

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

**INDEX OF REBUTTAL EXHIBITS**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy Inc., Turner Dairy Farms Inc., United Dairy Inc. (Martins Ferry, OH), United Dairy Inc. (Uniontown, PA)**

Rebuttal Exhibit D1	Carl D. Herbein, CPA Curriculum Vitae
Rebuttal Exhibit D2	Processing, Packaging and Delivery Costs/Point
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Rebuttal Exhibit D10-B	Calculation of Minimum Wholesale Price Half Pint Flavored Nonfat Milk (Skim)

**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 September, 2004  
Managing Partner

1974 to June, 1985  
Partner  
Reading, PA

Carl D. Herbein, CPA – Reading, PA  
1972 to 1974

Ernst & Young, Reading, PA  
1967 to 1972  
Staff/Senior Accountant

**PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS**

CPA – Commonwealth of Pennsylvania (1971)

Member – American Institute of CPAs – Council (1990 – 1991)

Member – Pennsylvania Institute of CPAs – President (1988 – 1989)

Firm Member – PKF North American Network – Board of Directors (1993 – 1994)

Chairman – Reading Redevelopment Authority (1992 – 1998) Board of Directors (1984 – 1998)

Board Member

- Greater Berks Development Fund (1995 – present)
- Berks County Convention Center Authority - Treasurer (1996 – present)
- Alvernia University (2012 – present)

Berks County Chamber of Commerce (1980 – present)

- Chairman of the Board (1994 – 1996)
- Treasurer (1992 – 1993)
- Treasurer (2007-2009)

Greater Reading Economic Partnership (2005 – present)

Elizabethtown College

- Board of Trustees (1987 – present)
- Accounting Advisory Committee (1993 – 2005)
- Member – Leadership Council (2007 – present)

Berkshire Country Club

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

Submitted: November 17, 2015

**Carl D. Herbein, CPA**

**SPEAKING ENGAGEMENTS (2006 – 2015)**

International Milk Control Agency – Why Dairy Plants Relocate, August 13, 2006

All Star Dairy Association – Cost Benchmarking, March 16, 2006

Quality Chekd Dairy – Valuation of Your Dairy Company, February 1, 2007

All Star Dairy Association – Cost Benchmarking, March 28, 2007

All Star Dairy Association – Financial Reporting, March 6, 2008

Quality Chekd Dairy – Captive Insurance, April 21, 2008

Pennsylvania Association of Milk Dealers – Cost Comparison Analysis, September 22, 2009

World International Dairy Foods Association – Worldwide Food Expo – Dairy Industry Analysis, October 31, 2009

All Star Dairy Association – Forensic Accounting, March 23, 2010

Pennsylvania Association of Milk Dealers and Northeast Dairy Foods Association, Inc. – Delivery, Depots and Distributors – August 22, 2011

International Association of Milk Control Agencies (IAMCA) – California Federal Milk Marketing Order – September 14, 2015

International Dairy Foods Association – Capital Budgeting – September 15, 2015

**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

**Carl D. Herbein, CPA**

**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 September 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 September 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

US Justice Department Report – Dean Foods / Suiza – merger analysis

State of Kentucky v. Trauth Dairy – damage calculation

State of Indiana v. Schenkel Dairy – damage calculation

Sweet Water Valley Farm v. Dairy Farmers of America – restraint of trade

Dar-View Farms v. Maryland Dairy Veterinarians – professional malpractice matter – March 2015

**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.

## **REBUTTAL EXHIBIT D1**

### **Carl D. Herbein, CPA**

#### **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 association 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 association concerning cost replacement in Areas 1, 2, 4, and 5.

#### **2013**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 3 and 6. Expert witness appearing on behalf of the Area 3 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 3 and 6. (hearing held January 2, 2013)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning wholesale milk discounts in Milk Marketing Area 1, 2, 3, 4, 5, and 6. (hearing held October 2, 2013)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, and 3. Expert witness appearing on behalf of the Areas 1, 2, and 3 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 2, and 3. (hearing held January 8, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 4, 5, and 6. Expert witness appearing on behalf of the Areas 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 4, 5, and 6. (hearing held February 5, 2014)

#### **2014**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the over price premium – Part II in Milk Marketing Areas 1, 2, 3, 4, 5, and 6. (hearing held June 4, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the small delivery costs in Milk Marketing Areas 1, 2, 3, 4, 5, and 6. (hearing held June 11, 2014)

Submitted: November 17, 2015

## **REBUTTAL EXHIBIT D1**

### **Carl D. Herbein, CPA**

#### **2014 - Continued**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 4, 5, and 6. Expert witness appearing on behalf of the Areas 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 4, 5, and 6. (hearing October 1, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, and 3. Expert witness appearing on behalf of the Areas 1, 2, and 3 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 2, and 3. (hearing held December 3, 2014)

