service wholesale sale of Class I or II price-controlled packaged products to a multi-store group may reduce the prices set forth in Schedule I by:

(1) 4% if the average number of quarts per delivery for each store within the qualified multi-store group is at least 400 quarts.

(2) 7% if the average number of quarts per delivery for each store within the qualified multi-store group is at least 700 quarts.

(3) 13% if the average number of quarts per delivery for each store within the qualified multi-store group is at least 1,200 quarts.

(c) The average number of quarts per delivery for each store in the multi-store group shall be determined by dividing the total number of quarts of Class I and Class II price-controlled packaged products (net of returns of defective products) delivered to each member store in the multi-store group for resale in the original package by the number of actual deliveries of price-controlled packaged products to that same member store between 12:01 A.M. on Monday to 12:00 midnight on the following Sunday. Based on the average volume, each member store may qualify for the discounts noted in Subsection (b).

(d) The total volume for the multi-store group as a whole shall be determined by the total number of quarts of Class I and Class II price-controlled packaged products (net of returns of defective product) delivered to all qualified stores within the group, for resale in the original package, between 12:01 A.M. on Monday to 12:00 midnight on the following Sunday. This total shall determine the level of discount provided for in Provision 9.

(e) Volumes by any other dealer qualifying as a secondary supplier shall not be used to compute either the total volume for the multi-store group or the individual volume for each store within the group.

#### PROVISION 8 – MULTI-STORE GROUP: SECONDARY SUPPLIER

(a) A secondary supplier making a wholesale sale of Class I or II price-controlled packaged products to a store that is a member of a multi-store group may reduce the prices set forth in Schedule I of this Order by the same percentage that the primary supplier is permitted to reduce its prices.

(b) A secondary supplier selling Class I or II price-controlled packaged products to a member of a multi-store group must comply with all the requirements set forth in this Order that apply to the primary supplier except for the volume of purchases.

(c) A secondary supplier may be the exclusive supplier for an individual store within a multi-store group as long as all other requirements specified in Provisions 7 through 9 are satisfied.

(d) A secondary supplier must obtain and keep available for inspection and copying by Board personnel a copy of the certification letter provided by the multi-store group's primary dealer as required in Provision 5, Subsection (a), Paragraph (5), to one or more members of the group that the secondary supplier is servicing.

#### PROVISION 9 – MULTI-STORE GROUP: ADDITIONAL DISCOUNT

(a) A primary supplier or a secondary supplier making a wholesale sale of Class I or II price-controlled packaged products to a multi-store group on a limited service basis may reduce the prices set forth in Schedule I by an additional:

(1) 1% of the total amount due prior to the application of the discount set forth in Provision 7 if total deliveries to the multi-store group are in excess of 10,000 quarts per week; or

(2) 2% of the total amount due prior to the application of the discount set forth in Provision 7 if total deliveries to the multi-store group are in excess of 100,000 quarts per week.

(b) The additional discount permitted by this Provision may be given to the common owner, franchiser, or contracting entity only and not to the individual store members of the multi-store group. A common owner, franchiser, or contracting entity that accepts the additional discount permitted under this Provision guarantees payment to the primary supplier or the secondary supplier or both.

## PROVISION 10 – SCHOOL DISCOUNT

(a) A person making a wholesale sale of Class I or Class II price-controlled packaged products to a school district may reduce Board-mandated minimum prices by 18%, coupled with a stop charge equivalent to the 12-month moving average cost shown on the monthly price schedule for Area No. 1, if the weekly delivery to schools within the school district is at least 50,000 quarts of price-controlled packaged products. A seller may consider only its own sales and not sales by others in determining whether a school district meets the volume requirement for the 18% plus stop charge discount.

(b) A person making a wholesale sale of Class I or Class II price-controlled packaged products to a school may reduce Board-mandated minimum prices by:

- (1) 4% if the weekly average delivery to the purchasing school is at least 275 quarts;
- (2) 7% if the weekly average delivery to the purchasing school is at least 700 quarts, and the school satisfies the requirements set out in Section F, Provision 6; and
- (3) 13% if the weekly average delivery to the purchasing school is at least 1,200 quarts, and the school satisfies the requirements set out in Section F, Provision 6.

(c) A person may apply the discounts provided for in section (a) or section (b) of this Provision but not both.

(d) A person making a delivery to which the 4% discount set out in Subsection (b)(1) applies may provide one or more of the following services:

- (i) taking the delivered products from the school dock to the dairy case or cooler;
- (ii) removing leakers and defective products;
- (iii) rotating cases or stock within the dairy case or cooler.

The purchasing school is responsible for any further handling of the products; the seller may not provide any other service listed in the definition of “full service delivery” in Section B of this Order.

(e) As used in Subsection (b), “weekly average delivery” means the total number of quarts of Class I or Class II price-controlled packaged products delivered to an individual stop or picked up by the purchasing school for resale in the original package divided by the number of actual deliveries or pick-ups made from 12:01 a.m. on Monday to 12:00 midnight on the following Sunday. The seller may consider only its own sales and not sales by others in determining whether the purchasing school meets the volume requirement for a 13%, 7%, or 4% discount.

## PROVISION 11 – DEALER AND SUBDEALER DISCOUNTS

(a) A licensed milk dealer or subdealer selling Class I or II price-controlled packaged products to a licensed milk dealer or subdealer may reduce the prices set forth in Schedule I of this Order by:

- (1) 15% if the buyer takes possession of 2,500 quarts of price-controlled packaged products at a single location per dealer as designated by the dealer or subdealer;
- (2) 19% if the buyer takes possession of 2,500 quarts of price-controlled packaged products at the plant where processed and packaged. All sales transacted under this Subsection must be recorded and priced in the home area of the processing dairy.

(b) The price reductions set forth in Subsection (a) may be made only if:

- (1) The selling dealer does not pay consideration of any type to the purchaser for services rendered; and
- (2) The selling dealer does not provide to the purchaser, directly or indirectly, any labor or other personal service in connection with the transportation for resale of the products purchased. In implementing this paragraph, the Board will use the criteria in Section F, Provision 1, Subsection (a) to determine whether a trucking company is independent from the seller.

## PROVISION 12 – DOCK PICK-UP DISCOUNT

(a) A person making a wholesale sale of Class I or II price-controlled packaged products may reduce the prices set forth in Schedule I of this Order by 18 percent when:

- (1) The customer purchases at least 4,000 quarts per transaction; and
- (2) The customer takes possession of the product at the plant where processed and packaged.

(b) The price reductions set forth in Subsection (a) may be made only if:

- (1) The selling dealer does not pay consideration of any type to the purchaser for services rendered; and
- (2) The selling dealer does not provide to the purchaser, directly or indirectly, any labor or other personal service in connection with the transportation for resale of the products purchased. In implementing this paragraph, the Board will use the criteria in Section F, Provision 1, Subsection (a) to determine whether a trucking company is independent from the seller.

PROVISION 13 – NEW TYPES OF MILK OR MILK CONTAINERS

No product or type of milk or cream or size of container for which a price is not specifically prescribed and listed on Schedules I and II shall be used or sold within the Commonwealth until authority is granted by the Board for its use or sale.

PROVISION 14 – RETURNABLE REUSABLE CONTAINER DEPOSIT

A deposit shall be charged and collected on each returnable, reusable container as follows:

	<u>Gallon</u>	<u>Half Gallon</u>
Dealer to Wholesale Customer	\$0.50	\$0.40
Store to Consumer	0.50	0.40
Dealer to Consumer	0.50	0.40

**SECTION G  
COST REPLACEMENT**

Annually, after submission of the Milk Dealer's Financial Statement, the Board will schedule a cost replacement hearing to receive evidence of appropriate costs including but not limited to annualized and current costs for then deemed relevant cost components for processing, packaging, and delivery costs for Class I and II price-controlled packaged products, as well as in-store handling costs. The foregoing evidence shall be based on the audited costs of a cross-section of milk dealers doing business in Area No. 1. In addition, the Board will receive evidence bearing on a reasonable rate of return for milk dealers and retailers.

