

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

## **AREA 3**

### **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 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**INDEX OF SURREBUTTAL EXHIBITS**

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

|                           |  |
|---------------------------|--|
| 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)                           |

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

**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

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

**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*

Submitted: June 23, 2017

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

**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

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

**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)

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

**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)

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

**SURREBUTTAL 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)



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

**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)

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

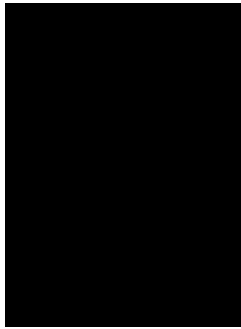
**SURREBUTTAL EXHIBIT D2**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**PROCESSING, PACKAGING AND DELIVERY COSTS/POINT  
(WEIGHTED AVERAGE BASED ON SALES IN AREA 3)**

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

| <b>Cost Center</b>                 | <b>Total Points in<br/>PMMB Area 3 (1)</b> | <b>Weighted<br/>Average<br/>Cost/Point (1)</b>                                       |
|------------------------------------|--|--|
| Receiving, lab and field work      | 95,466,836                                 |  |
| Standardization and pasteurization | 134,105,197                                |  |
| Bottling                           | 132,471,390                                |  |
| Cold room                          | 143,612,695                                |  |
| Delivery                           | 107,332,852                                |  |
| Selling                            | 94,920,262                                 |  |

(1) Reflects points (and related cost/point) for sales in PMMB Area 3 for the cross-section dealers.

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

**SURREBUTTAL EXHIBIT D2-A**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS**

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

|   | <b>2015<br/>Weighted<br/>Average<br/>Cost/Point</b> | <b>2014<br/>Cost/Point<br/>Included in<br/>Existing Order<br/>(1)</b> | <b>Increase<br/>(Decrease)</b> |
|---|---|---|--------------------------------|
| 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 No. A-962 (CRO 6)

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

**SURREBUTTAL EXHIBIT D3**

**PMMB AREA 3**

**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, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

| <u>Container Size</u>    | <u>March<br/>2016<br/>Container<br/>Cost (1)</u> | <u>Adjust from<br/>March 2016 to<br/>April 2017 -<br/>Current (2)</u> | <u>Subtotal</u> | <u>Calculated<br/>Shrinkage<br/>and Loss (4)</u> | <u>Shrinkage<br/>Cost</u> | <u>Total<br/>Container<br/>Cost</u> |
|--------------------------|--|---|-----------------|--|---------------------------|-------------------------------------|
| Gallon (5)               | \$ 0.1891  | \$ 0.0010   | \$ 0.1901       | 1.65%  | \$ 0.0031                 | \$ 0.1932                           |
| 1/2 gallon - plastic     | 0.1352   |   |                 |  |                           |                                     |
| 1/2 gallon - paper (3)   | 0.1472   |   |                 |  |                           |                                     |
| 1/2 gallon - blended (5) | <u>0.1362</u>                                    | 0.0013  | 0.1375          | 1.22%  | 0.0017                    | 0.1392                              |
| Quart - plastic          | 0.1132   |   |                 |  |                           |                                     |
| Quart - paper            | 0.0893   |   |                 |  |                           |                                     |
| Quart - blended (5)      | <u>0.1049</u>                                    | 0.0072  | 0.1121          | 1.57%  | 0.0018                    | 0.1139                              |
| Pint - plastic           | 0.0910   |   |                 |  |                           |                                     |
| Pint - paper (3)         | 0.0566   |   |                 |  |                           |                                     |
| Pint - blended (5)       | <u>0.0659</u>                                    | 0.0033  | 0.0692          | 1.62%  | 0.0011                    | 0.0703                              |
| Twelve ounce             | (3)  |   |                 |  |                           |                                     |
| Ten ounce                | (3)  |   |                 |  |                           |                                     |
| 1/2 pint - plastic (5)   | 0.0657   | 0.0030  | 0.0687          | 0.92%  | 0.0006                    | 0.0693                              |
| 1/2 pint - paper (5)     | 0.0266   | 0.0056  | 0.0322          | 0.85%  | 0.0003                    | 0.0325                              |
| Four ounce - paper       | 0.0275   |   | 0.0275          | 1.53%  | 0.0004                    | 0.0279                              |
| Dispenser                | 0.0383   |   | 0.0383          | 1.30%  | 0.0005                    | 0.0388                              |

- (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.

