

AREA 5

COST REPLACEMENT HEARING DEALER REBUTTAL EXHIBITS

JANUARY 3, 2018

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

INDEX OF REBUTTAL EXHIBITS

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy Inc.,
Turner Dairy Farms Inc., United Dairy Inc. (Martins Ferry, OH), United Dairy Inc. (Uniontown, PA)**

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Carl D. Herbein, CPA
Curriculum Vitae

EDUCATION

Elizabethtown College – B.S. Degree in Accounting (1968)
Delta Mu Delta – National Honor Society – Co-captain Cross Country Team

EMPLOYMENT

Herbein + Company, Inc., Reading, PA
October, 2004 to present
President and CEO

July, 1985 to September, 2004
Managing Partner

1974 to June, 1985
Partner
Reading, PA

Carl D. Herbein, CPA – Reading, PA
1972 to 1974

Ernst & Young, Reading, PA
1967 to 1972
Staff/Senior Accountant

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS

CPA – Commonwealth of Pennsylvania (1971)

Member – American Institute of CPAs – Council (1990 – 1991)

Member – Pennsylvania Institute of CPAs – President (1988 – 1989)

Firm Member – Allinial Global

Chairman – Reading Redevelopment Authority (1992 – 1998) Board of Directors (1984 – 1998)

Board Member

- Greater Berks Development Fund (1995 – present)
- Berks County Convention Center Authority - Treasurer (1996 – 2017); Chairman (2017 – present)
- Alvernia University (2012 – present)
- Greater Reading Chamber & Economic Development Corporation (2017 – present)

Berks County Chamber of Commerce (1980 – present)

- Chairman of the Board (1994 – 1996)
- Treasurer (1992 – 1993)
- Treasurer (2007-2009)

Greater Reading Economic Partnership (2005 – present)

Alvernia University

- Board of Trustees (2014 – present)
- Audit Committee (2014 – present)
- Fiscal & Physical Resources Committee (2017 – present)

Berkshire Country Club

- Board of Directors
- Treasurer (October 2001 – 2007)

Submitted: December 15, 2017

Carl D. Herbein, CPA

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS – CONTINUED

Elizabethtown College

- Board of Trustees (1987 – 1992)
- Accounting Advisory Committee (1993 – 2005)
- Member – Leadership Council (2007 – present)

SPECIFIC DAIRY RELATED EXPERIENCE

Grew up and worked on his parents' dairy farm

Partner-in-charge of services for all dairy clients currently serviced by the Firm

Performed the feasibility and accounting work for numerous successful dairy mergers

Currently leads the Firm's engagements in industry consolidation, including due diligence, valuation, and consolidation benefit analysis

Performed other special projects for dairies – Product cost analysis, route accounting and profitability analysis, by-product and excess butterfat cost analysis, buy-sell arrangements, labor contract negotiations, hauling cost analysis, plant shrink studies, delivery cost studies, market price analysis, cost benchmarking projects, business valuations, Federal Trade Commission analysis, and dairy financial reporting design

Has spent more than 16,000 hours of time in personally preparing for and testifying at over 140 Pennsylvania Milk Marketing Board price hearings between 1976 and 2016

Has visited and provided services to more than 155 dairy food companies

COMMUNITY AWARDS

2006 Eugene L. Shirk Community Builder Award

2010 Corporate Honoree – March of Dimes

2012 Franciscan Award – Alvernia University

2013 Business Weekly Unity Award

2017 Service to the College Award – Elizabethtown College

REBUTTAL EXHIBIT D1

Carl D. Herbein, CPA

SPEAKING ENGAGEMENTS (2006 – 2016)

International Milk Control Agency – Why Dairy Plants Relocate, August 13, 2006

All Star Dairy Association – Cost Benchmarking, March 16, 2006

Quality Chekd Dairy – Valuation of Your Dairy Company, February 1, 2007

All Star Dairy Association – Cost Benchmarking, March 28, 2007

All Star Dairy Association – Financial Reporting, March 6, 2008

Quality Chekd Dairy – Captive Insurance, April 21, 2008

Pennsylvania Association of Milk Dealers – Cost Comparison Analysis, September 22, 2009

World International Dairy Foods Association – Worldwide Food Expo – Dairy Industry Analysis, October 31, 2009

