

ALL PMMB AREAS

COOPERATIVE PROCUREMENT COST HEARING

**MONG PROCUREMENT REBUTTAL EXHIBITS
ON BEHALF OF PENNSYLVANIA ASSOCIATION OF MILK DEALERS**

OCTOBER 5, 2020

PENNSYLVANIA ASSOCIATION OF MILK DEALERS

COOPERATIVE PROCUREMENT COST HEARING

INDEX OF MONG PROCUREMENT REBUTTAL EXHIBITS

Mong Procurement Rebuttal Exhibit D1 Ronald W. Mong, CPA Curriculum Vitae

Mong Procurement Rebuttal Exhibit D2 Premium Analysis

Mong Procurement Rebuttal Exhibit D3 Two Levels of Dilution (Hypothetical)

Mong Procurement Rebuttal Exhibit D4 OPP Dilution

Mong Procurement Rebuttal Exhibit D5 Rate of Return

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: August 7, 2020

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

Johanna Foods- Milk Pricing & Cost Accounting Workshop – July 29-30, 2019

Dairy Farmers of America- Milk Pricing & Cost Accounting Workshop – September 19-20, 2019

SmithFoods- Milk Pricing & Cost Accounting Workshop – June 23-26, 2020

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, Cost Replacement Hearings, and other hearings.

Extensive experience in costing, pricing, and marketing of fluid 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 dairy 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 4 Cost Replacement Hearings (hearings held on April 3 and May 1, 2019)

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

Pennsylvania Milk Marketing Board – Expert Testimony – Area 3, Area 5, and Area 6 Cost Replacement Hearings (hearings held on November 6, 2019)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 1, Area 2, and Area 4 Cost Replacement Hearings (hearings held on December 4, 2019)

Pennsylvania Milk Marketing Board – Expert Testimony – Over Price Premium Calculation Hearing (hearings held on August 5, 2020)

MONG PROCUREMENT REBUTTAL EXHIBIT D2

PENNSYLVANIA ASSOCIATION OF MILK DEALERS
COOPERATIVE PROCUREMENT COSTS HEARING

PREMIUM ANALYSIS
JANUARY 2018 – MARCH 2018

1	2	3	4	5	6	7	8	9	10	11	12	13
PA Producer Pounds Received	Total Minimum Due To Producers	OOP	Total Gross Amount Paid To Producers	Amount Paid To Producers Above Minimum Due	Total Premium Paid	PA Class I Sales All Areas	Over Order Premium in Wholesale Prices B	Over Order Premium in Wholesale Prices Less OPP Paid	Over Order Premium in Wholesale Prices Less OPP Received In Prices	Amount Paid To Producers Above Minimum Due	Over Order Premium Recovered In Future Minimum Prices	Premiums Paid That Exceed Total Premiums Collected Through Wholesale Minimums
Per Audited PMMB-62	Per Audited PMMB-62	Per Audited PMMB-62	Per Audited PMMB-62	Per Audited PMMB-62	(3 + 6)	Total Lbs.	(8 X A as noted)	(9 - 3 = 10)	(6 - 10)	Per PMMB Audited Buildup	(11 - 12)	
Total 545,864,569	390,145,606	\$ 1,272,041	\$ 92,915,173	\$ 94,213,837	\$ 1,298,664	\$ 2,570,705	188,976,976	\$ 1,594,090	\$ 322,049	\$ 976,615	\$ 296,288	\$ 680,327

A – Announced Over Order Premium

- January 2018 \$0.83/Cwt.
- February 2018 \$0.83/Cwt.
- March 2018 \$0.87/Cwt.

B – This calculation does not reflect any discounts

Cross-section – Clover Farms, Dean Dairy Sharpville, Dean Foods Meadow Brook, Galliker Dairy, Guers Dairy, Harrisburg Dairies, Rutter's Dairy, Schneider's Dairy, Swiss Premium, and Turner Dairy Farms

MONG PROCUREMENT REBUTTAL EXHIBIT D3A

PENNSYLVANIA ASSOCIATION OF MILK DEALERS

COOPERATIVE PROCUREMENT COSTS HEARING

TWO LEVELS OF DILUTION
(HYPOTHETICAL)

Illustration of Points Calculation
Receiving, Lab, and Field Work Cost Center

		Pounds	Conversion	Points
Producer Milk	Class I	100,000,000	2.15	46,512,000
	Class II	50,000,000	2.15	23,256,000
	Class III		2.15	-
	Class IV		2.15	-
	Total		<u>150,000,000</u>	
Sweetener	Fructose	527,875	2.7875	189,000
	Sucrose	4,000,000	2.7825	1,438,000
Shrinkage		(3,000,000)	2.15	(1,395,000)
Receiving, Lab, and Field Work Points				<u>70,000,000</u>

