

AREA 4

COST REPLACEMENT HEARING DEALER REBUTTAL EXHIBITS

APRIL 3, 2019

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

INDEX OF REBUTTAL EXHIBITS

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

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Ronald W. Mong, CPA
Curriculum Vitae

EDUCATION

Pennsylvania State University – B.S. Degree in Accounting, High Distinction (1977)

EMPLOYMENT

Herbein + Company, Inc., Reading, PA

2003 to present

Senior Manager – Dairy Consulting

- Cost benchmarking
- Milk shrinkage reduction projects
- Dairy accounting seminars
- Regulatory issues – PA Milk Marketing Board, Federal Milk Marketing Orders, other state regulatory agencies
- Mergers and acquisitions
- Specialized financial reporting for dairy businesses
- Software installation assistance
- Dairy cost accounting for basic and complex products

Wilcox Farms, Inc., Roy, WA

2001 – 2003

Director of Finance & Administration (CFO)

- Developed and implemented a Balanced Financial Scorecard
- Supervised and trained accounting, office, and information technology staff at multiple locations
- Negotiated innovative bank financing package that significantly lowered interest costs
- Successfully managed the financial, banking, and accounting aspects of a significant acquisition

Herbein Consulting, Inc., Reading, PA

1999 – 2001

Manager – Dairy Financial Consulting

- Performed a variety of financial consulting services to dairy processing plants of varying sizes, product lines, and locations
- Served as interim CFO for dairy companies during personnel transitions
- Developed content for the IDFA Dairy Cost Accounting workshops

Schneider's Dairy, Inc., Pittsburgh, PA

1996 – 1999

General Manager, Mong Dairy Division

- Profitably managed and grew an ice cream manufacturing and dairy distribution business
- Successfully managed transition from non-union to union workforce
- Effectively directed sales, purchasing, personnel, distribution, maintenance, and accounting functions

Ronald W. Mong, CPA

Mong Dairy, Inc., Seneca, PA

1990 – 1996

President

- Expanded market share and distribution area
- Increased product lines and installed new packaging line
- Effectively positioned company for sale

1979 – 1990

Vice President and Controller

- Selected, planned, and installed first computerized accounting system
- Successfully reorganized work to reduce office staff by 50%
- Increased sales with key accounts
- Developed and implemented financial reporting

Arthur Andersen & Co., Pittsburgh, PA

1977 – 1979

Senior Accountant

- Supervised audit and tax work for a variety of public and private clients

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS

CPA – Commonwealth of Pennsylvania

Firm Member – Allinial Global

Member – American Institute of Certified Public Accountants (AICPA)

Member – Pennsylvania Institute of Certified Public Accountants (PICPA)

Board of Directors – Pennsylvania Association of Milk Dealers

Board of Directors, Secretary-Treasurer – National Ice Cream Mix Association

Board of Governors & Insurance Committee – Manufacturer's Association of Northwest Pennsylvania

Board of Directors – Oil City Area Chamber of Commerce

Board of Directors (charter) – MilkPEP

Chairman of the Board – Oil City Housing Authority

Board of Directors – Venango County United Way

Chairman of Administrative Board – Calvary United Methodist Church

Distinguished Service Award – Oil City Jaycees

Ronald W. Mong, CPA

COURSES INSTRUCTED

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 16, 2006

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 16, 2007

Dairylea Cooperative – Dairy Accounting 101 & 102 – May 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 14, 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 13, 2009

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 11-12, 2010

Dean Foods – Northeast Marketing Area Federal Order 1 – July 20-21, 2010

International Dairy Foods Association (IDFA) NEW Dairy Cost Accounting Workshop – May 11, 2011

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 15-16, 2012

Farmland Dairy – Dairy Accounting Workshop – August 21-22, 2012

Wawa – Dairy Accounting Workshop – November 7, 2012

HP Hood – Dairy Accounting Workshop – February 12-13, 2013

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 14-15, 2013

Saputo Dairy – Dairy Accounting Workshop – April 15, 2014

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 20-21, 2014

Webinar – Intro to Dairy Product Costing – September 10, 2014

Webinar – Applying Dairy Product Costing to Finished Products – September 17, 2014