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

**SURREBUTTAL EXHIBIT D3-A**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

| <u>Container Size</u>  | <u>Adjusted<br/>Container<br/>Costs from<br/>Exhibit D3</u> | <u>Container<br/>Costs in<br/>Current Prices<br/>(1)</u> | <u>Difference</u> |
|------------------------|---|--|-------------------|
| Gallon (2)             | \$ 0.1932   | \$ 0.1988  | \$ (0.0056)       |
| Half Gallon (2)        | 0.1392  | 0.1373   | 0.0019            |
| Quart (2)              | 0.1139  | 0.1214   | (0.0075)          |
| Pint (2)               | 0.0703  | 0.0832   | (0.0129)          |
| 10 ounce               | 0.0587  | 0.0587   | -                 |
| 1/2 pint - plastic (2) | 0.0693  | 0.0703   | (0.0010)          |
| 1/2 pint - paper (2)   | 0.0325  | 0.0328   | (0.0003)          |
| Four ounce - paper     | 0.0279  | 0.0271   | 0.0008            |
| Dispenser (per quart)  | 0.0388  | 0.0430   | (0.0042)          |

(1) Per General Order No. A-962 (CRO 6) as updated.

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

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0368. PMMB resale price schedules show the ½ pint paper price. \$0.0368 is the plastic add-on.

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

**SURREBUTTAL EXHIBIT D4**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**SUMMARY OF CURRENT INGREDIENT COSTS  
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 3)**

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

|                           | March 2016<br>Ingredient<br>Cost Per Pound<br>(1) |
|---------------------------|---|
| Standard                  | \$.0000   |
| Reduced fat (2%) milk     | .0002   |
| Low fat (1%) milk         | .0002   |
| Nonfat (skim) milk        | .0021   |
| Flavored milk             | .0364   |
| Flavored reduced fat milk | .0323   |
| Flavored nonfat milk      | .0269   |
| Buttermilk                | .0107   |
| Eggnog                    | .2170   |

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

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

**SURREBUTTAL EXHIBIT D4-A**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS**

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

|                               | <b>March 2016<br/>Weighted<br/>Average<br/>Cost/Pound</b> | <b>Cost/Pound<br/>included in<br/>Existing<br/>Order (1)</b> | <b>Increase<br/>(Decrease)</b> |
|-------------------------------|---|--|--------------------------------|
| Standard milk                 | \$0.0000  | \$0.0000   | \$0.0000                       |
| Reduced fat milk (2%)         | 0.0002  | 0.0003   | (0.0001)                       |
| Lowfat milk (1%)              | 0.0002  | 0.0002   | 0.0000                         |
| Nonfat milk (skim)            | 0.0021  | 0.0017   | 0.0004                         |
| Flavored milk (2)             | 0.0364  | 0.0469   | (0.0105)                       |
| Flavored reduced fat milk (2) | 0.0323  | 0.0380   | (0.0057)                       |
| Flavored nonfat milk (2)      | 0.0269  | 0.0353   | (0.0084)                       |
| Buttermilk                    | 0.0107  | 0.0198   | (0.0091)                       |
| Eggnog                        | 0.2170  | 0.1521   | 0.0649                         |

(1) Per General Order OGO A-962 (CRO 6) 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.

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

**SURREBUTTAL EXHIBIT D5**

**PMMB AREA 3  
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, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

| <u>PMMB Area 4</u>   | <u>Costs</u>      | <u>Revenues</u>   | <u>Weighted Net<br/>Cost (Revenue)</u> | <u>Weighted<br/>Pounds (1)</u> | <u>Weighted Cost<br/>(Revenue) Per<br/>Pound</u> |
|--|-------------------|-------------------|--|--------------------------------|--|
| Shrinkage  | \$ 519,002        |                   | \$ 519,002                             |                                |  |
| Bulk milk revenue minus milk costs                           |                   | 61,941            |  |                                |  |
| Bulk milk cost center costs & freight                        | 10,247            |                   |  |                                |  |
| Net bulk milk cost (revenue)                                 |                   |                   | (51,694)                               |                                |  |
| Bulk cream revenue minus milk costs                          |                   | 919,722           |  |                                |  |
| Bulk cream cost center costs                                 | 168,953           |                   |  |                                |  |
| Net bulk cream cost (revenue)                                |                   |                   | (750,769)                              |                                |  |
| Total  | <u>\$ 698,202</u> | <u>\$ 981,663</u> |  |                                |  |
| Net cost (net revenue) - calendar year 2015                  |                   |                   | \$ (283,461)                           | 187,978,998                    | \$ (0.0015)                                      |
| Net cost (net revenue) in current order - calendar year 2014 |                   |                   | <u>\$ (33,720)</u>                     | 198,320,141                    | <u>(0.0002)</u>                                  |
| Net change - cost increase (cost reduction)                  |                   |                   | <u>\$ (249,741)</u>                    |                                | <u>\$ (0.0013)</u>                               |

