

AREA 6

COST REPLACEMENT HEARING DEALER REBUTTAL EXHIBITS

JANUARY 3, 2018

PMMB AREA 6

JANUARY 3, 2018 COST REPLACEMENT HEARING

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**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

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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)

REBUTTAL EXHIBIT D1

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 6

JANUARY 3, 2018 COST REPLACEMENT HEARING

**PROCESSING, PACKAGING AND DELIVERY COSTS/POINT
(WEIGHTED AVERAGE BASED ON SALES IN AREA 6)**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritchey's Dairy Inc., Valley Farms Dairy LLC**

Cost Center	Total 2016 Points in PMMB Area 6 (1)	Weighted Average 2016 Cost/Point (1)
Receiving, lab and field work	71,722,741	\$ 0.0223
Standardization and pasteurization	86,158,825	0.0190
Bottling	83,979,283	0.0607
Cold room	94,461,279	0.0342
Delivery	92,829,066	0.1499
Selling	85,076,765	0.0202
		<u>\$ 0.3063</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 6 for the cross-section dealers.

REBUTTAL EXHIBIT D2-A

PMMB AREA 6

JANUARY 3, 2018 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

	2016 Weighted Average Cost/Point	2015 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0223	\$0.0132	\$0.0091
Standardization and pasteurization	0.0190	0.0174	0.0016
Bottling	0.0607	0.0586	0.0021
Cold room	0.0342	0.0341	0.0001
Delivery	0.1499	0.1596	(0.0097)
Selling	<u>0.0202</u>	<u>0.0220</u>	<u>(0.0018)</u>
Sub total	\$0.3063	\$0.3049	\$0.0014
Add:			
2017 Cost increase (decrease) adjustment - Exhibit D4			0.0052
Less:			
2016 Cost (increase) decrease adjustment (1)			<u>0.0032</u>
Net change			<u><u>\$0.0098</u></u>

REBUTTAL EXHIBIT D3

PMMB AREA 6

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), Galliker Dairy Company, Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC

<u>Container Size</u>	<u>March 2017 Container Cost (1)</u>	<u>Adjust from March 2017 to December 2017 - Current (2)</u>	<u>Calculated Shrinkage and Loss (4)</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.1907	\$ 0.1969	1.99%	\$ 0.2008
1/2 gallon - plastic	0.1350			
1/2 gallon - paper	0.1364			
1/2 gallon - blended (5)	<u>0.1350</u>	0.1415	1.85%	0.1441
Quart - plastic	0.2264			
Quart - paper	0.0863			
Quart - blended (5)	<u>0.2193</u>	0.2175	1.57%	0.2209
Pint - plastic	0.1499			
Pint - paper	0.0514			
Pint - blended (5)	<u>0.1465</u>	0.1445	1.62%	0.1468
Twelve ounce	(3)			
Ten ounce	(3)			
1/2 pint - plastic (5)	0.0532	0.0532	0.92%	0.0537
1/2 pint - paper (5)	0.0292	0.0297	0.85%	0.0300
Four ounce - paper	0.0272	0.0272	1.53%	0.0276
Dispenser	0.0084	0.0584	1.30%	0.0592

- (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) 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.

REBUTTAL EXHIBIT D3-A

PMMB AREA 6

JANUARY 3, 2018 COST REPLACEMENT HEARING

**ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH
CONTAINER COSTS – APRIL 2017**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

<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)	\$ 0.2008	\$ 0.1936	\$ 0.0072
Half Gallon (2)	0.1441	0.1368	0.0073
Quart (2)	0.2209	0.1732	0.0477
Pint (2)	0.1468	0.1273	0.0195
1/2 pint - plastic (2)	0.0537	0.0613	(0.0076)
1/2 pint - paper (2)	0.0300	0.0284	0.0016
Four ounce - paper	0.0276	0.0287	(0.0011)
Dispenser (per quart)	0.0592	0.0959	(0.0367)

(1) Per General Order No. A-956 (CRO 7) as updated.

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

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0237. PMMB resale price schedules show the ½ pint paper price. \$0.0237 is the plastic add-on.

