



Commonwealth of Pennsylvania

Milk Marketing Board
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Official General
Order No. A-957

Posted: November 5, 2008
Effective: December 1, 2008

CONTAINER COSTS

NOW, this 5th day of November 2008, 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 December 1, 2008.

SECTION I

The attached findings of fact, conclusions of law, and Attachments 1 - 6 are incorporated herein by this reference as though fully set forth in this order.

SECTION II

(a) In each Milk Marketing Area the container costs adopted by the Board in this order shall replace the container costs embodied in the Official General Orders/Cost Replacement Orders and price announcements for the respective Milk Marketing Areas.

(b) The container costs shall be updated monthly as provided in this order.

PENNSYLVANIA MILK MARKETING BOARD

Richard Kriebel, Chairman

Luke F. Brubaker, Member

Barbara A. Grumbine, Consumer Member

Date: November 5, 2008

FINDINGS OF FACT AND CONCLUSIONS OF LAW
CONTAINER COSTS
October 1, 2008

FINDINGS OF FACT

1. On October 1, 2008, the Pennsylvania Milk Marketing Board (“Board”) convened a hearing for all milk marketing areas to receive testimony and evidence to consider container costs and their effect on minimum wholesale and retail prices.
2. Notice of the hearing was published at 38 *Pennsylvania Bulletin* 3567 on June 28, 2008, and was mailed to those who have requested notice of Board hearings by means of Bulletin No. 1433 dated June 18, 2008.
3. Carl Herbein testified for the Pennsylvania Association of Milk Dealers (“Dealers”) as an expert in cost accounting and milk cost accounting. Gary Gojsovich testified for Board Staff as an expert in milk cost accounting. Board Staff and Dealers were the only parties to present evidence regarding container costs. Mr. Gojsovich and Mr. Herbein calculated container costs based on the cross sections of milk dealers used in the most recent cost replacement orders in each area, omitting those dealers which are distributors only and have no manufacturing. With the exception of half pint containers, Mr. Gojsovich and Mr. Herbein recommended that the Board continue to use a blended or combined container cost for those sizes of containers where both plastic and paper containers are present in the market. Mr. Gojsovich and Mr. Herbein agreed on the container costs shown in Attachments 1 – 6.

The Board finds that the container costs shown in Attachments 1 – 6 should replace the container costs currently in use.

4. Regarding half pint containers, Mr. Gojsovich and Mr. Herbein testified that the Board should continue its present practice of using the paper price and calculating a plastic add-on, based on the difference between the half-pint paper cost and the half-pint plastic cost, to be used when milk is sold in rigid plastic half-pint containers. The Board finds that this practice should continue.
5. Mr. Gojsovich and Mr. Herbein recommended that the Board continue to update plastic container costs on a monthly basis. Mr. Gojsovich and Mr. Herbein also recommended that the Board begin to update paper container costs on a monthly basis, noting recent increased volatility in paper container costs. The Board finds that the monthly plastic updates should continue. The Board further finds that paper updates should be implemented for half gallon, quart, pint, and half pint containers, using the same procedure as is used for plastic containers. The Board finds that the plastic and paper updates should be based on the plastic and paper base prices shown in Attachments 1 – 6.

CONCLUSIONS OF LAW

1. The October 1, 2008, hearing regarding container 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. The cross sections used are representative of all dealers doing business in the respective Milk Marketing Areas.
4. 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.
5. The attached order may be amended pursuant to the procedures set out in section 801 of the Law.

PENNSYLVANIA MILK MARKETING BOARD

Richard Kriebel, Chairman

Luke F. Brubaker, Member

Barbara A. Grumbine, Consumer Member

Dated: November 5, 2008

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PENNSYLVANIA MILK MARKETING BOARD

MILK MARKETING AREA 1

CONTAINER COSTS YEAR 2007 UNITS @ AUGUST 2008 COSTS

(A)	(B)	(C)	(D)
			(B) / (C)

