

ALL PMMB AREAS

OVER-PRICE PREMIUM HEARING TO ACCOUNT FOR COOPERATIVE- OWNED FLUID MILK PLANT PURCHASES OF MEMBER MILK

DEALER EXHIBITS

AUGUST 5, 2020

PENNSYLVANIA ASSOCIATION OF MILK DEALERS

**OVER-PRICE PREMIUM HEARING TO ACCOUNT FOR COOPERATIVE-OWNED FLUID MILK PLANT
PURCHASES OF MEMBER MILK**

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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

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

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 ASSOCIATION OF MILK DEALERS

OVER-PRICE PREMIUM HEARING TO ACCOUNT FOR COOPERATIVE-OWNED FLUID MILK PLANT PURCHASES OF MEMBER MILK

TWENTY-FOUR MONTH HISTORY OF OVER-PRICE PREMIUM AND ILLUSTRATION OF INCORRECT AND CORRECT METHOD OF ACCOUNTING FOR COOPERATIVE PURCHASES OF MEMBER MILK
AUGUST 2018 – JULY 2020

	<u>Actual</u>	<u>Illustration 1</u>		<u>Illustration 2</u>	
	Published Twenty-four Month Average Over-Price Premium	Illustration of Incorrect Method of Accounting for Cooperative Purchases of Member Milk (1)	Difference from Published Over-Price Premium	Illustration of Proper Method of Accounting for Cooperative Purchases of Member Milk (2)	Difference from Published Over-Price Premium
Area 1	\$0.11	\$0.04	(\$0.07)	\$0.10	(\$0.01)
Area 2	\$0.17	\$0.16	(\$0.01)	\$0.29	\$0.12
Area 3	\$0.07	\$0.04	(\$0.03)	\$0.16	\$0.09
Area 4	\$0.09	\$0.06	(\$0.03)	\$0.19	\$0.10
Area 5	\$0.17	\$0.11	(\$0.06)	\$0.19	\$0.02
Area 6	\$0.43	\$0.40	(\$0.03)	\$0.56	\$0.13

(1) Class I sales pounds included but no over-price premium dollars because the cooperative does not have a minimum due.

(2) Class I sales pounds excluded at cross-section plants owned and operative by dairy cooperatives assuming all milk is supplied by members.

PENNSYLVANIA ASSOCIATION OF MILK DEALERS

OVER-PRICE PREMIUM HEARING TO ACCOUNT FOR COOPERATIVE-OWNED FLUID MILK PLANT PURCHASES OF MEMBER MILK

ILLUSTRATIONS OF OVER-PRICE PREMIUM CALCULATION WHEN
A COOPERATIVE-OWNED FLUID MILK PLANT RECEIVES MEMBER MILK

				A		B		C	
						With		With	
						5 Million Lbs.		5 Million Lbs.	
						Member Milk		Member Milk	
				With No		Current Method		Proposed	
#	Data Description	OGO A - 925	Formula	Member Milk		If Not Corrected		Method	
1	PA Class I Utilization			6,000,000	Lbs.	6,000,000	Lbs.	6,000,000	Lbs.
2	Total Raw Milk Receipts	Section II (a)		10,000,000	Lbs.	10,000,000	Lbs.	10,000,000	Lbs.
3	PA CL I Utilization Percent		(1 / 2)	60.00%		60.00%		60.00%	
4	Total PA Overpayment	Section II (c)		\$ 7,000		\$ 2,000		\$ 2,000	
5	Over Price Premium (OPP)		(3 X 4)	\$ 4,200		\$ 1,200		\$ 1,200	
6	PA Raw Milk Receipts			7,000,000	Lbs.	7,000,000	Lbs.	2,000,000	Lbs.
7	Total Raw Milk Receipts		same as 2	10,000,000	Lbs.	10,000,000	Lbs.	10,000,000	Lbs.
8	Pennsylvania Receipts Percent	Section II (b)	(6 / 7)	70.00%		70.00%		20.00%	
9	PA Class I Utilization		same as 1	6,000,000	Lbs.	6,000,000	Lbs.	6,000,000	Lbs.
10	PA Produced Class I	Section II (d)	(8 X 9)	4,200,000	Lbs.	4,200,000	Lbs.	1,200,000	Lbs.
11	OPP per Cwt.			\$ 0.1000		\$ 0.0286		\$ 0.1000	