

AREA 1

COST REPLACEMENT HEARING DEALER SURREBUTTAL EXHIBITS

JANUARY 8, 2014

PMMB AREA 1
COST REPLACEMENT HEARING
INDEX OF SURREBUTTAL EXHIBITS

Exhibit D1	Carl D. Herbein, CPA Curriculum Vitae
Exhibit D2	Summary of Current Ingredient Costs
Exhibit D2-A	Cost Replacement Adjustments for Ingredients
Exhibit D2-B	Butterfat Content of Price Controlled Products
Exhibit D3	Processing, Packaging and Delivery Costs/Point
Exhibit D3-A	Cost Replacement Adjustments for Processing, Packaging and Delivery Costs
Exhibit D4	Cost Increases (Decreases for Labor, Insurance and Utility Costs
Exhibit D4-A	Cost Increases (Decreases) For Labor, Insurance And Utility Costs Points Normalized
Exhibit D4-B	Changes in Points
Exhibit D5	Changes in Diesel Fuel Costs
Exhibit D6	Changes in Heating Fuel Costs (Natural Gas)
Exhibit D7	Weighted Cost of Shrinkage and Weighted Costs and Revenues from Bulk Cream and Bulk Milk
Exhibit D8	Summary of Current Container Costs with Adjustments for Shrinkage and Loss and Update to Current Month
Exhibit D8-A	Update
Exhibit D9-A	Calculation of Minimum Wholesale Price Gallon Reduced Fat Milk (2%)
Exhibit D9-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 October, 2004
Managing Partner

1974 to June, 1985
Partner
Reading, PA

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

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

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS

CPA – Commonwealth of Pennsylvania (1971)

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

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

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

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

Board Member

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

Berks County Chamber of Commerce (1980 – present)

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

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS (CONTINUED)

Greater Reading Economic Partnership (2005 – present)

Elizabethtown College

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

Berkshire Country Club

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

Submitted: January 3, 2014

Carl D. Herbein, CPA

PUBLICATIONS

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

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

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

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

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

COMMUNITY AWARDS

2006 Eugene L. Shirk Community Builder Award

2010 Corporate Honoree – March of Dimes

2012 Franciscan Award – Alvernia University

2013 Business Weekly Unity Award

EXPERT REPORTS, DEPOSITION AND TESTIMONY

COURT AND OTHER TESTIMONY

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

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

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

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

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

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

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

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

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

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

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

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

Submitted: January 3, 2014

SURREBUTTAL EXHIBIT D1

Carl D. Herbein, CPA

COMMONWEALTH OF PENNSYLVANIA MILK MARKETING BOARD APPEARANCES

2007

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

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

2008

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

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

2009

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

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

2010

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

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

2011

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

2012

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

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

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

2013

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

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

SURREBUTTAL EXHIBIT D2

PMMB AREA 1

COST REPLACEMENT HEARING

**SUMMARY OF CURRENT INGREDIENT COSTS
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 1)**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	March 2013 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0001
Non fat (skim) milk	.0001
Flavored milk	.0720
Flavored reduced fat milk	.0418
Flavored nonfat milk	.0365
Buttermilk	.0131
Eggnog	.1161

(1) For ingredients not purchased in March 2013 the most recent invoice was used.

SURREBUTTAL EXHIBIT D2-A

PMMB AREA 1

COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	<u>March 2013 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	0.0001	0.0000
Nonfat milk (skim)	0.0001	0.0001	0.0000
Flavored milk (2)	0.0720	0.0652	0.0068
Flavored reduced fat milk (2)	0.0418	0.0389	0.0029
Flavored nonfat milk (2)	0.0365	0.0395	(0.0030)
Buttermilk	0.0131	0.0152	(0.0021)
Eggnog	0.1161	0.1193	(0.0032)

(1) Per General Order OGO A-951 (CRO 4) as updated for flavored milk on October 1, 2013

(2) Ingredient costs to be updated on a quarterly basis for flavored milk, flavored reduced fat milk and flavored nonfat milk. Updates should be effective on January 1, April 1, July 1 and October 1.