Container Size	Weighted Costs	Weighted Units	Cost per Unit - Aug-08
Gallon	\$ 5,312,819	25,638,507	\$ 0.2072
Half Gallon - Plastic	\$ 2,618,816	17,222,538	\$ 0.1521
Half Gallon - Paper	\$ 76,791	899,924	\$ 0.0853
Half Gallon Combined	\$ 2,695,607	18,122,462	\$ 0.1487
Quart - Plastic	\$ 1,249,790	9,935,532	\$ 0.1258
Quart - Paper	\$ 178,662	3,127,621	\$ 0.0571
Quart Combined	\$ 1,428,452	13,063,153	\$ 0.1093
Pint - Plastic	\$ 662,340	7,310,600	\$ 0.0906
Pint - Paper	\$ 2,788	74,439	\$ 0.0375
Pint Combined	\$ 665,128	7,385,039	\$ 0.0901
12 Ounce - Plastic	\$ -	-	\$ 0.0361
10 Ounce - Paper	\$ -	-	\$ 0.0301
Half Pint - Plastic	\$ 181,719	2,961,643	\$ 0.0614
Half Pint - Paper	\$ 958,864	45,720,400	\$ 0.0210
4 Ounce - Paper	\$ 197,284	8,926,791	\$ 0.0221
Bulk Per Quart	\$ 171,887	2,741,209	\$ 0.0627

PENNSYLVANIA MILK MARKETING BOARD

MILK MARKETING AREA 2

CONTAINER COSTS YEAR 2007 UNITS @ AUGUST 2008 COSTS

(A)	(B)	(C)	(D)
			(B) / (C)

Container Size	Weighted Costs	Weighted Units	Cost per Unit - Aug-08
Gallon	\$ 1,874,224	9,560,876	\$ 0.1960
Half Gallon - Plastic	\$ 1,050,099	6,619,701	\$ 0.1586
Half Gallon - Paper	\$ 82,410	677,075	\$ 0.1217
Half Gallon Combined	\$ 1,132,509	7,296,776	\$ 0.1552
Quart - Plastic	\$ 106,183	823,702	\$ 0.1289
Quart - Paper	\$ 200,963	3,075,088	\$ 0.0654
Quart Combined	\$ 307,146	3,898,790	\$ 0.0788
Pint - Plastic	\$ 191,804	1,903,879	\$ 0.1007
Pint - Paper	\$ 17,474	440,938	\$ 0.0396
Pint Combined	\$ 209,278	2,344,817	\$ 0.0893
12 Ounce - Plastic	\$ -	-	\$ 0.0630
10 Ounce - Paper	\$ -	-	\$ 0.0855
Half Pint - Plastic	\$ 82,236	1,248,869	\$ 0.0658
Half Pint - Paper	\$ 754,003	32,765,106	\$ 0.0230
4 Ounce - Paper	\$ 57,685	2,504,666	\$ 0.0230
Bulk Per Quart	\$ 72,674	1,820,576	\$ 0.0399

PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 3

CONTAINER COSTS
YEAR 2007 UNITS @ AUGUST 2008 COSTS

(A)	(B)	(C)	(D)
			(B) / (C)

Container Size	Weighted Costs	Weighted Units	Cost per Unit - Aug-08
Gallon	\$ 2,793,290	14,258,427	\$ 0.1959
Half Gallon - Plastic	\$ 1,673,332	10,575,345	\$ 0.1582
Half Gallon - Paper	\$ 238,134	2,082,269	\$ 0.1144
Half Gallon Combined	\$ 1,911,466	12,657,614	\$ 0.1510
Quart - Plastic	\$ 227,807	1,666,787	\$ 0.1367
Quart - Paper	\$ 252,366	3,896,860	\$ 0.0648
Quart Combined	\$ 480,173	5,563,647	\$ 0.0863
Pint - Plastic	\$ 378,280	3,699,567	\$ 0.1022
Pint - Paper	\$ 101,160	2,285,396	\$ 0.0443
Pint Combined	\$ 479,440	5,984,963	\$ 0.0801
12 Ounce - Plastic	\$ -	-	\$ 0.0630
10 Ounce - Paper	\$ 356	9,044	\$ 0.0394
Half Pint - Plastic	\$ 242,848	3,599,882	\$ 0.0675
Half Pint - Paper	\$ 1,569,245	62,019,643	\$ 0.0253
4 Ounce - Paper	\$ 103,325	4,180,812	\$ 0.0247
Bulk Per Quart	\$ 136,486	3,589,957	\$ 0.0380

PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 4

CONTAINER COSTS
YEAR 2007 UNITS @ AUGUST 2008 COSTS

(A)	(B)	(C)	(D)
			(B) / (C)

