

STAFF TESTIMONY BEFORE THE PENNSYLVANIA MILK MARKETING BOARD  
COST REPLACEMENT HEARING – MILK MARKETING AREA 2  
January 6, 2016

**Staff Surrebuttal Exhibit 1**

Good Morning. My name is Clifford Ackman. As the Statistical Analyst for the Pennsylvania Milk Marketing Board, I collected the information for and produced Staff Surrebuttal Exhibit 1, dealing with the cross-section of milk dealers in the East Central Milk Marketing Area (Area 2). Footnote 3 lists the cross section dealers along with the percentage of sales by those dealers compared to all dealers selling into Area 2.

The cross-section of dealers used in collecting 2014 data for Area 2 has changed from prior years as H.P. Hood's Hatfield location is no longer part of it (this Hood plant stopped processing milk during Year 2014). The remaining cross section dealers still provide a representative sample of the East Central Marketing Area providing nearly two thirds of the Area's milk sales. As a representative sample of the entire area, these dealers were used to compile the data for the remaining Exhibits.

Staff Surrebuttal Exhibit 1 offers the cross-section of dealers as presenting a significant portion of all sales into the marketplace that demonstrates the comparability of Class 1 controlled product sales by all dealers (the top section of the Exhibit) with the cross-section dealers (in the lower half of the Exhibit). The sales of cross-section dealer products continues to compare favorably with the sales of all dealers in the marketplace falling within statistically acceptable limits.

I also studied the size and types of deliveries of the cross-section dealers along with the types of customers served by them. As a group, the cross-section dealers serve a variety of customers such as schools, restaurants, convenience stores and supermarkets which is comparable to all dealer sales into Marketing Area 2. I also found that the cross-section dealers employ all types of delivery systems (tractor-trailers and smaller, straight body trucks) which are common to this Area as well.

Based on the amount and type of milk sold by these cross-section dealers, the types of customers and the delivery techniques employed by these listed dealers, I find this cross-section to be representative of all dealers doing business in Area 2.

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Good morning. My name is Gary Gojsovich. I am employed by the Pennsylvania Milk Marketing Board as an Audit Supervisor. This morning I will be testifying to Staff Surrebuttal Exhibits 2 through 11.

## **Staff Surrebuttal Exhibit 2**

Staff Surrebuttal Exhibit 2 provides information about the average weighted cost for processing, packaging and delivering milk for the Area 2 cross-section milk dealers. For each of the major cost centers listed in this exhibit, we have matched the expenses associated with the cost center with the volume of milk or other products that flowed through that cost center. The volumes in this exhibit are stated in points (where a point equals a quart or quart equivalent). All costs and points are weighted using the sales weighting method. For example, if a dealer has 25% of their sales in Area 2 then we include 25% of their costs and 25% of their points in the Area 2 cost centers.

Staff recommends that the Board replace the costs in the current Order with those costs in Staff Surrebuttal Exhibit 2.

## **Staff Surrebuttal Exhibit 3**

Staff Surrebuttal Exhibit 3 provides information on the cost of containers for the cross-section dealers. We initially use the costs of the cross-section dealers for plastic containers, paper containers and resin as of April 2015 to calculate weighted cost per units. As was done in previous hearings, we are using controlled container sales volumes for the previous year. We are, therefore, pairing current costs with the weighted units sold in the previous year to arrive at the most current weighted cost per unit available. Where the market has both paper and plastic containers, like the half-gallon container, we have provided a combined paper/plastic price. After we established a cost for each container type in Column E, we are updating those April 2015 costs to the costs observed in our most current container surveys in Column F (December 2015). In Column G we are applying factors for container shrinkage. Column H adds the shrinkage factor to the updated container cost in Column F.

Staff recommends that the Board replace the base container costs with those found in Column C and the base weighted units with those found in Column D and continue to update these costs using the audited surveys submitted by the cross-section dealers. Staff also recommends that the Board continue the practice of providing separate plastic and paper half-pint prices through a plastic add-on.

## **Staff Surrebuttal Exhibit 4**

Staff Surrebuttal Exhibit 4 provides information on the cost of ingredients added to the various milk products like the chocolate powder and sugar in chocolate milk. This exhibit pairs Year 2014 sales activity with April 2015 costs to get current weighted costs.

Staff recommends replacing the current ingredient costs with those found in Staff Surrebuttal Exhibit 4. Staff further recommends the continuance of updating chocolate and sweetener costs quarterly.

### **Staff Surrebuttal Exhibit 5**

Dealers typically sell off excess bulk milk and cream they are unable to use in their own plants and they will recognize either a profit or a loss on these sales. Dealers also lose small amounts of milk as the milk moves through the plant; this loss is called shrinkage and it has a cost associated with it.

Row 1 shows the calculation for shrinkage cost. Column G shows the weighted costs using the sales weighting methodology.

Rows 2, 3 and 5 show calculations for determining profits and/or losses on diverted or transferred sales of bulk milk and cream. Dealers incur additional costs to process and sell transferred milk and cream (Column E). We add these additional processing costs to the producer costs in Column D to determine if the dealers made a profit or loss on the transactions.

The costs in the top panel are summarized in Column H. We divide these costs by the number of pounds of product sold or manufactured by the dealers (net of purchased packaged products) as represented in Column I. By dividing the costs in Column H by the pounds in Column I we arrive at a weighted cost per pound in Column J.

Staff recommends that the Board use the costs and profits in Staff Surrebuttal Exhibit 5 to replace those in the existing Order.

### **Staff Surrebuttal Exhibit 6**

Staff Surrebuttal Exhibit 6 summarizes the components of the milk cost prior to the milk going into the container. We are using the most current announced milk prices available prior to the submission date for the Exhibits. The current fat and skim prices for Class I products are in the top numeric panel of the Exhibit. In the lower numeric panel we show the actual pounds of the Class I products (Columns A and B) sold by the cross-section dealers in this Area. We have labeled the columns A through K and show how we arrive at the cost per pound for each of the products in the table.

Staff recommends that the Board continue to use this methodology for establishing the before-bottling costs.

### **Staff Surrebuttal Exhibit 7**

In Staff Surrebuttal Exhibit 7 we compare the costs and related plant volumes for three significant categories (labor, utilities, and insurance) for the 1<sup>st</sup> half of Year 2015 with the 1<sup>st</sup> half of 2014 to update the cost per point from Staff Surrebuttal Exhibit 2. We use bottling points as the denominator for this exhibit as they are a good measure of the plants' overall volume or activity. In columns A and B, we list the first half-year costs for 2015 and 2014 for each of the cost categories. In the next two columns, we list the bottling points for 2015 and 2014 for the first half-year. By dividing the costs by the points in columns E and F, we can compare the cost increase or decrease per point in column G.

Staff recommends replacing the first half cost adjustment in the current Order with the adjustment per Staff Surrebuttal Exhibit 7.

### **Staff Surrebuttal Exhibit 8**

In Staff Surrebuttal Exhibit 8 we update diesel fuel costs from the previous year (Year 2014) by indexing to diesel prices for the most current month (October 2015). Line 1 shows the weighted cost for diesel fuel for the cross-section dealers for Year 2014. Line 2 is the Year 2014 average On-Highway diesel price per gallon as posted by the Energy Information Administration (EIA). Line 3 is the current EIA On-Highway diesel price. Line 4 represents the percentage of change in the diesel price from Year 2014 to the current price. Using the percentage of change on line 4, line 5 shows the current presumed diesel cost. By subtracting line 1 from line 5 we find the changed diesel cost on line 6. By dividing the changed diesel cost on line 6 by the weighted delivery points of the cross-section dealers, we find the changed cost per point on line 8.

Staff recommends that the Board continue to include this adjustment in the cost replacement process. Staff also recommends that the Board replace the Year 2013 points and costs with the Year 2014 points and costs found in Staff Surrebuttal Exhibit 8.

### **Staff Surrebuttal Exhibit 9**

Staff has calculated the current heating fuel add-on using the same methodology as in Staff Surrebuttal Exhibit 8 except here we are using Standardization and Pasteurization points and the Pennsylvania Natural Gas Industrial price as posted by the EIA. Staff recommends that the Board continue to include this adjustment in the cost replacement process. Staff also recommends that the Board replace the 2013 points and costs with the 2014 points and costs found in this exhibit.

## **Staff Surrebuttal Exhibit 10**

Staff Surrebuttal Exhibit 10 summarizes the information from all previous Exhibits and data from the base Order to arrive at proposed wholesale prices.

Column A is the milk cost from Staff Surrebuttal Exhibit 6 which provides the milk cost per pound. We multiply the milk cost per pound by the number of pounds per container.

Column B lists the container costs from Staff Surrebuttal Exhibit 3.

Column C combines the first half cost adjustment from Staff Surrebuttal Exhibit 7 with the diesel and heating fuel adjustments from Staff Surrebuttal Exhibits 8 and 9. It also includes an adjustment per OGO A-972 for the 'Discount Effect'.

