

STAFF TESTIMONY BEFORE THE PENNSYLVANIA MILK MARKETING BOARD
COST REPLACEMENT HEARING – MILK MARKETING AREA 4 (Continuance)
April 19, 2023

Staff Surrebuttal Exhibit 1

Good morning. My name is Carol Hardbarger and I serve as both the Secretary of the Milk Marketing Board and the research and statistics consultant to the staff and the Board.

The Area 4 hearing has been re-opened due to discovery after the original hearing that sales by a cross-section dealer to a customer had been reported in the wrong PMMB Area. These sales have now been corrected by Board Staff in the Milk Accounting and Regulatory System (MARS). As a direct result, the sales file used by me to establish the Area 4 cross-section was impacted and required new analyses.

Based on my review of the new sales data for Area 4, 16 of the 19 larger cross-section dealers sell into Area 4 with DFA Dairy Brands-Lebanon, Rutter Brothers and Turkey Hill having the greatest percentages of sales to the area. Only five dealers out of the 16 who sell into Area 4 meet the predetermined criterion of a minimum of 2.00 percent sales in the area and were selected as the cross-section for cost replacement purposes. Overall sales percent for the CRH cross-section is 63.73 percent, higher than the predetermined desired 62.00 percent.

Because of the new data analysis, DFA Dairy Brands – Schuylkill Haven was eliminated from the CRH cross-section and the preparation of Surrebuttal Exhibit 1. All other CRH cross-section dealers from the previous analysis were retained.

Surrebuttal Exhibit 1, Table 1, shows that the sales by product data for the CRH cross-section are close to the same as that of all dealers selling into Area 4 considering the top 5 selling products. The CRH cross-section for Area 4 is fully representative of all dealers selling into the area.

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Staff Surrebuttal Exhibits 2 thru 12 (Revised)

Good morning. My name is Gary Gojsovich. I am employed by the Pennsylvania Milk Marketing Board as an Audit Supervisor. This morning I am testifying to Staff Surrebuttal Exhibits 2 through 12 (Revised).

As noted by Dr Carol Hardbarger in her opening testimony, the Area 4 hearing was re-opened after discovery of errant sales data of a cross-section dealer. It wasn't until exhibits for Area 3 were being prepared that a possible sales error came to light that could have a material impact on Area 3 as well as Area 4. Based on Herbein's knowledge of the operations of a dealer, they questioned the sales weight factors being used for that dealer. Board Staff and Herbein were able to pinpoint the source of the error; Board Staff were then able to confirm that sales had indeed been reported in the incorrect PMMB Area for Year 2021. Board Staff obtained corrected sales data for the year and entered that data into the Milk Accounting and Regulatory System (MARS) to replace the errant data. Reports were then regenerated for use in determining the cross-section and preparing exhibits.

The correction of this errant sales data not only resulted in the elimination of a dealer from the Area 4 cross-section but it also resulted in the weighting and numbers used for one of the cross-section dealers to have changed materially. Each of the Surrebuttal exhibits previously submitted by Board Staff was affected with results changed.

Staff recommends that the Board replace the applicable costs and units in the current Order with those found in Staff's revised Surrebuttal exhibits.

Thank you. I'd be happy to answer any questions pertaining to my exhibits.