

AREA 1

COST REPLACEMENT HEARING DEALER REBUTTAL EXHIBITS

MAY 1, 2019

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

INDEX OF REBUTTAL EXHIBITS

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company**

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Rebuttal Exhibit D2	Processing, Packaging and Delivery Costs/Point
Rebuttal Exhibit D2-A	Cost Replacement Adjustments for Processing, Packaging and Delivery Costs
Rebuttal Exhibit D3	Summary of Current Container Costs with Adjustments for Shrinkage and Loss and Update to Current Month
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Rebuttal Exhibit D4	Summary of Current Ingredient Costs
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Rebuttal Exhibit D11A	Calculation of Minimum Wholesale Price Gallon Reduced Fat Milk (2%)
Rebuttal Exhibit D11B	Calculation of Minimum Wholesale Price Half Pint Flavored Nonfat Milk (Skim)

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

Ronald W. Mong, CPA

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

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

Submitted: April 17, 2019

Ronald W. Mong, CPA

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS (Cont'd)

Board of Directors – Venango County United Way

Chairman of Administrative Board – Calvary United Methodist Church

Distinguished Service Award – Oil City Jaycees

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

Ronald W. Mong, CPA

COURSES INSTRUCTED (Cont'd)

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

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)
Pennsylvania Milk Marketing Board – Expert Testimony – Area 2 and Area 1 Cost Replacement Hearings (hearings held on April 3, 2019)

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

PROCESSING, PACKAGING AND DELIVERY COSTS/POINT
(WEIGHTED AVERAGE BASED ON SALES IN AREA 1)

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

<u>Cost Center</u>	<u>Total 2017 Points in PMMB Area 1 (1)</u>	<u>Weighted Average 2017 Cost/Point (1)</u>
Receiving, lab and field work	139,749,157	\$ 0.0192
Standardization and pasteurization	164,700,065	0.0266
Bottling	142,756,766	0.0343
Cold room	176,321,043	0.0608
Delivery	178,430,614	0.1807
Selling	196,955,488	0.0254
		<u>\$ 0.3470</u>

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

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

	2017 Weighted Average Cost/Point	2016 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0192	\$0.0150	\$0.0042
Standardization and pasteurization	0.0266	0.0272	(0.0006)
Bottling	0.0343	0.0303	0.0040
Cold room	0.0608	0.0514	0.0094
Delivery	0.1807	0.1645	0.0162
Selling	<u>0.0254</u>	<u>0.0235</u>	<u>0.0019</u>
Sub total	\$0.3470	\$0.3119	\$0.0351
Add:			
2018 Cost increase (decrease) adjustment - Exhibit D7			0.0065
Less:			
2017 Cost (increase) decrease adjustment (1)			<u>0.0132</u>
Net change			<u><u>\$0.0548</u></u>

**PMMB AREA 1
MAY 1, 2019 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company**

Container Size	April 2018 Container Cost (1)	Adjust from April 2018 to March 2019 - Current (2)	Subtotal	Calculated Shrinkage and Loss (4)	Shrinkage Cost	Total Container Cost
Gallon (5)	\$ 0.1532	\$ 0.0018	\$ 0.1550	1.87%	\$ 0.0029	\$ 0.1579
1/2 gallon - plastic	0.1163					
1/2 gallon - paper	(3)					
2 gallon - blended (5)	<u>0.1163</u>	0.0016	0.1179	1.88%	0.0022	0.1201
Quart - plastic	0.1033					
Quart - paper	(3)					
Quart - blended (5)	<u>0.1033</u>	0.0006	0.1039	1.57%	0.0016	0.1055
Pint - plastic	0.0865					
Pint - paper	(3)					
Pint - blended (5)	<u>0.0865</u>	0.0001	0.0866	1.62%	0.0014	0.0880
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.0646	0.0003	0.0649	0.92%	0.0006	0.0655
1/2 pint - paper (5)	0.0247	0.0009	0.0256	0.85%	0.0002	0.0258
Four ounce - paper	0.0223		0.0223	1.53%	0.0003	0.0226
Dispenser	0.0503		0.0503	1.30%	0.0007	0.0510

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

(2) March 2019 container costs were used by the PMMB to establish minimum resale prices for April 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.

