

STAFF TESTIMONY BEFORE THE PENNSYLVANIA MILK MARKETING BOARD
COST REPLACEMENT HEARING – MILK MARKETING AREA 2
April 3, 2019

Staff Exhibit 1

Good Morning. My name is Clifford Ackman. As the Statistician for the Pennsylvania Milk Marketing Board, I collected the information for and produced Staff Exhibit 1, dealing with the cross-section of milk dealers in Area 2. I have listed these eight milk dealers in footnote 3 along with the percentage of sales by those dealers compared to the population of all 33 dealers selling into the East Central Pennsylvania Milk Marketing Area. This judgmental sample was selected from available dealers as having the largest sales in the area. They account for nearly eighty percent of Area 2's reported milk sales.

The dealers used for the cross-section to gather 2017 information have changed from previous Area 2 cost replacement hearings. The number was expanded to include several dealers with substantial volume in the area to achieve a uniform standard of selection for each area. The additional dealers are identified on Exhibit 1.

This exhibit offers the cross-section of dealers as presenting a significant portion of all sales into the marketplace. It demonstrates the ratios of controlled product sales by all dealers (the top section of the exhibit) and the cross-section dealers (in the lower half of the exhibit). This comparison of product sales ratios falls within statistically acceptable limits using the Chi-square goodness of fit test.

I also studied the size and types of deliveries of the cross-section dealers along with the types of customers served by them. As a group, the cross-section dealers serve a variety of customers from small deliveries at schools and restaurants to large deliveries at supermarkets. These dealers use a variety of delivery vehicles including smaller, straight body trucks and tractor-trailers. This reflects all dealer sales into Marketing Area 2.

Based on the amount and type of milk sold by these cross-section dealers, the types of customers and the delivery techniques employed by these listed dealers, I find this cross-section to be representative of all dealers doing business in Milk Marketing Area 2. Their data is used for subsequent exhibits.

Good morning. My name is Gary Gojsovich. I am employed by the Pennsylvania Milk Marketing Board as an Audit Supervisor. This morning I will be testifying to Staff Exhibits 2 through 12.

Staff Exhibit 2

Staff Exhibit 2 provides information about the average weighted cost for processing, packaging and delivering milk for the Area 2 cross-section milk dealers. For each of the major cost centers listed in this Exhibit, we have matched the expenses associated with the cost center with the volume of milk or other products that flowed through that cost center. The volumes in this Exhibit are stated in points (where a point equals a quart or quart equivalent). All costs and points are weighted using the sales weighting method. For example, if a dealer has 25% of their sales in Area 2 then we include 25% of their costs and 25% of their points in the Area 2 cost centers.

Staff recommends that the Board replace the costs in the current Order with those costs in Staff Exhibit 2.

Staff Exhibit 3

Staff Exhibit 3 provides information on the cost of containers for the cross-section dealers. We initially use the costs of the cross-section dealers for plastic containers, paper containers and resin as of April 2018 to calculate weighted cost per units. As has been done in previous hearings, we are using controlled container sales volumes for the previous year. We are therefore pairing current costs with the weighted units sold in the previous year to arrive at the most current weighted cost per unit available. Where the market has both paper and plastic containers, like the half-gallon container, we have provided a combined paper/plastic price. After we established a cost for each container type in Column E, we are updating those April 2018 costs to the costs observed in our most current container surveys in Column F (March 2019). In Column G we are applying factors for container shrinkage. Column H adds the shrinkage factor to the updated container cost in Column F.

Staff recommends that the Board replace the base container costs with those found in Column C and the base weighted units with those found in Column D and continue to update these costs using the audited surveys submitted by the cross-section dealers. Staff also recommends that the Board continue the practice of providing separate plastic and paper half-pint prices through a plastic add-on.

Staff further recommends that the Board replace the current container costs with the container costs found in column E of this Exhibit.

Staff Exhibit 4

Staff Exhibit 4 provides information on the cost of ingredients added to the various milk products like chocolate powder and sugar used in chocolate milk. This Exhibit pairs Year 2017 sales activity with April 2018 costs to get current weighted costs.

Staff recommends replacing the current ingredient costs with those found in Staff Exhibit 4. Staff further recommends the continuance of updating chocolate and sweetener costs quarterly.

Staff Exhibit 5

Dealers typically sell off excess bulk milk and cream they are unable to use in their own plants and they will recognize either a profit or a loss on these sales. Dealers also lose small amounts of milk as the milk moves through the plant; this loss is called shrinkage and it has a cost associated with it.

Row 1 shows the calculation for shrinkage cost. Column G shows the weighted costs using the sales weighting methodology.

Rows 2, 3 and 5 show calculations for determining profits and/or losses on diverted or transferred sales of bulk milk and cream. Dealers incur additional costs to process and sell transferred milk and cream (Column E). We add these additional processing costs to the producer costs in Column D to determine if the dealers made a profit or loss on the transactions.

The costs in the top panel are summarized in Column H. We divide these costs by the number of pounds of product sold or manufactured by the dealers (net of purchased packaged products) as represented in Column I. By dividing the costs in Column H by the pounds in Column I we arrive at a weighted cost per pound in Column J.

Staff recommends that the Board use the costs and profits in Staff Exhibit 5 to replace those in the existing Order.

Staff Exhibit 6

Staff Exhibit 6 summarizes the components of the milk cost prior to the milk going into the container. We are using the most current announced milk prices available prior to the submission date for the Exhibits. The current fat and skim prices for Class I products are in the top numeric panel of the Exhibit. In the lower numeric panel we show the actual pounds of the Class I products (Columns A and B) sold by the cross-section dealers in this Area. We have labeled the columns A through K and show how we arrive at the cost per pound for each of the products in the table.

Staff recommends that the Board continue to use this methodology for establishing the before-bottling costs.

Staff Exhibit 7

In Staff Exhibit 7 we compare the costs and related plant volumes for three significant categories (labor, utilities, and insurance) for the 1st half of Year 2018 with the 1st half of 2017 to update the cost per point from Staff Exhibit 2. We use bottling points as the denominator for this Exhibit as they are a good measure of the plants' overall volume or activity. In columns A and B, we list the first half-year costs for 2018 and 2017 for each of the cost categories. In the next two columns, we list the bottling points for 2018 and 2017 for the first half-year. By dividing the costs by the points in columns E and F, we can compare the cost increase or decrease per point in column G.

Staff recommends replacing the first half cost adjustment in the current Order with the adjustment per Staff Exhibit 7.

Staff Exhibit 8

In Staff Exhibit 8 we update diesel fuel costs from the previous year (Year 2017) by indexing to diesel prices for the most current month (January 2019). Line 1 shows the weighted cost for diesel fuel for the cross-section dealers for Year 2017. Line 2 is the Year 2017 average On-Highway diesel price per gallon as posted by the Energy Information Administration (EIA). Line 3 is the current EIA On-Highway diesel price. Line 4 represents the percentage of change in the diesel price from Year 2017 to the current price. Using the percentage of change on line 4, line 5 shows the current presumed diesel cost. By subtracting line 1 from line 5 we find the changed diesel cost on line 6. By dividing the changed diesel cost on line 6 by the weighted delivery points of the cross-section dealers, we find the changed cost per point on line 8.

Staff recommends that the Board continue to include this adjustment in the cost replacement process. Staff also recommends that the Board replace the Year 2016 points and costs with the Year 2017 points and costs found in Staff Exhibit 8.

Staff Exhibit 9

Staff has calculated the current heating fuel add-on using the same methodology as in Staff Exhibit 8 except here we are using Standardization and Pasteurization points and the Pennsylvania Natural Gas Industrial price as posted by the EIA. Staff recommends that the Board continue to include this adjustment in the cost replacement process. Staff also recommends that the Board replace the 2016 points and costs with the 2017 points and costs found in Staff Exhibit 9.

Staff Exhibit 10

The 'cost per points' from Staff Exhibit 2 for Bottling, Cold Room and Delivery represent overall averages for filling and handling a quart equivalent of product. However, there are efficiencies in filling and handling fluid product in larger sized containers than in smaller sized containers that make it more costly to fill and handle smaller sized containers. In the Bottling cost center, the same amount of product can be filled in less time using half gallon containers than half pint containers. For example, the Statewide cross-section Dealers can fill on average 100 half gallons per minute which equates to 6,400 fluid ounces; whereas they can only fill on average 320 paper half pints per minute which equates to 2,560 fluid ounces. And in the Cold Room and Delivery cost centers where fluid product is handled in plastic milk crates, typically more volume can be handled in a milk crate of larger sized containers than of smaller sized containers. For example, Dealers place nine half gallons in a milk crate which equates to 576 fluid ounces (9 x 64); by comparison they place 50 half pints in a milk crate which equates to only 400 fluid ounces (50 x 8).

To better match the Bottling, Cold Room and Delivery costs with the various container sizes, container efficiency studies were performed at each of the processing cross-section dealers. For each study, the following data was gathered and confirmed: Area 2 specific sales of controlled product by container size for 2017, filling speeds per bottling machine, number of employees working each bottling machine and the number of containers handled in a milk crate.