Column D is the container efficiency adjustment from the base order.

Column E lists the processing costs from Staff Surrebuttal Exhibit 2.

Column F is the sum of columns A through E.

Column G is profit. This percentage profit reflects the profit in the current Order.

Column H is the average price with profit.

Column I removes the average delivery. By removing the average delivery, we arrive at a cost for processing the milk and bringing it to the dock. All milk regardless of its ultimate destination will have the same cost at this point.

Column J adds back the cost of a relatively small high-cost delivery. By adding back the high-cost delivery, we have a price from which applicable discounts can be deducted.

Column K is the sum of Columns H, I and J and is our proposed wholesale price.

Column L is the wholesale price under the current cost replacement order.

Column M is the difference between the proposed wholesale price and the current wholesale price.

## **Staff Surrebuttal Exhibit 11**

Staff Surrebuttal Exhibit 11 provides the methodology for arriving at the retail or out-of-store price for milk.

Column A is the proposed wholesale price from Staff Surrebuttal Exhibit 10.

Column B is the deepest discount from the current general price order.

Column C is the average in-store handling cost from the current general order. This in-store handling cost has been updated monthly by the Consumer Price Index. Staff recommends that the Board continue to employ this form of cost update for the retail price.

Column D reflects the retail profit in the current Order.

Column E is the sum of columns A through D and is the proposed retail or out-of-store price.

Column F is the most recently announced retail price.

| Column G is the difference between the proposed retail price and the current retail price.

| THANK YOU.

## Pennsylvania Milk Marketing Board SALES IN PMMB AREA 2 BY TYPE OF MILK

### PERCENTAGE OF CLASS I MILK SALES FOR ALL CLASS I DEALERS SELLING IN PMMB AREA 2 <sup>(1) (2)</sup>

Standard Milk	26.35
Flavored Milk	2.30
Egg Nog	0.17
Reduced Fat Flavored Milk	4.05
Nonfat Flavored Milk	5.74
Reduced Fat Milk	30.18
Low Fat Milk	16.38
Buttermilk	0.85
Nonfat Milk	<u>13.98</u>
	<u>100.0%</u>

### PERCENTAGE OF CLASS I MILK SALES FOR CROSS SECTION DEALERS SELLING IN PMMB AREA 2 <sup>(1) (2) (3)</sup>

Standard Milk	26.87
Flavored Milk	2.28
Egg Nog	0.20
Reduced Fat Flavored Milk	2.17
Nonfat Flavored Milk	6.75
Reduced Fat Milk	31.83
Low Fat Milk	16.15
Buttermilk	1.20
Nonfat Milk	<u>12.55</u>
	<u>100.0%</u>

<sup>(1)</sup> Source - Pennsylvania Milk Marketing Board's Milk Dealer's Monthly Report, calendar year 2014.

<sup>(2)</sup> Pounds of milk used in deriving percentages.

<sup>(3)</sup> The Area 2 cross section dealers contribute 64.2% of the total milk to this area.

\* Clover Farms Dairy Company

\* Dean Dairy Holdings Inc. (doing business as Swiss Premium Dairy)

\* Turkey Hill LP

\* Tuscan/Lehigh Valley Dairies, Inc. (Schuylkill Haven Location)

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**COSTS AND POINTS FOR PROCESSING, PACKAGING & DELIVERY  
YEAR 2014 DATA**

<b>Cost Center</b>	<b>Weighted Costs</b>	<b>Weighted Points</b>	<b>Cost per Point</b>
<b>Receiving, Lab &amp; Field Work</b>	\$ 566,423	64,409,256	\$ 0.0088
<b>Standardization &amp; Pasteurization</b>	\$ 1,113,137	87,534,629	\$ 0.0127
<b>Bottling</b>	\$ 2,741,287	82,037,823	\$ 0.0334
<b>Cold Room</b>	\$ 2,911,709	86,554,883	\$ 0.0336
<b>Delivery</b>	\$ 5,182,157	63,750,668	\$ 0.0813
<b>Selling</b>	\$ 1,221,029	64,166,633	\$ 0.0190

**Total Cost per Point** **\$ 0.1888**



**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**CONTAINER COSTS  
YEAR 2014 UNITS (@ APRIL 2015 COSTS)**

A	B	C	D	E	F	G	H
				(C÷D)			(F x (1+G))
Container Size	Blow Molded or Purchased	Weighted Costs	Weighted Units	Weighted Cost per Unit	Updated (to DEC-2015) Cost per Unit	Weighted Shrinkage Factor (%)	Adjusted for Shrinkage Cost per Unit
Gallon - Plastic	Blow Molded	\$ 752,436	4,413,892	\$ 0.1705			
Gallon - Plastic	Purchased	\$ 601,720	2,936,740	\$ 0.2049			
<b>Gallon Combined</b>		\$ 1,354,156	7,350,632	\$ 0.1842	\$ 0.1786	1.73%	\$ 0.1817
1/2 Gallon - Plastic	Purchased	\$ 881,862	6,039,540	\$ 0.1460	\$ 0.1281	1.22%	\$ 0.1297
Quart - Plastic	Purchased	\$ 198,159	1,607,620	\$ 0.1233			
Quart - Paper	Purchased	\$ 55,650	671,127	\$ 0.0829			
<b>Quart Combined</b>		\$ 253,809	2,278,747	\$ 0.1114	\$ 0.1126	1.57%	\$ 0.1144
Pint - Plastic	Purchased	\$ 104,756	1,130,072	\$ 0.0927			
Pint - Paper	Purchased	\$ 13,027	246,448	\$ 0.0529			
<b>Pint Combined</b>		\$ 117,783	1,376,520	\$ 0.0856	\$ 0.0800	1.62%	\$ 0.0813
12 Ounce	Purchased			\$ 0.0630	\$ 0.0630		\$ 0.0630
10 Ounce	Purchased			\$ 0.0855	\$ 0.0855		\$ 0.0855
1/2 Pint - Plastic	Purchased	\$ 140,648	1,922,996	\$ 0.0731	\$ 0.0694	0.92%	\$ 0.0700
1/2 Pint - Paper	Purchased	\$ 764,644	27,165,570	\$ 0.0281	\$ 0.0272	0.85%	\$ 0.0274
4 Ounce	Purchased	\$ 53,583	2,046,972	\$ 0.0262	\$ 0.0262	1.53%	\$ 0.0266
Bulk Per Quart	Purchased	\$ 61,378	1,344,998	\$ 0.0456	\$ 0.0456	1.30%	\$ 0.0462

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**COSTS AND POINTS FOR INGREDIENTS, CONDENSED & POWDER  
YEAR 2014 POUNDS (@ APRIL 2015 COSTS)**

<b>Product</b>	<b>Weighted Costs</b>	<b>Weighted Pounds</b>	<b>Cost per Pound</b>
<b>Standard (Whole) Milk</b>	\$ 666	38,212,122	\$ -
<b>Reduced Fat (2%) Milk</b>	\$ 7,632	29,713,430	\$ 0.0003
<b>Low Fat (1%) Milk</b>	\$ 3,218	16,987,163	\$ 0.0002
<b>Non Fat (Skim) Milk</b>	\$ 2,294	13,235,367	\$ 0.0002
<b>Flavored Milk</b>	\$ 77,845	1,951,822	\$ 0.0399
<b>Flavored Reduced Fat Milk</b>	\$ 74,832	2,742,703	\$ 0.0273
<b>Flavored NONFAT Milk</b>	\$ 204,672	6,782,584	\$ 0.0302
<b>Buttermilk</b>	\$ 1,169	35,843	\$ 0.0326
<b>Egg Nog</b>	\$ 68,200	433,941	\$ 0.1572

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**COSTS AND (REVENUES) FOR SHRINKAGE AND BULK SALES  
YEAR 2014 DATA**

	A	B	C	D	E	F	G
						- (C - D - E)	
	Product Pounds	Butterfat Pounds	Revenue	Costs	Additional Processing Costs	Net Cost or (Profit)/Loss	Weighted Cost or (Profit)/Loss
1	<b>Shrinkage</b>	12,204,861	578,136	n/a	\$ 3,158,515	n/a	\$ 3,158,515 \$ 323,700
2	<b>Bulk MILK - diverted</b>	24,812,405	972,198	\$ 6,279,032	\$ 5,976,269	n/a	\$ (302,763) \$ (5,449)
3	<b>Bulk MILK - transferred</b>	29,365,035	882,231	\$ 7,461,860	\$ 6,481,502	\$ 701,618	\$ (278,740) \$ (24,405)
4	<b>Bulk MILK - TOTAL (Rows 2 + 3)</b>	54,177,440	1,854,429	\$ 13,740,892	\$ 12,457,771	\$ 701,618	\$ (581,503) \$ (29,854)
5	<b>Bulk CREAM - transferred</b>	27,483,387	12,004,631	\$ 33,268,705	\$ 30,189,342	\$ 598,173	\$ (2,481,190) \$ (411,927)

