

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

## **AREA 5**

### **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 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**INDEX OF SURREBUTTAL EXHIBITS**

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

Surrebuttal Exhibit D1	Carl D. Herbein, CPA Curriculum Vitae
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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
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Surrebuttal Exhibit D10-A	Calculation of Minimum Wholesale Price Gallon Reduced Fat Milk (2%)
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**SURREBUTTAL EXHIBIT D1**

**Carl D. Herbein, CPA**  
*Curriculum Vitae*

**EDUCATION**

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

**EMPLOYMENT**

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

July, 1985 to September, 2004  
Managing Partner

1974 to June, 1985  
Partner  
Reading, PA

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

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

**PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS**

CPA – Commonwealth of Pennsylvania (1971)

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

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

Firm Member – Allinial Global

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

Board Member

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

Berks County Chamber of Commerce (1980 – present)

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

Greater Reading Economic Partnership (2005 – present)

Berkshire Country Club

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

Submitted: June 23, 2017

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**Carl D. Herbein, CPA**

**PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS – CONTINUED**

Alvernia University

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

Elizabethtown College

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

**SPEAKING ENGAGEMENTS (2006 – 2016)**

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

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

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

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

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

Quality Chekd Dairy – Captive Insurance, April 21, 2008

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

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

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

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

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

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

All Star Association – Measure Your Success – March 2016

**PUBLICATIONS**

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

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

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

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

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

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**Carl D. Herbein, CPA**

**COMMUNITY AWARDS**

2006 Eugene L. Shirk Community Builder Award  
2010 Corporate Honoree – March of Dimes  
2012 Franciscan Award – Alvernia University  
2013 Business Weekly Unity Award

**EXPERT REPORTS, DEPOSITION AND TESTIMONY**

**COURT AND OTHER TESTIMONY**

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

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

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

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

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

State of Kentucky v. Trauth Dairy – damage calculation

State of Indiana v. Schenkel Dairy – damage calculation

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

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

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

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

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

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

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

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

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

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**Carl D. Herbein, CPA**

**COMMONWEALTH OF PENNSYLVANIA MILK MARKETING BOARD APPEARANCES**

**2011**

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

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

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

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

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

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

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**Carl D. Herbein, CPA**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 2. Expert witness appearing on behalf of the Area 2 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 2. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held October 5, 2011)

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

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

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

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

**2012**

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

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

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

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**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)



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**SURREBUTTAL EXHIBIT D1**

**Carl D. Herbein, CPA**

**2016**

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

**2017**

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

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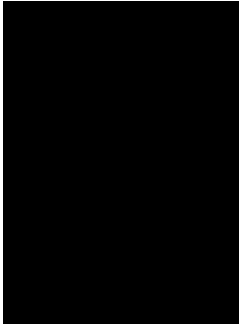
**SURREBUTTAL EXHIBIT D2**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

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

<b>Cost Center</b>	<b>Total 2015 Points in PMMB Area 5 (1)</b>	<b>Weighted Average 2015 Cost/Point (1)</b>
Receiving, lab and field work	190,119,336	
Standardization and pasteurization	207,096,562	
Bottling	211,868,528	
Cold room	239,018,110	
Delivery	226,579,498	
Selling	204,173,931	

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

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**SURREBUTTAL EXHIBIT D2-A**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

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

	<b>2015 Weighted Average Cost/Point</b>	<b>2014 Cost/Point Included in Existing Order (1)</b>	<b>Increase (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-954 (CRO 6).