All Star Dairy Association – Forensic Accounting, March 23, 2010

Pennsylvania Association of Milk Dealers and Northeast Dairy Foods Association, Inc. – Delivery, Depots and Distributors – August 22, 2011

International Association of Milk Control Agencies (IAMCA) – California Federal Milk Marketing Order – September 14, 2015

International Dairy Foods Association – Capital Budgeting – September 15, 2015

All Star Association – Measure Your Success – March 2016

TEACHING ASSIGNMENTS (2007 – 2011)

Developed and presented the annual “Dairy Cost Accounting Workshop” for International Dairy Foods Association – annual two (2) day seminar May 2007, 2008, 2009, 2010, 2011. 2012, 2013, 2014, 2015 and 2016

Quality Chekd Dairy – Dairy Accounting Seminar, March 6 - 7, 2007

PUBLICATIONS

“Product Costing In A Volatile Environment,” which appeared in the *National Ice Cream Mix Association, Inc.* publication

“Milk Costing and Regulation - Is There a Conflict?” which appeared in the 2003 *International Association of Milk Control Agencies’* publication

“Benchmarking,” which appeared in the August 2004, *422 Business Advisor*

“Financing Agribusiness Growth”, which appeared in the *Pennsylvania CPA Journal*

“Processors Improve Profits With Benchmarking”, which appeared in the October 2011, *Dairy Foods Magazine*

Submitted: December 15, 2017

Carl D. Herbein, CPA

EXPERT REPORTS, DEPOSITION AND TESTIMONY

COURT AND OTHER TESTIMONY

State of New Jersey Department of Agriculture – Expert testimony - Farmer premium establishment. (hearing held November 19, 2009, December 17, 2009 and January 28, 2010)

Sweetwater Valley Farm, Inc. v. Dairy Farmers of America, Inc. – June 15, 2010

Bross v. Bross – domestic matter. Testimony September 16, 2010.

Van Peenen Dairy, Inc. v. Tuscan/Lehigh Dairies, Inc. – contractual dispute, November 22, 2011

US Justice Department Report – Dean Foods / Suiza – merger analysis

State of Kentucky v. Trauth Dairy – damage calculation

State of Indiana v. Schenkel Dairy – damage calculation

Sweet Water Valley Farm v. Dairy Farmers of America – restraint of trade

Maine Milk Commission – Expert testimony – Dealer Margin Study (hearing held October 25, 2012)

Nicholas Meat Packing Co. v. Brigandi, Gleghorn and Associates – August 20, 2011 and July 2013.

Supports Coordination Organization Modeled Rate Review – payment rate dispute – July 15, 2013.

Allen S. Fisher, et. al. v. Dominion Transmission, Inc. – crop damage – loss calculation – October 2013.

DeVries Dairy v. White Eagle Cooperative Association – expert testimony – economic discrimination – October 2013.

Dar-View Farms v. Maryland Dairy Veterinarians – professional malpractice matter – March 2015

U.S. Department of Agriculture – California Hearing to consider establishing a California Milk Marketing order – October 2015

Balford Farms v. Travelers Insurance – business interruption insurance matter – January 2017

Select Milk Producers, Inc. v. Sorrento Lactalis Inc. – expert testimony – milk supply contracts – March 2017

Carl D. Herbein, CPA

COMMONWEALTH OF PENNSYLVANIA MILK MARKETING BOARD APPEARANCES

2011

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the level and duration of the Class I over-order premium. (hearing held June 1, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the announcement date for January 2012 minimum resale prices. (hearing held June 1, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning adjustments to wholesale discounts to account for changes in milk prices subsequent to the adoption of Official General Orders for each of the Milk Marketing Areas. (hearing held June 1, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 5. Expert witness appearing on behalf of the Area 5 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 5. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 5. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 5. (hearing held September 7, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 6. Expert witness appearing on behalf of the Area 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 6. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held September 7, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1. Expert witness appearing on behalf of the Area 1 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 1. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held October 5, 2011)

Carl D. Herbein, CPA

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 2. Expert witness appearing on behalf of the Area 2 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 2. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In

accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held October 5, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 3. Expert witness appearing on behalf of the Area 3 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 3. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores.