	H	I	J
			(H ÷ I)
Cost/(Revenue) Factor	Weighted Costs	Weighted Pounds	Weighted Cost per Pound
6	<b>Shrinkage (Row 1)</b>	\$ 323,700	
7	<b>Bulk MILK (Profit)/Loss (Row 4)</b>	\$ (29,854)	
8	<b>Bulk CREAM (Profit)/Loss (Row 5)</b>	\$ (411,927)	
9	<b>Total</b>	\$ (118,081)	124,085,398 \$ <b>(0.0010)</b>

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**MILK COSTS BEFORE PACKAGING  
DECEMBER 2015 MILK COSTS**

	<b>Class I</b>
Skim Rate	\$ 11.24
Butterfat Rate	\$ 3.1567

Product Description	A	B	C	D	E	F	G	H	I	J	K
	Product Pounds	Butterfat		Skim Pounds	Butterfat Value	Skim Value	Total Value	Cost per Pound	Ingredient Cost	Bulk Sale (Profit)/Loss	Total Cost per Pound
		Pounds	Percentage								
			(B ÷ A)	(A - B)	(B × BF Rate)	(D × Skim Rate)	(E + F)	(G ÷ A)	(EX. 4)	(EX. 5)	(H + I + J)
<b>Standard (Whole) Milk</b>	38,212,122	1,245,213	3.2587%	36,966,909	\$ 3,930,764	\$ 4,155,081	\$ 8,085,845	\$ 0.2116	\$ -	\$ (0.0010)	<b>\$ 0.2106</b>
<b>Reduced Fat (2%) Milk</b>	29,713,430	580,120	1.9524%	29,133,310	\$ 1,831,265	\$ 3,274,584	\$ 5,105,849	\$ 0.1718	\$ 0.0003	\$ (0.0010)	<b>\$ 0.1711</b>
<b>Low Fat (1%) Milk</b>	16,987,163	164,808	0.9702%	16,822,355	\$ 520,249	\$ 1,890,833	\$ 2,411,082	\$ 0.1419	\$ 0.0002	\$ (0.0010)	<b>\$ 0.1411</b>
<b>Non Fat (Skim) Milk</b>	13,235,367	11,132	0.0841%	13,224,235	\$ 35,140	\$ 1,486,404	\$ 1,521,544	\$ 0.1150	\$ 0.0002	\$ (0.0010)	<b>\$ 0.1142</b>
<b>Flavored Milk</b>	1,951,822	65,284	3.3448%	1,886,538	\$ 206,082	\$ 212,047	\$ 418,129	\$ 0.2142	\$ 0.0399	\$ (0.0010)	<b>\$ 0.2531</b>
<b>Flavored Reduced Fat Milk</b>	2,742,703	25,934	0.9456%	2,716,769	\$ 81,866	\$ 305,365	\$ 387,231	\$ 0.1412	\$ 0.0273	\$ (0.0010)	<b>\$ 0.1675</b>
<b>Flavored NONFAT Milk</b>	6,782,584	3,404	0.0502%	6,779,180	\$ 10,745	\$ 761,980	\$ 772,725	\$ 0.1139	\$ 0.0302	\$ (0.0010)	<b>\$ 0.1431</b>
<b>Buttermilk</b>	35,843	564	1.5735%	35,279	\$ 1,780	\$ 3,965	\$ 5,745	\$ 0.1603	\$ 0.0326	\$ (0.0010)	<b>\$ 0.1919</b>
<b>Egg Nog</b>	433,941	35,071	8.0820%	398,870	\$ 110,709	\$ 44,833	\$ 155,542	\$ 0.3584	\$ 0.1572	\$ (0.0010)	<b>\$ 0.5146</b>

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**COST UPDATE ADJUSTMENT  
1<sup>st</sup> HALF COMPARISON (Year 2015 vs. Year 2014)**

A	B	C	D	E	F	G
				(A ÷ C)	(B ÷ D)	(E - F)
1 <sup>st</sup> HALF COSTS		1 <sup>st</sup> HALF POINTS		1 <sup>st</sup> HALF COST per POINT		INCREASE (DECREASE)
2015	2014	2015	2014	2015	2014	

<b>WEIGHTED LABOR COSTS</b>	\$ 4,569,869	\$ 4,337,704	40,166,931	40,004,784	\$ 0.1138	\$ 0.1084	\$ 0.0054
<b>WEIGHTED UTILITY COSTS</b>	\$ 282,632	\$ 332,908	40,166,931	40,004,784	\$ 0.0070	\$ 0.0083	\$ (0.0013)
<b>WEIGHTED INSURANCE COSTS</b>	\$ 35,340	\$ 22,774	40,166,931	40,004,784	\$ 0.0009	\$ 0.0006	\$ 0.0003

**COST UPDATE ADJUSTMENT per BOTTLING POINT    \$ 0.0044**

**PENNSYLVANIA MILK MARKETING BOARD**  
**MILK MARKETING AREA 2**

**Diesel Fuel Costs Adjustment**  
**Update of Diesel Fuel Costs from YEAR 2014 to OCTOBER 2015**

1. Weighted Diesel Fuel Costs - YEAR 2014	\$	604,098
2. Average On-Highway Diesel Price per Gallon - YEAR 2014 <sup>(1)</sup>	\$	3.987
3. On-Highway Diesel Price per Gallon - OCTOBER 2015 <sup>(1)</sup>	\$	2.639
4. Percent Change In Diesel Fuel Price per Gallon ((Line 3 - Line 2) ÷ Line 2)		-33.81%
5. Presumed Diesel Fuel Costs - OCTOBER 2015 ((Line 1 X Line 4) + Line 1)	\$	<u>399,853</u>
6. Change in Diesel Fuel Costs from YEAR 2014 to OCTOBER 2015 (Line 5 - Line 1)	\$	(204,245)
7. Weighted Delivery Points - YEAR 2014		<u>63,750,668</u>
<b>8. Change in Diesel Fuel Costs per Delivery Point (Line 6 ÷ Line 7)</b>	<b>\$</b>	<b><u>(0.0032)</u></b>

## Footnote:

- Source: 'Weekly Retail On-Highway Diesel Prices' per Energy Information Administration website.  
web address = [http://tonto.eia.doe.gov/oog/info/wohdp/diesel\\_detail\\_report\\_combined.asp](http://tonto.eia.doe.gov/oog/info/wohdp/diesel_detail_report_combined.asp)

**PENNSYLVANIA MILK MARKETING BOARD**  
**MILK MARKETING AREA 2**

**Heating Fuel Costs Adjustment**  
**Update of Heating Fuel Costs from YEAR 2014 to AUGUST 2015**

1. Weighted Heating Fuel Costs - YEAR 2014	\$	109,933
2. Pennsylvania Average Natural Gas Price - Industrial - YEAR 2014 <sup>(1)</sup>	\$	10.19
3. Pennsylvania Average Natural Gas Price - Industrial - AUGUST 2015 <sup>(1)</sup>	\$	11.12
4. Percent Change In Natural Gas Price ((Line 3 - Line 2) ÷ Line 2)		9.13%
5. Presumed Heating Fuel Costs - AUGUST 2015 ((Line 1 X Line 4) + Line 1)	<u>\$</u>	<u>119,970</u>
6. Change in Heating Fuel Costs from YEAR 2014 to AUGUST 2015 (Line 5 - Line 1)	\$	10,037
7. Weighted Standardization & Pasteurization (S&P) Points - YEAR 2014		<u>87,534,629</u>
<b>8. Change in Heating Fuel Costs per S&amp;P Point (Line 6 ÷ Line 7)</b>	<u><b>\$</b></u>	<u><b>0.0001</b></u>

## Footnote:

- Source: Pennsylvania Natural Gas Industrial Price per Energy Information Administration website.  
web address = <http://tonto.eia.doe.gov/dnav/ng/hist/n3035pa3m.htm>