**SECTION H  
SEVERABILITY**

If any section, provision, subsection, paragraph, or clause of this order is determined to be unconstitutional or otherwise contrary to law, the remainder of the order shall be given effect as though that section, provision, subsection, paragraph, or clause has not been included.

PENNSYLVANIA MILK MARKETING BOARD

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Richard Kriebel, Chairman

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Luke F. Brubaker, Member

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Barbara A. Grumbine, Consumer Member

Date: May 7, 2008

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**FINDINGS OF FACT AND CONCLUSIONS OF LAW**  
**GENERA PRICE HEARING FOR MILK MARKETING AREA NO. 1**  
**FEBRUARY 11, 2008**

I. FINDINGS OF FACT

A. Procedural History

1. On February 11, 2008, the Pennsylvania Milk Marketing Board ("Board") held a general price hearing for Milk Marketing Area No. 1.

2. Notice of the hearing was published at 38 Pennsylvania Bulletin 138 dated January 5, 2008. It was also mailed to those who have requested mailed notice of Board hearings via Board Bulletin No. 1422, dated December 21, 2007. The hearing notice enumerated the scope of evidence that the Board would receive.

B. Validity of Dealer Cross-Section

3. The dealer cross-section used by both Board Staff and the Area 1 Milk Dealers (Dealers), the only parties to present dealer cost information, consisted of Rosenberger's Dairies, LLC, Tuscan/Lehigh Dairies, L.P. – Lansdale, Wawa, Inc., and Milk Industry Management Corporation t/a Balford Farms.

4. Clifford Ackman, appearing on behalf of Board Staff as an expert in milk statistics, testified that the dealer cross section was representative of the dealers doing business in Area 1. Mr. Ackman based his opinion on the amounts and types of milk sold by the cross section dealers, the types of customers served by the cross section dealers, and the delivery techniques employed by the cross section dealers. Carl Herbein, appearing on behalf of the Area 1 milk dealers as an expert in milk cost accounting, testified that the dealer cross section processed, packaged, and delivered a majority of the fluid milk products in Area 1 and delivered to a range of customers in Area 1 which included supermarkets, convenience stores, schools and institutions, and small retail outlets. Mr. Herbein opined that the cross-section was representative of the dealers selling in Area 1. Based on the factors outlined by Mr. Ackman and Mr. Herbein, the Board finds that the dealer cross section used by both Board Staff and Dealers is representative of dealers doing business in Area 1.

C. Dealer Costs and Rate of Return

5. Gary Gojsovich testified on behalf of Board Staff as an expert in milk cost accounting and milk marketing. Both Mr. Gojsovich and Mr. Herbein testified that the cross-section dealers incurred a cost of \$0.2584 per point for processing, packaging, and delivering milk in 2006. Based on this uncontradicted testimony, the Board finds that the cross section dealers incurred a cost of \$0.2584 per point for processing,

packaging, and delivery, and further finds that \$0.2584 is the processing, packaging, and delivery cost that should be used in this order.

6. Mr. Gojsovich and Mr. Herbein testified to the following ingredient costs as of April 2007, based on year 2006 pounds: Standard Milk - \$0.0001/lb; Reduced Fat Milk - \$0.0003/lb; Low Fat Milk - \$0.0002/lb; Non-Fat Milk - \$0.0002/lb; Flavored Milk - \$0.0369/lb; Flavored Reduced Fat Milk - \$0.0306/lb; Buttermilk - \$0.0118/lb; Egg Nog - \$0.0976/lb. The Board finds that these ingredient costs should be used in this order.

7. Mr. Gojsovich and Mr. Herbein presented concurring evidence as to an adjustment for shrinkage and sales of bulk products of \$0.0003 per pound. However, the Board held a subsequent hearing dealing with these costs. The Official General Order from that hearing will be issued contemporaneously with this order and the Board finds that the cost for shrinkage and sales of bulk products found in that order should be used for deriving minimum wholesale and retail prices in Area No. 1.

8. Mr. Gojsovich and Mr. Herbein presented concurring evidence regarding the cost update for labor, insurance, and utility costs of \$(0.0049) per point between the second quarters of 2006 and 2007. The Board finds that \$(0.0049) per point should be used in this order.

9. Official General Order A-939 established area-specific adjustments to minimum wholesale and retail prices to account for monthly changes in diesel fuel costs. Mr. Gojsovich recommended that the adjustment continue, based on a somewhat simplified calculation that yielded the same results. Mr. Herbein agreed that the adjustment should continue. The Board finds that the adjustment should continue, based on the methodology presented by Mr. Gojsovich in Staff Exhibit 6 and attached to this order as Attachment 1.

10. Official General Order A-937 established area-specific adjustments to minimum wholesale and retail prices to account for monthly changes in heating fuel costs. Mr. Gojsovich recommended that the adjustment continue, based on a simplified calculation similar to the one recommended for diesel fuel costs. The new methodology recommended by Mr. Gojsovich would use only the most current announced price for heating fuels to update the 2006 average heating cost. Mr. Herbein agreed that the adjustment should continue. The Board finds that the adjustment should continue, based on the methodology presented by Mr. Gojsovich in Staff Exhibit 7 and attached to this order as Attachment 2.

11. David DeSantis testified on behalf of Board Staff as an expert in milk cost accounting and milk marketing. Mr. DeSantis testified regarding a container efficiency adjustment. Mr. Herbein also testified regarding a container efficiency adjustment. The purpose of the adjustment is to account for different levels of efficiency filling and handling the various sizes of containers. Larger containers are more efficient to fill and handle in the plant, while smaller containers are less efficient. Mr. DeSantis and Mr. Herbein testified that the various efficiencies should be accounted for as follows: Gallon

- \$(0.0720); Half Gallon - \$(0.0455); Quart - \$0.0252; Pint - \$0.0763; Half Pint - \$0.0268; Four Ounce - \$0.0276; Bulk Per Quart - \$0.0655. Based on the credible testimony of Mr. DeSantis and Mr. Herbein, the Board finds that there are efficiency differences in the plant among various containers and that those efficiency differences should be accounted for. The Board further finds that the container efficiency adjustments derived by Mr. DeSantis and Mr. Herbein are appropriate to use in this order.

12. Mr. DeSantis and Mr. Herbein testified regarding dealer delivery costs and discounts. The Board has provided for discounts from minimum wholesale prices in recognition of the efficiencies of various delivery sizes and amounts of service provided by milk dealers to their wholesale accounts. Mr. DeSantis testified that the Board should adopt a cents per quart discount structure. Mr. Herbein testified that the Board should continue the Area 1 policy of percentage discounts.

John Liptock, Jr., testified on behalf of the Pennsylvania Food Merchants Association as an expert in retail store accounting and dairy in-store handling costs. Mr. Liptock testified that the Board should continue using the percentage discount structure. He testified that percentage discounts are familiar to the stores through its past use and also that percentage discounts are common across all items sold by retailers. Mr. Liptock testified that he was not aware of any area that retailers used cents per amount for a discount rather than percentages.

Mr. Herbein testified that the milk dealers' delivery and service costs justified continuing to use the existing percentage discounts. He did recommend, however, that licensee-to-licensee discounts require a 2,500 quart minimum to justify the level of discount.

Based on the testimony of Mr. Herbein and Mr. Liptock, the Board finds that percentage discounts should continue in Area 1 at their existing levels with the addition of a 2,500 quart minimum for licensee-to-licensee discounts. The Board finds that the industry is accustomed to using percentage discounts. Given that the industry representatives who testified on behalf of milk dealers and retailers both recommended that the percentage discounts should continue, and that those discounts are cost justified, the Board finds that percentage discounts should continue.