Webinar – Advanced Milk Accounting Topics – September 24, 2014

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 12-13, 2015

Rutter's – Dairy Accounting Workshop – November 4, 2015

Dean Foods – Dairy Accounting Workshop – April 27, 2016

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – November 16-17, 2016

Kemps LLC – Dairy Accounting Workshop – December 15, 2016

Byrne Dairy – Dairy Accounting Workshop – April 11-12, 2017

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – December 12-13, 2017

Dean Foods – Dairy Accounting Workshop – January 10, 2018

Webinar Series – California Federal Milk Marketing Order – September 13, 20, & 27, 2018

Dairy Institute of California - Milk Pricing & Cost Accounting Workshop – October 17-18, 2018, October 24-25, 2018

Readington Farms - Milk Pricing & Cost Accounting Workshop – January 14-15, 2019

Maryland & Virginia Milk Producers Cooperative - Milk Pricing & Cost Accounting Workshop – January 31-February 1, 2019

Ronald W. Mong, CPA

SPECIFIC DAIRY RELATED EXPERIENCE

Considerable experience in implementing the prices and regulations of the Pennsylvania Milk Marketing Board; has presented sworn testimony in General Price Hearings.

Extensive experience in costing, pricing, and marketing of milk, cultured products, and ice cream.

Significant experience in production, distribution, and quality assurance of dairy products.

Management experience includes both union and non-union environments.

Great deal of experience in the installation and ongoing operation of the major computerized route accounting systems.

Served on the Charter of Board of Directors of the National Fluid Milk Promotion Board (MilkPEP), the group that developed the now-famous “milk mustache” ads.

EXPERT WITNESS TESTIMONY

Pennsylvania Milk Marketing Board – Expert Testimony – Over Price Premium Adjustment Hearing (hearing held February 2, 2005)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 5 and Area 6 Cost Replacement Hearings (hearings held on March 11, 2019)

REBUTTAL EXHIBIT D2

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

**PROCESSING, PACKAGING AND DELIVERY COSTS/POINT
(WEIGHTED AVERAGE BASED ON SALES IN AREA 4)**

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

<u>Cost Center</u>	<u>Total 2017 Points in PMMB Area 4 (1)</u>	<u>Weighted Average 2017 Cost/Point (1)</u>
Receiving, lab and field work	180,845,052	\$ 0.0180
Standardization and pasteurization	352,577,234	0.0179
Bottling	313,034,255	0.0393
Cold room	334,779,037	0.0352
Delivery	166,243,647	0.1037
Selling	191,826,361	0.0298
		<u>\$ 0.2439</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 4 for the cross-section dealers.

REBUTTAL EXHIBIT D2-A

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

	2017 Weighted Average Cost/Point	2016 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0180	\$0.0162	\$0.0018
Standardization and pasteurization	0.0179	0.0175	0.0004
Bottling	0.0393	0.0360	0.0033
Cold room	0.0352	0.0338	0.0014
Delivery	0.1037	0.1103	(0.0066)
Selling	<u>0.0298</u>	<u>0.0292</u>	<u>0.0006</u>
Sub total	\$0.2439	\$0.2430	\$0.0009
Add:			
2018 Cost increase (decrease) adjustment - Exhibit D7			0.0051
Less:			
2017 Cost (increase) decrease adjustment (1)			<u>(0.0140)</u>
Net change			<u><u>(\$0.0080)</u></u>

REBUTTAL EXHIBIT D3

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

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

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

<u>Container Size</u>	<u>April 2018 Container Cost (1)</u>	<u>Adjust from April 2018 to February 2019 - Current (2)</u>	<u>Subtotal</u>	<u>Calculated Shrinkage and Loss (4)</u>	<u>Shrinkage Cost</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.1565	\$ 0.0130	\$ 0.1695	1.20%	\$ 0.0020	\$ 0.1715
1/2 gallon - plastic	0.1171					
1/2 gallon - paper	(3)					
1/2 gallon - blended (5)	<u>0.1171</u>	0.0090	0.1261	1.26%	0.0016	0.1277
Quart - plastic	0.1314					
Quart - paper	(3)					
Quart - blended (5)	<u>0.1314</u>	0.0154	0.1468	1.57%	0.0023	0.1491
Pint - plastic	0.1227					
Pint - paper	0.0399					
Pint - blended (5)	<u>0.1212</u>	0.0065	0.1277	1.62%	0.0022	0.1299
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.0665	(0.0014)	0.0651	0.92%	0.0006	0.0657
1/2 pint - paper (5)	0.0291	0.0009	0.0300	0.85%	0.0003	0.0303
Four ounce - paper	0.0299		0.0299	1.53%	0.0005	0.0304
Dispenser	0.0433		0.0433	1.30%	0.0006	0.0439

- (1) For containers not purchased in April 2018 the most recent invoice was used.
- (2) February 2019 container costs were used by the PMMB to establish minimum resale prices for March 2019.
- (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 monthly when the PMMB minimum resale prices are announced.