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**WHOLESALE PRICE BUILDUP  
DECEMBER 2015 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 <sup>(1)</sup>	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.50%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
STANDARD (WHOLE) MILK	Gallon	\$ 1.8112	\$ 0.1817	\$ (0.0572)	\$ (0.0794)	\$ 0.7552	\$ 2.6115	\$ 0.0947	\$ 2.7062	\$ (0.3356)	\$ 0.9364	\$ 3.3070	\$ 3.3107	\$ (0.0037)
	1/2 Gallon	\$ 0.9056	\$ 0.1472	\$ (0.0286)	\$ (0.0314)	\$ 0.3776	\$ 1.3704	\$ 0.0497	\$ 1.4201	\$ (0.1678)	\$ 0.4682	\$ 1.7205	\$ 1.7150	\$ 0.0055
	Quart	<b>\$ 0.4528</b>	<b>\$ 0.1144</b>	<b>\$ (0.0143)</b>	<b>\$ 0.0176</b>	<b>\$ 0.1888</b>	<b>\$ 0.7593</b>	<b>\$ 0.0275</b>	<b>\$ 0.7868</b>	<b>\$ (0.0839)</b>	<b>\$ 0.2341</b>	<b>\$ 0.9370</b>	<b>\$ 0.9290</b>	<b>\$ 0.0080</b>
	Pint	\$ 0.2264	\$ 0.0813	\$ (0.0072)	\$ 0.0363	\$ 0.0944	\$ 0.4312	\$ 0.0156	\$ 0.4468	\$ (0.0420)	\$ 0.1171	\$ 0.5219	\$ 0.5216	\$ 0.0003
	12 Ounce	\$ 0.1698	\$ 0.0630	\$ (0.0054)	\$ 0.0323	\$ 0.0708	\$ 0.3305	\$ 0.0120	\$ 0.3425	\$ (0.0315)	\$ 0.0878	\$ 0.3988	\$ 0.3995	\$ (0.0007)
	10 Ounce	\$ 0.1415	\$ 0.0855	\$ (0.0045)	\$ 0.0311	\$ 0.0590	\$ 0.3126	\$ 0.0113	\$ 0.3239	\$ (0.0262)	\$ 0.0732	\$ 0.3709	\$ 0.3715	\$ (0.0006)
	1/2 Pint	\$ 0.1132	\$ 0.0274	\$ (0.0036)	\$ 0.0233	\$ 0.0472	\$ 0.2075	\$ 0.0075	\$ 0.2150	\$ (0.0210)	\$ 0.0585	\$ 0.2525	\$ 0.2537	\$ (0.0012)
	4 Ounce	\$ 0.0566	\$ 0.0266	\$ (0.0018)	\$ 0.0398	\$ 0.0236	\$ 0.1448	\$ 0.0053	\$ 0.1501	\$ (0.0105)	\$ 0.0293	\$ 0.1689	\$ 0.1696	\$ (0.0007)
	Bulk per Quart	\$ 0.4528	\$ 0.0462	\$ (0.0143)	\$ 0.0255	\$ 0.1888	\$ 0.6990	\$ 0.0254	\$ 0.7244	\$ (0.0839)	\$ 0.2341	\$ 0.8746	\$ 0.8761	\$ (0.0015)
REDUCED FAT (2%) MILK	Gallon	\$ 1.4749	\$ 0.1817	\$ (0.0572)	\$ (0.0794)	\$ 0.7552	\$ 2.2752	\$ 0.0825	\$ 2.3577	\$ (0.3356)	\$ 0.9364	\$ 2.9585	\$ 2.9675	\$ (0.0090)
	1/2 Gallon	\$ 0.7374	\$ 0.1472	\$ (0.0286)	\$ (0.0314)	\$ 0.3776	\$ 1.2022	\$ 0.0436	\$ 1.2458	\$ (0.1678)	\$ 0.4682	\$ 1.5462	\$ 1.5434	\$ 0.0028
	Quart	\$ 0.3687	\$ 0.1144	\$ (0.0143)	\$ 0.0176	\$ 0.1888	\$ 0.6752	\$ 0.0245	\$ 0.6997	\$ (0.0839)	\$ 0.2341	\$ 0.8499	\$ 0.8433	\$ 0.0066
	Pint	\$ 0.1844	\$ 0.0813	\$ (0.0072)	\$ 0.0363	\$ 0.0944	\$ 0.3892	\$ 0.0141	\$ 0.4033	\$ (0.0420)	\$ 0.1171	\$ 0.4784	\$ 0.4787	\$ (0.0003)
	12 Ounce	\$ 0.1383	\$ 0.0630	\$ (0.0054)	\$ 0.0323	\$ 0.0708	\$ 0.2990	\$ 0.0108	\$ 0.3098	\$ (0.0315)	\$ 0.0878	\$ 0.3661	\$ 0.3673	\$ (0.0012)
	10 Ounce	\$ 0.1152	\$ 0.0855	\$ (0.0045)	\$ 0.0311	\$ 0.0590	\$ 0.2863	\$ 0.0104	\$ 0.2967	\$ (0.0262)	\$ 0.0732	\$ 0.3437	\$ 0.3447	\$ (0.0010)
	1/2 Pint	\$ 0.0922	\$ 0.0274	\$ (0.0036)	\$ 0.0233	\$ 0.0472	\$ 0.1865	\$ 0.0068	\$ 0.1933	\$ (0.0210)	\$ 0.0585	\$ 0.2308	\$ 0.2322	\$ (0.0014)
	4 Ounce	\$ 0.0461	\$ 0.0266	\$ (0.0018)	\$ 0.0398	\$ 0.0236	\$ 0.1343	\$ 0.0049	\$ 0.1392	\$ (0.0105)	\$ 0.0293	\$ 0.1580	\$ 0.1589	\$ (0.0009)
	Bulk per Quart	\$ 0.3687	\$ 0.0462	\$ (0.0143)	\$ 0.0255	\$ 0.1888	\$ 0.6149	\$ 0.0223	\$ 0.6372	\$ (0.0839)	\$ 0.2341	\$ 0.7874	\$ 0.7904	\$ (0.0030)
LOW FAT (1%) MILK	Gallon	\$ 1.2163	\$ 0.1817	\$ (0.0572)	\$ (0.0794)	\$ 0.7552	\$ 2.0166	\$ 0.0731	\$ 2.0897	\$ (0.3356)	\$ 0.9364	\$ 2.6905	\$ 2.6978	\$ (0.0073)
	1/2 Gallon	\$ 0.6081	\$ 0.1472	\$ (0.0286)	\$ (0.0314)	\$ 0.3776	\$ 1.0729	\$ 0.0389	\$ 1.1118	\$ (0.1678)	\$ 0.4682	\$ 1.4122	\$ 1.4086	\$ 0.0036
	Quart	\$ 0.3041	\$ 0.1144	\$ (0.0143)	\$ 0.0176	\$ 0.1888	\$ 0.6106	\$ 0.0221	\$ 0.6327	\$ (0.0839)	\$ 0.2341	\$ 0.7829	\$ 0.7758	\$ 0.0071
	Pint	\$ 0.1520	\$ 0.0813	\$ (0.0072)	\$ 0.0363	\$ 0.0944	\$ 0.3568	\$ 0.0129	\$ 0.3697	\$ (0.0420)	\$ 0.1171	\$ 0.4448	\$ 0.4450	\$ (0.0002)
	12 Ounce	\$ 0.1140	\$ 0.0630	\$ (0.0054)	\$ 0.0323	\$ 0.0708	\$ 0.2747	\$ 0.0100	\$ 0.2847	\$ (0.0315)	\$ 0.0878	\$ 0.3410	\$ 0.3420	\$ (0.0010)
	10 Ounce	\$ 0.0950	\$ 0.0855	\$ (0.0045)	\$ 0.0311	\$ 0.0590	\$ 0.2661	\$ 0.0097	\$ 0.2758	\$ (0.0262)	\$ 0.0732	\$ 0.3228	\$ 0.3236	\$ (0.0008)
	1/2 Pint	\$ 0.0760	\$ 0.0274	\$ (0.0036)	\$ 0.0233	\$ 0.0472	\$ 0.1703	\$ 0.0062	\$ 0.1765	\$ (0.0210)	\$ 0.0585	\$ 0.2140	\$ 0.2153	\$ (0.0013)
	4 Ounce	\$ 0.0380	\$ 0.0266	\$ (0.0018)	\$ 0.0398	\$ 0.0236	\$ 0.1262	\$ 0.0046	\$ 0.1308	\$ (0.0105)	\$ 0.0293	\$ 0.1496	\$ 0.1504	\$ (0.0008)
	Bulk per Quart	\$ 0.3041	\$ 0.0462	\$ (0.0143)	\$ 0.0255	\$ 0.1888	\$ 0.5503	\$ 0.0200	\$ 0.5703	\$ (0.0839)	\$ 0.2341	\$ 0.7205	\$ 0.7229	\$ (0.0024)
NON FAT (SKIM) MILK	Gallon	\$ 0.9855	\$ 0.1817	\$ (0.0572)	\$ (0.0794)	\$ 0.7552	\$ 1.7858	\$ 0.0648	\$ 1.8506	\$ (0.3356)	\$ 0.9364	\$ 2.4514	\$ 2.4569	\$ (0.0055)
	1/2 Gallon	\$ 0.4928	\$ 0.1472	\$ (0.0286)	\$ (0.0314)	\$ 0.3776	\$ 0.9576	\$ 0.0347	\$ 0.9923	\$ (0.1678)	\$ 0.4682	\$ 1.2927	\$ 1.2881	\$ 0.0046
	Quart	\$ 0.2464	\$ 0.1144	\$ (0.0143)	\$ 0.0176	\$ 0.1888	\$ 0.5529	\$ 0.0201	\$ 0.5730	\$ (0.0839)	\$ 0.2341	\$ 0.7232	\$ 0.7156	\$ 0.0076
	Pint	\$ 0.1232	\$ 0.0813	\$ (0.0072)	\$ 0.0363	\$ 0.0944	\$ 0.3280	\$ 0.0119	\$ 0.3399	\$ (0.0420)	\$ 0.1171	\$ 0.4150	\$ 0.4149	\$ 0.0001
	12 Ounce	\$ 0.0924	\$ 0.0630	\$ (0.0054)	\$ 0.0323	\$ 0.0708	\$ 0.2531	\$ 0.0092	\$ 0.2623	\$ (0.0315)	\$ 0.0878	\$ 0.3186	\$ 0.3194	\$ (0.0008)
	10 Ounce	\$ 0.0770	\$ 0.0855	\$ (0.0045)	\$ 0.0311	\$ 0.0590	\$ 0.2481	\$ 0.0090	\$ 0.2571	\$ (0.0262)	\$ 0.0732	\$ 0.3041	\$ 0.3048	\$ (0.0007)
	1/2 Pint	\$ 0.0616	\$ 0.0274	\$ (0.0036)	\$ 0.0233	\$ 0.0472	\$ 0.1559	\$ 0.0057	\$ 0.1616	\$ (0.0210)	\$ 0.0585	\$ 0.1991	\$ 0.2003	\$ (0.0012)
	4 Ounce	\$ 0.0308	\$ 0.0266	\$ (0.0018)	\$ 0.0398	\$ 0.0236	\$ 0.1190	\$ 0.0043	\$ 0.1233	\$ (0.0105)	\$ 0.0293	\$ 0.1421	\$ 0.1429	\$ (0.0008)
	Bulk per Quart	\$ 0.2464	\$ 0.0462	\$ (0.0143)	\$ 0.0255	\$ 0.1888	\$ 0.4926	\$ 0.0179	\$ 0.5105	\$ (0.0839)	\$ 0.2341	\$ 0.6607	\$ 0.6627	\$ (0.0020)

