

**CONFIDENTIAL – ATTORNEY EYES ONLY MATERIAL
SUBJECT TO PROTECTIVE ORDER DATED MAY 30, 2017
(REDACTED)**

AREA 1

COST REPLACEMENT HEARING DEALER SURREBUTTAL EXHIBITS

JULY 5, 2017

**CONFIDENTIAL – ATTORNEY EYES ONLY MATERIAL
SUBJECT TO PROTECTIVE ORDER DATED MAY 30, 2017
(REDACTED)**

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

INDEX OF SURREBUTTAL EXHIBITS

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

Surrebuttal Exhibit D1	Carl D. Herbein, CPA Curriculum Vitae
Surrebuttal Exhibit D2	Processing, Packaging and Delivery Costs/Point
Surrebuttal Exhibit D2-A	Cost Replacement Adjustments for Processing, Packaging and Delivery Costs
Surrebuttal Exhibit D3	Summary of Current Container Costs with Adjustments for Shrinkage and Loss and Update to Current Month
Surrebuttal Exhibit D3-A	Adjusted Container Costs Compared to Current Month Container Costs
Surrebuttal Exhibit D4	Summary of Current Ingredient Costs
Surrebuttal Exhibit D4-A	Cost Replacement Adjustments for Ingredients
Surrebuttal Exhibit D5	Weighted Cost of Shrinkage and Weighted Costs and Revenues from Bulk Cream and Bulk Milk
Surrebuttal Exhibit D6	Butterfat Content of Price Controlled Products
Surrebuttal Exhibit D7	Cost Increases (Decreases) for Labor, Insurance and Utility Costs
Surrebuttal Exhibit D8	Changes in Diesel Fuel Costs
Surrebuttal Exhibit D9	Changes in Heating Fuel Costs (Natural Gas)
Surrebuttal Exhibit D10-A	Calculation of Minimum Wholesale Price Gallon Reduced Fat Milk (2%)
Surrebuttal Exhibit D10-B	Calculation of Minimum Wholesale Price Half Pint Flavored Nonfat Milk (Skim)

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SURREBUTTAL EXHIBIT D1

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 – 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)

Berkshire Country Club

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

Submitted: June 23, 2017

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SURREBUTTAL EXHIBIT D1

Carl D. Herbein, CPA

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS – CONTINUED

Alvernia University

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

Elizabethtown College

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

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

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*

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SURREBUTTAL EXHIBIT D1

Carl D. Herbein, CPA

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

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. – restraint of trade – 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

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

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SURREBUTTAL EXHIBIT D1

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)

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SURREBUTTAL EXHIBIT D1

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)

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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)

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SURREBUTTAL EXHIBIT D1

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. 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)

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SURREBUTTAL EXHIBIT D2

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

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

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

Cost Center	Total 2015 Points in PMMB Area 1 (1)	Weighted Average 2015 Cost/Point (1)
Receiving, lab and field work	176,267,722	
Standardization and pasteurization	200,620,529	
Bottling	170,889,863	
Cold room	258,399,018	
Delivery	261,091,302	
Selling	254,514,469	

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

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SURREBUTTAL EXHIBIT D2-A

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

	2015 Weighted Average Cost/Point	2014 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work			
Standardization and pasteurization			
Bottling			
Cold room			
Delivery			
Selling			
Sub total			
Add:			
2016 Cost increase (decrease) adjustment - Exhibit D7			
Less:			
2015 Cost (increase) decrease adjustment (1)			
Net change			

(1) Per General Order A-993

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SURREBUTTAL EXHIBIT D3

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

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

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

Container Size	March 2016 Container Cost (1)	Adjust from March 2016 to April 2017 - Current (2)	Subtotal	Calculated Shrinkage and Loss (4)	Shrinkage Cost	Total Container Cost
Gallon (5)	\$ 0.1589	\$ 0.0064	\$ 0.1653	1.93%	\$ 0.0032	\$ 0.1685
1/2 gallon - plastic	0.1191					
1/2 gallon - paper (3)	-					
1/2 gallon - blended (5)	<u>0.1191</u>	0.0051	0.1242	1.91%	0.0024	0.1266
Quart - plastic	0.1032					
Quart - paper	<u>0.0823</u>					
Quart - blended (5)	<u>0.1027</u>	0.0063	0.1090	1.57%	0.0017	0.1107
Pint - plastic	0.0736					
Pint - paper (3)	-					
Pint - blended (5)	<u>0.0736</u>	0.0061	0.0797	1.62%	0.0013	0.0810
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.0599	0.0040	0.0639	0.92%	0.0006	0.0645
1/2 pint - paper (5)	0.0236	0.0073	0.0309	0.85%	0.0003	0.0312
Four ounce - paper	0.0228		0.0228	1.53%	0.0003	0.0231
Dispenser	0.0507		0.0507	1.30%	0.0007	0.0514

- (1) For containers not purchased in March 2016 the most recent invoice was used.
- (2) April 2017 container costs were used by the PMMB to establish minimum resale prices for May 2017.
- (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 on a monthly basis when the PMMB minimum resale prices are announced.