13. Official General Order A-899 provides for school discounts in Area 1. OGO A-899 refers to Official General Order A-890A. OGO A-890A is the general price order for Area 1, which will be superseded by this order. To address this situation, Board Staff and Dealers recommended that the appropriate provisions of OGO A-899 be adopted in this order. The Board finds that this is an appropriate way to handle school discounts in Area 1.

14. Mr. Herbein testified that the milk dealer rate of return should remain at 3.3%. There was no testimony to the contrary. Therefore, the Board finds that the milk dealer rate of return should remain at 3.3%.

15. Neither Board Staff nor Mr. Herbein presented evidence regarding Class II products. Mr. DeSantis and Mr. Herbein testified that the Dealers and Board Staff anticipated requesting a separate hearing to address the complexities of Class II pricing. Since there was no proposal by any party to change Class II pricing, the Board finds that the current Class II pricing methodology shall continue until a Class II hearing is called and the results memorialized in an Official General Order.

16. Lance Haver of the Philadelphia Mayor's Office of Consumer Affairs also participated in the hearing. Mr. Haver asked several questions of Mr. Herbein and Mr. Ackman. While the Board did take note of the questions and answers, they had no effect on the decision reached by the Board.

D. Retailer Costs and Rate of Return

17. Mr. DeSantis and Mr. Liptock testified regarding retailers' dairy in-store handling costs based on the cross-section of retailers outlined in Staff Exhibit 10 and Table 1 of Mr. Liptock's exhibit. Mr. Ackman testified that the cross-section of stores was statistically significant and representative of all stores doing business in Area 1. Mr. Liptock agreed that the statistical sampling method used by Board Staff to choose the cross-section of stores was appropriate and that the cross-section of stores was appropriate to use to develop an in-store handling cost for Area 1.

18. Mr. DeSantis testified that the average in-store handling cost for the cross-section of stores was \$0.1297 per quart. Mr. Liptock testified that the average in-store handling cost was \$0.1295 per quart. The difference is apparently attributable to rounding. Based on the testimony of Mr. DeSantis and Mr. Liptock, the Board finds that the appropriate in-store handling cost to be used to arrive at minimum retail prices is \$0.1295 per quart.

19. Mr. Liptock testified that the in-store handling cost should be adjusted monthly based on changes in the Consumer Price Index, as is Board practice in all other milk marketing areas. The Board agrees and finds that the in-store handling cost in Area 1 should be adjusted monthly based on changes in the Consumer Price Index using the same methodology used in all other milk marketing areas.

## II. CONCLUSIONS OF LAW

1. The February 11, 2008, general price hearing for Milk Marketing Area No. 1 was held pursuant to authority granted to the Board in section 801 of the Milk Marketing Law (Law), 31 P.S. § 700j-801.

2. The hearing was held following adequate notice, and all interested persons were given a reasonable opportunity to be heard.

3. The cross-section used to establish dealer costs met the requirement of representativeness of section 801 of the Law.

4. The cross-section used to establish retailer costs met the requirement of representativeness of section 801 of the Law.

5. Official General Order A-899 is superseded by this order.

6. In establishing the attached order, the Board has considered the entire record and has concluded that the adoption of this order is supported by a preponderance of the evidence and is reasonable and appropriate under section 801 of the Law, subject to any revisions or amendments the Board may make in the manner set forth in the Law.

### PENNSYLVANIA MILK MARKETING BOARD

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Richard Kriebel, Chairman

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Luke F. Brubaker, Member

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Barbara A. Grumbine, Consumer Member

Date: May 7, 2008

IF YOU REQUIRE THIS INFORMATION IN AN ALTERNATE FORMAT, PLEASE CALL (717) 787-4194 OR 1-800-654-5984 (PA RELAY SERVICE FOR TDD USERS).

**MILK COSTS BEFORE PACKAGING  
MAY 2008 MILK COSTS**

	Class I	Class II
Skim Rate	\$ 18.41	\$ 10.40
Butterfat Rate	\$ 1.5314	\$ 1.4635

	A	B	C	D	E	F	G	H	I	J	
			(A - B)	(B X BF Rate)	(C X Skim Rate)	(D + E)	(F / A)	(EX. 3)	(EX. 3)	(G + H + I)	
Product Description	Product Pounds	Butterfat Pounds	Skim Pounds	Butterfat Value	Skim Value	Total Value	Cost per Pound	Ingredient Cost	Bulk Sale (Profit)/Loss	Total Cost per Pound	
Class 1	Standard Milk	123,806,878	4,055,607	119,751,271	\$ 6,210,757	\$ 22,046,209	\$ 28,256,966	\$ 0.2282	\$ 0.0001	\$ 0.0015	\$ 0.2298
	Reduced Fat (2%) Milk	86,808,945	1,711,706	85,097,239	\$ 2,621,307	\$ 15,666,402	\$ 18,287,709	\$ 0.2107	\$ 0.0003	\$ 0.0015	\$ 0.2125
	Low Fat (1%) Milk	50,759,504	493,147	50,266,357	\$ 755,205	\$ 9,254,036	\$ 10,009,241	\$ 0.1972	\$ 0.0002	\$ 0.0015	\$ 0.1989
	Non Fat (Skim) Milk	65,947,983	97,605	65,850,378	\$ 149,472	\$ 12,123,055	\$ 12,272,527	\$ 0.1861	\$ 0.0002	\$ 0.0015	\$ 0.1878
	Flavored Milk	3,076,888	104,632	2,972,256	\$ 160,233	\$ 547,192	\$ 707,425	\$ 0.2299	\$ 0.0369	\$ 0.0015	\$ 0.2683
	Flavored Reduced Fat	18,799,992	185,414	18,614,578	\$ 283,943	\$ 3,426,944	\$ 3,710,887	\$ 0.1974	\$ 0.0306	\$ 0.0015	\$ 0.2295
	Buttermilk	1,499,844	29,949	1,469,895	\$ 45,864	\$ 270,608	\$ 316,472	\$ 0.2110	\$ 0.0118	\$ 0.0015	\$ 0.2243
Egg Nog	378,303	24,478	353,825	\$ 37,486	\$ 65,139	\$ 102,625	\$ 0.2713	\$ 0.0976	\$ 0.0015	\$ 0.3704	
Class 2	Half & Half	10,269,943	1,083,181	9,186,762	\$ 1,585,235	\$ 955,423	\$ 2,540,659	\$ 0.2474			\$ 0.2474
	Sour Cream	100,000	18,000	82,000	\$ 26,343	\$ 8,528	\$ 34,871	\$ 0.3487			\$ 0.3487
	Light Cream	1,710,872	314,010	1,396,862	\$ 459,554	\$ 145,274	\$ 604,827	\$ 0.3535			\$ 0.3535
	Medium Cream	100,000	30,000	70,000	\$ 43,905	\$ 7,280	\$ 51,185	\$ 0.5119			\$ 0.5119
	Heavy Cream	2,327,124	877,534	1,449,590	\$ 1,284,271	\$ 150,757	\$ 1,435,028	\$ 0.6167			\$ 0.6167

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**WHOLESALE PRICE BUILDUP  
MAY 2008 MILK PRICES**

	A EX. 4	B EX. 2	C EXS. 5, 6 & 7	D EX. 2	E EX. 8	F (A+B+C+D+E)	G	H (F + G)	I EX. 2	J EX. 13	K (H + I + J)
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Processing Cost	Container Efficiency Adjustment	Average Delivered Cost	Profit at 3.30%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price