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of -\$0.0156 per quart equivalent.



**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**WHOLESALE PRICE BUILDUP  
DECEMBER 2015 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 <sup>(1)</sup>	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.50%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
<b>FLAVORED MILK</b>	Gallon	\$ 2.0248	\$ 0.1817	\$ (0.0572)	\$ (0.0794)	\$ 0.7552	\$ 2.8251	\$ 0.1025	\$ 2.9276	\$ (0.3356)	\$ 0.9364	\$ 3.5284	\$ 3.6040	\$ (0.0756)
	1/2 Gallon	\$ 1.0124	\$ 0.1472	\$ (0.0286)	\$ (0.0314)	\$ 0.3776	\$ 1.4772	\$ 0.0536	\$ 1.5308	\$ (0.1678)	\$ 0.4682	\$ 1.8312	\$ 1.8616	\$ (0.0304)
	Quart	\$ 0.5062	\$ 0.1144	\$ (0.0143)	\$ 0.0176	\$ 0.1888	\$ 0.8127	\$ 0.0295	\$ 0.8422	\$ (0.0839)	\$ 0.2341	\$ 0.9924	\$ 1.0023	\$ (0.0099)
	Pint	\$ 0.2531	\$ 0.0813	\$ (0.0072)	\$ 0.0363	\$ 0.0944	\$ 0.4579	\$ 0.0166	\$ 0.4745	\$ (0.0420)	\$ 0.1171	\$ 0.5496	\$ 0.5583	\$ (0.0087)
	12 Ounce	\$ 0.1898	\$ 0.0630	\$ (0.0054)	\$ 0.0323	\$ 0.0708	\$ 0.3505	\$ 0.0127	\$ 0.3632	\$ (0.0315)	\$ 0.0878	\$ 0.4195	\$ 0.4270	\$ (0.0075)
	10 Ounce	\$ 0.1582	\$ 0.0855	\$ (0.0045)	\$ 0.0311	\$ 0.0590	\$ 0.3293	\$ 0.0119	\$ 0.3412	\$ (0.0262)	\$ 0.0732	\$ 0.3882	\$ 0.3944	\$ (0.0062)
	1/2 Pint	\$ 0.1266	\$ 0.0274	\$ (0.0036)	\$ 0.0233	\$ 0.0472	\$ 0.2209	\$ 0.0080	\$ 0.2289	\$ (0.0210)	\$ 0.0585	\$ 0.2664	\$ 0.2720	\$ (0.0056)
	4 Ounce	\$ 0.0633	\$ 0.0266	\$ (0.0018)	\$ 0.0398	\$ 0.0236	\$ 0.1515	\$ 0.0055	\$ 0.1570	\$ (0.0105)	\$ 0.0293	\$ 0.1758	\$ 0.1788	\$ (0.0030)
	Bulk per Quart	\$ 0.5062	\$ 0.0462	\$ (0.0143)	\$ 0.0255	\$ 0.1888	\$ 0.7524	\$ 0.0273	\$ 0.7797	\$ (0.0839)	\$ 0.2341	\$ 0.9299	\$ 0.9495	\$ (0.0196)
<b>FLAVORED REDUCED FAT MILK</b>	Gallon	\$ 1.3400	\$ 0.1817	\$ (0.0572)	\$ (0.0794)	\$ 0.7552	\$ 2.1403	\$ 0.0776	\$ 2.2179	\$ (0.3356)	\$ 0.9364	\$ 2.8187	\$ 2.8877	\$ (0.0690)
	1/2 Gallon	\$ 0.6700	\$ 0.1472	\$ (0.0286)	\$ (0.0314)	\$ 0.3776	\$ 1.1348	\$ 0.0412	\$ 1.1760	\$ (0.1678)	\$ 0.4682	\$ 1.4764	\$ 1.5035	\$ (0.0271)
	Quart	\$ 0.3350	\$ 0.1144	\$ (0.0143)	\$ 0.0176	\$ 0.1888	\$ 0.6415	\$ 0.0233	\$ 0.6648	\$ (0.0839)	\$ 0.2341	\$ 0.8150	\$ 0.8233	\$ (0.0083)
	Pint	\$ 0.1675	\$ 0.0813	\$ (0.0072)	\$ 0.0363	\$ 0.0944	\$ 0.3723	\$ 0.0135	\$ 0.3858	\$ (0.0420)	\$ 0.1171	\$ 0.4609	\$ 0.4688	\$ (0.0079)
	12 Ounce	\$ 0.1256	\$ 0.0630	\$ (0.0054)	\$ 0.0323	\$ 0.0708	\$ 0.2863	\$ 0.0104	\$ 0.2967	\$ (0.0315)	\$ 0.0878	\$ 0.3530	\$ 0.3598	\$ (0.0068)
	10 Ounce	\$ 0.1047	\$ 0.0855	\$ (0.0045)	\$ 0.0311	\$ 0.0590	\$ 0.2758	\$ 0.0100	\$ 0.2858	\$ (0.0262)	\$ 0.0732	\$ 0.3328	\$ 0.3384	\$ (0.0056)
	1/2 Pint	\$ 0.0838	\$ 0.0274	\$ (0.0036)	\$ 0.0233	\$ 0.0472	\$ 0.1781	\$ 0.0065	\$ 0.1846	\$ (0.0210)	\$ 0.0585	\$ 0.2221	\$ 0.2272	\$ (0.0051)
	4 Ounce	\$ 0.0419	\$ 0.0266	\$ (0.0018)	\$ 0.0398	\$ 0.0236	\$ 0.1301	\$ 0.0047	\$ 0.1348	\$ (0.0105)	\$ 0.0293	\$ 0.1536	\$ 0.1564	\$ (0.0028)
	Bulk per Quart	\$ 0.3350	\$ 0.0462	\$ (0.0143)	\$ 0.0255	\$ 0.1888	\$ 0.5812	\$ 0.0211	\$ 0.6023	\$ (0.0839)	\$ 0.2341	\$ 0.7525	\$ 0.7704	\$ (0.0179)
<b>FLAVORED NONFAT MILK</b>	Gallon	\$ 1.1448	\$ 0.1817	\$ (0.0572)	\$ (0.0794)	\$ 0.7552	\$ 1.9451	\$ 0.0705	\$ 2.0156	\$ (0.3356)	\$ 0.9364	\$ 2.6164	\$ 2.6399	\$ (0.0235)
	1/2 Gallon	\$ 0.5724	\$ 0.1472	\$ (0.0286)	\$ (0.0314)	\$ 0.3776	\$ 1.0372	\$ 0.0376	\$ 1.0748	\$ (0.1678)	\$ 0.4682	\$ 1.3752	\$ 1.3796	\$ (0.0044)
	Quart	\$ 0.2862	\$ 0.1144	\$ (0.0143)	\$ 0.0176	\$ 0.1888	\$ 0.5927	\$ 0.0215	\$ 0.6142	\$ (0.0839)	\$ 0.2341	\$ 0.7644	\$ 0.7613	\$ 0.0031
	Pint	\$ 0.1431	\$ 0.0813	\$ (0.0072)	\$ 0.0363	\$ 0.0944	\$ 0.3479	\$ 0.0126	\$ 0.3605	\$ (0.0420)	\$ 0.1171	\$ 0.4356	\$ 0.4378	\$ (0.0022)
	12 Ounce	\$ 0.1073	\$ 0.0630	\$ (0.0054)	\$ 0.0323	\$ 0.0708	\$ 0.2680	\$ 0.0097	\$ 0.2777	\$ (0.0315)	\$ 0.0878	\$ 0.3340	\$ 0.3366	\$ (0.0026)
	10 Ounce	\$ 0.0894	\$ 0.0855	\$ (0.0045)	\$ 0.0311	\$ 0.0590	\$ 0.2605	\$ 0.0094	\$ 0.2699	\$ (0.0262)	\$ 0.0732	\$ 0.3169	\$ 0.3191	\$ (0.0022)
	1/2 Pint	\$ 0.0716	\$ 0.0274	\$ (0.0036)	\$ 0.0233	\$ 0.0472	\$ 0.1659	\$ 0.0060	\$ 0.1719	\$ (0.0210)	\$ 0.0585	\$ 0.2094	\$ 0.2117	\$ (0.0023)
	4 Ounce	\$ 0.0358	\$ 0.0266	\$ (0.0018)	\$ 0.0398	\$ 0.0236	\$ 0.1240	\$ 0.0045	\$ 0.1285	\$ (0.0105)	\$ 0.0293	\$ 0.1473	\$ 0.1486	\$ (0.0013)
	Bulk per Quart	\$ 0.2862	\$ 0.0462	\$ (0.0143)	\$ 0.0255	\$ 0.1888	\$ 0.5324	\$ 0.0193	\$ 0.5517	\$ (0.0839)	\$ 0.2341	\$ 0.7019	\$ 0.7084	\$ (0.0065)
<b>BUTTERMILK</b>	Gallon	\$ 1.6542	\$ 0.1817	\$ (0.0572)	\$ (0.0794)	\$ 0.7552	\$ 2.4545	\$ 0.0890	\$ 2.5435	\$ (0.3356)	\$ 0.9364	\$ 3.1443	\$ 3.1481	\$ (0.0038)
	1/2 Gallon	\$ 0.8271	\$ 0.1472	\$ (0.0286)	\$ (0.0314)	\$ 0.3776	\$ 1.2919	\$ 0.0469	\$ 1.3388	\$ (0.1678)	\$ 0.4682	\$ 1.6392	\$ 1.6337	\$ 0.0055
	Quart	\$ 0.4135	\$ 0.1144	\$ (0.0143)	\$ 0.0176	\$ 0.1888	\$ 0.7200	\$ 0.0261	\$ 0.7461	\$ (0.0839)	\$ 0.2341	\$ 0.8963	\$ 0.8883	\$ 0.0080
	Pint	\$ 0.2068	\$ 0.0813	\$ (0.0072)	\$ 0.0363	\$ 0.0944	\$ 0.4116	\$ 0.0149	\$ 0.4265	\$ (0.0420)	\$ 0.1171	\$ 0.5016	\$ 0.5013	\$ 0.0003
	12 Ounce	\$ 0.1551	\$ 0.0630	\$ (0.0054)	\$ 0.0323	\$ 0.0708	\$ 0.3158	\$ 0.0115	\$ 0.3273	\$ (0.0315)	\$ 0.0878	\$ 0.3836	\$ 0.3843	\$ (0.0007)
	10 Ounce	\$ 0.1292	\$ 0.0855	\$ (0.0045)	\$ 0.0311	\$ 0.0590	\$ 0.3003	\$ 0.0109	\$ 0.3112	\$ (0.0262)	\$ 0.0732	\$ 0.3582	\$ 0.3588	\$ (0.0006)
	1/2 Pint	\$ 0.1034	\$ 0.0274	\$ (0.0036)	\$ 0.0233	\$ 0.0472	\$ 0.1977	\$ 0.0072	\$ 0.2049	\$ (0.0210)	\$ 0.0585	\$ 0.2424	\$ 0.2434	\$ (0.0010)
	4 Ounce	\$ 0.0517	\$ 0.0266	\$ (0.0018)	\$ 0.0398	\$ 0.0236	\$ 0.1399	\$ 0.0051	\$ 0.1450	\$ (0.0105)	\$ 0.0293	\$ 0.1638	\$ 0.1645	\$ (0.0007)
	Bulk per Quart	\$ 0.4135	\$ 0.0462	\$ (0.0143)	\$ 0.0255	\$ 0.1888	\$ 0.6597	\$ 0.0239	\$ 0.6836	\$ (0.0839)	\$ 0.2341	\$ 0.8338	\$ 0.8355	\$ (0.0017)