REBUTTAL EXHIBIT D4

PMMB AREA 6

JANUARY 3, 2018 COST REPLACEMENT HEARING

**SUMMARY OF CURRENT INGREDIENT COSTS
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 6)**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritchey's Dairy Inc., Valley Farms Dairy LLC**

	March 2017 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0001
Non fat (skim) milk	.0007
Flavored milk	.0368
Flavored reduced fat milk	.0369
Flavored nonfat milk	.0353
Buttermilk	.0226
Eggnog	.1982

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

REBUTTAL EXHIBIT D4-A

PMMB AREA 6

JANUARY 3, 2018 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

	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)	0.0007	0.0008	(0.0001)
Flavored milk (2)	0.0368	0.0353	0.0015
Flavored reduced fat milk (2)	0.0369	0.0292	0.0077
Flavored nonfat milk (2)	0.0353	0.0292	0.0061
Buttermilk	0.0226	0.0238	(0.0012)
Eggnog	0.1982	0.2568	(0.0586)

(1) Per General Order OGO A-956 (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 6

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), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC

<u>PMMB Area 6</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	\$ 549,329		\$ 549,329		
Bulk milk revenue minus milk costs		(531,240)			
Bulk milk cost center costs & freight	2,273				
Net bulk milk cost (revenue)			533,513		
Bulk cream revenue minus milk costs		137,780			
Bulk cream cost center costs	92,585				
Net bulk cream cost (revenue)			(45,195)		
Total	<u>\$ 644,187</u>	<u>\$ (393,460)</u>			
Net cost (net revenue) - calendar year 2017			\$ 1,037,647	139,820,404	\$ 0.0074
Net cost (net revenue) in current order - calendar year 2016			<u>\$ 118,503</u>	129,384,987	<u>0.0009</u>
Net change - cost increase (cost reduction)			<u>\$ 919,144</u>		<u>\$ 0.0065</u>

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

REBUTTAL EXHIBIT D6**PMMB AREA 6****JANUARY 3, 2018 COST REPLACEMENT HEARING****BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS**

**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

	2016 Weighted Average Butterfat Test	Butterfat Test included in Existing Order (1)	Increase (Decrease)
Standard milk	3.2618%	3.2152%	0.0466%
Reduced fat milk (2%)	1.9281%	1.8829%	0.0452%
Lowfat milk (1%)	0.9611%	0.8964%	0.0647%
Nonfat milk (skim)	0.1369%	0.1250%	0.0119%
Flavored milk	3.2631%	3.1991%	0.0640%
Flavored reduced fat milk	1.1560%	0.9644%	0.1916%
Flavored nonfat milk	0.1489%	0.1411%	0.0078%
Buttermilk	0.9920%	1.1334%	-0.1414%
Eggnog	6.3089%	6.0643%	0.2446%

(1) Per General Order No. A-956 (CRO 7)

PMMB AREA 6

JANUARY 3, 2018 COST REPLACEMENT HEARING

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

**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

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	\$ 9,975,977	\$ 9,881,529	44,601,431	44,736,961	\$ 0.2237	\$ 0.2209	\$0.0028
Utilities	516,790	494,364	44,601,431	44,736,961	0.0116	0.0111	0.0005
Insurance	215,113	128,959	44,601,431	44,736,961	0.0048	0.0029	0.0019
							<u>\$0.0052</u>

(1) Weighted based on sales in PMMB Area 6

PMMB AREA 6

JANUARY 3, 2018 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

Diesel fuel costs – calendar year 2016 (1)	\$1,370,381
Delivery points – calendar year 2016 (1)	<u>92,829,066</u>
Diesel fuel cost per point delivered	<u><u>\$0.0148</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>\$0.0030</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 6.
- (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 6

JANUARY 3, 2018 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**Dean Dairy Products Company, LLC (Sharpsville, PA), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

Heating fuel costs – calendar year 2016 (1)	\$153,460
Standardization & pasteurization points – calendar year 2016 (1)	<u>86,158,825</u>
Heating fuel cost per point pasteurized	<u>\$0.0018</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>\$0.0004</u>

- (1) Costs of cross-section dealers weighted by sales in Area 6.
- (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 6