The Area 2 sales, filling speed and number of employee data were used to calculate the adjustment for Bottling. For each dealer, and for each container size, the Area 2 sales are divided by the applicable filling speed to determine how much time was used to fill those containers for the year. The time for each container is then divided by the total time for all containers to derive percentages. The percentages are then multiplied by total non-labor Bottling costs to determine how much non-labor Bottling costs are allocated to each container size. The same is done for labor Bottling costs with the only difference being that we multiply the total minutes for each container size by the number of employees working each machine to get weighted minutes. For each container size, the allocated labor and non-labor Bottling costs are combined and compared to the average Bottling costs with the difference between the two amounts being the total Bottling adjustment. The Bottling adjustments for each container size are summed for

the Area 2 cross-section Dealers as are the Area 2 sales units; the sum of the adjustment totals is divided by the sum of the Area 2 sales units to derive the Bottling adjustments per Staff Exhibit 10.

The Area 2 sales and units per crate data were used to calculate the adjustment for Cold Room and Delivery. For each Dealer, and for each container size, the Area 2 sales are divided by the applicable 'units per crate' number to determine how many crates were used to handle those containers for the year. The crates for each container are then divided by the total crates for all containers to derive percentages. The percentages are then multiplied by total Cold Room and Delivery costs to determine how much of those costs are allocated to each container size. For each container size, the allocated Cold Room and Delivery costs are combined and compared to the average Cold Room and Delivery costs with the difference between the two amounts being the total Cold Room and Delivery adjustment. The Cold Room and Delivery adjustments for each container size are summed for the Area 2 cross-section Dealers as are the Area 2 sales units; the sum of the adjustment totals is divided by the sum of the Area 2 sales units to calculate the Cold Room and Delivery adjustments per Staff Exhibit 10.

The Bottling and the Cold Room and Delivery adjustments for each container size are added to derive the total container efficiency adjustments for each container size.

The container efficiency adjustments were last updated in 2007. The methodology used this time was improved with the following changes: actual sales by Area numbers were used instead of weighted Area sales, and the number of employees per machine was used to weight the Bottling labor costs. Using weighted Area sales resulted in certain container sizes being weighted too heavily or lightly in an Area which flawed the adjustments made then; the use of actual sales by Area numbers corrects this problem. And the use of number of employees to weight the Bottling labor costs results in a better allocation of those costs.

Board Staff recommends that the container efficiency adjustment amounts per the existing order be replaced with those per Staff Exhibit 10. Board Staff also recommends that the container efficiency adjustments be updated annually during cost replacement by updating the Area 2 controlled sales units and the 'costs per points' used to calculate the adjustments. Filling speed data and 'units per crate' data would not be updated annually.

Staff Exhibit 11

Staff Exhibit 11 summarizes the information from all previous Exhibits and data from the base Order to arrive at proposed wholesale prices.

Column A is the milk cost from Staff Exhibit 6 which provides the milk cost per pound. We multiply the milk cost per pound by the number of pounds per container.

Column B lists the container costs from Staff Exhibit 3.

Column C combines the first half cost adjustment from Staff Exhibit 7 with the diesel and heating fuel adjustments from Staff Exhibits 8 and 9. It also includes an adjustment per OGO A-972 for the 'Discount Effect'.

Column D are the container efficiency adjustments per Staff Exhibit 10.

Column E lists the processing costs from Staff Exhibit 2.

Column F is the sum of columns A through E.

Column G is profit. This percentage profit reflects the profit in the current Order.

Column H is the average price with profit.

Column I removes the average delivery. By removing the average delivery, we arrive at a cost for processing the milk and bringing it to the dock. All milk regardless of its ultimate destination will have the same cost at this point.

Column J adds back the cost of a relatively small high-cost delivery. By adding back the high-cost delivery, we have a price from which applicable discounts can be deducted.

Column K is the sum of Columns H, I and J and is our proposed wholesale price.

Column L is the wholesale price under the current cost replacement order.

Column M is the difference between the proposed wholesale price and the current wholesale price.

For Area 2 there are some large variances found in column M in comparing the proposed and current wholesale prices. These variances are mostly attributable to the large increase in the processing costs per point which increased from \$0.1912 for Year 2016 to \$0.2537 for Year 2017 for an increase of \$0.0625 per point.

Staff Exhibit 12

Staff Exhibit 12 provides a methodology for arriving at the retail or out-of-store price for milk.

Column A is the proposed wholesale price from Staff Exhibit 11.

Column B is the deepest discount from the current general price order.

Column C is the average in-store handling cost from the current general order. This in-store handling cost has been updated monthly by the Consumer Price Index. Staff recommends that the Board continue to employ this form of cost update for the retail price.

Column D reflects the retail profit in the current Order.

Column E is the sum of columns A through D and is the proposed retail or out-of-store price.

Column F is the most recently announced retail price.

Column G is the difference between the proposed retail price and the current retail price.

Thank you. I'd be happy to answer any questions pertaining to my Exhibits.

**Pennsylvania Milk Marketing Board
SALES IN PMMB AREA 2 BY TYPE OF MILK**

**PERCENTAGE OF CONTROLLED MILK SALES FOR
ALL DEALERS SELLING IN PMMB AREA 2** ^{(1) (2)}

Standard Milk	30.71
Flavored Milk	2.73
Egg Nog	0.16
Reduced Fat Flavored Milk	3.47
Nonfat Flavored Milk	4.53
Reduced Fat Milk	26.92
Low Fat Milk	15.53
Buttermilk	0.33
Nonfat Milk	9.58
Mixed Milk	2.88
Sour Cream	0.52
Light Cream	0.26
Medium Cream	0.05
Heavy Cream	2.33
	<hr/>
	100.0%

**PERCENTAGE OF CONTROLLED MILK SALES FOR
CROSS SECTION DEALERS SELLING IN PMMB AREA 2** ^{(1) (2) (3)}

Standard Milk	31.51
Flavored Milk	3.08
Egg Nog	0.15
Reduced Fat Flavored Milk	3.25
Nonfat Flavored Milk	5.64
Reduced Fat Milk	27.03
Low Fat Milk	15.59
Buttermilk	0.31
Nonfat Milk	8.91
Mixed Milk	2.07
Sour Cream	0.08
Light Cream	0.32
Medium Cream	0.01
Heavy Cream	2.05
	<hr/>
	100.0%

(1) Source - Pennsylvania Milk Marketing Board's Milk Dealer's Monthly Report, calendar year 2017

(2) Pounds of Milk used in deriving percentages.

(3) The cross section dealers supply 79.8% of the reported milk sales to this area.

- * Clover Farms Dairy Company
- * Dean Dairy Holdings (DBA Swiss Premium Dairy)
- * Milk Industry Management Company (T/A Balford Farms) ^{Addition}
- * Monroe County Milk Producer's Coop (DBA Pocono Mountain Dairy) ^{Addition}
- * Turkey Hill LP
- * Tuscan/Lehigh Dairies, Inc (Schuylkill Haven Location)
- * Valley Farms Dairy LLC ^{Addition}
- * Wawa Beverage Company ^{Addition}

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**COSTS AND POINTS FOR PROCESSING, PACKAGING & DELIVERY
YEAR 2017 DATA**

Cost Center	Weighted Costs	Weighted Points	Cost per Point
Receiving, Lab & Field Work	\$ 918,013	67,815,795	\$ 0.0135
Standardization & Pasteurization	\$ 2,234,554	96,184,269	\$ 0.0232
Bottling	\$ 3,288,382	91,002,658	\$ 0.0361
Cold Room	\$ 4,121,586	105,170,445	\$ 0.0392
Delivery	\$ 9,403,729	77,552,454	\$ 0.1213
Selling	\$ 1,632,045	79,891,472	\$ 0.0204

Total Cost per Point **\$ 0.2537**

PENNSYLVANIA MILK MARKETING BOARD MILK MARKETING AREA 2

CONTAINER COSTS YEAR 2017 UNITS (@ APRIL 2018 COSTS)