In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held November 9, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 4. Expert witness appearing on behalf of the Area 4 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 4. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held November 9, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the level and duration of the Class I over-order premium to be effective January 1, 2012. (hearing held November 9, 2011)

2012

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 5. Expert witness appearing on behalf of the Area 5 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the multi-store discount provisions in Milk Marketing Area 5. (hearing held September 7, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 6. Expert witness appearing on behalf of the Area 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the multi-store discount provisions in Milk Marketing Area 6. (hearing held September 7, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning whether to remove the service contract initial fee and renewal fee from Official General Order A-875. (hearing held February 8, 2012)

Submitted: December 15, 2017

Carl D. Herbein, CPA

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 4, and 5. Expert witness appearing on behalf of the Areas 1, 2, 4, and 5 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 2, 4 and 5.

2013

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 3 and 6. Expert witness appearing on behalf of the Area 3 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 3 and 6. (hearing held January 2, 2013)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning wholesale milk discounts in Milk Marketing Area 1, 2, 3, 4, 5, and 6. (hearing held October 2, 2013)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, and 3. Expert witness appearing on behalf of the Areas 1, 2, and 3 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 2, and 3. (hearing held January 8, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 4, 5, and 6. Expert witness appearing on behalf of the Areas 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 4, 5, and 6. (hearing held February 5, 2014)

2014

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the over price premium – Part II in Milk Marketing Areas 1, 2, 3, 4, 5, and 6. (hearing held June 4, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the small delivery costs in Milk Marketing Areas 1, 2, 3, 4, 5, and 6. (hearing held June 11, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 4, 5, and 6. Expert witness appearing on behalf of the Areas 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 4, 5, and 6. (hearing October 1, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, and 3. Expert witness appearing on behalf of the Areas 1, 2, and 3 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 2, and 3. (hearing held December 3, 2014)

2015

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the over price premium – Part II in Milk Marketing Areas 1, 2, 3, 4, 5, and 6. (hearing held February 25 - 27, 2015) continuance from June 2014

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 5, and 6. Expert witness appearing on behalf of the Areas 1, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 5, and 6. (hearing held December 2, 2015)

Carl D. Herbein, CPA

2016

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 2, 3, and 4. Expert witness appearing on behalf of the Areas 2, 3, and 4 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 2, 3, and 4. (hearing held January 6, 2016)

2017

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Area 4. Expert witness appearing on behalf of the Area 4 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Area 4. (hearing completed January 4, 2017)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 2, 3, 5, and 6. (hearing completed July 5, 2017)

REBUTTAL EXHIBIT D2

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

**PROCESSING, PACKAGING AND DELIVERY COSTS/POINT
(WEIGHTED AVERAGE BASED ON SALES IN AREA 5)**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

<u>Cost Center</u>	<u>Total 2016 Points in PMMB Area 5 (1)</u>	<u>Weighted Average 2016 Cost/Point (1)</u>
Receiving, lab and field work	185,185,971	\$ 0.0241
Standardization and pasteurization	201,024,048	0.0218
Bottling	206,317,169	0.0317
Cold room	230,917,449	0.0475
Delivery	218,549,933	0.1478
Selling	224,679,777	0.0304
		<u>\$ 0.3033</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 5 for the cross-section dealers.

REBUTTAL EXHIBIT D2-A**PMMB AREA 5****JANUARY 3, 2018 COST REPLACEMENT HEARING****COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS**

Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)

	2016 Weighted Average Cost/Point	2015 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0241	\$0.0091	\$0.0150
Standardization and pasteurization	0.0218	0.0227	(0.0009)
Bottling	0.0317	0.0408	(0.0091)
Cold room	0.0475	0.0461	0.0014
Delivery	0.1478	0.1431	0.0047
Selling	<u>0.0304</u>	<u>0.0341</u>	<u>(0.0037)</u>
Sub total	\$0.3033	\$0.2959	\$0.0074
Add:			
2017 Cost increase (decrease) adjustment - Exhibit D7			0.0091
Less:			
2016 Cost (increase) decrease adjustment (1)			<u>(0.0064)</u>
Net change			<u><u>\$0.0101</u></u>

(1) Per General Order No. A-954 (CRO 7).