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), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9281%	1.8829%	0.0452%
Butterfat price as announced by PMMB	(1)	\$ 2.6280 per lb.	\$ 2.6280 per lb.	
Extended butterfat value		\$ 0.0507 per lb.	\$ 0.0495 per lb.	
Skim price as announced by PMMB	(1)	\$ 13.02 per cwt.	\$ 13.02 per cwt.	
Extended skim value		\$ 0.1277 per lb.	\$ 0.1277 per lb.	
Total milk value at announced prices		<u>\$ 0.1784</u> per lb.	<u>\$ 0.1772</u> per lb.	<u>\$ 0.0012</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	0.0074	(0.0009)	
Total milk cost per pound		<u>\$ 0.1859</u> per lb.	<u>\$ 0.1764</u> per lb.	<u>\$ 0.0095</u>
Pounds per gallon (conversion)		8.62	8.62	
Total milk cost per gallon		<u>\$ 1.6025</u>	<u>\$ 1.5206</u>	<u>\$ 0.0819</u>
Container cost (adjusted for shrinkage)	D3	0.2008 each	0.1936 each	0.0072
Cost center costs	D2	1.2252	1.2196	0.0056
1st half 2017 to 1st half 2016 adjustment	D7	0.0208	(0.0128)	0.0336
Container efficiency adjustment	(2)	(0.0936)	(0.0936)	-
Percentage discount adjustment	(3)	(0.0004)	(0.0004)	-
Diesel fuel adjustment	D8	0.0120	-	0.0120
Heating fuels adjustment	D9	0.0016	(0.0004)	0.0020
		<u>\$ 2.9689</u> each	<u>\$ 2.8266</u> each	<u>\$ 0.1423</u>
Dealer profit at 3.4%	(2)	0.1045	0.0995	\$ 0.0050
Subtotal		<u>\$ 3.0734</u> each	<u>\$ 2.9261</u> each	<u>\$ 0.1473</u>
Less: average delivery cost	(2)	(0.5640)	(0.5640)	
Add: high cost delivery	(2)	0.9864	0.9864	
Wholesale minimum price		<u><u>\$ 3.4958</u></u> each	<u><u>\$ 3.3485</u></u> each	<u><u>\$ 0.1473</u></u>

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

(2) Per OGO A-956 (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 6

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), Galliker Dairy Company,
Meadow Brook Dairy, Ritcheys Dairy Inc., Valley Farms Dairy LLC**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.1489%	0.1411%	0.0078%
Butterfat price as announced by PMMB	(1)	\$ 2.6280 per lb.	\$ 2.6280 per lb.	
Extended butterfat value		\$ 0.0039 per lb.	\$ 0.0037 per lb.	
Skim price as announced by PMMB	(1)	\$ 13.02 per cwt.	\$ 13.02 per cwt.	
Extended skim value		\$ 0.1300 per lb.	\$ 0.1300 per lb.	
Total milk value at announced prices		<u>\$ 0.1339</u> per lb.	<u>\$ 0.1337</u> per lb.	<u>\$ 0.0002</u>
Ingredient cost	D4	0.0353	0.0328	
Cost of shrinkage / bulk milk & cream	D5	0.0074	(0.0009)	
Total milk cost per pound		<u>\$ 0.1766</u> per lb.	<u>\$ 0.1656</u> per lb.	<u>\$ 0.0110</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		<u>\$ 0.0883</u>	<u>\$ 0.0828</u>	<u>\$ 0.0055</u>
Container cost (adjusted for shrinkage)	D3	0.0300 each	0.0284 each	0.0016
Cost center costs	D2	0.0766	0.0762	0.0004
1st half 2017 to 1st half 2016 adjustment	D7	0.0013	(0.0008)	0.0021
Container efficiency adjustment	(2)	0.0139	0.0139	-
Percentage discount adjustment	(3)	-	-	-
Diesel fuel adjustment	D8	0.0007	(0.0001)	0.0008
Heating fuels adjustment	D9	0.0001	-	0.0001
		<u>\$ 0.2109</u> each	<u>\$ 0.2004</u> each	<u>\$ 0.0105</u>
Dealer profit at 3.4%	(2)	0.0074	0.0071	\$ 0.0003
Subtotal		<u>\$ 0.2183</u> each	<u>\$ 0.2075</u> each	<u>\$ 0.0108</u>
Less: average delivery cost	(2)	(0.0353)	(0.0353)	
Add: high cost delivery	(2)	0.0617	0.0617	
Wholesale minimum price		<u>\$ 0.2447</u> each	<u>\$ 0.2339</u> each	<u>\$ 0.0108</u>

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

(2) Per OGO A-956 (CRO 7) as updated.

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