SURREBUTTAL EXHIBIT D2-B

PMMB AREA 1

COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	2012 Weighted Average Butterfat Test	2011 Weighted Average Butterfat Test Included in Existing Order (1)	Increase (Decrease)
Standard milk	3.3000%	3.2803%	0.0197%
Reduced fat milk (2%)	1.9434%	1.9361%	0.0073%
Lowfat milk (1%)	0.9704%	0.9460%	0.0244%
Nonfat milk (skim)	0.0884%	0.0929%	(0.0045)%
Flavored milk	3.3306%	3.2846%	0.0460%
Flavored reduced fat milk (2)	0.7597%	0.9497%	(0.1945)%
Flavored nonfat milk (2)	0.0411%	0.0539%	(0.0145)%
Buttermilk	1.9565%	1.9901%	(0.0345)%
Eggnog	6.9742%	6.8203%	0.1539%

(1) Per General Order No. A-951 (CRO 3)

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

SURREBUTTAL EXHIBIT D3**PMMB AREA 1****COST REPLACEMENT HEARING****PROCESSING, PACKAGING AND DELIVERY COSTS/POINT FOR 2012
(WEIGHTED AVERAGE BASED ON SALES IN AREA 1)**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

Cost Center	Total Points in PMMB Area 1 (1)	Weighted Average Cost/Point (1)
Receiving, lab and field work	166,157,125	\$ 0.0118
Standardization and pasteurization	190,752,235	0.0141
Bottling	165,081,902	0.0366
Cold room	196,368,922	0.0514
Delivery	198,066,046	0.1267
Selling	220,279,057	0.0230
		<hr/>
		\$ 0.2636

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

SURREBUTTAL EXHIBIT D3-A

PMMB AREA 1

COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	<u>2012 Weighted Average Cost/Point</u>	<u>2011 Cost/Point Included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Receiving, lab and field work	\$0.0118	\$0.0113	\$0.0005
Standardization and pasteurization	0.0141	0.0150	(0.0009)
Bottling	0.0366	0.0361	0.0005
Cold room	0.0514	0.0513	0.0001
Delivery	0.1267	0.1275	(0.0008)
Selling	<u>0.0230</u>	<u>0.0224</u>	<u>0.0006</u>
Sub total	\$0.2636	\$0.2636	\$0.0000
Add:			
2013 Cost increase (decrease) adjustment - Exhibit D4			0.0022
Less:			
2012 Cost (increase) decrease adjustment (1)			<u>0.0050</u>
Net change			<u><u>\$0.0072</u></u>

(1) Per General Order No. A-951 (CRO 3)

PMMB AREA 1

COST REPLACEMENT HEARING

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

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

Type of Expense	Weighted Expenses for 2nd Quarter (1)		Weighted Points for 2nd Quarter (1)		Cost Per Point		Increase (Decrease) Per Point
	2013	2012	2013	2012	2013	2012	
Labor and fringe benefits	\$ 6,839,756	\$ 7,129,894	48,241,176	50,928,737	\$0.1418	\$0.1400	\$0.0018
Utilities	368,693	378,694	48,241,176	50,928,737	0.0076	0.0074	0.0002
Insurance	77,411	70,766	48,241,176	50,928,737	0.0016	0.0014	<u>0.0002</u>
							<u><u>\$0.0022</u></u>

(1) Weighted based on sales in PMMB Area 1

SURREBUTTAL EXHIBIT D5

PMMB AREA 1

COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

Diesel fuel costs – calendar year 2012 (1)	\$2,749,506
Delivery points – calendar year 2012 (1)	<u>198,066,046</u>
Diesel fuel cost per point delivered	<u><u>\$0.0139</u></u>
Average diesel price – calendar year 2012 (2)	\$4.100
Average diesel price – October 2013 (2) (3)	<u>\$3.961</u>
Increase (decrease) from year 2012 to month October 2013	-3.39%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0005)</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 1
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration
- (3) October 2013 diesel fuel costs were used by the PMMB in establishing minimum prices for December 2013.

SURREBUTTAL EXHIBIT D6

PMMB AREA 1

COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

Heating fuel costs – calendar year 2012 (1)	\$168,897
Standardization & pasteurization points – calendar year 2012 (1)	<u>204,584,170</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0008</u></u>
Average heating fuel costs – calendar year 2012 (2)	\$8.75
Average heating fuel costs – August 2013 (2) (3)	<u>9.53</u>
Increase (decrease) from year 2012 to month August 2013	8.91%
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 1.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) August 2013 natural gas costs were used by the PMMB in establishing minimum prices for December 2013.