MONG PROCUREMENT REBUTTAL EXHIBIT D3B

PENNSYLVANIA ASSOCIATION OF MILK DEALERS

COOPERATIVE PROCUREMENT COSTS HEARING

**TWO LEVELS OF DILUTION
(HYPOTHETICAL)**

Illustration of Plant Level Dilution

Receiving, Lab, and Field Work Cost Center

	Pounds	Co-op Charge	With Co-op Charge	Without Co-op Charge	Difference
Class I	100,000,000	\$ 0.35	\$ 350,000	\$ -	
Other Cost Center Costs			\$ 1,400,000	\$ 1,400,000	
Receiving, Lab and Field Work			<u>\$ 1,750,000</u>	<u>\$ 1,400,000</u>	
Points			70,000,000	70,000,000	
Cost per Point			<u>\$ 0.0250</u>	<u>\$ 0.0200</u>	<u>\$ 0.0050</u>
Convert to Hundredweight					<u>\$ 0.2326</u>
Unrecovered Cooperative Procurement Charge per Cwt.					<u>\$ 0.1174</u>

Illustration of Cross-Section Level Dilution

Receiving, Lab, and Field Work Cost Center

	<u>Without Co-op Charge</u>		<u>With Co-op Charge</u>		Difference
	Dollars	Points	Dollars	Points	
Cooperative Supplied Processor	\$ 1,400,000	70,000,000	\$1,750,000	70,000,000	
All Other Processors in Cross-Section	\$ 3,625,000	201,388,889	\$3,625,000	201,388,889	
Receiving, Lab and Field Work	<u>\$ 5,025,000</u>	<u>271,388,889</u>	<u>\$5,375,000</u>	<u>271,388,889</u>	
Cost per Point		<u>\$ 0.0185</u>		<u>\$ 0.0198</u>	<u>\$ 0.0013</u>
Convert to Hundredweight					<u>\$ 0.0600</u>
Unrecovered Cooperative Procurement Charge per Cwt.					<u>\$ 0.2900</u>

PENNSYLVANIA ASSOCIATION OF MILK DEALERS

COOPERATIVE PROCUREMENT COSTS HEARING

DILUTION FROM OPP RECOVERY METHOD

Cooperative Procurement	\$	0.35
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	2019 PA Sales Pounds	Estimated Annual		
		OPP Recovery	Cost of Cooperative Procurement	Gain (Loss)
Dairy Brands-Sharpville				
Dairy Brands-Swiss Premium				
Dairy Brands-Schuylkill Haven				
Dairy Brands-Lansdale				
Clover Farms				
Gallikers				
Wawa				
Turner				
Valley Farms				
Rutters				
Schneider's				
Turkey Hill				
Marburger				
United - Martins Ferry				
Pocono				
United-Uniontown				
Guers				
Harrisburg				
Ritchey				
Valewood				
Lucerne (Acme)				
Dutch Valley (Weis)				

PMMB Area	Cooperative Procurement in OPP Rate (per CWT)	Approximate Cooperative Milk
1-0	\$0.279	80%
2-0	\$0.195	56%
3-0	\$0.252	72%
4-0	\$0.074	21%
5-0	\$0.047	14%

REDACTED SUBJECT TO PROTECTIVE ORDER DATED AUGUST 10, 2018

MONG PROCUREMENT REBUTTAL EXHIBIT D5

PENNSYLVANIA ASSOCIATION OF MILK DEALERS

COOPERATIVE PROCUREMENT COSTS HEARING

HISTORICAL DEALER RATE OF RETURN

Swiss Premium	
Guers	
Pocono Mountain	
Turkey Hill	
Dean Meadow Brook (1)	
Rutters	
Ritchey's (2)	
LVD-Schuykill Haven	
Galliker	
Dean Sharpville	
HP Hood-Hatfield (3)	
United-Martins Ferry	
Turner	
Clover Farms	
Balford Farms	
LVD-Lansdale	
Schneider's (Pittsburgh)	
Harrisburg Dairies	
United-Uniontown	
Valley Farms (4)	
Wawa	

- (1) Meadow Brook closed in 2018
- (2) Ritchey's added to Area 6 cross-section in 2015
- (3) HP Hood Hatfield closed in 2014
- (4) Valley Farms owned by Schneider's until 2015, since 2015 by Upstate-Niagara Cooperative