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**SURREBUTTAL EXHIBIT D3**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

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

Gallon (5)	\$ 0.1464	\$ 0.0127	\$ 0.1591	1.91%	\$ 0.0030	\$ 0.1621
1/2 gallon - plastic	0.1195					
1/2 gallon - paper	(5)					
1/2 gallon - blended (4)	<u>0.1195</u>	0.0072	0.1267	1.65%	0.0021	0.1288
Quart - plastic	0.1168					
Quart - paper	0.0473					
Quart - blended (4)	<u>0.1038</u>	0.0096	0.1134	1.57%	0.0018	0.1152
Pint - plastic	0.0839					
Pint - paper	0.0473					
Pint - blended (4)	<u>0.0836</u>	0.0084	0.0920	1.62%	0.0015	0.0935
Twelve ounce - plastic	0.1099		0.1099			0.1099
Ten ounce - paper	0.0544		0.0544			0.0544
1/2 pint - plastic (4)	0.0543	0.0051	0.0594	0.92%	0.0005	0.0599
1/2 pint - paper (4)	0.0290	(0.0012)	0.0278	0.85%	0.0002	0.0280
Four ounce - paper	0.0284		0.0284	1.53%	0.0004	0.0288
Dispenser	0.0730		0.0730	1.30%	0.0009	0.0739

- (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) Calculated based on actual container loss from a state-wide cross section of processing dealers for controlled containers used during the period January – March 2009. This state-wide cross section is composed of every processing dealer that participates in a cost replacement hearing.
- (4) Current container costs would replace these costs on a monthly basis when the PMMB minimum resale prices are announced.
- (5) Container not packaged in this Area.

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**SURREBUTTAL EXHIBIT D3-A**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

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

<u>Container Size</u>	<u>Adjusted Container Costs from Exhibit D3</u>	<u>Container Costs in Current Prices (1)</u>	<u>Difference</u>
Gallon (2)	\$ 0.1621	\$ 0.1623	\$ (0.0002)
Half Gallon (2)	0.1288	0.1283	0.0005
Quart (2)	0.1152	0.1054	0.0098
Pint (2)	0.0935	0.0939	(0.0004)
1/2 pint - plastic (2)	0.0599	0.0601	(0.0002)
1/2 pint - paper (2)	0.0280	0.0281	(0.0001)
Four ounce - paper	0.0288	0.0264	0.0024
Dispenser (per quart)	0.0739	0.0712	0.0027

(2) Per General Order No. A-954 (CRO 6) as updated.

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

(4) Difference between plastic 1/2 pint and paper 1/2 pint is \$0.0319. PMMB resale price schedules show the 1/2 pint paper price. \$0.0319 is the plastic add-on.

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**SURREBUTTAL EXHIBIT D4**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

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

	March 2016 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Low fat (1%) milk	.0001
Nonfat (skim) milk	.0010
Flavored milk	.0357
Flavored reduced fat milk	.0281
Flavored nonfat milk	.0328
Buttermilk	.0216
Eggnog	.1810

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

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**SURREBUTTAL EXHIBIT D4-A**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS**

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

	<b>March 2016 Weighted Average Cost/Pound</b>	<b>Cost/Pound included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0001	0.0000
Lowfat milk (1%)	0.0001	0.0001	0.0000
Nonfat milk (skim)	0.0010	0.0010	0.0000
Flavored milk (2)	0.0357	0.0391	(0.0034)
Flavored reduced fat milk (2)	0.0281	0.0301	(0.0020)
Flavored nonfat milk (2)	0.0328	0.0303	0.0025
Buttermilk	0.0216	0.0247	(0.0031)
Eggnog	0.1810	0.1257	0.0553

(1) Per General Order OGO A-954 (CRO 6) as updated for flavored milks on April 1, 2016.