Footnote:  
1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of -\$0.0156 per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**WHOLESALE PRICE BUILDUP  
DECEMBER 2015 MILK PRICES**

	A EX. 6	B EX. 3	C EXS. 7, 8 & 9 <sup>(1)</sup>	D	E EX. 2	F (A+B+C+D+E)	G	H (F + G)	I	J	K (H + I + J)	L	M (K - L)	
Container Size	Milk Cost	Container Cost	Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	Processing Cost	Average Delivered Cost	Profit at 3.50%	Price with Profit	Less: Average Delivery	Plus: High Cost Delivery	Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)	
<b>EGG NOG</b>	<b>Gallon</b>	\$ 4.1168	\$ 0.1817	\$ (0.0572)	\$ (0.0794)	\$ 0.7552	\$ 4.9171	\$ 0.1783	\$ 5.0954	\$ (0.3356)	\$ 0.9364	\$ 5.6962	\$ 5.7396	\$ (0.0434)
	<b>1/2 Gallon</b>	\$ 2.0584	\$ 0.1472	\$ (0.0286)	\$ (0.0314)	\$ 0.3776	\$ 2.5232	\$ 0.0915	\$ 2.6147	\$ (0.1678)	\$ 0.4682	\$ 2.9151	\$ 2.9294	\$ (0.0143)
	<b>Quart</b>	\$ 1.0292	\$ 0.1144	\$ (0.0143)	\$ 0.0176	\$ 0.1888	\$ 1.3357	\$ 0.0484	\$ 1.3841	\$ (0.0839)	\$ 0.2341	\$ 1.5343	\$ 1.5362	\$ (0.0019)
	<b>Pint</b>	\$ 0.5146	\$ 0.0813	\$ (0.0072)	\$ 0.0363	\$ 0.0944	\$ 0.7194	\$ 0.0261	\$ 0.7455	\$ (0.0420)	\$ 0.1171	\$ 0.8206	\$ 0.8253	\$ (0.0047)
	<b>12 Ounce</b>	\$ 0.3860	\$ 0.0630	\$ (0.0054)	\$ 0.0323	\$ 0.0708	\$ 0.5467	\$ 0.0198	\$ 0.5665	\$ (0.0315)	\$ 0.0878	\$ 0.6228	\$ 0.6272	\$ (0.0044)
	<b>10 Ounce</b>	\$ 0.3216	\$ 0.0855	\$ (0.0045)	\$ 0.0311	\$ 0.0590	\$ 0.4927	\$ 0.0179	\$ 0.5106	\$ (0.0262)	\$ 0.0732	\$ 0.5576	\$ 0.5612	\$ (0.0036)
	<b>1/2 Pint</b>	\$ 0.2573	\$ 0.0274	\$ (0.0036)	\$ 0.0233	\$ 0.0472	\$ 0.3516	\$ 0.0128	\$ 0.3644	\$ (0.0210)	\$ 0.0585	\$ 0.4019	\$ 0.4055	\$ (0.0036)
	<b>4 Ounce</b>	\$ 0.1287	\$ 0.0266	\$ (0.0018)	\$ 0.0398	\$ 0.0236	\$ 0.2169	\$ 0.0079	\$ 0.2248	\$ (0.0105)	\$ 0.0293	\$ 0.2436	\$ 0.2455	\$ (0.0019)
	<b>Bulk per Quart</b>	\$ 1.0292	\$ 0.0462	\$ (0.0143)	\$ 0.0255	\$ 0.1888	\$ 1.2754	\$ 0.0463	\$ 1.3217	\$ (0.0839)	\$ 0.2341	\$ 1.4719	\$ 1.4834	\$ (0.0115)

Footnote:

1, per O.G.O. A-972, also includes an adjustment for the 'Discount Effect' in the amount of -\$0.0156 per quart equivalent.