#### **2015**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the over price premium – Part II in Milk Marketing Areas 1, 2, 3, 4, 5, and 6. (hearing held February 25 - 27, 2015) continuance from June 2014

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

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

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider’s Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

<b>Cost Center</b>	<b>Total Points in PMMB Area 5 (1)</b>	<b>Average Cost/Point (1)</b>
Receiving, lab and field work	194,241,930	\$ 0.0101
Standardization and pasteurization	212,853,809	0.0214
Bottling	217,108,521	0.0392
Cold room	247,607,277	0.0441
Delivery	234,741,444	0.1410
Selling	235,157,975	0.0309
		<u>\$ 0.2867</u>

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

**REBUTTAL EXHIBIT D2-A**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

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

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

	<b>2014 Weighted Average Cost/Point</b>	<b>2013 Cost/Point Included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Receiving, lab and field work	\$0.0101	\$0.0101	\$0.0000
Standardization and pasteurization	0.0214	0.0209	0.0005
Bottling	0.0392	0.0380	0.0012
Cold room	0.0441	0.0436	0.0005
Delivery	0.1410	0.1398	0.0012
Selling	<u>0.0309</u>	<u>0.0316</u>	<u>(0.0007)</u>
Sub total	\$0.2867	\$0.2840	\$0.0027
Add:			
2015 Cost increase (decrease) adjustment - Exhibit D7			0.0047
Less:			
2014 Cost (increase) decrease adjustment (1)			<u>0.0013</u>
Net change			<u>\$0.0087</u>

(1) Per General Order A-954 (CRO – 5)

**REBUTTAL EXHIBIT D3**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

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

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

<u>Container Size</u>	<u>March 2015 Container Cost (1)</u>	<u>Adjust from March 2015 to October 2015 - Current (2)</u>	<u>Subtotal</u>	<u>Calculated Shrinkage and Loss (3)</u>	<u>Shrinkage Cost</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.1538	\$ (0.0011)	\$ 0.1527	1.94%	\$ 0.0030	\$ 0.1557
1/2 gallon - plastic	0.1250					
1/2 gallon - paper	0.1322					
1/2 gallon - blended (4)	<u>0.1251</u>	(0.0037)	0.1214	1.68%	0.0020	0.1234
Quart - plastic	0.1377					
Quart - paper	0.0767					
Quart - blended (4)	<u>0.1069</u>	(0.0090)	0.0979	1.57%	0.0015	0.0994
Pint - plastic	0.0901					
Pint - paper	0.0501					
Pint - blended (4)	<u>0.0898</u>	(0.0003)	0.0895	1.62%	0.0014	0.0909
Twelve ounce - plastic	0.1215		0.1215			0.1215
Ten ounce - paper	0.0544		0.0544			0.0544
1/2 pint - plastic (4)	0.0617	(0.0032)	0.0585	0.92%	0.0005	0.0590
1/2 pint - paper (4)	0.0269	0.0013	0.0282	0.85%	0.0002	0.0284
Four ounce - paper	0.0264		0.0264	1.53%	0.0004	0.0268
Dispenser	0.0712		0.0712	1.30%	0.0008	0.0720

- (1) For containers not purchased in March 2015 the most recent invoice was used.
- (2) October 2015 container costs were used by the PMMB to establish minimum resale prices for November 2015.
- (3) 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.
- (4) Current container costs would replace these costs on a monthly basis when the PMMB minimum resale prices are announced.

**REBUTTAL EXHIBIT D3-A**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

**ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH  
CONTAINER COSTS – OCTOBER 2015**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,  
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

<u>Container Size</u>	<u>Adjusted Container Costs from Exhibit D3</u>	<u>Container Costs in Current Prices (1)</u>	<u>Difference</u>
Gallon (2)	\$ 0.1557	\$ 0.1649	\$ (0.0092)
Half Gallon (2)	0.1234	0.1301	(0.0067)
Quart (2)	0.0994	0.0997	(0.0003)
Pint (2)	0.0909	0.1038	(0.0129)
1/2 pint - plastic (2)	0.0590	0.0590	-
1/2 pint - paper (2)	0.0284	0.0294	(0.0010)
Four ounce - paper	0.0268	0.0259	0.0009
Dispenser (per quart)	0.0720	0.0754	(0.0034)

(1) Per General Order No. A-954 (CRO 5) as updated.

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

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0306. PMMB resale price schedules show the ½ pint paper price and thus the paper plastic difference of \$0.0306 should be added to the paper price for milk sold in plastic containers.

**REBUTTAL EXHIBIT D4**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

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

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,  
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

	April 2015 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0001
Nonfat (skim) milk	.0010
Flavored milk	.0379
Flavored reduced fat milk	.0262
Flavored nonfat milk	.0279
Buttermilk	.0247
Eggnog	.1257

(1) For ingredients not purchased in April 2015 the most recent invoice was used.