STANDARD (WHOLE) MILK	Gallon	\$ 1.9763	\$ 0.1774	\$ 0.0024	\$ 1.0336	\$ (0.0720)	\$ 3.1177	\$ 0.1064	\$ 3.2241	\$ (0.4644)	\$ 0.9364	\$ 3.6961
	Half Gallon	\$ 0.9881	\$ 0.1321	\$ 0.0012	\$ 0.5168	\$ (0.0455)	\$ 1.5927	\$ 0.0544	\$ 1.6471	\$ (0.2322)	\$ 0.4682	\$ 1.8831
	Quart	<b>\$ 0.4941</b>	<b>\$ 0.1007</b>	<b>\$ 0.0006</b>	<b>\$ 0.2584</b>	<b>\$ 0.0252</b>	<b>\$ 0.8790</b>	<b>\$ 0.0300</b>	<b>\$ 0.9090</b>	<b>\$ (0.1161)</b>	<b>\$ 0.2341</b>	<b>\$ 1.0270</b>
	Pint	\$ 0.2470	\$ 0.0848	\$ 0.0003	\$ 0.1292	\$ 0.0763	\$ 0.5376	\$ 0.0183	\$ 0.5559	\$ (0.0581)	\$ 0.1171	\$ 0.6149
	12 Ounce	\$ 0.1853	\$ 0.0361	\$ 0.0002	\$ 0.0969	\$ 0.0487	\$ 0.3672	\$ 0.0125	\$ 0.3797	\$ (0.0435)	\$ 0.0878	\$ 0.4240
	10 Ounce	\$ 0.1544	\$ 0.0301	\$ 0.0002	\$ 0.0808	\$ 0.0370	\$ 0.3025	\$ 0.0103	\$ 0.3128	\$ (0.0363)	\$ 0.0732	\$ 0.3497
	Half Pint	\$ 0.1235	\$ 0.0183	\$ 0.0002	\$ 0.0646	\$ 0.0268	\$ 0.2334	\$ 0.0080	\$ 0.2414	\$ (0.0290)	\$ 0.0585	\$ 0.2709
	4 Ounce	\$ 0.0618	\$ 0.0181	\$ 0.0001	\$ 0.0323	\$ 0.0276	\$ 0.1399	\$ 0.0048	\$ 0.1447	\$ (0.0145)	\$ 0.0293	\$ 0.1595
	Bulk per Quart	\$ 0.4941	\$ 0.0591	\$ 0.0006	\$ 0.2584	\$ 0.0655	\$ 0.8777	\$ 0.0300	\$ 0.9077	\$ (0.1161)	\$ 0.2341	\$ 1.0257

REDUCED FAT (2%) MILK	Gallon	\$ 1.8318	\$ 0.1774	\$ 0.0024	\$ 1.0336	\$ (0.0720)	\$ 2.9732	\$ 0.1015	\$ 3.0747	\$ (0.4644)	\$ 0.9364	\$ 3.5467
	Half Gallon	\$ 0.9159	\$ 0.1321	\$ 0.0012	\$ 0.5168	\$ (0.0455)	\$ 1.5205	\$ 0.0519	\$ 1.5724	\$ (0.2322)	\$ 0.4682	\$ 1.8084
	Quart	\$ 0.4579	\$ 0.1007	\$ 0.0006	\$ 0.2584	\$ 0.0252	\$ 0.8428	\$ 0.0288	\$ 0.8716	\$ (0.1161)	\$ 0.2341	\$ 0.9896
	Pint	\$ 0.2290	\$ 0.0848	\$ 0.0003	\$ 0.1292	\$ 0.0763	\$ 0.5196	\$ 0.0177	\$ 0.5373	\$ (0.0581)	\$ 0.1171	\$ 0.5963
	12 Ounce	\$ 0.1717	\$ 0.0361	\$ 0.0002	\$ 0.0969	\$ 0.0487	\$ 0.3536	\$ 0.0121	\$ 0.3657	\$ (0.0435)	\$ 0.0878	\$ 0.4100
	10 Ounce	\$ 0.1431	\$ 0.0301	\$ 0.0002	\$ 0.0808	\$ 0.0370	\$ 0.2912	\$ 0.0099	\$ 0.3011	\$ (0.0363)	\$ 0.0732	\$ 0.3380
	Half Pint	\$ 0.1145	\$ 0.0183	\$ 0.0002	\$ 0.0646	\$ 0.0268	\$ 0.2244	\$ 0.0077	\$ 0.2321	\$ (0.0290)	\$ 0.0585	\$ 0.2616
	4 Ounce	\$ 0.0572	\$ 0.0181	\$ 0.0001	\$ 0.0323	\$ 0.0276	\$ 0.1353	\$ 0.0046	\$ 0.1399	\$ (0.0145)	\$ 0.0293	\$ 0.1547
	Bulk per Quart	\$ 0.4579	\$ 0.0591	\$ 0.0006	\$ 0.2584	\$ 0.0655	\$ 0.8415	\$ 0.0287	\$ 0.8702	\$ (0.1161)	\$ 0.2341	\$ 0.9882

LOW FAT (1%) MILK	Gallon	\$ 1.7145	\$ 0.1774	\$ 0.0024	\$ 1.0336	\$ (0.0720)	\$ 2.8559	\$ 0.0975	\$ 2.9534	\$ (0.4644)	\$ 0.9364	\$ 3.4254
	Half Gallon	\$ 0.8573	\$ 0.1321	\$ 0.0012	\$ 0.5168	\$ (0.0455)	\$ 1.4619	\$ 0.0499	\$ 1.5118	\$ (0.2322)	\$ 0.4682	\$ 1.7478
	Quart	\$ 0.4286	\$ 0.1007	\$ 0.0006	\$ 0.2584	\$ 0.0252	\$ 0.8135	\$ 0.0278	\$ 0.8413	\$ (0.1161)	\$ 0.2341	\$ 0.9593
	Pint	\$ 0.2143	\$ 0.0848	\$ 0.0003	\$ 0.1292	\$ 0.0763	\$ 0.5049	\$ 0.0172	\$ 0.5221	\$ (0.0581)	\$ 0.1171	\$ 0.5811
	12 Ounce	\$ 0.1607	\$ 0.0361	\$ 0.0002	\$ 0.0969	\$ 0.0487	\$ 0.3426	\$ 0.0117	\$ 0.3543	\$ (0.0435)	\$ 0.0878	\$ 0.3986
	10 Ounce	\$ 0.1339	\$ 0.0301	\$ 0.0002	\$ 0.0808	\$ 0.0370	\$ 0.2820	\$ 0.0096	\$ 0.2916	\$ (0.0363)	\$ 0.0732	\$ 0.3285
	Half Pint	\$ 0.1072	\$ 0.0183	\$ 0.0002	\$ 0.0646	\$ 0.0268	\$ 0.2171	\$ 0.0074	\$ 0.2245	\$ (0.0290)	\$ 0.0585	\$ 0.2540
	4 Ounce	\$ 0.0536	\$ 0.0181	\$ 0.0001	\$ 0.0323	\$ 0.0276	\$ 0.1317	\$ 0.0045	\$ 0.1362	\$ (0.0145)	\$ 0.0293	\$ 0.1510
	Bulk per Quart	\$ 0.4286	\$ 0.0591	\$ 0.0006	\$ 0.2584	\$ 0.0655	\$ 0.8122	\$ 0.0277	\$ 0.8399	\$ (0.1161)	\$ 0.2341	\$ 0.9579