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SURREBUTTAL EXHIBIT D3-A

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

**ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH
CONTAINER COSTS – OCTOBER 2015**

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), 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)	\$ 0.1685	\$ 0.1617	\$ 0.0068
Half Gallon (2)	0.1266	0.1234	0.0032
Quart (2)	0.1107	0.1073	0.0034
Pint (2)	0.0810	0.0812	(0.0002)
1/2 pint - plastic (2)	0.0645	0.0633	0.0012
1/2 pint - paper (2)	0.0312	0.0306	0.0006
Four ounce - paper	0.0231	0.0223	0.0008
Dispenser (per quart)	0.0514	0.0524	(0.0010)

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

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

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0333. PMMB resale price schedules show the ½ pint paper price and thus the paper plastic difference of \$0.0333 should be added to the paper price for milk sold in ½ pint plastic containers.

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SURREBUTTAL EXHIBIT D4

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

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

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

	March 2016 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0001
Nonfat (skim) milk	.0001
Flavored milk	.0472
Flavored reduced fat milk	.0357
Flavored nonfat milk	.0297
Buttermilk	.0059
Eggnog	.1522

(1) For ingredients not purchased in March 2016 the most recent invoice was used.

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SURREBUTTAL EXHIBIT D4-A

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

	March 2016 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)	0.0001	0.0001	0.0000
Flavored milk (2)	0.0472	0.0454	0.0018
Flavored reduced fat milk (2)	0.0357	0.0281	0.0076
Flavored nonfat milk (2)	0.0297	0.0331	(0.0034)
Buttermilk	0.0059	0.0060	(0.0001)
Eggnog	0.1522	0.1118	0.0404

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

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SURREBUTTAL EXHIBIT D5

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

**WEIGHTED COST OF SHRINKAGE AND WEIGHTED COSTS AND REVENUES FROM BULK CREAM AND BULK MILK
Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

<u>PMMB Area 1</u>	<u>Weighted Costs</u>	<u>Weighted Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds (1)</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 1,222,325		\$ 1,222,325		
Bulk milk revenue minus milk costs		1,095,971			
Bulk milk cost center costs & freight	1,233,819				
Net bulk milk cost (revenue)			137,848		
Bulk cream revenue minus milk costs		1,875,913			
Bulk cream cost center costs	346,302				
Net bulk cream cost (revenue)			<u>(1,529,611)</u>		
Total	<u>\$ 2,802,446</u>	<u>\$ 2,971,884</u>			
Net cost (net revenue) - calendar year 2015			\$ (169,438)	306,917,922	\$ (0.0006)
Net cost (net revenue) in current order - calendar year 2014			<u>\$ 1,150,671</u>	274,824,999	<u>0.0042</u>
Net change - cost increase (cost reduction)			<u>\$ (1,320,109)</u>		<u>\$ (0.0048)</u>

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

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SURREBUTTAL EXHIBIT D6

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

	2015 Weighted Average Butterfat Test	Butterfat Test included in Existing Order (1)	Increase (Decrease)
Standard milk	3.3029%	3.2997%	0.0032%
Reduced fat milk (2%)	1.9498%	1.9485%	0.0013%
Lowfat milk (1%)	0.9638%	0.9588%	0.0050%
Nonfat milk (skim)	0.1033%	0.1151%	-0.0118%
Flavored milk	3.2493%	3.2502%	-0.0009%
Flavored reduced fat milk	1.0642%	1.0592%	0.0050%
Flavored nonfat milk	0.0979%	0.1220%	-0.0241%
Buttermilk	1.9732%	1.9759%	-0.0027%
Eggnog	6.9939%	6.8929%	0.1010%

(1) Per General Order No. A-993

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SURREBUTTAL EXHIBIT D7

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

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

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), 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
	2016	2015	2016	2015	2016	2015	
Labor and fringe benefits	\$ 21,722,978	\$ 20,675,524	128,785,497	126,553,760	\$ 0.1687	\$ 0.1634	\$0.0053
Utilities	828,351	795,057	128,785,497	126,553,760	0.0064	0.0063	0.0001
Insurance	214,422	421,282	128,785,497	126,553,760	0.0017	0.0033	<u>(0.0016)</u>
							<u><u>\$0.0038</u></u>

(1) Weighted based on sales in PMMB Area 1

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(REDACTED)**

SURREBUTTAL EXHIBIT D8

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

Diesel fuel costs – calendar year 2015 (1)	\$2,744,935
Delivery points – calendar year 2015 (1)	<u>261,091,302</u>
Diesel fuel cost per point delivered	<u><u>\$0.0105</u></u>
Average diesel price – calendar year 2015 (2)	\$2.927
Average diesel price – March 2017 (2) (3)	<u>\$2.751</u>
Increase (decrease) from year 2015 to month March 2017	-6.01%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0006)</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) March 2017 diesel fuel costs were used by the PMMB in establishing minimum prices for May 2017.