A	B	C	D	E	F	G	H	
				(C ÷ D)			(F x (1+G))	
Container Size	Blow Molded or Purchased	Weighted Costs	Weighted Units	Weighted Cost per Unit	Updated (to MAR-2019) Cost per Unit	Weighted Shrinkage Factor (%)	Adjusted for Shrinkage Cost per Unit	
GALLON	Plastic	Blow Molded	\$ 665,331	3,703,281	\$ 0.1797			
		Purchased	\$ 671,096	3,240,226	\$ 0.2071			
			\$ 1,336,427	6,943,507	\$ 0.1925	\$ 0.1944	1.66%	\$ 0.1976
1/2 GALLON	Plastic	Blow Molded	\$ -	-	\$ -			
		Purchased	\$ 884,534	6,656,677	\$ 0.1329			
	Paper	Purchased	\$ -	-	\$ -			
	Combined		\$ 884,534	6,656,677	\$ 0.1329	\$ 0.1384	1.22%	\$ 0.1401
QUART	Plastic	Purchased	\$ 324,647	2,526,507	\$ 0.1285			
	Paper	Purchased	\$ 4,045	49,316	\$ -			
	Combined		\$ 328,692	2,575,823	\$ 0.1276	\$ 0.1303	1.57%	\$ 0.1323
PINT	Plastic	Purchased	\$ 158,799	1,728,600	\$ 0.0919			
	Paper	Purchased	\$ 2,132	53,412	\$ 0.0399			
	Combined		\$ 160,931	1,782,012	\$ 0.0903	\$ 0.0901	1.62%	\$ 0.0916
12 Ounce		Purchased			\$ 0.0630	\$ 0.0630	\$ 0.0630	
10 Ounce		Purchased			\$ 0.0855	\$ 0.0855	\$ 0.0855	
1/2 PINT	Plastic	Purchased	\$ 109,409	1,432,430	\$ 0.0764	\$ 0.0764	0.92%	\$ 0.0771
	Paper	Purchased	\$ 440,792	17,682,948	\$ 0.0249	\$ 0.0265	0.85%	\$ 0.0267
4 Ounce	Paper	Purchased	\$ 8,771	317,040	\$ 0.0277	\$ 0.0277	1.53%	\$ 0.0281
Bulk Per Quart		Purchased	\$ 101,940	1,765,484	\$ 0.0577	\$ 0.0577	1.30%	\$ 0.0585

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**COSTS AND POINTS FOR INGREDIENTS, CONDENSED & POWDER
YEAR 2017 POUNDS (@ APRIL 2018 COSTS)**

Product	Weighted Costs	Weighted Pounds	Cost per Pound
Standard (Whole) Milk	\$ 431	38,585,219	\$ -
Reduced Fat (2%) Milk	\$ 2,055	34,009,438	\$ 0.0001
Low Fat (1%) Milk	\$ 2,271	19,481,003	\$ 0.0001
Non Fat (Skim) Milk	\$ 3,892	10,855,984	\$ 0.0004
Flavored Milk	\$ 143,308	3,322,960	\$ 0.0431
Flavored Reduced Fat Milk	\$ 92,558	2,901,863	\$ 0.0319
Flavored NONFAT Milk	\$ 123,275	4,338,004	\$ 0.0284
Buttermilk	\$ 1,169	35,843	\$ 0.0326
Egg Nog	\$ 18,630	119,176	\$ 0.1563

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**COSTS AND (REVENUES) FOR SHRINKAGE AND BULK SALES
YEAR 2017 DATA**

	A	B	C	D	E	F	G
						- (C - D - E)	
	Product Pounds	Butterfat Pounds	Revenue	Raw Costs	Additional Processing Costs	Net Cost or (Profit)/Loss	Weighted Cost or (Profit)/Loss
1 Shrinkage	23,891,191	1,219,143	n/a	\$ 4,833,924	n/a	\$ 4,833,924	\$ 473,265
2 Bulk MILK - diverted	39,456,275	1,500,313	\$ 6,375,899	\$ 6,586,738	n/a	\$ 210,839	\$ 3,787
3 Bulk MILK - transferred	47,282,904	1,126,968	\$ 7,449,339	\$ 6,333,954	\$ 1,388,560	\$ 273,175	\$ (23,165)
4 Bulk MILK - TOTAL (Rows 2 + 3)	86,739,179	2,627,281	\$ 13,825,238	\$ 12,920,692	\$ 1,388,560	\$ 484,014	\$ (19,378)
5 Bulk CREAM - transferred	36,071,298	15,479,486	\$ 45,679,341	\$ 41,336,105	\$ 1,117,588	\$ (3,225,648)	\$ (404,339)

	H	I	J
			(H ÷ I)
Cost/(Revenue) Factor	Weighted Costs	Weighted Pounds	Weighted Cost per Pound
6 Shrinkage (Row 1)	\$ 473,265		
7 Bulk MILK (Profit)/Loss (Row 4)	\$ (19,378)		
8 Bulk CREAM (Profit)/Loss (Row 5)	\$ (404,339)		
9 Total	\$ 49,548	130,437,275	\$ 0.0004

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**MILK COSTS BEFORE PACKAGING
MARCH 2019 MILK COSTS**

	Class I
Skim Rate	\$ 11.26
Butterfat Rate	\$ 2.6071

Product Description	A	B	C	D	E	F	G	H	I	J	K
	Product Pounds	Butterfat		Skim Pounds	Butterfat Value	Skim Value	Total Value	Cost per Pound	Ingredient Cost	Bulk Sale (Profit)/Loss	Total Cost per Pound
		Pounds	Percentage								
			(B ÷ A)	(A - B)	(B × BF Rate)	(D × Skim Rate)	(E + F)	(G ÷ A)	(EX. 4)	(EX. 5)	(H + I + J)
Standard (Whole) Milk	38,585,219	1,255,654	3.2542%	37,329,565	\$ 3,273,616	\$ 4,203,309	\$ 7,476,925	\$ 0.1938	\$ -	\$ 0.0004	\$ 0.1942
Reduced Fat (2%) Milk	34,009,438	669,840	1.9696%	33,339,598	\$ 1,746,340	\$ 3,754,039	\$ 5,500,379	\$ 0.1617	\$ 0.0001	\$ 0.0004	\$ 0.1622
Low Fat (1%) Milk	19,481,003	190,109	0.9759%	19,290,894	\$ 495,633	\$ 2,172,155	\$ 2,667,788	\$ 0.1369	\$ 0.0001	\$ 0.0004	\$ 0.1374
Non Fat (Skim) Milk	10,855,984	7,515	0.0692%	10,848,469	\$ 19,592	\$ 1,221,538	\$ 1,241,130	\$ 0.1143	\$ 0.0004	\$ 0.0004	\$ 0.1151
Flavored Milk	3,322,960	108,253	3.2577%	3,214,707	\$ 282,226	\$ 361,976	\$ 644,202	\$ 0.1939	\$ 0.0431	\$ 0.0004	\$ 0.2374
Flavored Reduced Fat Milk	2,901,863	28,392	0.9784%	2,873,471	\$ 74,021	\$ 323,553	\$ 397,574	\$ 0.1370	\$ 0.0319	\$ 0.0004	\$ 0.1693
Flavored NONFAT Milk	4,338,004	2,169	0.0500%	4,335,835	\$ 5,655	\$ 488,215	\$ 493,870	\$ 0.1138	\$ 0.0284	\$ 0.0004	\$ 0.1426
Buttermilk	35,843	564	1.5735%	35,279	\$ 1,470	\$ 3,972	\$ 5,442	\$ 0.1518	\$ 0.0326	\$ 0.0004	\$ 0.1848
Egg Nog	119,176	8,357	7.0123%	110,819	\$ 21,788	\$ 12,478	\$ 34,266	\$ 0.2875	\$ 0.1563	\$ 0.0004	\$ 0.4442

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**COST UPDATE ADJUSTMENT
1ST HALF COMPARISON (Year 2018 vs. Year 2017)**

A	B	C	D	E	F	G
				(A ÷ C)	(B ÷ D)	(E - F)
1 ST HALF COSTS		1 ST HALF POINTS		1 ST HALF COST per POINT		INCREASE (DECREASE)
2018	2017	2018	2017	2018	2017	

WEIGHTED LABOR COSTS	\$ 7,394,940	\$ 7,152,923	49,114,959	50,478,897	\$ 0.1506	\$ 0.1417	\$ 0.0089
WEIGHTED UTILITY COSTS	\$ 321,330	\$ 314,878	49,114,959	50,478,897	\$ 0.0065	\$ 0.0062	\$ 0.0003
WEIGHTED INSURANCE COSTS	\$ 109,780	\$ 99,199	49,114,959	50,478,897	\$ 0.0022	\$ 0.0020	\$ 0.0002

COST UPDATE ADJUSTMENT per BOTTLING POINT \$ 0.0094

PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2

Diesel Fuel Costs Adjustment

Update of Diesel Fuel Costs from YEAR 2017 to JANUARY 2019

1. Weighted Diesel Fuel Costs - YEAR 2017	\$	747,287
2. Average On-Highway Diesel Price per Gallon - YEAR 2017 (1)	\$	2.822
3. On-Highway Diesel Price per Gallon - JANUARY 2019 (1)	\$	3.228
4. Percent Change In Diesel Fuel Price per Gallon ((Line 3 - Line 2) ÷ Line 2)		14.39%
5. Presumed Diesel Fuel Costs - JANUARY 2019 ((Line 1 X Line 4) + Line 1)	\$	<u>854,799</u>
6. Change in Diesel Fuel Costs from YEAR 2017 to JANUARY 2019 (Line 5 - Line 1)	\$	107,512
7. Weighted Delivery Points - YEAR 2017		<u>77,552,454</u>
8. Change in Diesel Fuel Costs per Delivery Point (Line 6 ÷ Line 7)	\$	<u>0.0014</u>

Footnote:

- Source: 'Weekly Retail On-Highway Diesel Prices' per Energy Information Administration website.
web address = https://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_r1y_w.htm