REBUTTAL EXHIBIT D3-A

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

**ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH
CONTAINER COSTS – MARCH 2019**

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

<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)	\$ 0.1715	\$ 0.1810	\$ (0.0095)
Half Gallon (2)	0.1277	0.1339	(0.0062)
Quart (2)	0.1491	0.1487	0.0004
Pint (2)	0.1299	0.1214	0.0085
1/2 pint - plastic (2)	0.0657	0.0654	0.0003
1/2 pint - paper (2)	0.0303	0.0300	0.0003
Four ounce - paper	0.0304	0.0301	0.0003
Dispenser (per quart)	0.0439	0.0572	(0.0133)

(1) Per General Order No. A-963 (CRO 8) as updated.

(2) These container costs to be updated monthly.

REBUTTAL EXHIBIT D4

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

**SUMMARY OF INGREDIENT COSTS
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 4)**

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

	April 2018 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Lowfat (1%) milk	.0015
Nonfat (skim) milk	.0016
Flavored milk	.0443
Flavored reduced fat milk	.0353
Flavored nonfat milk	.0277
Buttermilk	.0318
Eggnog	.1732

(1) For ingredients not purchased in April 2018 the most recent invoice was used.

REBUTTAL EXHIBIT D4-A

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

	April 2018 Weighted Average Cost/Pound	Cost/Pound included in Existing Order (1)	Increase (Decrease)
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0018	(0.0017)
Lowfat milk (1%)	0.0015	0.0019	(0.0004)
Nonfat milk (skim)	0.0016	0.0020	(0.0004)
Flavored milk (2)	0.0443	0.0423	0.0020
Flavored reduced fat milk (2)	0.0353	0.0370	(0.0017)
Flavored nonfat milk (2)	0.0277	0.0275	0.0002
Buttermilk	0.0318	0.0252	0.0066
Eggnog	0.1732	0.1536	0.0196

(1) Per General Order OGO A-963 (CRO 8) as updated for flavored milks on January 1, 2019.

(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 4

APRIL 3, 2019 COST REPLACEMENT HEARING

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

Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)

<u>PMMB Area 4</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	\$ 1,263,472		\$ 1,263,472		
Bulk milk revenue minus milk costs		(207,766)			
Bulk milk cost center costs & freight	6,969				
Net bulk milk cost (revenue)			214,735		
Bulk cream revenue minus milk costs		1,678,015			
Bulk cream cost center costs	378,222				
Net bulk cream cost (revenue)			(1,299,793)		
Total	<u>\$ 1,648,663</u>	<u>\$ 1,470,249</u>			
Net cost (net revenue) - calendar year 2017			\$ 178,414	329,277,645	\$ 0.0005
Net cost (net revenue) in current order - calendar year 2016			<u>\$ (890,458)</u>	367,369,682	<u>(0.0024)</u>
Net change - cost increase (cost reduction)			<u>\$ 1,068,872</u>		<u>\$ 0.0029</u>

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

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

	2017 Weighted Average Butterfat Test	Butterfat Test included in Existing Order (1)	Increase (Decrease)
Standard milk	3.2958%	3.2828%	0.0130%
Reduced fat milk (2%)	1.9788%	1.9572%	0.0216%
Lowfat milk (1%)	0.9683%	0.9639%	0.0044%
Nonfat milk (skim)	0.1040%	0.1087%	-0.0047%
Flavored milk	3.2310%	3.2333%	-0.0023%
Flavored reduced fat milk	1.0271%	0.9905%	0.0366%
Flavored nonfat milk	0.0667%	0.0992%	-0.0325%
Buttermilk	0.9996%	1.0001%	-0.0005%
Eggnog	6.9765%	7.0966%	-0.1201%

(1) Per General Order No. A-963 (CRO 8)