NON FAT (SKIM) MILK	Gallon	\$ 1.6207	\$ 0.1774	\$ 0.0024	\$ 1.0336	\$ (0.0720)	\$ 2.7621	\$ 0.0943	\$ 2.8564	\$ (0.4644)	\$ 0.9364	\$ 3.3284
	Half Gallon	\$ 0.8104	\$ 0.1321	\$ 0.0012	\$ 0.5168	\$ (0.0455)	\$ 1.4150	\$ 0.0483	\$ 1.4633	\$ (0.2322)	\$ 0.4682	\$ 1.6993
	Quart	\$ 0.4052	\$ 0.1007	\$ 0.0006	\$ 0.2584	\$ 0.0252	\$ 0.7901	\$ 0.0270	\$ 0.8171	\$ (0.1161)	\$ 0.2341	\$ 0.9351
	Pint	\$ 0.2026	\$ 0.0848	\$ 0.0003	\$ 0.1292	\$ 0.0763	\$ 0.4932	\$ 0.0168	\$ 0.5100	\$ (0.0581)	\$ 0.1171	\$ 0.5690
	12 Ounce	\$ 0.1519	\$ 0.0361	\$ 0.0002	\$ 0.0969	\$ 0.0487	\$ 0.3338	\$ 0.0114	\$ 0.3452	\$ (0.0435)	\$ 0.0878	\$ 0.3895
	10 Ounce	\$ 0.1266	\$ 0.0301	\$ 0.0002	\$ 0.0808	\$ 0.0370	\$ 0.2747	\$ 0.0094	\$ 0.2841	\$ (0.0363)	\$ 0.0732	\$ 0.3210
	Half Pint	\$ 0.1013	\$ 0.0183	\$ 0.0002	\$ 0.0646	\$ 0.0268	\$ 0.2112	\$ 0.0072	\$ 0.2184	\$ (0.0290)	\$ 0.0585	\$ 0.2479
	4 Ounce	\$ 0.0506	\$ 0.0181	\$ 0.0001	\$ 0.0323	\$ 0.0276	\$ 0.1287	\$ 0.0044	\$ 0.1331	\$ (0.0145)	\$ 0.0293	\$ 0.1479
	Bulk per Quart	\$ 0.4052	\$ 0.0591	\$ 0.0006	\$ 0.2584	\$ 0.0655	\$ 0.7888	\$ 0.0269	\$ 0.8157	\$ (0.1161)	\$ 0.2341	\$ 0.9337

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**WHOLESALE PRICE BUILDUP  
MAY 2008 MILK PRICES**

	A EX. 4	B EX. 2	C EXS. 5, 6 & 7	D EX. 2	E EX. 8	F (A+B+C+D+E)	G	H (F + G)	I EX. 2	J EX. 13	K (H + I + J)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Processing Cost	Container Efficiency Adjustment	Average Delivered Cost	Profit at 3.30%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	
<b>STANDARD (WHOLE) FLAVORED MILK</b>	Gallon	\$ 2.1464	\$ 0.1774	\$ 0.0024	\$ 1.0336	\$ (0.0720)	\$ 3.2878	\$ 0.1122	\$ 3.4000	\$ (0.4644)	\$ 0.9364	\$ 3.8720
	Half Gallon	\$ 1.0732	\$ 0.1321	\$ 0.0012	\$ 0.5168	\$ (0.0455)	\$ 1.6778	\$ 0.0573	\$ 1.7351	\$ (0.2322)	\$ 0.4682	\$ 1.9711
	Quart	\$ 0.5366	\$ 0.1007	\$ 0.0006	\$ 0.2584	\$ 0.0252	\$ 0.9215	\$ 0.0314	\$ 0.9529	\$ (0.1161)	\$ 0.2341	\$ 1.0709
	Pint	\$ 0.2683	\$ 0.0848	\$ 0.0003	\$ 0.1292	\$ 0.0763	\$ 0.5589	\$ 0.0191	\$ 0.5780	\$ (0.0581)	\$ 0.1171	\$ 0.6370
	12 Ounce	\$ 0.2012	\$ 0.0361	\$ 0.0002	\$ 0.0969	\$ 0.0487	\$ 0.3831	\$ 0.0131	\$ 0.3962	\$ (0.0435)	\$ 0.0878	\$ 0.4405
	10 Ounce	\$ 0.1677	\$ 0.0301	\$ 0.0002	\$ 0.0808	\$ 0.0370	\$ 0.3158	\$ 0.0108	\$ 0.3266	\$ (0.0363)	\$ 0.0732	\$ 0.3635
	Half Pint	\$ 0.1342	\$ 0.0183	\$ 0.0002	\$ 0.0646	\$ 0.0268	\$ 0.2441	\$ 0.0083	\$ 0.2524	\$ (0.0290)	\$ 0.0585	\$ 0.2819
	4 Ounce	\$ 0.0671	\$ 0.0181	\$ 0.0001	\$ 0.0323	\$ 0.0276	\$ 0.1452	\$ 0.0050	\$ 0.1502	\$ (0.0145)	\$ 0.0293	\$ 0.1650
	Bulk per Quart	\$ 0.5366	\$ 0.0591	\$ 0.0006	\$ 0.2584	\$ 0.0655	\$ 0.9202	\$ 0.0314	\$ 0.9516	\$ (0.1161)	\$ 0.2341	\$ 1.0696
<b>REDUCED FAT FLAVORED MILK</b>	Gallon	\$ 1.8360	\$ 0.1774	\$ 0.0024	\$ 1.0336	\$ (0.0720)	\$ 2.9774	\$ 0.1016	\$ 3.0790	\$ (0.4644)	\$ 0.9364	\$ 3.5510
	Half Gallon	\$ 0.9180	\$ 0.1321	\$ 0.0012	\$ 0.5168	\$ (0.0455)	\$ 1.5226	\$ 0.0520	\$ 1.5746	\$ (0.2322)	\$ 0.4682	\$ 1.8106
	Quart	\$ 0.4590	\$ 0.1007	\$ 0.0006	\$ 0.2584	\$ 0.0252	\$ 0.8439	\$ 0.0288	\$ 0.8727	\$ (0.1161)	\$ 0.2341	\$ 0.9907
	Pint	\$ 0.2295	\$ 0.0848	\$ 0.0003	\$ 0.1292	\$ 0.0763	\$ 0.5201	\$ 0.0177	\$ 0.5378	\$ (0.0581)	\$ 0.1171	\$ 0.5968
	12 Ounce	\$ 0.1721	\$ 0.0361	\$ 0.0002	\$ 0.0969	\$ 0.0487	\$ 0.3540	\$ 0.0121	\$ 0.3661	\$ (0.0435)	\$ 0.0878	\$ 0.4104
	10 Ounce	\$ 0.1434	\$ 0.0301	\$ 0.0002	\$ 0.0808	\$ 0.0370	\$ 0.2915	\$ 0.0099	\$ 0.3014	\$ (0.0363)	\$ 0.0732	\$ 0.3383
	Half Pint	\$ 0.1148	\$ 0.0183	\$ 0.0002	\$ 0.0646	\$ 0.0268	\$ 0.2247	\$ 0.0077	\$ 0.2324	\$ (0.0290)	\$ 0.0585	\$ 0.2619
	4 Ounce	\$ 0.0574	\$ 0.0181	\$ 0.0001	\$ 0.0323	\$ 0.0276	\$ 0.1355	\$ 0.0046	\$ 0.1401	\$ (0.0145)	\$ 0.0293	\$ 0.1549
	Bulk per Quart	\$ 0.4590	\$ 0.0591	\$ 0.0006	\$ 0.2584	\$ 0.0655	\$ 0.8426	\$ 0.0288	\$ 0.8714	\$ (0.1161)	\$ 0.2341	\$ 0.9894
<b>BUTTERMILK</b>	Gallon	\$ 1.9335	\$ 0.1774	\$ 0.0024	\$ 1.0336	\$ (0.0720)	\$ 3.0749	\$ 0.1049	\$ 3.1798	\$ (0.4644)	\$ 0.9364	\$ 3.6518
	Half Gallon	\$ 0.9667	\$ 0.1321	\$ 0.0012	\$ 0.5168	\$ (0.0455)	\$ 1.5713	\$ 0.0536	\$ 1.6249	\$ (0.2322)	\$ 0.4682	\$ 1.8609
	Quart	\$ 0.4834	\$ 0.1007	\$ 0.0006	\$ 0.2584	\$ 0.0252	\$ 0.8683	\$ 0.0296	\$ 0.8979	\$ (0.1161)	\$ 0.2341	\$ 1.0159
	Pint	\$ 0.2417	\$ 0.0848	\$ 0.0003	\$ 0.1292	\$ 0.0763	\$ 0.5323	\$ 0.0182	\$ 0.5505	\$ (0.0581)	\$ 0.1171	\$ 0.6095
	12 Ounce	\$ 0.1813	\$ 0.0361	\$ 0.0002	\$ 0.0969	\$ 0.0487	\$ 0.3632	\$ 0.0124	\$ 0.3756	\$ (0.0435)	\$ 0.0878	\$ 0.4199
	10 Ounce	\$ 0.1511	\$ 0.0301	\$ 0.0002	\$ 0.0808	\$ 0.0370	\$ 0.2992	\$ 0.0102	\$ 0.3094	\$ (0.0363)	\$ 0.0732	\$ 0.3463
	Half Pint	\$ 0.1208	\$ 0.0183	\$ 0.0002	\$ 0.0646	\$ 0.0268	\$ 0.2307	\$ 0.0079	\$ 0.2386	\$ (0.0290)	\$ 0.0585	\$ 0.2681
	4 Ounce	\$ 0.0604	\$ 0.0181	\$ 0.0001	\$ 0.0323	\$ 0.0276	\$ 0.1385	\$ 0.0047	\$ 0.1432	\$ (0.0145)	\$ 0.0293	\$ 0.1580
	Bulk per Quart	\$ 0.4834	\$ 0.0591	\$ 0.0006	\$ 0.2584	\$ 0.0655	\$ 0.8670	\$ 0.0296	\$ 0.8966	\$ (0.1161)	\$ 0.2341	\$ 1.0146
<b>EGG NOG</b>	Gallon	\$ 2.9632	\$ 0.1774	\$ 0.0024	\$ 1.0336	\$ (0.0720)	\$ 4.1046	\$ 0.1401	\$ 4.2447	\$ (0.4644)	\$ 0.9364	\$ 4.7167
	Half Gallon	\$ 1.4816	\$ 0.1321	\$ 0.0012	\$ 0.5168	\$ (0.0455)	\$ 2.0862	\$ 0.0712	\$ 2.1574	\$ (0.2322)	\$ 0.4682	\$ 2.3934
	Quart	\$ 0.7408	\$ 0.1007	\$ 0.0006	\$ 0.2584	\$ 0.0252	\$ 1.1257	\$ 0.0384	\$ 1.1641	\$ (0.1161)	\$ 0.2341	\$ 1.2821
	Pint	\$ 0.3704	\$ 0.0848	\$ 0.0003	\$ 0.1292	\$ 0.0763	\$ 0.6610	\$ 0.0226	\$ 0.6836	\$ (0.0581)	\$ 0.1171	\$ 0.7426
	12 Ounce	\$ 0.2778	\$ 0.0361	\$ 0.0002	\$ 0.0969	\$ 0.0487	\$ 0.4597	\$ 0.0157	\$ 0.4754	\$ (0.0435)	\$ 0.0878	\$ 0.5197
	10 Ounce	\$ 0.2315	\$ 0.0301	\$ 0.0002	\$ 0.0808	\$ 0.0370	\$ 0.3796	\$ 0.0130	\$ 0.3926	\$ (0.0363)	\$ 0.0732	\$ 0.4295
	Half Pint	\$ 0.1852	\$ 0.0183	\$ 0.0002	\$ 0.0646	\$ 0.0268	\$ 0.2951	\$ 0.0101	\$ 0.3052	\$ (0.0290)	\$ 0.0585	\$ 0.3347
	4 Ounce	\$ 0.0926	\$ 0.0181	\$ 0.0001	\$ 0.0323	\$ 0.0276	\$ 0.1707	\$ 0.0058	\$ 0.1765	\$ (0.0145)	\$ 0.0293	\$ 0.1913
	Bulk per Quart	\$ 0.7408	\$ 0.0591	\$ 0.0006	\$ 0.2584	\$ 0.0655	\$ 1.1244	\$ 0.0384	\$ 1.1628	\$ (0.1161)	\$ 0.2341	\$ 1.2808