PENNSYLVANIA MILK MARKETING BOARD

MILK MARKETING AREA 2

Heating Fuel Costs Adjustment

Update of Heating Fuel Costs from YEAR 2017 to NOVEMBER 2018

1. Weighted Heating Fuel Costs - YEAR 2017	\$	84,074
2. Pennsylvania Average Natural Gas Price - Industrial - YEAR 2017 (1)	\$	8.80
3. Pennsylvania Average Natural Gas Price - Industrial - NOVEMBER 2018 (1)	\$	8.29
4. Percent Change In Natural Gas Price ((Line 3 - Line 2) ÷ Line 2)		-5.80%
5. Presumed Heating Fuel Costs - NOVEMBER 2018 ((Line 1 X Line 4) + Line 1)	\$	<u>79,198</u>
6. Change in Heating Fuel Costs from YEAR 2017 to NOVEMBER 2018 (Line 5 - Line 1)	\$	(4,876)
7. Weighted Standardization & Pasteurization (S&P) Points - YEAR 2017		<u>96,184,269</u>
8. Change in Heating Fuel Costs per S&P Point (Line 6 ÷ Line 7)	\$	<u>(0.0001)</u>

Footnote:

1. Source: Pennsylvania Natural Gas Industrial Price per Energy Information Administration website.
web address = <http://tonto.eia.doe.gov/dnav/ng/hist/n3035pa3m.htm>

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2
YEAR 2017 DATA**

CONTAINER EFFICIENCY ADJUSTMENT

(A)	(B)	(C)	(D)	(E)	(F)
				<i>(C) + (D)</i>	<i>(B) x (E)</i>
Container Size	Area 2 Container Sales (Units)	Adjustment per UNIT			Dollar Effect
		Bottling	Cold Room & Delivery	Total	
GALLON	6,943,507	\$ (0.05290)	\$ (0.00555)	\$ (0.0585)	\$ (406,195)
1/2 GALLON	6,656,677	\$ (0.01255)	\$ (0.02222)	\$ (0.0348)	\$ (231,652)
QUART	2,575,823	\$ 0.01649	\$ (0.00337)	\$ 0.0131	\$ 33,743
PINT	1,782,012	\$ 0.00313	\$ 0.02572	\$ 0.0289	\$ 51,500
12 OUNCE	-	\$ -	\$ -	\$ -	\$ -
10 OUNCE	-	\$ -	\$ -	\$ -	\$ -
1/2 PINT	19,115,378	\$ 0.01576	\$ 0.00705	\$ 0.0228	\$ 435,831
4 OUNCE	317,040	\$ 0.02834	\$ 0.01452	\$ 0.0429	\$ 13,601
Bulk per Quart	1,765,484	\$ 0.05244	\$ 0.00561	\$ 0.0581	\$ 102,575
					<u>\$ (597)</u>

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**WHOLESALE PRICE BUILDUP
MARCH 2019 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 ⁽¹⁾	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.50%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
STANDARD (WHOLE) MILK	GALLON	\$ 1.6701	\$ 0.1976	\$ 0.0328	\$ (0.0585)	\$ 1.0148	\$ 2.8568	\$ 0.1036	\$ 2.9604	\$ (0.3356)	\$ 0.9364	\$ 3.5612	\$ 3.2368	\$ 0.3244
	1/2 GALLON	\$ 0.8351	\$ 0.1401	\$ 0.0164	\$ (0.0348)	\$ 0.5074	\$ 1.4642	\$ 0.0531	\$ 1.5173	\$ (0.1678)	\$ 0.4682	\$ 1.8177	\$ 1.6732	\$ 0.1445
	QUART	\$ 0.4175	\$ 0.1323	\$ 0.0082	\$ 0.0131	\$ 0.2537	\$ 0.8248	\$ 0.0299	\$ 0.8547	\$ (0.0839)	\$ 0.2341	\$ 1.0049	\$ 0.9304	\$ 0.0745
	PINT	\$ 0.2088	\$ 0.0916	\$ 0.0041	\$ 0.0289	\$ 0.1269	\$ 0.4603	\$ 0.0167	\$ 0.4770	\$ (0.0420)	\$ 0.1171	\$ 0.5521	\$ 0.5231	\$ 0.0290
	12 OUNCE	\$ 0.1566	\$ 0.0630	\$ 0.0031	\$ -	\$ 0.0951	\$ 0.3178	\$ 0.0115	\$ 0.3293	\$ (0.0315)	\$ 0.0878	\$ 0.3856	\$ 0.3909	\$ (0.0053)
	10 OUNCE	\$ 0.1305	\$ 0.0855	\$ 0.0026	\$ -	\$ 0.0793	\$ 0.2979	\$ 0.0108	\$ 0.3087	\$ (0.0262)	\$ 0.0732	\$ 0.3557	\$ 0.3645	\$ (0.0088)
	1/2 PINT	\$ 0.1044	\$ 0.0267	\$ 0.0021	\$ 0.0228	\$ 0.0634	\$ 0.2194	\$ 0.0080	\$ 0.2274	\$ (0.0210)	\$ 0.0585	\$ 0.2649	\$ 0.2459	\$ 0.0190
	4 OUNCE	\$ 0.0522	\$ 0.0281	\$ 0.0010	\$ 0.0429	\$ 0.0317	\$ 0.1559	\$ 0.0057	\$ 0.1616	\$ (0.0105)	\$ 0.0293	\$ 0.1804	\$ 0.1668	\$ 0.0136
	Bulk per Quart	\$ 0.4175	\$ 0.0585	\$ 0.0082	\$ 0.0581	\$ 0.2537	\$ 0.7960	\$ 0.0289	\$ 0.8249	\$ (0.0839)	\$ 0.2341	\$ 0.9751	\$ 0.8627	\$ 0.1124
REDUCED FAT (2%) MILK	GALLON	\$ 1.3982	\$ 0.1976	\$ 0.0328	\$ (0.0585)	\$ 1.0148	\$ 2.5849	\$ 0.0938	\$ 2.6787	\$ (0.3356)	\$ 0.9364	\$ 3.2795	\$ 2.9549	\$ 0.3246
	1/2 GALLON	\$ 0.6991	\$ 0.1401	\$ 0.0164	\$ (0.0348)	\$ 0.5074	\$ 1.3282	\$ 0.0482	\$ 1.3764	\$ (0.1678)	\$ 0.4682	\$ 1.6768	\$ 1.5323	\$ 0.1445
	QUART	\$ 0.3495	\$ 0.1323	\$ 0.0082	\$ 0.0131	\$ 0.2537	\$ 0.7568	\$ 0.0275	\$ 0.7843	\$ (0.0839)	\$ 0.2341	\$ 0.9345	\$ 0.8599	\$ 0.0746
	PINT	\$ 0.1748	\$ 0.0916	\$ 0.0041	\$ 0.0289	\$ 0.1269	\$ 0.4263	\$ 0.0155	\$ 0.4418	\$ (0.0420)	\$ 0.1171	\$ 0.5169	\$ 0.4878	\$ 0.0291
	12 OUNCE	\$ 0.1311	\$ 0.0630	\$ 0.0031	\$ -	\$ 0.0951	\$ 0.2923	\$ 0.0106	\$ 0.3029	\$ (0.0315)	\$ 0.0878	\$ 0.3592	\$ 0.3645	\$ (0.0053)
	10 OUNCE	\$ 0.1092	\$ 0.0855	\$ 0.0026	\$ -	\$ 0.0793	\$ 0.2766	\$ 0.0100	\$ 0.2866	\$ (0.0262)	\$ 0.0732	\$ 0.3336	\$ 0.3424	\$ (0.0088)
	1/2 PINT	\$ 0.0874	\$ 0.0267	\$ 0.0021	\$ 0.0228	\$ 0.0634	\$ 0.2024	\$ 0.0073	\$ 0.2097	\$ (0.0210)	\$ 0.0585	\$ 0.2472	\$ 0.2283	\$ 0.0189
	4 OUNCE	\$ 0.0437	\$ 0.0281	\$ 0.0010	\$ 0.0429	\$ 0.0317	\$ 0.1474	\$ 0.0053	\$ 0.1527	\$ (0.0105)	\$ 0.0293	\$ 0.1715	\$ 0.1580	\$ 0.0135
	Bulk per Quart	\$ 0.3495	\$ 0.0585	\$ 0.0082	\$ 0.0581	\$ 0.2537	\$ 0.7280	\$ 0.0264	\$ 0.7544	\$ (0.0839)	\$ 0.2341	\$ 0.9046	\$ 0.7923	\$ 0.1123
LOW FAT (1%) MILK	GALLON	\$ 1.1844	\$ 0.1976	\$ 0.0328	\$ (0.0585)	\$ 1.0148	\$ 2.3711	\$ 0.0860	\$ 2.4571	\$ (0.3356)	\$ 0.9364	\$ 3.0579	\$ 2.7333	\$ 0.3246
	1/2 GALLON	\$ 0.5922	\$ 0.1401	\$ 0.0164	\$ (0.0348)	\$ 0.5074	\$ 1.2213	\$ 0.0443	\$ 1.2656	\$ (0.1678)	\$ 0.4682	\$ 1.5660	\$ 1.4216	\$ 0.1444
	QUART	\$ 0.2961	\$ 0.1323	\$ 0.0082	\$ 0.0131	\$ 0.2537	\$ 0.7034	\$ 0.0255	\$ 0.7289	\$ (0.0839)	\$ 0.2341	\$ 0.8791	\$ 0.8045	\$ 0.0746
	PINT	\$ 0.1480	\$ 0.0916	\$ 0.0041	\$ 0.0289	\$ 0.1269	\$ 0.3995	\$ 0.0145	\$ 0.4140	\$ (0.0420)	\$ 0.1171	\$ 0.4891	\$ 0.4602	\$ 0.0289
	12 OUNCE	\$ 0.1110	\$ 0.0630	\$ 0.0031	\$ -	\$ 0.0951	\$ 0.2722	\$ 0.0099	\$ 0.2821	\$ (0.0315)	\$ 0.0878	\$ 0.3384	\$ 0.3438	\$ (0.0054)
	10 OUNCE	\$ 0.0925	\$ 0.0855	\$ 0.0026	\$ -	\$ 0.0793	\$ 0.2599	\$ 0.0094	\$ 0.2693	\$ (0.0262)	\$ 0.0732	\$ 0.3163	\$ 0.3251	\$ (0.0088)
	1/2 PINT	\$ 0.0740	\$ 0.0267	\$ 0.0021	\$ 0.0228	\$ 0.0634	\$ 0.1890	\$ 0.0069	\$ 0.1959	\$ (0.0210)	\$ 0.0585	\$ 0.2334	\$ 0.2144	\$ 0.0190
	4 OUNCE	\$ 0.0370	\$ 0.0281	\$ 0.0010	\$ 0.0429	\$ 0.0317	\$ 0.1407	\$ 0.0051	\$ 0.1458	\$ (0.0105)	\$ 0.0293	\$ 0.1646	\$ 0.1511	\$ 0.0135
	Bulk per Quart	\$ 0.2961	\$ 0.0585	\$ 0.0082	\$ 0.0581	\$ 0.2537	\$ 0.6746	\$ 0.0245	\$ 0.6991	\$ (0.0839)	\$ 0.2341	\$ 0.8493	\$ 0.7368	\$ 0.1125
NON FAT (SKIM) MILK	GALLON	\$ 0.9933	\$ 0.1976	\$ 0.0328	\$ (0.0585)	\$ 1.0148	\$ 2.1800	\$ 0.0791	\$ 2.2591	\$ (0.3356)	\$ 0.9364	\$ 2.8599	\$ 2.5317	\$ 0.3282
	1/2 GALLON	\$ 0.4967	\$ 0.1401	\$ 0.0164	\$ (0.0348)	\$ 0.5074	\$ 1.1258	\$ 0.0408	\$ 1.1666	\$ (0.1678)	\$ 0.4682	\$ 1.4670	\$ 1.3208	\$ 0.1462
	QUART	\$ 0.2483	\$ 0.1323	\$ 0.0082	\$ 0.0131	\$ 0.2537	\$ 0.6556	\$ 0.0238	\$ 0.6794	\$ (0.0839)	\$ 0.2341	\$ 0.8296	\$ 0.7541	\$ 0.0755
	PINT	\$ 0.1242	\$ 0.0916	\$ 0.0041	\$ 0.0289	\$ 0.1269	\$ 0.3757	\$ 0.0136	\$ 0.3893	\$ (0.0420)	\$ 0.1171	\$ 0.4644	\$ 0.4349	\$ 0.0295
	12 OUNCE	\$ 0.0931	\$ 0.0630	\$ 0.0031	\$ -	\$ 0.0951	\$ 0.2543	\$ 0.0092	\$ 0.2635	\$ (0.0315)	\$ 0.0878	\$ 0.3198	\$ 0.3249	\$ (0.0051)
	10 OUNCE	\$ 0.0776	\$ 0.0855	\$ 0.0026	\$ -	\$ 0.0793	\$ 0.2450	\$ 0.0089	\$ 0.2539	\$ (0.0262)	\$ 0.0732	\$ 0.3009	\$ 0.3094	\$ (0.0085)
	1/2 PINT	\$ 0.0621	\$ 0.0267	\$ 0.0021	\$ 0.0228	\$ 0.0634	\$ 0.1771	\$ 0.0064	\$ 0.1835	\$ (0.0210)	\$ 0.0585	\$ 0.2210	\$ 0.2019	\$ 0.0191
	4 OUNCE	\$ 0.0310	\$ 0.0281	\$ 0.0010	\$ 0.0429	\$ 0.0317	\$ 0.1347	\$ 0.0049	\$ 0.1396	\$ (0.0105)	\$ 0.0293	\$ 0.1584	\$ 0.1448	\$ 0.0136
	Bulk per Quart	\$ 0.2483	\$ 0.0585	\$ 0.0082	\$ 0.0581	\$ 0.2537	\$ 0.6268	\$ 0.0227	\$ 0.6495	\$ (0.0839)	\$ 0.2341	\$ 0.7997	\$ 0.6865	\$ 0.1132