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

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

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

Type of Expense	Weighted Expenses for the Six Months Ended June 30 (1)		Weighted Points for the Six Months Ended June 30 (1)		Cost Per Point		Increase (Decrease) Per Point
	2018	2017	2018	2017	2018	2017	
Labor and fringe benefits	\$ 19,735,955	\$ 19,411,846	142,272,462	145,071,120	\$ 0.1387	\$ 0.1338	\$0.0049
Utilities	790,742	844,517	142,272,462	145,071,120	0.0056	0.0058	(0.0002)
Insurance	257,075	209,004	142,272,462	145,071,120	0.0018	0.0014	0.0004
					<u>\$0.1461</u>	<u>\$0.1410</u>	<u>\$0.0051</u>

(1) Weighted based on sales in PMMB Area 4

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

Diesel fuel costs – calendar year 2017 (1)	\$1,560,225
Delivery points – calendar year 2017 (1)	<u>166,243,647</u>
Diesel fuel cost per point delivered	<u><u>\$0.0094</u></u>
Average diesel price – calendar year 2017 (2)	\$2.822
Average diesel price – January 2019 (2) (3)	<u>\$3.228</u>
Increase (decrease) from year 2017 to month January 2019	14.39%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>\$0.0014</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 4.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) January 2019 diesel fuel costs were used by the PMMB in establishing minimum prices for March 2019.

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

Heating fuel costs – calendar year 2017 (1)	\$127,495
Standardization & pasteurization points – calendar year 2017 (1)	<u>352,577,234</u>
Heating fuel cost per point pasteurized	<u>\$0.0004</u>
Average heating fuel costs – calendar year 2017 (2)	\$8.80
Average heating fuel costs – November 2018 (2) (3)	<u>8.29</u>
Increase (decrease) from year 2017 to month November 2018	-5.80%
Increase (decrease) in heating fuel cost per point pasteurized	<u>\$0.0000</u>

- (1) Costs of cross-section dealers weighted by sales in Area 4.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) November 2018 natural gas costs were used by the PMMB in establishing minimum prices for March 2019.

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

**ADJUSTMENTS FOR CONTAINER EFFICIENCIES
DUE TO CONTAINER SIZE**

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

<u>Container Size</u>	<u>Container Quantities Sold by Cross-Section Dealers in 2017 in Area 4</u>	<u>Proposed Container Efficiency Adjustments</u>	<u>Impact on Cross-Section Dealer Revenue</u>	<u>Container Efficiency Adjustments in Current Order (1)</u>	<u>Impact on Cross-Section Dealer Revenue</u>
Gallon	20,018,786	\$ (0.0681)	\$ (1,363,279)	\$ (0.0842)	\$ (1,685,582)
Half gallon	14,945,351	(0.0357)	(533,549)	(0.0340)	(508,142)
Quart	3,320,406	0.0281	93,303	0.0188	62,424
Pint	6,764,802	0.0852	576,361	0.0567	383,564
Half pint - plastic	4,292,345	0.0241	103,446	0.0210	90,139
Half pint - paper	41,132,949	0.0241	991,304	0.0210	863,792
4 oz.	731,406	0.0327	23,917	0.0452	33,060
Dispenser (per quart)	626,062	0.1741	<u>108,997</u>	0.1518	<u>95,036</u>
Net impact on cross-section dealer revenues			<u>\$ 500</u>		<u>\$ (665,709)</u>

(1) Per OGO A-963 (CRO 8) as updated.

REBUTTAL EXHIBIT D11-A

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
GALLON REDUCED FAT MILK (2%) FOR MARCH 2019**