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

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**SURREBUTTAL EXHIBIT D5**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**WEIGHTED COST OF SHRINKAGE AND WEIGHTED COSTS AND REVENUES FROM BULK CREAM AND BULK MILK  
Dean Dairy Products Company, LLC (Sharpsville, PA), Meadow Brook Dairy Co., Schneider’s Dairy, Inc.,  
Turner Dairy Farms, Inc., United Dairy, Inc. (Martins Ferry, OH), United Dairy, Inc. (Uniontown, PA)**

<b>PMMB Area 5</b>	<b>Costs</b>	<b>Revenues</b>	<b>Weighted Net Cost (Revenue)</b>	<b>Weighted Pounds (1)</b>	<b>Weighted Cost (Revenue) Per Pound</b>
Shrinkage	\$ 1,316,459		\$ 1,316,459		
Bulk milk revenue minus milk costs		1,518,425			
Bulk milk cost center costs & freight	476,951				
Net bulk milk cost (revenue)			(1,041,474)		
Bulk cream revenue minus milk costs		2,310,209			
Bulk cream cost center costs	515,364				
Net bulk cream cost (revenue)			(1,794,845)		
<b>Total</b>	<b><u>\$ 2,308,774</u></b>	<b><u>\$ 3,828,634</u></b>			
Net cost (net revenue) - calendar year 2015			\$ (1,519,860)	372,048,415	\$ (0.0041)
Net cost (net revenue) in current order - calendar year 2014			<u>\$ (271,511)</u>	400,260,599	<u>(0.0007)</u>
Net change - cost increase (cost reduction)			<u>\$ (1,248,349)</u>		<u>\$ (0.0034)</u>

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



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**SURREBUTTAL EXHIBIT D6**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS**

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

	<b>2015 Weighted Average Butterfat Test</b>	<b>Butterfat Test included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	3.2731%	3.2648%	0.0083%
Reduced fat milk (2%)	1.9409%	1.9315%	0.0094%
Lowfat milk (1%)	0.9589%	0.9583%	0.0006%
Nonfat milk (skim)	0.0979%	0.0889%	0.0090%
Flavored milk	3.4030%	3.4023%	0.0007%
Flavored reduced fat milk	1.0433%	1.0186%	0.0247%
Flavored nonfat milk	0.2099%	0.1609%	0.0490%
Buttermilk	2.1865%	2.3313%	-0.1448%
Eggnog	6.3203%	4.9533%	1.3670%

(1) Per General Order No. A-954 (CRO 6)

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**SURREBUTTAL EXHIBIT D7**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

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

<b>Type of Expense</b>	<b>Weighted Expenses for the Six Months Ended June 30 (1)</b>		<b>Weighted Points for the Six Months Ended June 30 (1)</b>		<b>Cost Per Point</b>		<b>Increase (Decrease) Per Point</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
Labor and fringe benefits	\$ 19,748,463	\$ 19,779,336	102,479,661	106,241,113	\$0.1927	\$0.1862	\$0.0065
Utilities	1,179,962	1,259,196	102,479,661	106,241,113	0.0115	0.0119	(0.0004)
Insurance	194,151	174,722	102,479,661	106,241,113	0.0019	0.0016	<u>0.0003</u>
							<u><u>\$0.0064</u></u>

(1) Weighted based on sales in PMMB Area 5

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**SURREBUTTAL EXHIBIT D8**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**CHANGES IN DIESEL FUEL COSTS**

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

Diesel fuel costs – calendar year 2015 (1)	\$2,866,669
Delivery points – calendar year 2015 (1)	<u>226,579,498</u>
Diesel fuel cost per point delivered	<u><u>\$0.0127</u></u>
Average diesel price – calendar year 2015 (2)	\$2.927
Average diesel price – March 2017 (2) (3)	<u>\$2.751</u>
Increase (decrease) from year 2015 to month March 2017	-6.01%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0008)</u></u>

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

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**SURREBUTTAL EXHIBIT D9**

**PMMB AREA 5**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

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

Heating fuel costs – calendar year 2015 (1)	\$285,001
Standardization & pasteurization points – calendar year 2015 (1)	<u>207,096,562</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0014</u></u>
Average heating fuel costs – calendar year 2015 (2)	\$9.73
Average heating fuel costs – January 2017 (2) (3)	<u>7.88</u>
Increase (decrease) from year 2015 to month January 2017	-19.01%
Increase (decrease) in heating fuel cost per point pasteurized	<u><u>(\$0.0003)</u></u>