Footnote:

1. per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of -(\$0.0025) per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**WHOLESALE PRICE BUILDUP
MARCH 2019 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 ⁽¹⁾	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.50%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
FLAVORED MILK	GALLON	\$ 1.8992	\$ 0.1976	\$ 0.0328	\$ (0.0585)	\$ 1.0148	\$ 3.0859	\$ 0.1119	\$ 3.1978	\$ (0.3356)	\$ 0.9364	\$ 3.7986	\$ 3.4914	\$ 0.3072
	1/2 GALLON	\$ 0.9496	\$ 0.1401	\$ 0.0164	\$ (0.0348)	\$ 0.5074	\$ 1.5787	\$ 0.0573	\$ 1.6360	\$ (0.1678)	\$ 0.4682	\$ 1.9364	\$ 1.8006	\$ 0.1358
	QUART	\$ 0.4748	\$ 0.1323	\$ 0.0082	\$ 0.0131	\$ 0.2537	\$ 0.8821	\$ 0.0320	\$ 0.9141	\$ (0.0839)	\$ 0.2341	\$ 1.0643	\$ 0.9940	\$ 0.0703
	PINT	\$ 0.2374	\$ 0.0916	\$ 0.0041	\$ 0.0289	\$ 0.1269	\$ 0.4889	\$ 0.0177	\$ 0.5066	\$ (0.0420)	\$ 0.1171	\$ 0.5817	\$ 0.5549	\$ 0.0268
	12 OUNCE	\$ 0.1781	\$ 0.0630	\$ 0.0031	\$ -	\$ 0.0951	\$ 0.3393	\$ 0.0123	\$ 0.3516	\$ (0.0315)	\$ 0.0878	\$ 0.4079	\$ 0.4148	\$ (0.0069)
	10 OUNCE	\$ 0.1484	\$ 0.0855	\$ 0.0026	\$ -	\$ 0.0793	\$ 0.3158	\$ 0.0115	\$ 0.3273	\$ (0.0262)	\$ 0.0732	\$ 0.3743	\$ 0.3844	\$ (0.0101)
	1/2 PINT	\$ 0.1187	\$ 0.0267	\$ 0.0021	\$ 0.0228	\$ 0.0634	\$ 0.2337	\$ 0.0085	\$ 0.2422	\$ (0.0210)	\$ 0.0585	\$ 0.2797	\$ 0.2619	\$ 0.0178
	4 OUNCE	\$ 0.0594	\$ 0.0281	\$ 0.0010	\$ 0.0429	\$ 0.0317	\$ 0.1631	\$ 0.0059	\$ 0.1690	\$ (0.0105)	\$ 0.0293	\$ 0.1878	\$ 0.1748	\$ 0.0130
	Bulk per Quart	\$ 0.4748	\$ 0.0585	\$ 0.0082	\$ 0.0581	\$ 0.2537	\$ 0.8533	\$ 0.0309	\$ 0.8842	\$ (0.0839)	\$ 0.2341	\$ 1.0344	\$ 0.9264	\$ 0.1080
FLAVORED REDUCED FAT MILK	GALLON	\$ 1.3544	\$ 0.1976	\$ 0.0328	\$ (0.0585)	\$ 1.0148	\$ 2.5411	\$ 0.0922	\$ 2.6333	\$ (0.3356)	\$ 0.9364	\$ 3.2341	\$ 2.9193	\$ 0.3148
	1/2 GALLON	\$ 0.6772	\$ 0.1401	\$ 0.0164	\$ (0.0348)	\$ 0.5074	\$ 1.3063	\$ 0.0474	\$ 1.3537	\$ (0.1678)	\$ 0.4682	\$ 1.6541	\$ 1.5146	\$ 0.1395
	QUART	\$ 0.3386	\$ 0.1323	\$ 0.0082	\$ 0.0131	\$ 0.2537	\$ 0.7459	\$ 0.0271	\$ 0.7730	\$ (0.0839)	\$ 0.2341	\$ 0.9232	\$ 0.8510	\$ 0.0722
	PINT	\$ 0.1693	\$ 0.0916	\$ 0.0041	\$ 0.0289	\$ 0.1269	\$ 0.4208	\$ 0.0153	\$ 0.4361	\$ (0.0420)	\$ 0.1171	\$ 0.5112	\$ 0.4834	\$ 0.0278
	12 OUNCE	\$ 0.1270	\$ 0.0630	\$ 0.0031	\$ -	\$ 0.0951	\$ 0.2882	\$ 0.0105	\$ 0.2987	\$ (0.0315)	\$ 0.0878	\$ 0.3550	\$ 0.3612	\$ (0.0062)
	10 OUNCE	\$ 0.1058	\$ 0.0855	\$ 0.0026	\$ -	\$ 0.0793	\$ 0.2732	\$ 0.0099	\$ 0.2831	\$ (0.0262)	\$ 0.0732	\$ 0.3301	\$ 0.3396	\$ (0.0095)
	1/2 PINT	\$ 0.0847	\$ 0.0267	\$ 0.0021	\$ 0.0228	\$ 0.0634	\$ 0.1997	\$ 0.0072	\$ 0.2069	\$ (0.0210)	\$ 0.0585	\$ 0.2444	\$ 0.2261	\$ 0.0183
	4 OUNCE	\$ 0.0423	\$ 0.0281	\$ 0.0010	\$ 0.0429	\$ 0.0317	\$ 0.1460	\$ 0.0053	\$ 0.1513	\$ (0.0105)	\$ 0.0293	\$ 0.1701	\$ 0.1569	\$ 0.0132
	Bulk per Quart	\$ 0.3386	\$ 0.0585	\$ 0.0082	\$ 0.0581	\$ 0.2537	\$ 0.7171	\$ 0.0260	\$ 0.7431	\$ (0.0839)	\$ 0.2341	\$ 0.8933	\$ 0.7834	\$ 0.1099
FLAVORED NONFAT MILK	GALLON	\$ 1.1408	\$ 0.1976	\$ 0.0328	\$ (0.0585)	\$ 1.0148	\$ 2.3275	\$ 0.0844	\$ 2.4119	\$ (0.3356)	\$ 0.9364	\$ 3.0127	\$ 2.7162	\$ 0.2965
	1/2 GALLON	\$ 0.5704	\$ 0.1401	\$ 0.0164	\$ (0.0348)	\$ 0.5074	\$ 1.1995	\$ 0.0435	\$ 1.2430	\$ (0.1678)	\$ 0.4682	\$ 1.5434	\$ 1.4130	\$ 0.1304
	QUART	\$ 0.2852	\$ 0.1323	\$ 0.0082	\$ 0.0131	\$ 0.2537	\$ 0.6925	\$ 0.0251	\$ 0.7176	\$ (0.0839)	\$ 0.2341	\$ 0.8678	\$ 0.8003	\$ 0.0675
	PINT	\$ 0.1426	\$ 0.0916	\$ 0.0041	\$ 0.0289	\$ 0.1269	\$ 0.3941	\$ 0.0143	\$ 0.4084	\$ (0.0420)	\$ 0.1171	\$ 0.4835	\$ 0.4580	\$ 0.0255
