

# **AREA 4**

## **COST REPLACEMENT HEARING DEALER REBUTTAL EXHIBITS**

**FEBRUARY 3, 2021**

**PMMB AREA 4**

**FEBRUARY 3, 2021 COST REPLACEMENT HEARING**

**INDEX OF REBUTTAL EXHIBITS**

**DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
Rutter Brothers Dairy, Inc., Turkey Hill LP**

Rebuttal Exhibit D1	Ronald W. Mong, CPA Curriculum Vitae
Rebuttal Exhibit D2	Processing, Packaging and Delivery Costs/Point
Rebuttal Exhibit D2-A	Cost Replacement Adjustments for Processing, Packaging and Delivery Costs
Rebuttal Exhibit D3	Summary of Current Container Costs with Adjustments for Shrinkage and Loss and Update to Current Month
Rebuttal Exhibit D3-A	Adjusted Container Costs Compared to Current Month Container Costs
Rebuttal Exhibit D4	Summary of Current Ingredient Costs
Rebuttal Exhibit D4-A	Cost Replacement Adjustments for Ingredients
Rebuttal Exhibit D5	Weighted Cost of Shrinkage and Weighted Costs and Revenues from Bulk Cream and Bulk Milk
Rebuttal Exhibit D6	Butterfat Content of Price Controlled Products
Rebuttal Exhibit D7	Cost Increases (Decreases) for Labor, Insurance and Utility Costs
Rebuttal Exhibit D8	Changes in Diesel Fuel Costs
Rebuttal Exhibit D9	Changes in Heating Fuel Costs (Natural Gas)
Rebuttal Exhibit D10	Adjustments for Container Efficiencies Due to Container Size
Rebuttal Exhibit D11A	Calculation of Minimum Wholesale Price Gallon Reduced Fat Milk (2%)
Rebuttal Exhibit D11B	Calculation of Minimum Wholesale Price Half Pint Flavored Nonfat Milk (Skim)

**Ronald W. Mong, CPA**  
***Curriculum Vitae***

**EDUCATION**

Pennsylvania State University – B.S. Degree in Accounting, High Distinction (1977)

**EMPLOYMENT**

**Herbein + Company, Inc., Reading, PA**

2003 to present

Senior Manager – Dairy Consulting

- Cost benchmarking
- Milk shrinkage reduction projects
- Dairy accounting seminars
- Regulatory issues – PA Milk Marketing Board, Federal Milk Marketing Orders, other state regulatory agencies
- Mergers and acquisitions
- Specialized financial reporting for dairy businesses
- Software installation assistance
- Dairy cost accounting for basic and complex products

**Wilcox Farms, Inc., Roy, WA**

2001 – 2003

Director of Finance & Administration (CFO)

- Developed and implemented a Balanced Financial Scorecard
- Supervised and trained accounting, office, and information technology staff at multiple locations
- Negotiated innovative bank financing package that significantly lowered interest costs
- Successfully managed the financial, banking, and accounting aspects of a significant acquisition

**Herbein Consulting, Inc., Reading, PA**

1999 – 2001

Manager – Dairy Financial Consulting

- Performed a variety of financial consulting services to dairy processing plants of varying sizes, product lines, and locations
- Served as interim CFO for dairy companies during personnel transitions
- Developed content for the IDFA Dairy Cost Accounting workshops

## **Ronald W. Mong, CPA**

### **Schneider's Dairy, Inc., Pittsburgh, PA**

1996 – 1999

General Manager, Mong Dairy Division

- Profitably managed and grew an ice cream manufacturing and dairy distribution business
- Successfully managed transition from non-union to union workforce
- Effectively directed sales, purchasing, personnel, distribution, maintenance, and accounting functions

### **Mong Dairy, Inc., Seneca, PA**

1990 – 1996

President

- Expanded market share and distribution area
- Increased product lines and installed new packaging line
- Effectively positioned company for sale