**REBUTTAL EXHIBIT D4-A**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

	<u>April 2015 Weighted Average Cost/Pound</u>	<u>Cost/Pound included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0001	0.0000
Lowfat milk (1%)	0.0001	0.0002	(0.0001)
Nonfat milk (skim)	0.0010	0.0010	0.0000
Flavored milk (2)	0.0379	0.0381	(0.0002)
Flavored reduced fat milk (2)	0.0262	0.0291	(0.0029)
Flavored nonfat milk (2)	0.0279	0.0271	0.0008
Buttermilk	0.0247	0.0260	(0.0013)
Eggnog	0.1257	0.1305	(0.0048)

(1) Per General Order OGO A-954 (CRO 5) as updated for flavored milks on October 1, 2015.

(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.

PMMB AREA 5

COST REPLACEMENT HEARING

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

Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,  
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)

<u>PMMB Area 5</u>	<u>Costs</u>	<u>Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds (1)</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 1,632,516		\$ 1,632,516		
Bulk milk revenue minus milk costs		1,040,701			
Bulk milk cost center costs & freight	329,665				
Net bulk milk cost (revenue)			(711,036)		
Bulk cream revenue minus milk costs		1,753,584			
Bulk cream cost center costs	560,593				
Net bulk cream cost (revenue)			(1,192,991)		
Total	<u>\$ 2,522,774</u>	<u>\$ 2,794,285</u>			
Net cost (net revenue) - calendar year 2014			\$ (271,511)	382,536,054	\$ (0.0007)
Net cost (net revenue) in current order - calendar year 2013			<u>\$ (334,864)</u>	400,260,599	<u>(0.0008)</u>
Net change - cost increase (cost reduction)			<u>\$ 63,353</u>		<u>\$ 0.0001</u>

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

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

**BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

	<b>2014 Weighted Average Butterfat Test</b>	<b>Butterfat Test included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	3.2648%	3.2605%	0.0043%
Reduced fat milk (2%)	1.9315%	1.9407%	-0.0092%
Lowfat milk (1%)	0.9583%	0.9633%	-0.0050%
Nonfat milk (skim)	0.0889%	0.0940%	-0.0051%
Flavored milk	3.4023%	3.4291%	-0.0268%
Flavored reduced fat milk	1.0186%	1.0407%	-0.0221%
Flavored nonfat milk	0.1609%	0.1510%	0.0099%
Buttermilk	2.3313%	2.3007%	0.0306%
Eggnog	4.9533%	6.4006%	-1.4473%

(1) Per General Order No. A-954 (CRO 5)

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

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

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider’s Dairy, Inc.,  
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

<b>Type of Expense</b>	<b>Weighted Expenses for the Six Months Ended June 30 (1)</b>		<b>Weighted Points for the Six Months Ended June 30 (1)</b>		<b>Cost Per Point</b>		<b>Increase (Decrease) Per Point</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	
Labor and fringe benefits	\$ 19,833,026	\$ 19,914,614	106,009,737	108,494,651	\$ 0.1871	\$ 0.1836	\$0.0035
Utilities	1,265,969	1,186,020	106,009,737	108,494,651	0.0119	0.0109	0.0010
Insurance	175,746	164,754	106,009,737	108,494,651	0.0017	0.0015	<u>0.0002</u>
							<u>\$0.0047</u>

(1) Weighted based on sales in PMMB Area 5

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

**CHANGES IN DIESEL FUEL COSTS**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

Diesel fuel costs – calendar year 2014 (1)	\$4,279,714
Delivery points – calendar year 2014 (1)	<u>234,741,444</u>
Diesel fuel cost per point delivered	<u><u>\$0.0182</u></u>
Average diesel price – calendar year 2014 (2)	\$3.987
Average diesel price – September 2015 (2) (3)	<u>\$2.680</u>
Increase (decrease) from year 2014 to month September 2015	-32.78%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0060)</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 5.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) September 2015 diesel fuel costs were used by the PMMB in establishing minimum prices for November 2015.

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

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

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

Heating fuel costs – calendar year 2014 (1)	\$388,514
Standardization & pasteurization points – calendar year 2014 (1)	<u>212,853,809</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0018</u></u>
Average heating fuel costs – calendar year 2014 (2)	\$10.19
Average heating fuel costs – July 2015 (2) (3)	<u>10.81</u>
Increase (decrease) from year 2014 to month July 2015	6.08%
Increase (decrease) in heating fuel cost per point pasteurized	<u><u>\$0.0001</u></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) July 2015 natural gas costs were used by the PMMB in establishing minimum prices for November 2015.