PMMB AREA 1

COST REPLACEMENT HEARING

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

Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms

<u>PMMB Area 1</u>	<u>Weighted Costs</u>	<u>Weighted Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 1,195,657		\$ 1,195,657		
Bulk milk revenue minus milk costs		855,679			
Bulk milk cost center costs	869,854				
Net bulk milk cost (revenue)			14,175		
Bulk cream revenue minus milk costs		1,423,091			
Bulk cream cost center costs	298,280				
Net bulk cream cost (revenue)			(1,124,811)		
Total	<u>\$ 2,363,791</u>	<u>\$ 2,278,770</u>			
Net cost (revenue) - calendar year 2012			\$ 85,021	350,476,679	\$ 0.0002
Net cost (revenue) in current order - calendar year 2011			<u>\$ (190,932)</u>	364,669,067	<u>(0.0005)</u>
Net change - cost increase (cost reduction)			<u>\$ 275,953</u>		<u>\$ 0.0007</u>

SURREBUTTAL EXHIBIT D8

PMMB AREA 1

COST REPLACEMENT HEARING

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

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

Container Size	March 2013 Container Cost (1)	Adjust from March 2013 to November 2013 - Current (2)	Subtotal	Calculated Shrinkage and Loss (4)	Shrinkage Cost	Total Container Cost
Gallon (5)	\$ 0.1865	\$ 0.0112	\$ 0.1977	1.79%	\$ 0.0035	\$ 0.2012
1/2 gallon - plastic	0.1397					
1/2 gallon - paper	(3)					
2 gallon - blended (5)	<u>0.1397</u>	0.0055	0.1452	1.75%	0.0025	0.1477
Quart - plastic	0.1220					
Quart - paper	(3)					
Quart - blended (5)	<u>0.1220</u>	0.0074	0.1294	1.57%	0.0020	0.1314
Pint - plastic	0.0878					
Pint - paper	(3)					
Pint - blended (5)	<u>0.0878</u>	0.0022	0.0900	1.62%	0.0015	0.0915
Twelve ounce	(3)					
Ten ounce	(3)		-			-
1/2 pint - plastic (5)	0.0627	0.0008	0.0635	0.92%	0.0006	0.0641
1/2 pint - paper (5)	0.0237	0.0001	0.0238	0.85%	0.0002	0.0240
Four ounce - paper	0.0262		0.0262	1.53%	0.0004	0.0266
Dispenser	0.0580		0.0580	1.30%	0.0008	0.0588

- (1) For containers not purchased in March 2013 the most recent invoice was used.
- (2) November 2013 container costs were used by the PMMB to establish minimum resale prices for December 2013.
- (3) Container not packaged in this Area.
- (4) Calculated based on actual container loss from a state-wide cross section of processing dealers for controlled containers used during the period January – March 2009. This state-wide cross section is composed of every processing dealer that participates in a cost replacement hearing.
- (5) Current container costs would replace these costs on a monthly basis when the PMMB minimum resale prices are announced.

SURREBUTTAL EXHIBIT D8-A

PMMB AREA 1

COST REPLACEMENT HEARING

**ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH
CONTAINER COSTS – DECEMBER 2013**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

<u>Container Size</u>	<u>Adjusted Container Costs from Exhibit D-8</u>	<u>Container Costs in Current Prices (1)</u>	<u>Difference</u>
Gallon (2)	\$ 0.2012	\$ 0.2046	\$ (0.0034)
Half Gallon (2)	0.1477	0.1414	0.0063
Quart (2)	0.1314	0.1313	0.0001
Pint (2)	0.0915	0.0914	0.0001
1/2 pint - plastic (2) (3)	0.0641	0.0618	0.0023
1/2 pint - paper (2)	0.0240	0.0243	(0.0003)
Four ounce - paper	0.0266	0.0215	0.0051
Dispenser (per quart)	0.0588	0.0567	0.0021

(1) Per General Order No. A-951 (CRO 3) as updated.

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

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0401. PMMB resale price schedules show the ½ pint paper price. \$0.0401 is the plastic add-on.