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

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**SURREBUTTAL EXHIBIT D10-A**

**PMMB AREA 5  
JULY 5, 2017 COST REPLACEMENT HEARING  
CALCULATION OF WHOLESALE MINIMUM PRICE  
GALLON REDUCED FAT MILK (2%) FOR MAY 2017**

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

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6		1.9315%	
Butterfat price as announced by PMMB	(1)	per lb.	\$ 2.4198 per lb.	
Extended butterfat value		per lb.	\$ 0.0467 per lb.	
Skim price as announced by PMMB	(1)	per cwt.	\$ 11.76 per cwt.	
Extended skim value		per lb.	\$ 0.1153 per lb.	
Total milk value at announced prices		per lb.	<u>\$ 0.1621 per lb.</u>	
Ingredient cost	D4		0.0001	
Cost of shrinkage / bulk milk & cream	D5		<u>(0.0007)</u>	
Total milk cost per pound		per lb.	<u>\$ 0.1615 per lb.</u>	
Pounds per gallon (conversion)			<u>8.62</u>	
Total milk cost per half pint			<u>\$ 1.3921</u>	
Container cost (adjusted for shrinkage)	D3	each	0.1623 each	
Cost center costs	D2		1.1468	
1st half 2015 to 1st half 2016 adjustment	D7		0.0188	
Container efficiency adjustment	(2)		(0.1067)	
Percentage discount adjustment	(3)		0.0004	
Diesel fuel adjustment	D8		(0.0228)	
Heating fuels adjustment	D9		<u>(0.0016)</u>	
		each	<u>\$ 2.5893 each</u>	
Dealer profit at 3.5%	(2)		<u>0.0939</u>	
Subtotal		each	<u>\$ 2.6832 each</u>	
Less: average delivery cost	(2)		(0.5220)	
Add: high cost delivery	(2)		<u>0.9748</u>	
<b>Wholesale minimum price</b>		each	<u><b>\$ 3.1360 each</b></u>	

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

(2) Per OGO A-954 (CRO 6) as updated.

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

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(REDACTED)**

**SURREBUTTAL EXHIBIT D10-B**

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

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

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

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D2-B		0.1609%	
Butterfat price as announced by PMMB	(1)	per lb.	\$ 2.4198 per lb.	
Extended butterfat value		per lb.	\$ 0.0039 per lb.	
Skim price as announced by PMMB	(1)	per cwt.	\$ 11.76 per cwt.	
Extended skim value		per lb.	\$ 0.1174 per lb.	
Total milk value at announced prices		per lb.	<u>\$ 0.1213 per lb.</u>	
Ingredient cost	D2		0.0303	
Cost of shrinkage / bulk milk & cream	D7		(0.0007)	
Total milk cost per pound		per lb.	<u>\$ 0.1509 per lb.</u>	
Pounds per gallon (conversion)			0.50	
Total milk cost per half pint			<u>\$ 0.0755</u>	
Container cost (adjusted for shrinkage)	D8	each	0.0281 each	
Cost center costs	D3		0.0717	
1st half 2015 to 1st half 2016 adjustment	D4		0.0012	
Container efficiency adjustment	(2)		0.0367	
Percentage discount adjustment	(3)		-	
Diesel fuel adjustment	D5		(0.0014)	
Heating fuels adjustment	D6		(0.0001)	
		each	<u>\$ 0.2117 each</u>	
Dealer profit at 3.5%	(2)		0.0077	
Subtotal		each	<u>\$ 0.2194 each</u>	
Less: average delivery cost	(2)		(0.0326)	
Add: high cost delivery	(2)		0.0609	
<b>Wholesale minimum price</b>		each	<u><b>\$ 0.2477 each</b></u>	

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

(2) Per OGO A-954 (CRO 6) as updated.

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