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH
CONTAINER COSTS – APRIL 2019

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

<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)	\$ 0.1579	\$ 0.1682	\$ (0.0103)
Half Gallon (2)	0.1201	0.1249	(0.0048)
Quart (2)	0.1055	0.1089	(0.0034)
Pint (2)	0.0880	0.0857	0.0023
1/2 pint - plastic (2)	0.0655	0.0643	0.0012
1/2 pint - paper (2)	0.0258	0.0253	0.0005
Four ounce - paper	0.0226	0.0218	0.0008
Dispenser (per quart)	0.0510	0.0530	(0.0020)

(1) Per General Order No. A-993 (CRO 2) as updated.

(2) These container costs to be updated monthly.

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

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

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

	April 2018 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Lowfat (1%) milk	.0002
Nonfat (skim) milk	.0002
Flavored milk	.0428
Flavored reduced fat milk	.0350
Flavored nonfat milk	.0307
Buttermilk	.0067
Eggnog	.1091

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

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

	<u>April 2018 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%)	0.0002	0.0001	0.0001
Nonfat milk (skim)	0.0002	0.0001	0.0001
Flavored milk (2)	0.0428	0.0433	(0.0005)
Flavored reduced fat milk (2)	0.0350	0.0310	0.0040
Flavored nonfat milk (2)	0.0307	0.0345	(0.0038)
Buttermilk	0.0067	0.0063	0.0004
Eggnog	0.1091	0.1065	0.0026

(1) Per General Order OGO A-993 (CRO 2) as updated for flavored milks on April 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.

PMIMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

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

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

PMIMB Area 1	Costs	Revenues	Weighted Net Cost (Revenue)	Weighted Pounds (1)	Weighted Cost (Revenue) Per Pound
Shrinkage	\$ 965,965		\$ 965,965		
Bulk milk revenue minus milk costs		639,252			
Bulk milk cost center costs & freight	1,215,319				
Net bulk milk cost (revenue)			576,067		
Bulk cream revenue minus milk costs		1,440,810			
Bulk cream cost center costs	376,680				
Net bulk cream cost (revenue)			(1,064,130)		
Total	<u>\$ 2,557,964</u>	<u>\$ 2,080,062</u>			
Net cost (net revenue) - calendar year 2017			\$ 477,902	246,467,615	\$ 0.0019
Net cost (net revenue) in current order - calendar year 2016			<u>\$ 298,552</u>	<u>276,360,464</u>	<u>0.0011</u>
Net change - cost increase (cost reduction)			<u>\$ 179,350</u>		<u>\$ 0.0008</u>

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

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

	<u>2017 Weighted Average Butterfat Test</u>	<u>Butterfat Test included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Standard milk	3.2905%	3.3007%	-0.0102%
Reduced fat milk (2%)	1.9491%	1.9463%	0.0028%
Lowfat milk (1%)	0.9591%	0.9675%	-0.0084%
Nonfat milk (skim)	0.0944%	0.0882%	0.0062%
Flavored milk	3.2499%	3.2499%	0.0000%
Flavored reduced fat milk	0.9817%	1.0166%	-0.0349%
Flavored nonfat milk	0.0782%	0.0977%	-0.0195%
Buttermilk	1.9699%	1.9653%	0.0046%
Eggnog	7.1493%	6.7519%	0.3974%

(1) Per General Order No. A-993 (CRO 2)

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

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

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
 Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
 Wawa Beverage Company

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	\$ 17,825,040	\$ 17,733,806	96,436,017	100,022,766	\$ 0.1848	\$ 0.1773	\$0.0075
Utilities	582,918	713,007	96,436,017	100,022,766	0.0060	0.0071	(0.0011)
Insurance	305,662	308,773	96,436,017	100,022,766	0.0032	0.0031	0.0001
					<u>\$0.1940</u>	<u>\$0.1875</u>	<u>\$0.0065</u>