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**RETAIL PRICE BUILDUP  
MAY 2008 PRICES**

		A EX. 9	B EX. 13	C	D	E (A+B+C+D)
Container Size		Proposed Wholesale Price	Deepest Discount 15%	In-Store Handling \$ 0.1297	Store Profit 2.50%	Proposed Retail Price
<b>STANDARD (WHOLE) MILK</b>	<b>Gallon</b>	\$3.6961	(\$0.5544)	\$0.5188	\$0.0939	\$3.75
	<b>Half Gallon</b>	\$1.8831	(\$0.2825)	0.2594	0.0477	1.91
	<b>Quart</b>	\$1.0270	(\$0.1541)	<b>0.1297</b>	<b>0.0257</b>	<b>1.03</b>
	<b>Pint</b>	\$0.6149	(\$0.0922)	0.0649	0.0151	0.62
	<b>12 Ounce</b>	\$0.4240	(\$0.0636)	0.0486	0.0105	0.43
	<b>10 Ounce</b>	\$0.3497	(\$0.0525)	0.0405	0.0087	0.35
	<b>Half Pint</b>	\$0.2709	(\$0.0406)	0.0324	0.0067	0.28
	<b>4 Ounce</b>	\$0.1595	(\$0.0239)	0.0162	0.0039	0.16
	<b>Bulk per Quart</b>	\$1.0257	(\$0.1539)	0.1297	0.0257	1.03
<b>REDUCED FAT (2%) MILK</b>	<b>Gallon</b>	\$3.5467	(\$0.5320)	\$0.5188	\$0.0906	\$3.62
	<b>Half Gallon</b>	\$1.8084	(\$0.2713)	0.2594	0.0461	1.84
	<b>Quart</b>	\$0.9896	(\$0.1484)	0.1297	0.0249	1.00
	<b>Pint</b>	\$0.5963	(\$0.0894)	0.0649	0.0147	0.61
	<b>12 Ounce</b>	\$0.4100	(\$0.0615)	0.0486	0.0102	0.42
	<b>10 Ounce</b>	\$0.3380	(\$0.0507)	0.0405	0.0084	0.34
	<b>Half Pint</b>	\$0.2616	(\$0.0392)	0.0324	0.0065	0.27
	<b>4 Ounce</b>	\$0.1547	(\$0.0232)	0.0162	0.0038	0.16
	<b>Bulk per Quart</b>	\$0.9882	(\$0.1482)	0.1297	0.0249	0.99
<b>LOWFAT (1%) MILK</b>	<b>Gallon</b>	\$3.4254	(\$0.5138)	\$0.5188	\$0.0880	\$3.52
	<b>Half Gallon</b>	\$1.7478	(\$0.2622)	0.2594	0.0447	1.79
	<b>Quart</b>	\$0.9593	(\$0.1439)	0.1297	0.0242	0.97
	<b>Pint</b>	\$0.5811	(\$0.0872)	0.0649	0.0143	0.59
	<b>12 Ounce</b>	\$0.3986	(\$0.0598)	0.0486	0.0099	0.40
	<b>10 Ounce</b>	\$0.3285	(\$0.0493)	0.0405	0.0082	0.33
	<b>Half Pint</b>	\$0.2540	(\$0.0381)	0.0324	0.0064	0.26
	<b>4 Ounce</b>	\$0.1510	(\$0.0227)	0.0162	0.0037	0.16
	<b>Bulk per Quart</b>	\$0.9579	(\$0.1437)	0.1297	0.0242	0.97
<b>NONFAT (SKIM) MILK</b>	<b>Gallon</b>	\$3.3284	(\$0.4993)	\$0.5188	\$0.0858	\$3.43
	<b>Half Gallon</b>	\$1.6993	(\$0.2549)	0.2594	0.0437	1.75
	<b>Quart</b>	\$0.9351	(\$0.1403)	0.1297	0.0237	0.95
	<b>Pint</b>	\$0.5690	(\$0.0854)	0.0649	0.0141	0.58
	<b>12 Ounce</b>	\$0.3895	(\$0.0584)	0.0486	0.0097	0.39
	<b>10 Ounce</b>	\$0.3210	(\$0.0482)	0.0405	0.0080	0.33
	<b>Half Pint</b>	\$0.2479	(\$0.0372)	0.0324	0.0062	0.25
	<b>4 Ounce</b>	\$0.1479	(\$0.0222)	0.0162	0.0036	0.15
	<b>Bulk per Quart</b>	\$0.9337	(\$0.1401)	0.1297	0.0237	0.95