	12 OUNCE	\$ 0.1070	\$ 0.0630	\$ 0.0031	\$ -	\$ 0.0951	\$ 0.2682	\$ 0.0097	\$ 0.2779	\$ (0.0315)	\$ 0.0878	\$ 0.3342	\$ 0.3422	\$ (0.0080)
	10 OUNCE	\$ 0.0891	\$ 0.0855	\$ 0.0026	\$ -	\$ 0.0793	\$ 0.2565	\$ 0.0093	\$ 0.2658	\$ (0.0262)	\$ 0.0732	\$ 0.3128	\$ 0.3238	\$ (0.0110)
	1/2 PINT	\$ 0.0713	\$ 0.0267	\$ 0.0021	\$ 0.0228	\$ 0.0634	\$ 0.1863	\$ 0.0068	\$ 0.1931	\$ (0.0210)	\$ 0.0585	\$ 0.2306	\$ 0.2134	\$ 0.0172
	4 OUNCE	\$ 0.0357	\$ 0.0281	\$ 0.0010	\$ 0.0429	\$ 0.0317	\$ 0.1394	\$ 0.0051	\$ 0.1445	\$ (0.0105)	\$ 0.0293	\$ 0.1633	\$ 0.1506	\$ 0.0127
	Bulk per Quart	\$ 0.2852	\$ 0.0585	\$ 0.0082	\$ 0.0581	\$ 0.2537	\$ 0.6637	\$ 0.0241	\$ 0.6878	\$ (0.0839)	\$ 0.2341	\$ 0.8380	\$ 0.7326	\$ 0.1054
BUTTERMILK	GALLON	\$ 1.5930	\$ 0.1976	\$ 0.0328	\$ (0.0585)	\$ 1.0148	\$ 2.7797	\$ 0.1008	\$ 2.8805	\$ (0.3356)	\$ 0.9364	\$ 3.4813	\$ 3.1558	\$ 0.3255
	1/2 GALLON	\$ 0.7965	\$ 0.1401	\$ 0.0164	\$ (0.0348)	\$ 0.5074	\$ 1.4256	\$ 0.0517	\$ 1.4773	\$ (0.1678)	\$ 0.4682	\$ 1.7777	\$ 1.6328	\$ 0.1449
	QUART	\$ 0.3982	\$ 0.1323	\$ 0.0082	\$ 0.0131	\$ 0.2537	\$ 0.8055	\$ 0.0292	\$ 0.8347	\$ (0.0839)	\$ 0.2341	\$ 0.9849	\$ 0.9102	\$ 0.0747
	PINT	\$ 0.1991	\$ 0.0916	\$ 0.0041	\$ 0.0289	\$ 0.1269	\$ 0.4506	\$ 0.0163	\$ 0.4669	\$ (0.0420)	\$ 0.1171	\$ 0.5420	\$ 0.5129	\$ 0.0291
	12 OUNCE	\$ 0.1493	\$ 0.0630	\$ 0.0031	\$ -	\$ 0.0951	\$ 0.3105	\$ 0.0113	\$ 0.3218	\$ (0.0315)	\$ 0.0878	\$ 0.3781	\$ 0.3833	\$ (0.0052)
	10 OUNCE	\$ 0.1245	\$ 0.0855	\$ 0.0026	\$ -	\$ 0.0793	\$ 0.2919	\$ 0.0106	\$ 0.3025	\$ (0.0262)	\$ 0.0732	\$ 0.3495	\$ 0.3582	\$ (0.0087)
	1/2 PINT	\$ 0.0996	\$ 0.0267	\$ 0.0021	\$ 0.0228	\$ 0.0634	\$ 0.2146	\$ 0.0078	\$ 0.2224	\$ (0.0210)	\$ 0.0585	\$ 0.2599	\$ 0.2408	\$ 0.0191
	4 OUNCE	\$ 0.0498	\$ 0.0281	\$ 0.0010	\$ 0.0429	\$ 0.0317	\$ 0.1535	\$ 0.0056	\$ 0.1591	\$ (0.0105)	\$ 0.0293	\$ 0.1779	\$ 0.1643	\$ 0.0136
	Bulk per Quart	\$ 0.3982	\$ 0.0585	\$ 0.0082	\$ 0.0581	\$ 0.2537	\$ 0.7767	\$ 0.0282	\$ 0.8049	\$ (0.0839)	\$ 0.2341	\$ 0.9551	\$ 0.8425	\$ 0.1126

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of -(\$0.0025) per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**WHOLESALE PRICE BUILDUP
MARCH 2019 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 ⁽¹⁾	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.50%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)

EGG NOG	GALLON	\$ 3.5536	\$ 0.1976	\$ 0.0328	\$ (0.0585)	\$ 1.0148	\$ 4.7403	\$ 0.1719	\$ 4.9122	\$ (0.3356)	\$ 0.9364	\$ 5.5130	\$ 5.1983	\$ 0.3147
	1/2 GALLON	\$ 1.7768	\$ 0.1401	\$ 0.0164	\$ (0.0348)	\$ 0.5074	\$ 2.4059	\$ 0.0873	\$ 2.4932	\$ (0.1678)	\$ 0.4682	\$ 2.7936	\$ 2.6541	\$ 0.1395
	QUART	\$ 0.8884	\$ 0.1323	\$ 0.0082	\$ 0.0131	\$ 0.2537	\$ 1.2957	\$ 0.0470	\$ 1.3427	\$ (0.0839)	\$ 0.2341	\$ 1.4929	\$ 1.4208	\$ 0.0721
	PINT	\$ 0.4442	\$ 0.0916	\$ 0.0041	\$ 0.0289	\$ 0.1269	\$ 0.6957	\$ 0.0252	\$ 0.7209	\$ (0.0420)	\$ 0.1171	\$ 0.7960	\$ 0.7683	\$ 0.0277
	12 OUNCE	\$ 0.3332	\$ 0.0630	\$ 0.0031	\$ -	\$ 0.0951	\$ 0.4944	\$ 0.0179	\$ 0.5123	\$ (0.0315)	\$ 0.0878	\$ 0.5686	\$ 0.5748	\$ (0.0062)
	10 OUNCE	\$ 0.2776	\$ 0.0855	\$ 0.0026	\$ -	\$ 0.0793	\$ 0.4450	\$ 0.0161	\$ 0.4611	\$ (0.0262)	\$ 0.0732	\$ 0.5081	\$ 0.5178	\$ (0.0097)
	1/2 PINT	\$ 0.2221	\$ 0.0267	\$ 0.0021	\$ 0.0228	\$ 0.0634	\$ 0.3371	\$ 0.0122	\$ 0.3493	\$ (0.0210)	\$ 0.0585	\$ 0.3868	\$ 0.3685	\$ 0.0183
	4 OUNCE	\$ 0.1111	\$ 0.0281	\$ 0.0010	\$ 0.0429	\$ 0.0317	\$ 0.2148	\$ 0.0078	\$ 0.2226	\$ (0.0105)	\$ 0.0293	\$ 0.2414	\$ 0.2281	\$ 0.0133
	Bulk per Quart	\$ 0.8884	\$ 0.0585	\$ 0.0082	\$ 0.0581	\$ 0.2537	\$ 1.2669	\$ 0.0459	\$ 1.3128	\$ (0.0839)	\$ 0.2341	\$ 1.4630	\$ 1.3531	\$ 0.1099