(1) Weighted based on sales in PMMB Area 1

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

Diesel fuel costs – calendar year 2017 (1)	\$2,009,730
Delivery points – calendar year 2017 (1)	<u>178,430,614</u>
Diesel fuel cost per point delivered	<u><u>\$0.0113</u></u>
Average diesel price – calendar year 2017 (2)	\$2.822
Average diesel price – February 2019 (2) (3)	<u>\$3.249</u>
Increase (decrease) from year 2017 to month February 2019	15.13%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>\$0.0017</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) February 2019 diesel fuel costs were used by the PMMB in establishing minimum prices for April 2019.

PMMB AREA 1

MAY 1, 2019 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

Heating fuel costs – calendar year 2017 (1)	\$169,053
Standardization & pasteurization points – calendar year 2017 (1)	164,700,065
	<hr/>
Heating fuel cost per point pasteurized	<u>\$0.0010</u>
Average heating fuel costs – calendar year 2017 (2)	\$8.80
Average heating fuel costs – December 2018 (2) (3)	<u>7.52</u>
Increase (decrease) from year 2017 to month December 2018	-14.55%
Increase (decrease) in heating fuel cost per point pasteurized	<u>(\$0.0001)</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) December 2018 natural gas costs were used by the PMMB in establishing minimum prices for April 2019.

PMMB AREA 1
 MAY 1, 2019 COST REPLACEMENT HEARING
 ADJUSTMENTS FOR CONTAINER EFFICIENCIES
 DUE TO CONTAINER SIZE

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
 Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
 Wawa Beverage Company

Container Size	Container Quantities Sold by Cross-Section Dealers in 2017 in Area 1	Proposed Container Efficiency Adjustments	Impact on Cross-Section Dealer Revenue	Container Efficiency Adjustments in Current Order (1)	Impact on Cross-Section Dealer Revenue
Gallon	15,815,107	\$ (0.0495)	\$ (782,848)	\$ (0.0720)	\$ (1,138,688)
Half gallon	14,328,072	(0.0443)	(634,734)	(0.0455)	(651,927)
Quart	8,237,084	0.0087	71,663	0.0252	207,575
Pint	5,193,381	0.0557	289,271	0.0763	396,255
Half pint - plastic	10,494,508	0.0177	185,753	0.0268	281,253
Half pint - paper	38,186,161	0.0177	675,895	0.0268	1,023,389
4 oz.	2,705,958	0.0242	65,484	0.0276	74,684
Dispenser (per quart)	860,230	0.1499	128,948	0.0655	56,345
Net impact on cross-section dealer revenues			\$ (568)		\$ 248,886

(1) Per OGO A-993 (CRO 2) as updated.

PMMB AREA 1
MAY 1, 2019 COST REPLACEMENT HEARING
CALCULATION OF WHOLESALE MINIMUM PRICE
GALLON REDUCED FAT MILK (2%) FOR APRIL 2019

Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9491%	1.9463%	0.0028%
Butterfat price as announced by PMMB	(1)	\$ 2.6048 per lb.	\$ 2.6048 per lb.	
Extended butterfat value		\$ 0.0508 per lb.	\$ 0.0507 per lb.	
Skim price as announced by PMMB	(1)	\$ 11.54 per cwt.	\$ 11.54 per cwt.	
Extended skim value		\$ 0.1132 per lb.	\$ 0.1132 per lb.	
Total milk value at announced prices		<u>\$ 0.1639 per lb.</u>	<u>\$ 0.1639 per lb.</u>	<u>\$ -</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	0.0019	0.0011	
Total milk cost per pound		<u>\$ 0.1659 per lb.</u>	<u>\$ 0.1651 per lb.</u>	<u>\$ 0.0008</u>
Pounds per gallon (conversion)		8.62	8.62	
Total milk cost per gallon		<u>\$ 1.4301</u>	<u>\$ 1.4232</u>	<u>\$ 0.0069</u>
Container cost (adjusted for shrinkage)	D3	0.1579 each	0.1682 each	(0.0103)
Cost center costs	D2	1.3880	1.2476	0.1404
1st half 2018 to 1st half 2017 adjustment	D7	0.0260	(0.0528)	0.0788
Container efficiency adjustment	D10	(0.0495)	(0.0720)	0.0225
Percentage discount adjustment	(3)	(0.0004)	(0.0004)	-
Diesel fuel adjustment	D8	0.0068	0.0124	(0.0056)
Heating fuels adjustment	D9	(0.0004)	-	(0.0004)
		<u>\$ 2.9585 each</u>	<u>\$ 2.7262 each</u>	<u>\$ 0.2323</u>
Dealer profit at 3.4%	(2)	0.1041	0.0960	\$ 0.0081
Subtotal		<u>\$ 3.0626 each</u>	<u>\$ 2.8222 each</u>	<u>\$ 0.2404</u>
Less: average delivery cost	(2)	(0.5068)	(0.5068)	
Add: high cost delivery	(2)	1.0552	1.0552	
Wholesale minimum price		<u><u>\$ 3.6110 each</u></u>	<u><u>\$ 3.3706 each</u></u>	<u><u>\$ 0.2404</u></u>

(1) As announced for April 2019 by PMMB on March 21, 2019.

(2) Per OGO A-993 (CRO 2) as updated.

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

PMMB AREA 1
MAY 1, 2019 COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR APRIL 2019**
Clover Farms Dairy Co., Dean Dairy Holdings LLC dba Swiss Premium Dairy,
Milk Industry Management Corp. T/A Balford Farms, Tuscan/Lehigh Dairies, Inc (Lansdale),
Wawa Beverage Company

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.0782%	0.0977%	-0.0195%
Butterfat price as announced by PMMB	(1)	\$ 2.6048 per lb.	\$ 2.6048 per lb.	
Extended butterfat value		\$ 0.0020 per lb.	\$ 0.0025 per lb.	
Skim price as announced by PMMB	(1)	\$ 11.54 per cwt.	\$ 11.54 per cwt.	
Extended skim value		\$ 0.1153 per lb.	\$ 0.1153 per lb.	
Total milk value at announced prices		<u>\$ 0.1173 per lb.</u>	<u>\$ 0.1178 per lb.</u>	<u>\$(0.0005)</u>
Ingredient cost	D4	0.0307	0.0310	
Cost of shrinkage / bulk milk & cream	D5	0.0019	0.0011	
Total milk cost per pound		<u>\$ 0.1499 per lb.</u>	<u>\$ 0.1499 per lb.</u>	<u>\$ -</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		<u>\$ 0.0750</u>	<u>\$ 0.0750</u>	<u>\$ -</u>
Container cost (adjusted for shrinkage)	D3	0.0258 each	0.0253 each	0.0005
Cost center costs	D2	0.0868	0.0780	0.0088
1st half 2018 to 1st half 2017 adjustment	D7	0.0016	(0.0033)	0.0049
Container efficiency adjustment	D10	0.0177	0.0268	(0.0091)
Percentage discount adjustment	(3)	-	-	-
Diesel fuel adjustment	D8	0.0004	0.0008	(0.0004)
Heating fuels adjustment	D9	-	-	-
		<u>\$ 0.2073 each</u>	<u>\$ 0.2026 each</u>	<u>\$ 0.0047</u>
Dealer profit at 3.4%	(2)	0.0073	0.0071	\$ 0.0002
Subtotal		<u>\$ 0.2146 each</u>	<u>\$ 0.2097 each</u>	<u>\$ 0.0049</u>
Less: average delivery cost	(2)	(0.0317)	(0.0317)	
Add: high cost delivery	(2)	0.0660	0.0660	
Wholesale minimum price		<u><u>\$ 0.2489 each</u></u>	<u><u>\$ 0.2440 each</u></u>	<u><u>\$ 0.0049</u></u>

- (1) As announced for April 2019 by PMMB on March 21, 2019.
(2) Per OGO A-993 (CRO 2) as updated.
(3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."