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SURREBUTTAL EXHIBIT D9

PMMB AREA 1

JULY 5, 2017 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

Heating fuel costs – calendar year 2015 (1)	\$171,248
Standardization & pasteurization points – calendar year 2015 (1)	<u>271,413,780</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0006</u></u>
Average heating fuel costs – calendar year 2015 (2)	\$9.73
Average heating fuel costs – January 2017 (2) (3)	<u>7.88</u>
Increase (decrease) from year 2015 to month January 2017	-19.01%
Increase (decrease) in heating fuel cost per point pasteurized	<u><u>(\$0.0001)</u></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) January 2017 natural gas costs were used by the PMMB in establishing minimum prices for May 2017.

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SURREBUTTAL EXHIBIT D10-A

**PMMB AREA 1
JULY 5, 2017 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6		1.9485%	
Butterfat price as announced by PMMB	(1)		\$ 2.4256 per lb.	
Extended butterfat value			\$ 0.0473 per lb.	
Skim price as announced by PMMB	(1)		\$ 12.34 per cwt.	
Extended skim value			\$ 0.1210 per lb.	
Total milk value at announced prices			<u>\$ 0.1683 per lb.</u>	
Ingredient cost	D3		0.0001	
Cost of shrinkage / bulk milk & cream	D5		0.0042	
Total milk cost per pound			<u>\$ 0.1726 per lb.</u>	
Pounds per gallon (conversion)			<u>8.62</u>	
Total milk cost per gallon			<u>\$ 1.4878</u>	
Container cost (adjusted for shrinkage)	D3	each	0.1617 each	
Cost center costs	D2		1.1628	
1st half 2015 to 1st half 2016 adjustment	D7		0.0532	
Container efficiency adjustment	(2)		(0.0720)	
Percentage discount adjustment	(3)		(0.0008)	
Diesel fuel adjustment	D8		(0.0176)	
Heating fuels adjustment	D9		(0.0008)	
		each	<u>\$ 2.7743 each</u>	
Dealer profit at 3.4%	(2)		<u>0.0976</u>	
Subtotal		each	<u>\$ 2.8719 each</u>	
Less: average delivery cost	(2)		(0.5068)	
Add: high cost delivery	(2)		1.0552	
Wholesale minimum price		each	<u>\$ 3.4203 each</u>	

(1) As announced for May 2017 by PMMB on April 20, 2017.

(2) Per OGO A-993 as updated.

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

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SURREBUTTAL EXHIBIT D10-B

**PMMB AREA 1
JULY 5, 2017 COST REPLACEMENT HEARING**

**CALCULATION OF WHOLESALE MINIMUM PRICE
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR MAY 2017
Clover Farms Dairy Company, Milk Industry Management Corporation T/A Balford Farms,
Tuscan/Lehigh Dairies, Inc. (Lansdale, PA), Wawa Beverage Company**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6		0.1220%	
Butterfat price as announced by PMMB	(1)	per lb.	\$ 2.4256 per lb.	
Extended butterfat value		per lb.	\$ 0.0030 per lb.	
Skim price as announced by PMMB	(1)	per cwt.	\$ 12.34 per cwt.	
Extended skim value		per lb.	\$ 0.1232 per lb.	
Total milk value at announced prices		per lb.	<u>\$ 0.1262 per lb.</u>	
Ingredient cost	D4		0.0281	
Cost of shrinkage / bulk milk & cream	D5		<u>0.0042</u>	
Total milk cost per pound		per lb.	<u>\$ 0.1585 per lb.</u>	
Pounds per gallon (conversion)			<u>0.50</u>	
Total milk cost per half pint			<u>\$ 0.0793</u>	
Container cost (adjusted for shrinkage)	D3	each	0.0306 each	
Cost center costs	D2		0.0727	
1st half 2014 to 1st half 2015 adjustment	D7		0.0033	
Container efficiency adjustment	(2)		0.0268	
Percentage discount adjustment	(3)		(0.0001)	
Diesel fuel adjustment	D8		(0.0011)	
Heating fuels adjustment	D9		-	
		each	<u>\$ 0.2115 each</u>	
Dealer profit at 3.4%	(2)		<u>0.0074</u>	
Subtotal		each	<u>\$ 0.2189 each</u>	
Less: average delivery cost	(2)		(0.0317)	
Add: high cost delivery	(2)		<u>0.0660</u>	
Wholesale minimum price		each	<u>\$ 0.2532 each</u>	

(1) As announced for May 2017 by PMMB on April 20, 2017.

(2) Per OGO A-993 as updated.

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