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



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

**SURREBUTTAL EXHIBIT D6**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS**

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

|                           | <b>2014 Weighted<br/>Average<br/>Butterfat Test</b> | <b>Butterfat<br/>Test included<br/>in Existing<br/>Order (1)</b> | <b>Increase<br/>(Decrease)</b> |
|---------------------------|---|--|--------------------------------|
| Standard milk             | 3.2648%   | 3.2590%  | 0.0058%                        |
| Reduced fat milk (2%)     | 1.9387%   | 1.9340%  | 0.0047%                        |
| Lowfat milk (1%)          | 0.9644%   | 0.9620%  | 0.0024%                        |
| Nonfat milk (skim)        | 0.0910%   | 0.0979%  | -0.0069%                       |
| Flavored milk             | 3.3040%   | 3.1444%  | 0.1596%                        |
| Flavored reduced fat milk | 1.3295%   | 1.2611%  | 0.0684%                        |
| Flavored nonfat milk      | 0.0869%   | 0.0782%  | 0.0087%                        |
| Buttermilk                | 3.8009%   | 3.8001%  | 0.0008%                        |
| Eggnog                    | 7.1754%   | 7.1154%  | 0.0600%                        |

(1) Per General Order No. A-962 (CRO 6)

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

**SURREBUTTAL EXHIBIT D7**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), 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 |
|---------------------------|--|--------------|--|------------|----------------|-----------|-------------------------------|
|                           | 2016   | 2015         | 2016   | 2015       | 2016           | 2015      |                               |
| Labor and fringe benefits | \$ 10,023,064  | \$ 9,890,388 | 65,757,063   | 70,075,410 | \$ 0.1524      | \$ 0.1411 | \$0.0113                      |
| Utilities                 | 582,553  | 575,163      | 65,757,063   | 70,075,410 | 0.0089         | 0.0082    | 0.0007                        |
| Insurance                 | 311,909  | 313,346      | 65,757,063   | 70,075,410 | 0.0047         | 0.0045    | 0.0002                        |
|                           |  |              |  |            |                |           | <u>\$0.0122</u>               |

(1) Weighted based on sales in PMMB Area 3.

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

**SURREBUTTAL EXHIBIT D8**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**CHANGES IN DIESEL FUEL COSTS**

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

|   |                          |
|---|--------------------------|
| Diesel fuel costs – calendar year 2015 (1)                  | \$1,452,221              |
| Delivery points – calendar year 2015 (1)                    | <u>107,332,853</u>       |
| Diesel fuel cost per point delivered                        | <u><u>\$0.0135</u></u>   |
| <br>  |                          |
| 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%                   |
| <br>  |                          |
| Increase (decrease) in diesel fuel cost per point delivered | <u><u>(\$0.0008)</u></u> |

- (1) Costs of cross-section dealers weighted by sales in Area 3.
- (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.

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

**SURREBUTTAL EXHIBIT D9**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**CHANGES IN HEATING FUEL COSTS (NATURAL GAS)**

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

|  |                    |
|--|--------------------|
| Heating fuel costs – calendar year 2015 (1)                      | \$230,316          |
| Standardization & pasteurization points – calendar year 2015 (1) | <u>134,105,197</u> |
| Heating fuel cost per point pasteurized                          | <u>\$0.0017</u>    |
| <br>   |                    |
| 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%            |
| <br>   |                    |
| Increase (decrease) in heating fuel cost per point pasteurized   | <u>(\$0.0003)</u>  |

- (1) Costs of cross-section dealers weighted by sales in Area 3.
- (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.

