

May 5, 2014

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Luke F. Brubaker, Chairman  
c/o Douglas L. Eberly, Esq.  
Pennsylvania Milk Marketing Board  
Room 110, Agriculture Bldg.  
2301 North Cameron Street  
Harrisburg, PA 17110

**Offices In**  
Maryland  
Washington, D.C.  
Virginia

Re: Over Price Premium Hearing Part II – GNEMMA Proposal  
Rebuttal Witness and Exhibit List

Dear Chairman Brubaker and Members of the Board:

The Pennsylvania Association of Milk Dealers and Dean Foods Company will participate by and through Ober Kaler Grimes & Shriver, A Professional Corporation, and Davis Wright Tremaine, LLP, respectively, in the hearing by examining witnesses. PAMD also plans to sponsor as rebuttal witnesses those listed herein, and PAMD and Dean Foods will jointly sponsor John Pierce and Jed Davis as described below.

Each of the below described witnesses are expected to testify in opposition to GNEMMA's proposal as follows. And, it is anticipated that each witness will have some portion of their testimony for in camera review due to the confidential nature of the discussions, which pertain to premiums, customers, plant profitability.

Carl D. Herbein, President and CEO, Herbein & Company, will testify as an expert in cost accounting, milk cost accounting, plant profitability and competitive wholesale pricing analysis. He is expected to testify in accordance with the attached pre-submitted rebuttal testimony and exhibits and a portion of which is redacted for electronic transmission to the interested parties pursuant to the protective orders applicable to this hearing.

Todd Rutter, President of Rutter's Dairy Company, is expected testify as a lay witness and is expected to cover the following topics.

- The proposal will result in costs (premiums above minimum price and mandated premiums) associated with Pennsylvania produced milk that is processed by Rutter's and then sold in Pennsylvania not being captured and recovered in the wholesale minimum price.
- Marketplace circumstances and dilution will prevent Rutter's from otherwise capturing these costs for recovery in the sales price.

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- The nature of premiums that Rutter's pays for independent milk and cooperative milk and the factors that influence their payment, including Rutter's contribution to the over price premium.
- The impact and significance of the proposal on Rutter's profitability and the ability to pay competitive premiums to compete with cooperatives for farmers.
- The mandate puts at risk customer pursuits and retention and plant margins.

Cheryl Caruso, Chief Accountant, Clover Farms is expected to testify to the following subjects.

- The GNEMMA proposed elimination of the over price premium will hurt Clover Farms by preventing them from capturing and recovering in the wholesale minimum price genuine costs (premiums over and above minimum prices and mandated premiums for Pennsylvania produced milk sold by Clover in Pennsylvania).
- How the issue of cost recapture and recovery in the wholesale price is significant because competition in Pennsylvania is largely driven by the minimum prices, including anecdotes of how the failure to capture costs in the wholesale price has previously adversely affected Clover.
- The impact of the GNEMMA proposed mandate on customer relationships and pursuits.
- The types of premiums Clover pays, including Clover's contribution to the over price premium.
- The failure to capture procurement costs, due to elimination of the over price premium and/or dilution of the proposed coop-mandated premium, fully in the wholesale minimum prices presents a risk to Clover's margin and/or Clover's ability to maintain an independent supply.
- The anticipated impact and significance of the proposal on Clover's plant profitability.

John Pierce, Senior Manager for Dean Foods, is expected to testify to the following subjects with respect to the Lehigh Valley Plants in Lansdale and Schuylkill Haven, PA.

- The proposal may result in Lehigh having costs that will not be captured and reimbursed in the wholesale minimum price or through self-help in the marketplace.
- Marketplace circumstances will be discussed in terms of continued fierce competition for a shrinking piece of the Class I market in Pennsylvania, including sources of competition, and continued pressure from larger retailers.
- The conversion of handling charges to a mandate could threaten customer pursuits, retention, and dealer-to-dealer transactions.
- The anticipated impact and significance of the proposal on plant profitability.

Jed Davis, General Manager for Dean Dairy Products, Sharpsville, Pennsylvania, is expected to testify as a lay witness to the following subjects.

- The proposal will result in Sharpsville having costs (premiums above minimum price and mandated premiums) associated with Pennsylvania produced milk that is processed by Sharpsville and then sold in Pennsylvania not being captured and recovered in the wholesale minimum price.

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- Marketplace circumstances and dilution will prevent Sharpsville from otherwise capturing these costs for recovery in the sales price.
- The proposal threatens plant margin negatively.
- The proposal is expected to be disruptive to dealer to dealer transactions.
- The anticipated impact and significance of the proposal on plant profitability.

Paul Hartman, Owner, Scattered Acres, is expected to testify as a lay witness with respect to the following subjects. Portions of his testimony may involve proprietary and confidential information that will be offered in camera pursuant to protective orders applicable to this hearing.

- He opposes the GNEMMA proposal because it singles out cooperatives for a new mandated premium to the exclusion of non-member producers.
- He is concerned the GNEMMA proposal will make it more difficult for his milk plant customer to continue to pay the premiums currently available.
- He is concerned that the GNEMMA proposal will make it harder for independent farmers to thrive in Pennsylvania.

Respectfully submitted,

/s/ Wendy M. Yoviene

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