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 1**

**RETAIL PRICE BUILDUP  
MAY 2008 PRICES**

	A EX. 9	B EX. 13	C	D	E (A+B+C+D)	
Container Size	Proposed Wholesale Price	Deepest Discount 15%	In-Store Handling \$ 0.1297	Store Profit 2.50%	Proposed Retail Price	
<b>STANDARD (WHOLE) FLAVORED MILK</b>	Gallon	\$3.8720	(\$0.5808)	\$0.5188	\$0.0977	\$3.91
	Half Gallon	\$1.9711	(\$0.2957)	0.2594	0.0496	1.98
	Quart	\$1.0709	(\$0.1606)	0.1297	0.0267	1.08
	Pint	\$0.6370	(\$0.0956)	0.0649	0.0155	0.65
	12 Ounce	\$0.4405	(\$0.0661)	0.0486	0.0108	0.45
	10 Ounce	\$0.3635	(\$0.0545)	0.0405	0.0090	0.37
	Half Pint	\$0.2819	(\$0.0423)	0.0324	0.0070	0.29
	4 Ounce	\$0.1650	(\$0.0248)	0.0162	0.0040	0.18
	Bulk per Quart	\$1.0696	(\$0.1604)	0.1297	0.0266	1.07
<b>REDUCED FAT FLAVORED MILK</b>	Gallon	\$3.5510	(\$0.5327)	\$0.5188	\$0.0907	\$3.63
	Half Gallon	\$1.8106	(\$0.2716)	0.2594	0.0461	1.84
	Quart	\$0.9907	(\$0.1486)	0.1297	0.0249	1.00
	Pint	\$0.5968	(\$0.0895)	0.0649	0.0147	0.61
	12 Ounce	\$0.4104	(\$0.0616)	0.0486	0.0102	0.42
	10 Ounce	\$0.3383	(\$0.0507)	0.0405	0.0084	0.34
	Half Pint	\$0.2619	(\$0.0393)	0.0324	0.0065	0.27
	4 Ounce	\$0.1549	(\$0.0232)	0.0162	0.0038	0.16
	Bulk per Quart	\$0.9894	(\$0.1484)	0.1297	0.0249	1.00
<b>BUTTERMILK</b>	Gallon	\$3.6518	(\$0.5478)	\$0.5188	\$0.0929	\$3.72
	Half Gallon	\$1.8609	(\$0.2791)	0.2594	0.0472	1.89
	Quart	\$1.0159	(\$0.1524)	0.1297	0.0255	1.02
	Pint	\$0.6095	(\$0.0914)	0.0649	0.0149	0.62
	12 Ounce	\$0.4199	(\$0.0630)	0.0486	0.0104	0.42
	10 Ounce	\$0.3463	(\$0.0519)	0.0405	0.0086	0.36
	Half Pint	\$0.2681	(\$0.0402)	0.0324	0.0067	0.27
	4 Ounce	\$0.1580	(\$0.0237)	0.0162	0.0039	0.17
	Bulk per Quart	\$1.0146	(\$0.1522)	0.1297	0.0254	1.02
<b>EGG NOG</b>	Gallon	\$4.7167	(\$0.7075)	\$0.5188	\$0.1161	\$4.73
	Half Gallon	\$2.3934	(\$0.3590)	0.2594	0.0588	2.40
	Quart	\$1.2821	(\$0.1923)	0.1297	0.0313	1.29
	Pint	\$0.7426	(\$0.1114)	0.0649	0.0178	0.75
	12 Ounce	\$0.5197	(\$0.0780)	0.0486	0.0126	0.53
	10 Ounce	\$0.4295	(\$0.0644)	0.0405	0.0104	0.44
	Half Pint	\$0.3347	(\$0.0502)	0.0324	0.0081	0.34
	4 Ounce	\$0.1913	(\$0.0287)	0.0162	0.0046	0.20
	Bulk per Quart	\$1.2808	(\$0.1921)	0.1297	0.0312	1.29

# AREA 1

PENNSYLVANIA MILK MARKETING BOARD  
SOUTHEASTERN MILK MARKETING AREA  
MINIMUM WHOLESALE PRICES  
SCHEDULE I

	CLASS I	CLASS II
SKIM RATE	\$ 18.41	\$ 10.40
BUTTERFAT RATE	\$ 1.5314	\$ 1.4635

May-2008

OGO A-951

DESCRIPTION	PRODUCT CODE	BUTTERFAT % RANGE		BULK PER QT. EQUIV.	NON-RETURNABLE							
		LOW	HIGH		/1/ GAL.	/2/ 1/2 GAL.	QUART	PINT	12 OZ.	10 OZ.	/5/ /6/ 1/2 PT.	4 OZ.
STANDARD MILK	400	3.10	6.00	\$ 1.0257	\$ 3.6961	\$ 1.8831	\$ 1.0270	\$ 0.6149	\$ 0.4240	\$ 0.3497	\$ 0.2709	\$ 0.1595
REDUCED FAT MILK, 2% MILKFAT	800	1.50	3.09	\$ 0.9882	\$ 3.5467	\$ 1.8084	\$ 0.9896	\$ 0.5963	\$ 0.4100	\$ 0.3380	\$ 0.2616	\$ 0.1547
LOWFAT MILK, 1% MILKFAT	900	0.50	1.49	\$ 0.9579	\$ 3.4254	\$ 1.7478	\$ 0.9593	\$ 0.5811	\$ 0.3986	\$ 0.3285	\$ 0.2540	\$ 0.1510
NONFAT MILK	1200	0.00	0.49	\$ 0.9337	\$ 3.3284	\$ 1.6993	\$ 0.9351	\$ 0.5690	\$ 0.3895	\$ 0.3210	\$ 0.2479	\$ 0.1479
FLAVORED MILK	500	3.10	6.00	\$ 1.0696	\$ 3.8720	\$ 1.9711	\$ 1.0709	\$ 0.6370	\$ 0.4405	\$ 0.3635	\$ 0.2819	\$ 0.1650
FLAVORED REDUCED FAT MILK	600	0.00	3.09	\$ 0.9894	\$ 3.5510	\$ 1.8106	\$ 0.9907	\$ 0.5968	\$ 0.4104	\$ 0.3383	\$ 0.2619	\$ 0.1549
BUTTERMILK	1000	0.00	6.00	\$ 1.0146	\$ 3.6518	\$ 1.8609	\$ 1.0159	\$ 0.6095	\$ 0.4199	\$ 0.3463	\$ 0.2681	\$ 0.1580
EGG NOG	510	0.00	17.99	\$ 1.2808	\$ 4.7167	\$ 2.3934	\$ 1.2821	\$ 0.7426	\$ 0.5197	\$ 0.4295	\$ 0.3347	\$ 0.1913
MIXED MILK /3/	1500	6.01	17.99	\$ 1.1762		\$ 2.3145	\$ 1.2040	\$ 0.6434	\$ 0.4576	\$ 0.3843	\$ 0.3042	\$ 0.1687
LIGHT CREAM	1700	18.00	29.99	\$ 1.3986		\$ 2.7592	\$ 1.4265	\$ 0.7545	\$ 0.5410	\$ 0.4537	\$ 0.3598	\$ 0.1965
MEDIUM CREAM	1800	30.00	35.99	\$ 1.7445		\$ 3.4508	\$ 1.7723	\$ 0.9274	\$ 0.6707	\$ 0.5618	\$ 0.4463	\$ 0.2398
HEAVY CREAM	1900	36.00	50.00	\$ 1.9124		\$ 3.7868	\$ 1.9402	\$ 1.0115	\$ 0.7337	\$ 0.6143	\$ 0.4883	\$ 0.2607
SOUR CREAM /4/	1600	0.00	29.99	\$ 1.8413	\$0.8655 / LB.	\$ 3.6300	\$ 1.8261	\$ 0.9187	\$ 0.6925	\$ 0.5800	\$ 0.4669	\$ 0.2407