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of -(\$0.0025) per quart equivalent.

PENNSYLVANIA MILK MARKETING BOARD

MILK MARKETING AREA 2

RETAIL PRICE BUILDUP

MARCH 2019 PRICES

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)	
Container Size	Proposed Wholesale Price	Deepest Discount 13.50%	In-Store Handling \$ 0.1611	Store Profit 2.7%	Proposed Retail Price	Current Retail Price	Increase (Decrease)	
STANDARD (WHOLE) MILK	GALLON	\$ 3.5612	\$ (0.4808)	\$ 0.6444	\$ 0.1034	\$ 3.83	\$ 3.54	\$ 0.29
	1/2 GALLON	\$ 1.8177	\$ (0.2454)	\$ 0.3222	\$ 0.0526	\$ 1.95	\$ 1.82	\$ 0.13
	QUART	\$ 1.0049	\$ (0.1357)	\$ 0.1611	\$ 0.0286	\$ 1.06	\$ 0.99	\$ 0.07
	PINT	\$ 0.5521	\$ (0.0745)	\$ 0.0806	\$ 0.0155	\$ 0.57	\$ 0.55	\$ 0.02
	12 OUNCE	\$ 0.3856	\$ (0.0521)	\$ 0.0604	\$ 0.0109	\$ 0.40	\$ 0.41	\$ (0.01)
	10 OUNCE	\$ 0.3557	\$ (0.0480)	\$ 0.0503	\$ 0.0099	\$ 0.37	\$ 0.38	\$ (0.01)
	1/2 PINT	\$ 0.2649	\$ (0.0358)	\$ 0.0403	\$ 0.0075	\$ 0.28	\$ 0.26	\$ 0.02
	4 OUNCE	\$ 0.1804	\$ (0.0244)	\$ 0.0201	\$ 0.0049	\$ 0.19	\$ 0.17	\$ 0.02
	Bulk per Quart	\$ 0.9751	\$ (0.1316)	\$ 0.1611	\$ 0.0279	\$ 1.03	\$ 0.93	\$ 0.10
REDUCED FAT (2%) MILK	GALLON	\$ 3.2795	\$ (0.4427)	\$ 0.6444	\$ 0.0966	\$ 3.58	\$ 3.29	\$ 0.29
	1/2 GALLON	\$ 1.6768	\$ (0.2264)	\$ 0.3222	\$ 0.0492	\$ 1.82	\$ 1.69	\$ 0.13
	QUART	\$ 0.9345	\$ (0.1262)	\$ 0.1611	\$ 0.0269	\$ 1.00	\$ 0.93	\$ 0.07
	PINT	\$ 0.5169	\$ (0.0698)	\$ 0.0806	\$ 0.0146	\$ 0.54	\$ 0.52	\$ 0.02
	12 OUNCE	\$ 0.3592	\$ (0.0485)	\$ 0.0604	\$ 0.0103	\$ 0.38	\$ 0.39	\$ (0.01)
	10 OUNCE	\$ 0.3336	\$ (0.0450)	\$ 0.0503	\$ 0.0094	\$ 0.35	\$ 0.36	\$ (0.01)
	1/2 PINT	\$ 0.2472	\$ (0.0334)	\$ 0.0403	\$ 0.0071	\$ 0.26	\$ 0.24	\$ 0.02
	4 OUNCE	\$ 0.1715	\$ (0.0232)	\$ 0.0201	\$ 0.0047	\$ 0.18	\$ 0.16	\$ 0.02
	Bulk per Quart	\$ 0.9046	\$ (0.1221)	\$ 0.1611	\$ 0.0262	\$ 0.97	\$ 0.87	\$ 0.10
LOW FAT (1%) MILK	GALLON	\$ 3.0579	\$ (0.4128)	\$ 0.6444	\$ 0.0913	\$ 3.38	\$ 3.09	\$ 0.29
	1/2 GALLON	\$ 1.5660	\$ (0.2114)	\$ 0.3222	\$ 0.0465	\$ 1.72	\$ 1.60	\$ 0.12
	QUART	\$ 0.8791	\$ (0.1187)	\$ 0.1611	\$ 0.0256	\$ 0.95	\$ 0.88	\$ 0.07
	PINT	\$ 0.4891	\$ (0.0660)	\$ 0.0806	\$ 0.0140	\$ 0.52	\$ 0.49	\$ 0.03
	12 OUNCE	\$ 0.3384	\$ (0.0457)	\$ 0.0604	\$ 0.0098	\$ 0.36	\$ 0.37	\$ (0.01)
	10 OUNCE	\$ 0.3163	\$ (0.0427)	\$ 0.0503	\$ 0.0090	\$ 0.33	\$ 0.34	\$ (0.01)
	1/2 PINT	\$ 0.2334	\$ (0.0315)	\$ 0.0403	\$ 0.0067	\$ 0.25	\$ 0.23	\$ 0.02
	4 OUNCE	\$ 0.1646	\$ (0.0222)	\$ 0.0201	\$ 0.0045	\$ 0.17	\$ 0.16	\$ 0.01
	Bulk per Quart	\$ 0.8493	\$ (0.1147)	\$ 0.1611	\$ 0.0249	\$ 0.92	\$ 0.82	\$ 0.10
NON FAT (SKIM) MILK	GALLON	\$ 2.8599	\$ (0.3861)	\$ 0.6444	\$ 0.0865	\$ 3.20	\$ 2.91	\$ 0.29
	1/2 GALLON	\$ 1.4670	\$ (0.1980)	\$ 0.3222	\$ 0.0442	\$ 1.64	\$ 1.51	\$ 0.13
	QUART	\$ 0.8296	\$ (0.1120)	\$ 0.1611	\$ 0.0244	\$ 0.90	\$ 0.84	\$ 0.06
	PINT	\$ 0.4644	\$ (0.0627)	\$ 0.0806	\$ 0.0134	\$ 0.50	\$ 0.47	\$ 0.03
	12 OUNCE	\$ 0.3198	\$ (0.0432)	\$ 0.0604	\$ 0.0094	\$ 0.35	\$ 0.35	\$ -
	10 OUNCE	\$ 0.3009	\$ (0.0406)	\$ 0.0503	\$ 0.0086	\$ 0.32	\$ 0.33	\$ (0.01)
	1/2 PINT	\$ 0.2210	\$ (0.0298)	\$ 0.0403	\$ 0.0064	\$ 0.24	\$ 0.22	\$ 0.02
	4 OUNCE	\$ 0.1584	\$ (0.0214)	\$ 0.0201	\$ 0.0044	\$ 0.16	\$ 0.15	\$ 0.01
	Bulk per Quart	\$ 0.7997	\$ (0.1080)	\$ 0.1611	\$ 0.0237	\$ 0.88	\$ 0.78	\$ 0.10

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**RETAIL PRICE BUILDUP
MARCH 2019 PRICES**