## PMMB AREA 5

## COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE  
GALLON REDUCED FAT MILK (2%) FOR NOVEMBER 2015**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,  
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9315%	1.9407%	-0.0092%
Butterfat price as announced by PMMB	(1)	\$ 2.9211 per lb.	\$ 2.9211 per lb.	
Extended butterfat value		\$ 0.0564 per lb.	\$ 0.0567 per lb.	
Skim price as announced by PMMB	(1)	\$ 11.20 per cwt.	\$ 11.20 per cwt.	
Extended skim value		\$ 0.1098 per lb.	\$ 0.1098 per lb.	
Total milk value at announced prices		<u>\$ 0.1662</u> per lb.	<u>\$ 0.1665</u> per lb.	<u>\$(0.0003)</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	(0.0007)	(0.0008)	
Total milk cost per pound		<u>\$ 0.1656</u> per lb.	<u>\$ 0.1658</u> per lb.	<u>\$(0.0002)</u>
Pounds per gallon (conversion)		8.62	8.62	
Total milk cost per half pint		<u>\$ 1.4275</u>	<u>\$ 1.4292</u>	<u>\$(0.0017)</u>
Container cost (adjusted for shrinkage)	D3	0.1557 each	0.1649 each	(0.0092)
Cost center costs	D2	1.1468	1.1360	0.0108
1st half 2014 to 1st half 2015 adjustment	D7	0.0188	(0.0052)	0.0240
Container efficiency adjustment	(2)	(0.1067)	(0.1067)	-
Percentage discount adjustment	(3)	(0.0328)	(0.0328)	-
Diesel fuel adjustment	D8	(0.0240)	(0.0236)	(0.0004)
Heating fuels adjustment	D9	0.0004	0.0012	(0.0008)
		<u>\$ 2.5857</u> each	<u>\$ 2.5630</u> each	<u>\$ 0.0227</u>
Dealer profit at 3.5%	(2)	0.0938	0.0930	\$ 0.0008
Subtotal		<u>\$ 2.6795</u> each	<u>\$ 2.6560</u> each	<u>\$ 0.0235</u>
Less: average delivery cost	(2)	(0.5220)	(0.5220)	
Add: high cost delivery	(2)	0.9748	0.9748	
<b>Wholesale minimum price</b>		<u><u>\$ 3.1323</u></u> each	<u><u>\$ 3.1088</u></u> each	<u><u>\$ 0.0235</u></u>

(1) As announced for November 2015 by PMMB on October 22, 2015.

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

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

**REBUTTAL EXHIBIT D10-B**

**PMMB AREA 5**

**COST REPLACEMENT HEARING**

**CALCULATION OF WHOLESALE MINIMUM PRICE  
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR NOVEMBER 2015**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,  
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B	0.1609%	0.1510%	0.0099%
Butterfat price as announced by PMMB	(1)	\$ 2.9211 per lb.	\$ 2.9211 per lb.	
Extended butterfat value		\$ 0.0047 per lb.	\$ 0.0044 per lb.	
Skim price as announced by PMMB	(1)	\$ 11.20 per cwt.	\$ 11.20 per cwt.	
Extended skim value		\$ 0.1118 per lb.	\$ 0.1118 per lb.	
Total milk value at announced prices		\$ 0.1165 per lb.	\$ 0.1162 per lb.	\$ 0.0003
Ingredient cost	D2	0.0279	0.0260	
Cost of shrinkage / bulk milk & cream	D7	(0.0007)	(0.0008)	
Total milk cost per pound		\$ 0.1437 per lb.	\$ 0.1414 per lb.	\$ 0.0023
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		\$ 0.0719	\$ 0.0707	\$ 0.0012
Container cost (adjusted for shrinkage)	D8	0.0284 each	0.0294 each	(0.0010)
Cost center costs	D3	0.0717	0.0710	0.0007
1st half 2014 to 1st half 2015 adjustment	D4	0.0012	(0.0003)	0.0015
Container efficiency adjustment	(2)	0.0367	0.0367	-
Percentage discount adjustment	(3)	(0.0021)	(0.0021)	-
Diesel fuel adjustment	D5	(0.0015)	(0.0015)	-
Heating fuels adjustment	D6	-	0.0001	(0.0001)
		\$ 0.2063 each	\$ 0.2040 each	\$ 0.0023
Dealer profit at 3.5%	(2)	0.0075	0.0074	\$ 0.0001
Subtotal		\$ 0.2138 each	\$ 0.2114 each	\$ 0.0024
Less: average delivery cost	(2)	(0.0326)	(0.0326)	
Add: high cost delivery	(2)	0.0609	0.0609	
<b>Wholesale minimum price</b>		<b>\$ 0.2421</b> each	<b>\$ 0.2397</b> each	<b>\$ 0.0024</b>

(1) As announced for November 2015 by PMMB on October 22, 2015.

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

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