REBUTTAL EXHIBIT D3

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

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

Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider’s Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)

<u>Container Size</u>	<u>March 2017 Container Cost (1)</u>	<u>Adjust from March 2017 to November 2017 - Current (2)</u>	<u>Calculated Shrinkage and Loss (3)</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.1547	\$ 0.1641	1.90%	\$ 0.1672
1/2 gallon - plastic	0.1114			
1/2 gallon - paper	(5)			
1/2 gallon - blended (4)	<u>0.1114</u>	0.1165	1.67%	0.1184
Quart - plastic	0.1141			
Quart - paper	<u>0.1371</u>			
Quart - blended (4)	<u>0.1203</u>	0.1264	1.57%	0.1284
Pint - plastic	0.0970			
Pint - paper	<u>0.0488</u>			
Pint - blended (4)	<u>0.0960</u>	0.0994	1.62%	0.1010
Twelve ounce - plastic	0.1123	0.1123		0.1123
Ten ounce - paper (5)	-			
1/2 pint - plastic (4)	0.0705	0.0752	0.92%	0.0759
1/2 pint - paper (4)	0.0286	0.0279	0.85%	0.0281
Four ounce - paper	0.0290	0.0290	1.53%	0.0294
Dispenser	0.0518	0.0518	1.30%	0.0525

- (1) For containers not purchased in March 2017 the most recent invoice was used.
- (2) November 2017 container costs were used by the PMMB to establish minimum resale prices for December 2017.
- (3) 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.
- (4) Current container costs would replace these costs on a monthly basis when the PMMB minimum resale prices are announced.
- (5) Container not packaged in this Area.

REBUTTAL EXHIBIT D3-A

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

**ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH
CONTAINER COSTS – OCTOBER 2014**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

<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)	\$ 0.1672	\$ 0.1716	\$ (0.0044)
Half Gallon (2)	0.1184	0.1344	(0.0160)
Quart (2)	0.1284	0.1302	(0.0018)
Pint (2)	0.1010	0.0961	0.0049
1/2 pint - plastic (2)	0.0759	0.0613	0.0146
1/2 pint - paper (2)	0.0281	0.0286	(0.0005)
Four ounce - paper	0.0294	0.0288	0.0006
Dispenser (per quart)	0.0525	0.0739	(0.0214)

(2) Per General Order No. A-954 (CRO 7) as updated.

(3) These container costs to be updated on a monthly basis.

(4) Difference between plastic ½ pint and paper ½ pint is \$0.0478. PMMB resale price schedules show the ½ pint paper price. \$0.0478 is the plastic add-on.

REBUTTAL EXHIBIT D4

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

**SUMMARY OF CURRENT INGREDIENT COSTS
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 5)**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

	March 2017 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0001
Nonfat (skim) milk	.0010
Flavored milk	.0372
Flavored reduced fat milk	.0320
Flavored nonfat milk	.0357
Buttermilk	.0215
Eggnog	.1315

(1) For ingredients not purchased in March 2017 the most recent invoice was used.

REBUTTAL EXHIBIT D4-A

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)

	March 2017 Weighted Average Cost/Pound	Cost/Pound included in Existing Order (1)	Increase (Decrease)
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0001	0.0000
Lowfat milk (1%)	0.0001	0.0001	0.0000
Nonfat milk (skim)	0.0010	0.0010	0.0000
Flavored milk (2)	0.0372	0.0357	0.0015
Flavored reduced fat milk (2)	0.0320	0.0273	0.0047
Flavored nonfat milk (2)	0.0357	0.0316	0.0041
Buttermilk	0.0215	0.0216	(0.0001)
Eggnog	0.1315	0.1810	(0.0495)

(1) Per General Order OGO A-954 (CRO 7) as updated for flavored milks on October 1, 2017.

(2) Ingredient costs to be updated on a quarterly basis for flavored milk, flavored reduced fat milk and flavored nonfat milk. Updates should be effective on January 1, April 1, July 1 and October 1.