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**RETAIL PRICE BUILDUP  
DECEMBER 2015 PRICES**

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)	
Container Size	Proposed Wholesale Price	Deepest Discount 13.50%	In-Store Handling \$ 0.1522	Store Profit 2.7%	Proposed Retail Price	Current Retail Price	Increase (Decrease)	
STANDARD (WHOLE) MILK	Gallon	\$ 3.3070	\$ (0.4464)	\$ 0.6088	\$ 0.0963	\$ 3.57	\$ 3.57	\$ -
	1/2 Gallon	\$ 1.7205	\$ (0.2323)	\$ 0.3044	\$ 0.0497	\$ 1.84	\$ 1.84	\$ -
	Quart	<b>\$ 0.9370</b>	<b>\$ (0.1265)</b>	<b>\$ 0.1522</b>	<b>\$ 0.0267</b>	<b>\$ 0.99</b>	<b>\$ 0.98</b>	<b>\$ 0.01</b>
	Pint	\$ 0.5219	\$ (0.0705)	\$ 0.0761	\$ 0.0146	\$ 0.54	\$ 0.54	\$ -
	12 Ounce	\$ 0.3988	\$ (0.0538)	\$ 0.0571	\$ 0.0112	\$ 0.41	\$ 0.41	\$ -
	10 Ounce	\$ 0.3709	\$ (0.0501)	\$ 0.0476	\$ 0.0102	\$ 0.38	\$ 0.38	\$ -
	1/2 Pint	\$ 0.2525	\$ (0.0341)	\$ 0.0381	\$ 0.0071	\$ 0.26	\$ 0.26	\$ -
	4 Ounce	\$ 0.1689	\$ (0.0228)	\$ 0.0190	\$ 0.0046	\$ 0.17	\$ 0.17	\$ -
	Bulk per Quart	\$ 0.8746	\$ (0.1181)	\$ 0.1522	\$ 0.0252	\$ 0.93	\$ 0.94	\$ (0.01)
REDUCED FAT (2%) MILK	Gallon	\$ 2.9585	\$ (0.3994)	\$ 0.6088	\$ 0.0879	\$ 3.26	\$ 3.26	\$ -
	1/2 Gallon	\$ 1.5462	\$ (0.2087)	\$ 0.3044	\$ 0.0456	\$ 1.69	\$ 1.68	\$ 0.01
	Quart	\$ 0.8499	\$ (0.1147)	\$ 0.1522	\$ 0.0246	\$ 0.91	\$ 0.91	\$ -
	Pint	\$ 0.4784	\$ (0.0646)	\$ 0.0761	\$ 0.0136	\$ 0.50	\$ 0.50	\$ -
	12 Ounce	\$ 0.3661	\$ (0.0494)	\$ 0.0571	\$ 0.0104	\$ 0.38	\$ 0.39	\$ (0.01)
	10 Ounce	\$ 0.3437	\$ (0.0464)	\$ 0.0476	\$ 0.0096	\$ 0.35	\$ 0.36	\$ (0.01)
	1/2 Pint	\$ 0.2308	\$ (0.0312)	\$ 0.0381	\$ 0.0066	\$ 0.24	\$ 0.25	\$ (0.01)
	4 Ounce	\$ 0.1580	\$ (0.0213)	\$ 0.0190	\$ 0.0043	\$ 0.16	\$ 0.16	\$ -
	Bulk per Quart	\$ 0.7874	\$ (0.1063)	\$ 0.1522	\$ 0.0231	\$ 0.86	\$ 0.86	\$ -
LOW FAT (1%) MILK	Gallon	\$ 2.6905	\$ (0.3632)	\$ 0.6088	\$ 0.0815	\$ 3.02	\$ 3.02	\$ -
	1/2 Gallon	\$ 1.4122	\$ (0.1906)	\$ 0.3044	\$ 0.0423	\$ 1.57	\$ 1.57	\$ -
	Quart	\$ 0.7829	\$ (0.1057)	\$ 0.1522	\$ 0.0230	\$ 0.85	\$ 0.85	\$ -
	Pint	\$ 0.4448	\$ (0.0600)	\$ 0.0761	\$ 0.0128	\$ 0.47	\$ 0.47	\$ -
	12 Ounce	\$ 0.3410	\$ (0.0460)	\$ 0.0571	\$ 0.0098	\$ 0.36	\$ 0.36	\$ -
	10 Ounce	\$ 0.3228	\$ (0.0436)	\$ 0.0476	\$ 0.0091	\$ 0.34	\$ 0.34	\$ -
	1/2 Pint	\$ 0.2140	\$ (0.0289)	\$ 0.0381	\$ 0.0062	\$ 0.23	\$ 0.23	\$ -
	4 Ounce	\$ 0.1496	\$ (0.0202)	\$ 0.0190	\$ 0.0041	\$ 0.15	\$ 0.16	\$ (0.01)
	Bulk per Quart	\$ 0.7205	\$ (0.0973)	\$ 0.1522	\$ 0.0215	\$ 0.80	\$ 0.80	\$ -
NON FAT (SKIM) MILK	Gallon	\$ 2.4514	\$ (0.3309)	\$ 0.6088	\$ 0.0757	\$ 2.81	\$ 2.81	\$ -
	1/2 Gallon	\$ 1.2927	\$ (0.1745)	\$ 0.3044	\$ 0.0395	\$ 1.46	\$ 1.46	\$ -
	Quart	\$ 0.7232	\$ (0.0976)	\$ 0.1522	\$ 0.0216	\$ 0.80	\$ 0.79	\$ 0.01
	Pint	\$ 0.4150	\$ (0.0560)	\$ 0.0761	\$ 0.0121	\$ 0.45	\$ 0.45	\$ -
	12 Ounce	\$ 0.3186	\$ (0.0430)	\$ 0.0571	\$ 0.0092	\$ 0.34	\$ 0.34	\$ -
	10 Ounce	\$ 0.3041	\$ (0.0411)	\$ 0.0476	\$ 0.0086	\$ 0.32	\$ 0.32	\$ -
	1/2 Pint	\$ 0.1991	\$ (0.0269)	\$ 0.0381	\$ 0.0058	\$ 0.22	\$ 0.22	\$ -
	4 Ounce	\$ 0.1421	\$ (0.0192)	\$ 0.0190	\$ 0.0039	\$ 0.15	\$ 0.15	\$ -
	Bulk per Quart	\$ 0.6607	\$ (0.0892)	\$ 0.1522	\$ 0.0201	\$ 0.74	\$ 0.75	\$ (0.01)

**PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 2**

**RETAIL PRICE BUILDUP  
DECEMBER 2015 PRICES**

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)
Container Size	Proposed Wholesale Price	Deepest Discount 13.50%	In-Store Handling \$ 0.1522	Store Profit 2.7%	Proposed Retail Price	Current Retail Price	Increase (Decrease)
FLAVORED MILK	Gallon	\$ 3.5284	\$ (0.4763)	\$ 0.6088	\$ 0.1016	\$ 3.76	\$ 3.83 \$ (0.07)
	1/2 Gallon	\$ 1.8312	\$ (0.2472)	\$ 0.3044	\$ 0.0524	\$ 1.94	\$ 1.97 \$ (0.03)
	Quart	\$ 0.9924	\$ (0.1340)	\$ 0.1522	\$ 0.0280	\$ 1.04	\$ 1.05 \$ (0.01)
	Pint	\$ 0.5496	\$ (0.0742)	\$ 0.0761	\$ 0.0153	\$ 0.57	\$ 0.57 \$ -
	12 Ounce	\$ 0.4195	\$ (0.0566)	\$ 0.0571	\$ 0.0117	\$ 0.43	\$ 0.44 \$ (0.01)
	10 Ounce	\$ 0.3882	\$ (0.0524)	\$ 0.0476	\$ 0.0106	\$ 0.39	\$ 0.40 \$ (0.01)
	1/2 Pint	\$ 0.2664	\$ (0.0360)	\$ 0.0381	\$ 0.0075	\$ 0.28	\$ 0.28 \$ -
	4 Ounce	\$ 0.1758	\$ (0.0237)	\$ 0.0190	\$ 0.0047	\$ 0.18	\$ 0.18 \$ -
	Bulk per Quart	\$ 0.9299	\$ (0.1255)	\$ 0.1522	\$ 0.0265	\$ 0.98	\$ 1.00 \$ (0.02)
FLAVORED REDUCED FAT MILK	Gallon	\$ 2.8187	\$ (0.3805)	\$ 0.6088	\$ 0.0846	\$ 3.13	\$ 3.19 \$ (0.06)
	1/2 Gallon	\$ 1.4764	\$ (0.1993)	\$ 0.3044	\$ 0.0439	\$ 1.63	\$ 1.65 \$ (0.02)
	Quart	\$ 0.8150	\$ (0.1100)	\$ 0.1522	\$ 0.0238	\$ 0.88	\$ 0.89 \$ (0.01)
	Pint	\$ 0.4609	\$ (0.0622)	\$ 0.0761	\$ 0.0132	\$ 0.49	\$ 0.50 \$ (0.01)
	12 Ounce	\$ 0.3530	\$ (0.0477)	\$ 0.0571	\$ 0.0101	\$ 0.37	\$ 0.38 \$ (0.01)
	10 Ounce	\$ 0.3328	\$ (0.0449)	\$ 0.0476	\$ 0.0093	\$ 0.34	\$ 0.35 \$ (0.01)
	1/2 Pint	\$ 0.2221	\$ (0.0300)	\$ 0.0381	\$ 0.0064	\$ 0.24	\$ 0.24 \$ -
	4 Ounce	\$ 0.1536	\$ (0.0207)	\$ 0.0190	\$ 0.0042	\$ 0.16	\$ 0.16 \$ -
	Bulk per Quart	\$ 0.7525	\$ (0.1016)	\$ 0.1522	\$ 0.0223	\$ 0.83	\$ 0.84 \$ (0.01)
FLAVORED NONFAT MILK	Gallon	\$ 2.6164	\$ (0.3532)	\$ 0.6088	\$ 0.0797	\$ 2.95	\$ 2.97 \$ (0.02)
	1/2 Gallon	\$ 1.3752	\$ (0.1857)	\$ 0.3044	\$ 0.0415	\$ 1.54	\$ 1.54 \$ -
	Quart	\$ 0.7644	\$ (0.1032)	\$ 0.1522	\$ 0.0226	\$ 0.84	\$ 0.83 \$ 0.01
	Pint	\$ 0.4356	\$ (0.0588)	\$ 0.0761	\$ 0.0126	\$ 0.47	\$ 0.47 \$ -
	12 Ounce	\$ 0.3340	\$ (0.0451)	\$ 0.0571	\$ 0.0096	\$ 0.36	\$ 0.36 \$ -
	10 Ounce	\$ 0.3169	\$ (0.0428)	\$ 0.0476	\$ 0.0089	\$ 0.33	\$ 0.33 \$ -
	1/2 Pint	\$ 0.2094	\$ (0.0283)	\$ 0.0381	\$ 0.0061	\$ 0.23	\$ 0.23 \$ -
	4 Ounce	\$ 0.1473	\$ (0.0199)	\$ 0.0190	\$ 0.0041	\$ 0.15	\$ 0.15 \$ -
	Bulk per Quart	\$ 0.7019	\$ (0.0948)	\$ 0.1522	\$ 0.0211	\$ 0.78	\$ 0.79 \$ (0.01)
BUTTERMILK	Gallon	\$ 3.1443	\$ (0.4245)	\$ 0.6088	\$ 0.0924	\$ 3.42	\$ 3.42 \$ -
	1/2 Gallon	\$ 1.6392	\$ (0.2213)	\$ 0.3044	\$ 0.0478	\$ 1.77	\$ 1.77 \$ -
	Quart	\$ 0.8963	\$ (0.1210)	\$ 0.1522	\$ 0.0257	\$ 0.95	\$ 0.95 \$ -
	Pint	\$ 0.5016	\$ (0.0677)	\$ 0.0761	\$ 0.0142	\$ 0.52	\$ 0.52 \$ -
	12 Ounce	\$ 0.3836	\$ (0.0518)	\$ 0.0571	\$ 0.0108	\$ 0.40	\$ 0.40 \$ -
	10 Ounce	\$ 0.3582	\$ (0.0484)	\$ 0.0476	\$ 0.0099	\$ 0.37	\$ 0.37 \$ -
	1/2 Pint	\$ 0.2424	\$ (0.0327)	\$ 0.0381	\$ 0.0069	\$ 0.25	\$ 0.26 \$ (0.01)
	4 Ounce	\$ 0.1638	\$ (0.0221)	\$ 0.0190	\$ 0.0045	\$ 0.17	\$ 0.17 \$ -
Bulk per Quart	\$ 0.8338	\$ (0.1126)	\$ 0.1522	\$ 0.0242	\$ 0.90	\$ 0.90 \$ -	

**PENNSYLVANIA MILK MARKETING BOARD**  
**MILK MARKETING AREA 2**

**RETAIL PRICE BUILDUP**  
**DECEMBER 2015 PRICES**

	A EX. 10	B	C	D	E (A+B+C+D)	F	G (E - F)
Container Size	Proposed Wholesale Price	Deepest Discount 13.50%	In-Store Handling \$ 0.1522	Store Profit 2.7%	Proposed Retail Price	Current Retail Price	Increase (Decrease)

EGG NOG	Gallon	\$ 5.6962	\$ (0.7690)	\$ 0.6088	\$ 0.1536	\$ 5.71	\$ 5.74	\$ (0.03)
	1/2 Gallon	\$ 2.9151	\$ (0.3935)	\$ 0.3044	\$ 0.0784	\$ 2.93	\$ 2.93	-
	Quart	\$ 1.5343	\$ (0.2071)	\$ 0.1522	\$ 0.0411	\$ 1.54	\$ 1.54	-
	Pint	\$ 0.8206	\$ (0.1108)	\$ 0.0761	\$ 0.0218	\$ 0.83	\$ 0.83	-
	12 Ounce	\$ 0.6228	\$ (0.0841)	\$ 0.0571	\$ 0.0165	\$ 0.63	\$ 0.63	-
	10 Ounce	\$ 0.5576	\$ (0.0753)	\$ 0.0476	\$ 0.0147	\$ 0.57	\$ 0.57	-
	1/2 Pint	\$ 0.4019	\$ (0.0543)	\$ 0.0381	\$ 0.0107	\$ 0.41	\$ 0.41	-
	4 Ounce	\$ 0.2436	\$ (0.0329)	\$ 0.0190	\$ 0.0064	\$ 0.25	\$ 0.25	-
	Bulk per Quart	\$ 1.4719	\$ (0.1987)	\$ 0.1522	\$ 0.0396	\$ 1.48	\$ 1.49	\$ (0.01)

**PENNSYLVANIA MILK MARKETING BOARD STAFF  
AREA 2 PRICE HEARING – JANUARY 6, 2016  
LIST OF WITNESSES**

The following individuals will testify at the Milk Marketing Area 2 Price Hearing on January 6, 2016 on behalf of the Milk Marketing Board Staff. Copies of their curriculum vitae will be available upon request at the hearing.

**Clifford Ackman**, Milk Marketing Board Statistical Analyst, will testify as an expert witness on milk statistics, related to the selection and validity of the cross section of milk dealers for the Milk Marketing Area, including the prepared testimony which is being provided.

**Gary Gojsovich**, Milk Marketing Board Audit Supervisor, will testify as an expert on milk industry cost accounting and regulation of the milk industry, which includes determining wholesale and retail milk prices, and industry costs including processing, packaging, delivering, and selling milk. His testimony will address the subjects included in his presubmitted testimony, but it is not necessarily limited to the presubmitted testimony.

Date: December 30, 2015

Respectfully submitted,

***Andrew L. Saylor***

Staff Attorney  
Pennsylvania Milk Marketing Board

**PRICE HEARING – AREA 2 – JANUARY 6, 2016  
CERTIFICATE OF SERVICE**

I hereby certify that on December 30, 2015 I have served true and correct copies of the foregoing by email on behalf of the Milk Marketing Board Staff to the following (all of whom will accept service by email):

**Pennsylvania Milk Marketing Board**

Douglas L. Eberly, Esquire, Chief Counsel  
2301 North Cameron Street  
Harrisburg PA 17110  
deberly@pa.gov

**Pennsylvania Association of Milk Dealers**

Wendy Yoviene, Esquire  
Ober, Kaler, Grimes & Shriver  
1401 H Street, NW  
Washington, DC 20005  
wyoviene@ober.com

Carl D Herbein, CPA  
Herbein+Company, Inc  
2763 Century Boulevard  
Reading, PA 19610  
cdherbein@herbein.com

**Pennsylvania Association of Dairy Cooperatives**

Marvin Beshore, Esquire  
130 State Street – PO Box 946  
Harrisburg, PA 17108-0946  
Mbeshore@beshorelaw.com

Dennis J. Schad, Land O'Lakes, Inc.  
405 Park Drive  
Carlisle, PA 17013  
djschad@landolakes.com

Dean Ellinwood  
Dairy Marketing Services  
PO Box 4844  
Syracuse, NY 13221-4844  
Dean.Ellinwood@DairyMarketingServices.com

Troye Cooper  
Maryland & Virginia Milk Producers Cooperative  
Association, Inc.  
1985 Isaac Newton Square West  
Reston, VA 20190  
tcooper@mdvamilk.com

**Pennsylvania Food Merchants**

Kevin Lutkins, Esquire  
PA Food Merchants Association  
1029 Mumma Road – P O Box 870  
Camp Hill, PA 17001-0870  
klutkins@memoco.com

Thomas Price., CPA  
Herbein+Company, Inc.  
2763 Century Boulevard  
Reading, PA 19610  
tjprice@herbein.com

**Pennsylvania Farm Bureau**

John J. Bell, Esquire  
Pennsylvania Farm Bureau  
510 S. 31st Street –P.O. Box 8736  
Camp Hill, PA 17011-8736  
jjbell@pfb.com

**Commonwealth of Pennsylvania, Department of  
Agriculture**

John H. Howard, Esquire  
Pennsylvania Department of Agriculture  
2301 N. Cameron Street  
Harrisburg, PA 17110  
johoward@pa.gov

**Andrew L. Saylor**

Staff Attorney  
Pennsylvania Milk Marketing Board