- /1/ DEDUCT \$0.06 IF SOLD IN REUSABLE CONTAINER WITH A 50 CENT DEPOSIT.
- /2/ DEDUCT \$0.04 IF SOLD IN REUSABLE CONTAINER WITH A 40 CENT DEPOSIT.
- /3/ CREAMER PRICES:           3/8 OZ. - \$ 0.0208   Case of 400 = \$ 8.32
- 1/2 OZ. - \$ 0.0275   Case of 300 = \$ 8.25
- /4/ SOUR CREAM :               5 LBS. - \$ 3.8667                   10 LBS. - \$ 7.5493
- /5/ SCHOOLS DEDUCT \$.0122 PER 1/2 PINT
- /6/ ADD \$ 0.0409 WHEN SOLD IN RIGID PLASTIC CONTAINERS
- /7/ SCHOOL STOP CHARGE IS       \$12.59

# AREA 1

PENNSYLVANIA MILK MARKETING BOARD  
SOUTHEASTERN MILK MARKETING AREA  
MINIMUM RETAIL OUT-OF-STORE (CASH AND CARRY)  
SCHEDULE II /4/

May-2008

OGO A-951

DESCRIPTION	PRODUCT CODE	BUTTERFAT % RANGE		BULK PER QT. EQUIV.	NON-RETURNABLE							
		LOW	HIGH		/1/ GAL.	/2/ 1/2 GAL.	QUART	PINT	12 OZ.	10 OZ.	/5/ 1/2 PT.	4 OZ.
STANDARD MILK	400	3.10	6.00	\$1.03	\$3.75	\$1.91	\$1.03	\$0.62	\$0.43	\$0.35	\$0.28	\$0.16
REDUCED FAT MILK, 2% MILKFAT	800	1.50	3.09	\$0.99	\$3.62	\$1.84	\$1.00	\$0.61	\$0.42	\$0.34	\$0.27	\$0.16
LOWFAT MILK, 1% MILKFAT	900	0.50	1.49	\$0.97	\$3.52	\$1.79	\$0.97	\$0.59	\$0.40	\$0.33	\$0.26	\$0.16
NONFAT MILK	1200	0.00	0.49	\$0.95	\$3.43	\$1.75	\$0.95	\$0.58	\$0.39	\$0.33	\$0.25	\$0.15
FLAVORED MILK	500	3.10	6.00	\$1.07	\$3.91	\$1.98	\$1.08	\$0.65	\$0.45	\$0.37	\$0.29	\$0.18
FLAVORED REDUCED FAT MILK	600	0.00	3.10	\$1.00	\$3.63	\$1.84	\$1.00	\$0.61	\$0.42	\$0.34	\$0.27	\$0.16
BUTTERMILK	1000	0.00	6.00	\$1.02	\$3.72	\$1.89	\$1.02	\$0.62	\$0.42	\$0.36	\$0.27	\$0.17
EGG NOG	510	0.00	17.99	\$1.29	\$4.73	\$2.40	\$1.29	\$0.75	\$0.53	\$0.44	\$0.34	\$0.20
MIXED MILK	1500	6.01	17.99	\$ 1.18		\$ 2.32	\$ 1.21	\$ 0.65	\$ 0.46	\$ 0.39	\$ 0.31	\$ 0.17
LIGHT CREAM	1700	18.00	29.99	\$ 1.40		\$ 2.77	\$ 1.43	\$ 0.76	\$ 0.55	\$ 0.46	\$ 0.36	\$ 0.20
MEDIUM CREAM	1800	30.00	35.99	\$ 1.75		\$ 3.46	\$ 1.78	\$ 0.93	\$ 0.68	\$ 0.57	\$ 0.45	\$ 0.24
HEAVY CREAM	1900	36.00	50.00	\$ 1.92		\$ 3.80	\$ 1.95	\$ 1.02	\$ 0.74	\$ 0.62	\$ 0.49	\$ 0.27
SOUR CREAM /3/	1600	0.00	29.99	\$ 1.85		\$ 3.64	\$ 1.83	\$ 0.92	\$ 0.70	\$ 0.58	\$ 0.47	\$ 0.25

- /1/ DEDUCT \$0.06 IF SOLD IN REUSABLE CONTAINER WITH A 50 CENT DEPOSIT.
- /2/ DEDUCT \$0.04 IF SOLD IN REUSABLE CONTAINER WITH A 40 CENT DEPOSIT.
- /3/ SOUR CREAM - 5 LBS. - \$ 3.94 10 LBS. - \$ 7.70
- /4/ ADD \$0.0425 PER QUART FOR HOME-DELIVERED MILK
- /5/ ADD \$ 0.05 WHEN SOLD IN RIGID PLASTIC CONTAINERS

# PENNSYLVANIA MILK MARKETING BOARD

## MILK MARKETING AREA 1

### Diesel Fuel Costs Adjustment

#### Update of Diesel Fuel Costs from Year 2006 to December 2007

1. Weighted Diesel Fuel Costs - Year 2006	\$	2,912,137
2. Average On-Highway Diesel Price per Gallon - Year 2006 <sup>(1)</sup>	\$	2.8084
3. On-Highway Diesel Price per Gallon - December 2007 <sup>(1)</sup>	\$	4.0674
4. Percent Increase In Diesel Fuel Price per Gallon ((Line 3 - Line 2) ÷ Line 2)		44.83%
5. Presumed Diesel Fuel Costs - December 2007 ((Line 1 X Line 4) + Line 1)	\$	<u>4,217,642</u>
6. Increase in Diesel Fuel Costs from Year 2006 to December 2007 (Line 5 - Line 1)	\$	1,305,505
7. Weighted Delivery Points - Year 2006		<u>246,984,109</u>
<b>8. Diesel Fuel Costs Increase per Delivery Point (Line 6 ÷ Line 7)</b>	<b>\$</b>	<b><u>0.0053</u></b>

## 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](http://tonto.eia.doe.gov/oog/info/wohdp/diesel_detail_report_combined.asp)

# PENNSYLVANIA MILK MARKETING BOARD

## MILK MARKETING AREA 1

### Heating Fuel Costs Adjustment

#### Update of Heating Fuel Costs from Year 2006 to October 2007

1. Weighted Heating Fuel Costs - Year 2006	\$	532,514
2. Pennsylvania Average Natural Gas Price - Industrial - Year 2006 <sup>(1)</sup>	\$	11.67
3. Pennsylvania Average Natural Gas Price - Industrial - October 2007 <sup>(1)</sup>	\$	12.74
4. Percent Decrease In Natural Gas Price ((Line 3 - Line 2) ÷ Line 2)		9.17%
5. Presumed Heating Fuel Costs - October 2007 ((Line 1 X Line 4) + Line 1)	<u>\$</u>	<u>581,346</u>
6. Decrease in Heating Fuel Costs from Year 2006 to October 2007 (Line 5 - Line 1)	\$	48,832
7. Weighted Standardization & Pasteurization (S&P) Points - Year 2006		<u>221,377,287</u>
<b>8. Heating Fuel Costs Decrease per S&amp;P Point (Line 6 ÷ Line 7)</b>	<b><u>\$</u></b>	<b><u>0.0002</u></b>

## 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>