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)	
Container Size	Proposed Wholesale Price	Deepest Discount 13.50%	In-Store Handling \$ 0.1611	Store Profit 2.7%	Proposed Retail Price	Current Retail Price	Increase (Decrease)	
FLAVORED MILK	GALLON	\$ 3.7986	\$ (0.5128)	\$ 0.6444	\$ 0.1091	\$ 4.04	\$ 3.77	\$ 0.27
	1/2 GALLON	\$ 1.9364	\$ (0.2614)	\$ 0.3222	\$ 0.0554	\$ 2.05	\$ 1.93	\$ 0.12
	QUART	\$ 1.0643	\$ (0.1437)	\$ 0.1611	\$ 0.0300	\$ 1.11	\$ 1.05	\$ 0.06
	PINT	\$ 0.5817	\$ (0.0785)	\$ 0.0806	\$ 0.0162	\$ 0.60	\$ 0.58	\$ 0.02
	12 OUNCE	\$ 0.4079	\$ (0.0551)	\$ 0.0604	\$ 0.0115	\$ 0.42	\$ 0.43	\$ (0.01)
	10 OUNCE	\$ 0.3743	\$ (0.0505)	\$ 0.0503	\$ 0.0104	\$ 0.38	\$ 0.39	\$ (0.01)
	1/2 PINT	\$ 0.2797	\$ (0.0378)	\$ 0.0403	\$ 0.0078	\$ 0.29	\$ 0.27	\$ 0.02
	4 OUNCE	\$ 0.1878	\$ (0.0254)	\$ 0.0201	\$ 0.0051	\$ 0.19	\$ 0.18	\$ 0.01
	Bulk per Quart	\$ 1.0344	\$ (0.1396)	\$ 0.1611	\$ 0.0293	\$ 1.09	\$ 0.99	\$ 0.10
FLAVORED REDUCED FAT MILK	GALLON	\$ 3.2341	\$ (0.4366)	\$ 0.6444	\$ 0.0955	\$ 3.54	\$ 3.26	\$ 0.28
	1/2 GALLON	\$ 1.6541	\$ (0.2233)	\$ 0.3222	\$ 0.0486	\$ 1.80	\$ 1.68	\$ 0.12
	QUART	\$ 0.9232	\$ (0.1246)	\$ 0.1611	\$ 0.0266	\$ 0.99	\$ 0.92	\$ 0.07
	PINT	\$ 0.5112	\$ (0.0690)	\$ 0.0806	\$ 0.0145	\$ 0.54	\$ 0.51	\$ 0.03
	12 OUNCE	\$ 0.3550	\$ (0.0479)	\$ 0.0604	\$ 0.0102	\$ 0.38	\$ 0.38	\$ -
	10 OUNCE	\$ 0.3301	\$ (0.0446)	\$ 0.0503	\$ 0.0093	\$ 0.35	\$ 0.35	\$ -
	1/2 PINT	\$ 0.2444	\$ (0.0330)	\$ 0.0403	\$ 0.0070	\$ 0.26	\$ 0.24	\$ 0.02
	4 OUNCE	\$ 0.1701	\$ (0.0230)	\$ 0.0201	\$ 0.0046	\$ 0.18	\$ 0.16	\$ 0.02
	Bulk per Quart	\$ 0.8933	\$ (0.1206)	\$ 0.1611	\$ 0.0259	\$ 0.96	\$ 0.86	\$ 0.10
FLAVORED NONFAT MILK	GALLON	\$ 3.0127	\$ (0.4067)	\$ 0.6444	\$ 0.0902	\$ 3.34	\$ 3.08	\$ 0.26
	1/2 GALLON	\$ 1.5434	\$ (0.2084)	\$ 0.3222	\$ 0.0460	\$ 1.70	\$ 1.59	\$ 0.11
	QUART	\$ 0.8678	\$ (0.1172)	\$ 0.1611	\$ 0.0253	\$ 0.94	\$ 0.88	\$ 0.06
	PINT	\$ 0.4835	\$ (0.0653)	\$ 0.0806	\$ 0.0138	\$ 0.51	\$ 0.49	\$ 0.02
	12 OUNCE	\$ 0.3342	\$ (0.0451)	\$ 0.0604	\$ 0.0097	\$ 0.36	\$ 0.37	\$ (0.01)
	10 OUNCE	\$ 0.3128	\$ (0.0422)	\$ 0.0503	\$ 0.0089	\$ 0.33	\$ 0.34	\$ (0.01)
	1/2 PINT	\$ 0.2306	\$ (0.0311)	\$ 0.0403	\$ 0.0067	\$ 0.25	\$ 0.23	\$ 0.02
	4 OUNCE	\$ 0.1633	\$ (0.0220)	\$ 0.0201	\$ 0.0045	\$ 0.17	\$ 0.16	\$ 0.01
	Bulk per Quart	\$ 0.8380	\$ (0.1131)	\$ 0.1611	\$ 0.0246	\$ 0.91	\$ 0.82	\$ 0.09
BUTTERMILK	GALLON	\$ 3.4813	\$ (0.4700)	\$ 0.6444	\$ 0.1014	\$ 3.76	\$ 3.47	\$ 0.29
	1/2 GALLON	\$ 1.7777	\$ (0.2400)	\$ 0.3222	\$ 0.0516	\$ 1.91	\$ 1.78	\$ 0.13
	QUART	\$ 0.9849	\$ (0.1330)	\$ 0.1611	\$ 0.0281	\$ 1.04	\$ 0.97	\$ 0.07
	PINT	\$ 0.5420	\$ (0.0732)	\$ 0.0806	\$ 0.0152	\$ 0.56	\$ 0.54	\$ 0.02
	12 OUNCE	\$ 0.3781	\$ (0.0510)	\$ 0.0604	\$ 0.0108	\$ 0.40	\$ 0.40	\$ -
	10 OUNCE	\$ 0.3495	\$ (0.0472)	\$ 0.0503	\$ 0.0098	\$ 0.36	\$ 0.37	\$ (0.01)
	1/2 PINT	\$ 0.2599	\$ (0.0351)	\$ 0.0403	\$ 0.0074	\$ 0.27	\$ 0.26	\$ 0.01
	4 OUNCE	\$ 0.1779	\$ (0.0240)	\$ 0.0201	\$ 0.0048	\$ 0.18	\$ 0.17	\$ 0.01
	Bulk per Quart	\$ 0.9551	\$ (0.1289)	\$ 0.1611	\$ 0.0274	\$ 1.01	\$ 0.91	\$ 0.10

**PENNSYLVANIA MILK MARKETING BOARD
MILK MARKETING AREA 2**

**RETAIL PRICE BUILDUP
MARCH 2019 PRICES**

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)	
Container Size	Proposed Wholesale Price	Deepest Discount 13.50%	In-Store Handling \$ 0.1611	Store Profit 2.7%	Proposed Retail Price	Current Retail Price	Increase (Decrease)	
EGG NOG	GALLON	\$ 5.5130	\$ (0.7443)	\$ 0.6444	\$ 0.1502	\$ 5.56	\$ 5.28	\$ 0.28
	1/2 GALLON	\$ 2.7936	\$ (0.3771)	\$ 0.3222	\$ 0.0760	\$ 2.81	\$ 2.69	\$ 0.12
	QUART	\$ 1.4929	\$ (0.2015)	\$ 0.1611	\$ 0.0403	\$ 1.50	\$ 1.43	\$ 0.07
	PINT	\$ 0.7960	\$ (0.1075)	\$ 0.0806	\$ 0.0213	\$ 0.81	\$ 0.77	\$ 0.04
	12 OUNCE	\$ 0.5686	\$ (0.0768)	\$ 0.0604	\$ 0.0153	\$ 0.57	\$ 0.58	\$ (0.01)
	10 OUNCE	\$ 0.5081	\$ (0.0686)	\$ 0.0503	\$ 0.0136	\$ 0.52	\$ 0.52	\$ -
	1/2 PINT	\$ 0.3868	\$ (0.0522)	\$ 0.0403	\$ 0.0104	\$ 0.39	\$ 0.37	\$ 0.02
	4 OUNCE	\$ 0.2414	\$ (0.0326)	\$ 0.0201	\$ 0.0064	\$ 0.25	\$ 0.23	\$ 0.02
	Bulk per Quart	\$ 1.4630	\$ (0.1975)	\$ 0.1611	\$ 0.0396	\$ 1.47	\$ 1.37	\$ 0.10

**PENNSYLVANIA MILK MARKETING BOARD STAFF
AREA 2 COST REPLACEMENT HEARING
APRIL 3, 2019
LIST OF WITNESSES**

The following individuals will testify at the Milk Marketing Area 2 Cost Replacement Hearing on April 3, 2019 on behalf of the Milk Marketing Board Staff. Copies of their curriculum vitae will be available upon request at the hearing.

Clifford Ackman, Milk Marketing Board Statistician, will testify as an expert witness on milk statistics. His testimony will address the subjects included in his presubmitted testimony, but it is not necessarily limited to the presubmitted testimony.

Gary Gojsovich, Milk Marketing Board Audit Supervisor, will testify as an expert on milk industry cost accounting and regulation. His testimony will address the subjects included in his presubmitted testimony, but it is not necessarily limited to the presubmitted testimony.

Steven Zalman, Milk Marketing Board Director of Enforcement and Accounting, will be available to testify as an expert on milk industry cost accounting and regulation. His testimony will address the subjects included in his presubmitted testimony (if any), but it is not necessarily limited to the presubmitted testimony (if any).

Date: April 3, 2019

Respectfully submitted,

Andrew L. Saylor

Staff Attorney
Pennsylvania Milk Marketing Board

**AREA 2 COST REPLACEMENT HEARING
APRIL 3, 2019
CERTIFICATE OF SERVICE**

I hereby certify that on March 8, 2019, I have served true and correct copies of the foregoing by email on behalf of the Milk Marketing Board Staff to the following (all of whom will accept service by email):

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