Container Size	Weighted Costs	Weighted Units	Cost per Unit - Aug-08
Gallon	\$ 3,570,852	17,354,218	\$ 0.2058
Half Gallon - Plastic	\$ 2,211,813	14,009,266	\$ 0.1579
Half Gallon - Paper	\$ 3,847	45,082	\$ 0.0853
Half Gallon Combined	\$ 2,215,660	14,054,348	\$ 0.1576
Quart - Plastic	\$ 301,360	1,984,841	\$ 0.1518
Quart - Paper	\$ 95,424	1,436,861	\$ 0.0664
Quart Combined	\$ 396,784	3,421,702	\$ 0.1160
Pint - Plastic	\$ 816,537	7,540,893	\$ 0.1083
Pint - Paper	\$ 9,335	231,013	\$ 0.0404
Pint Combined	\$ 825,872	7,771,906	\$ 0.1063
12 Ounce - Plastic	\$ -	-	\$ 0.0630
10 Ounce - Paper	\$ 274	8,891	\$ 0.0308
Half Pint - Plastic	\$ 413,279	6,184,084	\$ 0.0668
Half Pint - Paper	\$ 1,240,101	48,416,581	\$ 0.0256
4 Ounce - Paper	\$ 55,250	1,868,139	\$ 0.0296
Bulk Per Quart	\$ 73,816	1,566,673	\$ 0.0471

PENNSYLVANIA MILK MARKETING BOARD

MILK MARKETING AREA 5

CONTAINER COSTS YEAR 2007 UNITS @ AUGUST 2008 COSTS

(A)	(B)	(C)	(D)
			(B) / (C)

Container Size	Weighted Costs	Weighted Units	Cost per Unit - Aug-08
Gallon	\$ 6,361,756	36,708,526	\$ 0.1733
Half Gallon - Plastic	\$ 3,594,186	27,235,263	\$ 0.1320
Half Gallon - Paper	\$ 178,649	1,427,597	\$ 0.1251
Half Gallon Combined	\$ 3,772,835	28,662,860	\$ 0.1316
Quart - Plastic	\$ 454,980	3,436,195	\$ 0.1324
Quart - Paper	\$ 98,934	1,422,823	\$ 0.0695
Quart Combined	\$ 553,914	4,859,018	\$ 0.1140
Pint - Plastic	\$ 802,755	7,497,491	\$ 0.1071
Pint - Paper	\$ 2,772	62,982	\$ 0.0440
Pint Combined	\$ 805,527	7,560,473	\$ 0.1065
12 Ounce - Plastic	\$ -	-	\$ 0.0463
10 Ounce - Paper	\$ -	-	\$ 0.0405
Half Pint - Plastic	\$ 759,090	13,319,489	\$ 0.0570
Half Pint - Paper	\$ 1,777,495	70,054,225	\$ 0.0254
4 Ounce - Paper	\$ 170,024	7,234,306	\$ 0.0235
Bulk Per Quart	\$ 161,902	3,626,973	\$ 0.0446

PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 6

CONTAINER COSTS
YEAR 2007 UNITS @ AUGUST 2008 COSTS

(A)	(B)	(C)	(D)
			(B) / (C)

Container Size	Weighted Costs	Weighted Units	Cost per Unit - Aug-08
Gallon	\$ 2,030,016	9,115,414	\$ 0.2227
Half Gallon - Plastic	\$ 453,505	3,476,357	\$ 0.1305
Half Gallon - Paper	\$ 36,868	324,770	\$ 0.1135
Half Gallon Combined	\$ 490,373	3,801,127	\$ 0.1290
Quart - Plastic	\$ 369,487	1,519,258	\$ 0.2432
Quart - Paper	\$ 71,404	1,058,835	\$ 0.0674
Quart Combined	\$ 440,891	2,578,093	\$ 0.1710
Pint - Plastic	\$ 861,561	5,242,496	\$ 0.1643
Pint - Paper	\$ 23,004	501,041	\$ 0.0459
Pint Combined	\$ 884,565	5,743,537	\$ 0.1540
12 Ounce - Plastic	\$ -	-	\$ 0.0367
10 Ounce - Paper	\$ 2,973	95,972	\$ 0.0310
Half Pint - Plastic	\$ 304,451	4,206,111	\$ 0.0724
Half Pint - Paper	\$ 739,369	31,968,567	\$ 0.0231
4 Ounce - Paper	\$ 23,171	997,796	\$ 0.0232
Bulk Per Quart	\$ 256,844	1,957,613	\$ 0.1312