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

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

Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)

<u>PMMB Area 5</u>	<u>Costs</u>	<u>Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds (1)</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 1,134,332		\$ 1,134,332		
Bulk milk revenue minus milk costs		666,264			
Bulk milk cost center costs & freight	492,759				
Net bulk milk cost (revenue)			(173,505)		
Bulk cream revenue minus milk costs		2,155,046			
Bulk cream cost center costs	598,844				
Net bulk cream cost (revenue)			(1,556,202)		
Total	<u>\$ 2,225,935</u>	<u>\$ 2,821,310</u>			
Net cost (net revenue) - calendar year 2016			\$ (595,375)	372,048,415	\$ (0.0016)
Net cost (net revenue) in current order - calendar year 2015			<u>\$ (1,519,860)</u>	372,048,415	<u>(0.0041)</u>
Net change - cost increase (cost reduction)			<u>\$ 924,485</u>		<u>\$ 0.0025</u>

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

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)

	<u>2016 Weighted Average Butterfat Test</u>	<u>Butterfat Test included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Standard milk	3.2667%	3.2731%	-0.0064%
Reduced fat milk (2%)	1.9393%	1.9409%	-0.0016%
Lowfat milk (1%)	0.9642%	0.9589%	0.0053%
Nonfat milk (skim)	0.0961%	0.0979%	-0.0018%
Flavored milk	3.4208%	3.4030%	0.0178%
Flavored reduced fat milk	1.0196%	1.0433%	-0.0237%
Flavored nonfat milk	0.2505%	0.2099%	0.0406%
Buttermilk	2.0521%	2.1865%	-0.1344%
Eggnog	6.6523%	6.3203%	0.3320%

(1) Per General Order No. A-954 (CRO 7)

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

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

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider’s Dairy, Inc.,
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

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
	2017	2016	2017	2016	2017	2016	
Labor and fringe benefits	\$ 19,975,062	\$ 19,819,465	101,371,964	101,945,256	\$ 0.1970	\$ 0.1944	\$0.0026
Utilities	1,220,515	1,182,095	101,371,964	101,945,256	0.0120	0.0116	0.0004
Insurance	811,826	192,298	101,371,964	101,945,256	0.0080	0.0019	0.0061
							<u>\$0.0091</u>

(1) Weighted based on sales in PMMB Area 5

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)

Diesel fuel costs – calendar year 2016 (1)	\$2,283,077
Delivery points – calendar year 2016 (1)	<u>218,549,933</u>
Diesel fuel cost per point delivered	<u><u>\$0.0104</u></u>
Average diesel price – calendar year 2016 (2)	\$2.437
Average diesel price – October 2017 (2) (3)	<u>\$2.928</u>
Increase (decrease) from year 2016 to month October 2017	20.15%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>\$0.0021</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 5.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) October 2017 diesel fuel costs were used by the PMMB in establishing minimum prices for December 2017.

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)

Heating fuel costs – calendar year 2016 (1)	\$263,704
Standardization & pasteurization points – calendar year 2016 (1)	<u>201,024,048</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0013</u></u>
Average heating fuel costs – calendar year 2016 (2)	\$7.70
Average heating fuel costs – August 2017 (2) (3)	<u>9.32</u>
Increase (decrease) from year 2016 to month August 2017	21.04%
Increase (decrease) in heating fuel cost per point pasteurized	<u><u>\$0.0003</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 5.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) August 2017 natural gas costs were used by the PMMB in establishing minimum prices for December 2017.

REBUTTAL EXHIBIT D10-A

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
GALLON REDUCED FAT MILK (2%) FOR DECEMBER 2017**

Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc., Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9393%	1.9409%	-0.0016%
Butterfat price as announced by PMMB	(1)	\$ 2.6236 per lb.	\$ 2.6236 per lb.	
Extended butterfat value		\$ 0.0509 per lb.	\$ 0.0509 per lb.	
Skim price as announced by PMMB	(1)	\$ 12.58 per cwt.	\$ 12.58 per cwt.	
Extended skim value		\$ 0.1234 per lb.	\$ 0.1234 per lb.	
Total milk value at announced prices		<u>\$ 0.1742 per lb.</u>	<u>\$ 0.1743 per lb.</u>	<u>\$ (0.0001)</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	(0.0016)	(0.0041)	
Total milk cost per pound		<u>\$ 0.1727 per lb.</u>	<u>\$ 0.1703 per lb.</u>	<u>\$ 0.0024</u>
Pounds per gallon (conversion)		<u>8.62</u>	<u>8.62</u>	
Total milk cost per gallon		<u>\$ 1.4887</u>	<u>\$ 1.4680</u>	<u>\$ 0.0207</u>
Container cost (adjusted for shrinkage)	D3	0.1672 each	0.1716 each	(0.0044)
Cost center costs	D2	1.2132	1.1836	0.0296
1st half 2017 to 1st half 2016 adjustment	D7	0.0364	0.0256	0.0108
Container efficiency adjustment	(2)	(0.1067)	(0.1067)	-
Percentage discount adjustment	(3)	0.0060	0.0060	-
Diesel fuel adjustment	D8	0.0084	-	0.0084
Heating fuels adjustment	D9	0.0012	(0.0004)	0.0016
		<u>\$ 2.8144 each</u>	<u>\$ 2.7477 each</u>	<u>\$ 0.0667</u>
Dealer profit at 3.5%	(2)	0.1021	0.0997	\$ 0.0024
Subtotal		<u>\$ 2.9165 each</u>	<u>\$ 2.8474 each</u>	<u>\$ 0.0691</u>
Less: average delivery cost	(2)	(0.5220)	(0.5220)	
Add: high cost delivery	(2)	0.9748	0.9748	
Wholesale minimum price		<u><u>\$ 3.3693 each</u></u>	<u><u>\$ 3.3002 each</u></u>	<u><u>\$ 0.0691</u></u>

(1) As announced for December 2017 by PMMB on November 16, 2017

(2) Per OGO A-954 (CRO 7) as updated.

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

REBUTTAL EXHIBIT D10-B

PMMB AREA 5

JANUARY 3, 2018 COST REPLACEMENT HEARING

**CALCULATION OF WHOLESALE MINIMUM PRICE
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR DECEMBER 2017**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider's Dairy, Inc.,
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B	0.2505%	0.2099%	0.0406%
Butterfat price as announced by PMMB	(1)	\$ 2.6236 per lb.	\$ 2.6236 per lb.	
Extended butterfat value		\$ 0.0066 per lb.	\$ 0.0055 per lb.	
Skim price as announced by PMMB	(1)	\$ 12.58 per cwt.	\$ 12.58 per cwt.	
Extended skim value		\$ 0.1255 per lb.	\$ 0.1255 per lb.	
Total milk value at announced prices		<u>\$ 0.1321 per lb.</u>	<u>\$ 0.1310 per lb.</u>	<u>\$ 0.0011</u>
Ingredient cost	D2	0.0357	0.0316	
Cost of shrinkage / bulk milk & cream	D7	(0.0016)	(0.0041)	
Total milk cost per pound		<u>\$ 0.1662 per lb.</u>	<u>\$ 0.1585 per lb.</u>	<u>\$ 0.0077</u>
Pounds per gallon (conversion)		<u>0.50</u>	<u>0.50</u>	
Total milk cost per half pint		<u>\$ 0.0831</u>	<u>\$ 0.0793</u>	<u>\$ 0.0038</u>
Container cost (adjusted for shrinkage)	D8	0.0281 each	0.0286 each	(0.0005)
Cost center costs	D3	0.0758	0.0740	0.0018
1st half 2017 to 1st half 2016 adjustment	D4	0.0023	0.0016	0.0007
Container efficiency adjustment	(2)	0.0367	0.0367	-
Percentage discount adjustment	(3)	0.0004	0.0004	-
Diesel fuel adjustment	D5	0.0005	-	0.0005
Heating fuels adjustment	D6	0.0001	-	0.0001
		<u>\$ 0.2270 each</u>	<u>\$ 0.2206 each</u>	<u>\$ 0.0064</u>
Dealer profit at 3.5%	(2)	<u>0.0082</u>	<u>0.0080</u>	<u>\$ 0.0002</u>
Subtotal		<u>\$ 0.2352 each</u>	<u>\$ 0.2286 each</u>	<u>\$ 0.0066</u>
Less: average delivery cost	(2)	(0.0326)	(0.0326)	
Add: high cost delivery	(2)	<u>0.0609</u>	<u>0.0609</u>	
Wholesale minimum price		<u>\$ 0.2635 each</u>	<u>\$ 0.2569 each</u>	<u>\$ 0.0066</u>

(1) As announced for December 2017 by PMMB on November 16, 2017.

(2) Per OGO A-954 (CRO 7) as updated.

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