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9788%	1.9572%	0.0216%
Butterfat price as announced by PMMB	(1)	\$ 2.6086 per lb.	\$ 2.6086 per lb.	
Extended butterfat value		\$ 0.0516 per lb.	\$ 0.0511 per lb.	
Skim price as announced by PMMB	(1)	\$ 11.41 per cwt.	\$ 11.41 per cwt.	
Extended skim value		\$ 0.1118 per lb.	\$ 0.1118 per lb.	
Total milk value at announced prices		<u>\$ 0.1635</u> per lb.	<u>\$ 0.1629</u> per lb.	<u>\$ 0.0006</u>
Ingredient cost	D4	0.0001	0.0018	
Cost of shrinkage / bulk milk & cream	D5	0.0005	(0.0024)	
Total milk cost per pound		<u>\$ 0.1641</u> per lb.	<u>\$ 0.1623</u> per lb.	<u>\$ 0.0018</u>
Pounds per gallon (conversion)		<u>8.62</u>	<u>8.62</u>	
Total milk cost per gallon		<u>\$ 1.4145</u>	<u>\$ 1.3990</u>	<u>\$ 0.0155</u>
Container cost (adjusted for shrinkage)	D3	0.1715 each	0.1810 each	(0.0095)
Cost center costs	D2	0.9756	0.9720	0.0036
1st half 2018 to 1st half 2017 adjustment	D7	0.0204	0.0560	(0.0356)
Container efficiency adjustment	D10	(0.0681)	(0.0842)	0.0161
Percentage discount adjustment	(3)	(0.0004)	(0.0004)	-
Diesel fuel adjustment	D8	0.0056	0.0104	(0.0048)
Heating fuels adjustment	D9	-	-	-
		<u>\$ 2.5191</u> each	<u>\$ 2.5338</u> each	<u>\$ (0.0147)</u>
Dealer profit at 3.4%	(2)	0.0887	0.0892	\$ (0.0005)
Subtotal		<u>\$ 2.6078</u> each	<u>\$ 2.6230</u> each	<u>\$ (0.0152)</u>
Less: average delivery cost	(2)	(0.4352)	(0.4352)	
Add: high cost delivery	(2)	0.9664	0.9664	
Wholesale minimum price		<u><u>\$ 3.1390</u></u> each	<u><u>\$ 3.1542</u></u> each	<u><u>\$ (0.0152)</u></u>

- (1) As announced for March 2019 by PMMB on February 22, 2019.
- (2) Per OGO A-963 (CRO 8) as updated.
- (3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."

REBUTTAL EXHIBIT D11-B

PMMB AREA 4

APRIL 3, 2019 COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR MARCH 2019**

**Dean Dairy Holdings LLC dba Swiss Premium Dairy, Galliker Dairy (Johnstown),
Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP,
Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven)**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.0667%	0.0992%	-0.0325%
Butterfat price as announced by PMMB	(1)	\$ 2.6086 per lb.	\$ 2.6086 per lb.	
Extended butterfat value		\$ 0.0017 per lb.	\$ 0.0026 per lb.	
Skim price as announced by PMMB	(1)	\$ 11.41 per cwt.	\$ 11.41 per cwt.	
Extended skim value		\$ 0.1140 per lb.	\$ 0.1141 per lb.	
Total milk value at announced prices		<u>\$ 0.1157 per lb.</u>	<u>\$ 0.1167 per lb.</u>	<u>\$(0.0010)</u>
Ingredient cost	D4	0.0277	0.0275	
Cost of shrinkage / bulk milk & cream	D5	0.0005	(0.0024)	
Total milk cost per pound		<u>\$ 0.1439 per lb.</u>	<u>\$ 0.1418 per lb.</u>	<u>\$ 0.0021</u>
Pounds per gallon (conversion)		<u>0.50</u>	<u>0.50</u>	
Total milk cost per half pint		<u>\$ 0.0720</u>	<u>\$ 0.0709</u>	<u>\$ 0.0011</u>
Container cost (adjusted for shrinkage)	D3	0.0303 each	0.0300 each	0.0003
Cost center costs	D2	0.0610	0.0608	0.0002
1st half 2018 to 1st half 2017 adjustment	D7	0.0013	0.0035	(0.0022)
Container efficiency adjustment	D10	0.0241	0.0210	0.0031
Percentage discount adjustment	(3)	-	-	-
Diesel fuel adjustment	D8	0.0003	0.0006	(0.0003)
Heating fuels adjustment	D9	-	-	-
		<u>\$ 0.1890 each</u>	<u>\$ 0.1868 each</u>	<u>\$ 0.0022</u>
Dealer profit at 3.4%	(2)	0.0067	0.0066	\$ 0.0001
Subtotal		<u>\$ 0.1957 each</u>	<u>\$ 0.1934 each</u>	<u>\$ 0.0023</u>
Less: average delivery cost	(2)	(0.0272)	(0.0272)	
Add: high cost delivery	(2)	0.0604	0.0604	
Wholesale minimum price		<u><u>\$ 0.2289</u></u> each	<u><u>\$ 0.2266</u></u> each	<u><u>\$ 0.0023</u></u>

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