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

**SURREBUTTAL EXHIBIT D10-A**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

|   | <u>Reference</u> | <u>Proposed<br/>Order</u> | <u>Current<br/>Order (2)</u> | <u>Change</u> |
|---|------------------|---------------------------|------------------------------|---------------|
| Butterfat test                            | D6               |                           | 1.9340%                      |               |
| Butterfat price as announced by PMMB      | (1)              | per lb.                   | \$ 2.4231                    | per lb.       |
| Extended butterfat value                  |                  | per lb.                   | \$ 0.0469                    | per lb.       |
| Skim price as announced by PMMB           | (1)              | per cwt.                  | \$ 12.09                     | per cwt.      |
| Extended skim value                       |                  | per lb.                   | \$ 0.1186                    | per lb.       |
| Total milk value at announced prices      |                  | per lb.                   | <u>\$ 0.1654</u>             | per lb.       |
| Ingredient cost                           | D3               |                           | 0.0003                       |               |
| Cost of shrinkage / bulk milk & cream     | D5               |                           | <u>(0.0002)</u>              |               |
| Total milk cost per pound                 |                  | per lb.                   | <u>\$ 0.1655</u>             | per lb.       |
| Pounds per gallon (conversion)            |                  |                           | <u>8.62</u>                  |               |
| Total milk cost per gallon                |                  |                           | <u>\$ 1.4266</u>             |               |
| Container cost (adjusted for shrinkage)   | D3               | each                      | 0.1988                       | each          |
| Cost center costs                         | D2               |                           | 1.0540                       |               |
| 1st half 2015 to 1st half 2016 adjustment | D7               |                           | 0.0064                       |               |
| Container efficiency adjustment           | (2)              |                           | (0.0812)                     |               |
| Percentage discount adjustment            | (3)              |                           | 0.0008                       |               |
| Diesel fuel adjustment                    | D8               |                           | (0.0248)                     |               |
| Heating fuels adjustment                  | D9               |                           | <u>(0.0020)</u>              |               |
|   |                  | each                      | <u>\$ 2.5786</u>             | each          |
| Dealer profit at 3.4%                     | (2)              |                           | <u>0.0908</u>                |               |
| Subtotal                                  |                  | each                      | <u>\$ 2.6694</u>             | each          |
| Less: average delivery cost               | (2)              |                           | (0.4992)                     |               |
| Add: high cost delivery                   | (2)              |                           | <u>0.9448</u>                |               |
| <b>Wholesale minimum price</b>            |                  | each                      | <u><b>\$ 3.1150</b></u>      | each          |

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

(2) Per OGO A-962 (CRO 6) as updated.

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

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

**SURREBUTTAL EXHIBIT D10-B**

**PMMB AREA 3**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Company, Dan-Ed Corporation T/A Guers Dairy, Pocono Mountain Dairies,  
Schneider Valley Farms, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA), Valley Farms Dairy LLC**

|   | <u>Reference</u> | <u>Proposed<br/>Order</u> | <u>Current<br/>Order (2)</u>      | <u>Change</u> |
|---|------------------|---------------------------|-----------------------------------|---------------|
| Butterfat test                            | D6               |                           | 0.0782%                           |               |
| Butterfat price as announced by PMMB      | (1)              |                           | per lb. \$ 2.4231 per lb.         |               |
| Extended butterfat value                  |                  |                           | per lb. \$ 0.0019 per lb.         |               |
| Skim price as announced by PMMB           | (1)              |                           | per cwt. \$ 12.09 per cwt.        |               |
| Extended skim value                       |                  |                           | per lb. \$ 0.1208 per lb.         |               |
| Total milk value at announced prices      |                  |                           | <u>per lb. \$ 0.1227 per lb.</u>  |               |
| Ingredient cost                           | D4               |                           | 0.0353                            |               |
| Cost of shrinkage / bulk milk & cream     | D5               |                           | (0.0002)                          |               |
| Total milk cost per pound                 |                  |                           | <u>per lb. \$ 0.1578 per lb.</u>  |               |
| Pounds per gallon (conversion)            |                  |                           | <u>0.50</u>                       |               |
| Total milk cost per half pint             |                  |                           | <u>\$ 0.0789</u>                  |               |
| Container cost (adjusted for shrinkage)   | D3               |                           | 0.0328 each                       |               |
| Cost center costs                         | D2               |                           | 0.0659                            |               |
| 1st half 2015 to 1st half 2016 adjustment | D7               |                           | 0.0004                            |               |
| Container efficiency adjustment           | (2)              |                           | 0.0202                            |               |
| Percentage discount adjustment            | (3)              |                           | 0.0001                            |               |
| Diesel fuel adjustment                    | D8               |                           | (0.0016)                          |               |
| Heating fuels adjustment                  | D9               |                           | (0.0001)                          |               |
|   |                  |                           | <u>each \$ 0.1966 each</u>        |               |
| Dealer profit at 3.4%                     | (2)              |                           | 0.0069                            |               |
| Subtotal                                  |                  |                           | <u>each \$ 0.2035 each</u>        |               |
| Less: average delivery cost               | (2)              |                           | (0.0312)                          |               |
| Add: high cost delivery                   | (2)              |                           | 0.0591                            |               |
| <b>Wholesale minimum price</b>            |                  |                           | <u><u>each \$ 0.2314 each</u></u> |               |

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

(2) Per OGO A-962 (CRO 6) as updated.

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