SURREBUTTAL EXHIBIT D9-A

PMMB AREA 1

COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
GALLON REDUCED FAT MILK (2%) FOR DECEMBER 2013**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B	1.9434%	1.9361%	0.0073%
Butterfat price as announced by PMMB	(1)	\$ 1.6525 per lb.	\$ 1.6525 per lb.	
Extended butterfat value		\$ 0.0321 per lb.	\$ 0.0320 per lb.	
Skim price as announced by PMMB	(1)	\$ 20.70 per Cwt	\$ 20.70 per Cwt	
Extended skim value		\$ 0.2030 per lb.	\$ 0.2030 per lb.	
Total milk value at announced prices		<u>\$ 0.2351 per lb.</u>	<u>\$ 0.2350 per lb.</u>	<u>\$ 0.0001</u>
Ingredient cost	D2	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D7	0.0002	(0.0005)	
Total milk cost per pound		<u>\$ 0.2354 per lb.</u>	<u>\$ 0.2346 per lb.</u>	<u>\$ 0.0008</u>
Pounds per gallon (conversion)		8.62	8.62	
Total milk cost per gallon		<u>\$ 2.0291</u>	<u>\$ 2.0223</u>	<u>\$ 0.0068</u>
Container cost (adjusted for shrinkage)	D8	0.2012 each	0.2046 each	(0.0034)
Cost center costs	D3	1.0544	1.0544	-
2nd quarter-to- 2nd quarter update	D4	0.0088	(0.0200)	0.0288
Container efficiency adjustment	(2)	(0.0720)	(0.0720)	-
Percentage discount adjustment	(3)	0.0016	0.0016	-
Diesel fuel adjustment	D5	(0.0020)	-	(0.0020)
Heating fuels adjustment	D6	0.0004	-	0.0004
		<u>\$ 3.2215 each</u>	<u>\$ 3.1909 each</u>	<u>\$ 0.0306</u>
Dealer profit at 3.4%	(2)	0.1134	0.1123	
Subtotal		<u>\$ 3.3349 each</u>	<u>\$ 3.3032 each</u>	<u>\$ 0.0317</u>
Less: average delivery cost	(2)	(0.4644)	(0.4644)	
Add: high cost delivery	(2)	0.9364	0.9364	
Wholesale price		<u>\$ 3.8069 each</u>	<u>\$ 3.7752 each</u>	<u>\$ 0.0317</u>

- (1) As announced for December 2013 by PMMB on November 21, 2013.
- (2) Per OGO A-951 (CRO 3) as updated.
- (3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."

SURREBUTTAL EXHIBIT D9-B

PMMB AREA 1

COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR DECEMBER 2013**

**Tuscan/Lehigh Dairies, L.P. - Lansdale, Milk Industry Management Corporation t/a Balford Farms,
HP Hood LLC-Hatfield, Wawa Dairy Farms**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B	0.0884%	0.0539%	0.0345%
Butterfat price as announced by PMMB	(1)	\$ 1.6525 per lb.	\$ 1.6525 per lb.	
Extended butterfat value		\$ 0.0015 per lb.	\$ 0.0009 per lb.	
Skim price as announced by PMMB	(1)	\$ 20.70 per Cwt	\$ 20.70 per Cwt	
Extended skim value		\$ 0.2068 per lb.	\$ 0.2069 per lb.	
Total milk value at announced prices		<u>\$ 0.2083 per lb.</u>	<u>\$ 0.2078 per lb.</u>	<u>\$ 0.0005</u>
Ingredient cost	D2	0.0365	0.0389	
Cost of shrinkage / bulk milk & cream	D7	0.0002	(0.0005)	
Total milk cost per pound		<u>\$ 0.2450 per lb.</u>	<u>\$ 0.2462 per lb.</u>	<u>\$(0.0012)</u>
Pounds per gallon (conversion)		<u>0.50</u>	<u>0.50</u>	
Total milk cost per gallon		<u>\$ 0.1225</u>	<u>\$ 0.1231</u>	<u>\$(0.0006)</u>
Container cost (adjusted for shrinkage)	D8	0.0240 each	0.0243 each	(0.0003)
Cost center costs	D3	0.0659	0.0659	-
2nd quarter-to- 2nd quarter update	D4	0.0005	(0.0013)	0.0018
Container efficiency adjustment	(2)	0.0268	0.0268	-
Percentage discount adjustment	(2)	0.0001	0.0001	-
Diesel fuel adjustment	D5	(0.0001)	-	(0.0001)
Heating fuels adjustment	D6	-	-	-
		<u>\$ 0.2397 each</u>	<u>\$ 0.2389 each</u>	<u>\$ 0.0008</u>
Dealer profit at 3.4%	(2)	0.0084	0.0084	
Subtotal		<u>\$ 0.2481 each</u>	<u>\$ 0.2473 each</u>	<u>\$ 0.0008</u>
Less: average delivery cost	(2)	(0.0290)	(0.0290)	
Add: high cost delivery	(2)	0.0585	0.0585	
Wholesale price		<u>\$ 0.2776 each</u>	<u>\$ 0.2768 each</u>	<u>\$ 0.0008</u>

- (1) As announced for December 2013 by PMMB on November 21, 2013.
- (2) Per OGO A-951 (CRO 3) as updated.
- (3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."