1979 – 1990

Vice President and Controller

- Selected, planned, and installed first computerized accounting system
- Successfully reorganized work to reduce office staff by 50%
- Increased sales with key accounts
- Developed and implemented financial reporting

### **Arthur Andersen & Co., Pittsburgh, PA**

1977 – 1979

Senior Accountant

- Supervised audit and tax work for a variety of public and private clients

## **PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS**

CPA – Commonwealth of Pennsylvania

Firm Member – Allinial Global

Member – American Institute of Certified Public Accountants (AICPA)

Member – Pennsylvania Institute of Certified Public Accountants (PICPA)

Board of Directors – Pennsylvania Association of Milk Dealers

Board of Directors, Secretary-Treasurer – National Ice Cream Mix Association

Board of Governors & Insurance Committee – Manufacturer's Association of Northwest Pennsylvania

Board of Directors – Oil City Area Chamber of Commerce

Board of Directors (charter) – MilkPEP

Chairman of the Board – Oil City Housing Authority

**Ronald W. Mong, CPA**

**PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS (Cont'd)**

Board of Directors – Venango County United Way

Chairman of Administrative Board – Calvary United Methodist Church

Distinguished Service Award – Oil City Jaycees

**COURSES INSTRUCTED**

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 16, 2006

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 16, 2007

Dairylea Cooperative – Dairy Accounting 101 & 102 – May 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 14, 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 13, 2009

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – May 11-12, 2010

Dean Foods – Northeast Marketing Area Federal Order 1 – July 20-21, 2010

International Dairy Foods Association (IDFA) NEW Dairy Cost Accounting Workshop – May 11, 2011

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 15-16, 2012

Farmland Dairy – Dairy Accounting Workshop – August 21-22, 2012

Wawa – Dairy Accounting Workshop – November 7, 2012

HP Hood – Dairy Accounting Workshop – February 12-13, 2013

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 14-15, 2013

Saputo Dairy – Dairy Accounting Workshop – April 15, 2014

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 20-21, 2014

Webinar – Intro to Dairy Product Costing – September 10, 2014

Webinar – Applying Dairy Product Costing to Finished Products – September 17, 2014

Webinar – Advanced Milk Accounting Topics – September 24, 2014

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 12-13, 2015

Rutter's – Dairy Accounting Workshop – November 4, 2015

Dean Foods – Dairy Accounting Workshop – April 27, 2016

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop –  
November 16-17, 2016

Kemps LLC – Dairy Accounting Workshop – December 15, 2016

Byrne Dairy – Dairy Accounting Workshop – April 11-12, 2017

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop –  
December 12-13, 2017

Dean Foods – Dairy Accounting Workshop – January 10, 2018

Webinar Series – California Federal Milk Marketing Order – September 13, 20, & 27, 2018

Dairy Institute of California - Milk Pricing & Cost Accounting Workshop – October 17-18, 2018,  
October 24-25, 2018

**Ronald W. Mong, CPA**

**COURSES INSTRUCTED (Cont'd)**

Readington Farms - Milk Pricing & Cost Accounting Workshop – January 14-15, 2019

Maryland & Virginia Milk Producers Cooperative - Milk Pricing & Cost Accounting Workshop –  
January 31- February 1, 2019

Johanna Foods- Milk Pricing & Cost Accounting Workshop – July 29-30, 2019

Dairy Farmers of America- Milk Pricing & Cost Accounting Workshop – September 19-20, 2019

SmithFoods- Milk Pricing & Cost Accounting Workshop – June 23-26, 2020

**SPECIFIC DAIRY RELATED EXPERIENCE**

Considerable experience in implementing the prices and regulations of the Pennsylvania Milk Marketing Board; has presented sworn testimony in General Price Hearings.

Extensive experience in costing, pricing, and marketing of milk, cultured products, and ice cream.

Significant experience in production, distribution, and quality assurance of dairy products.

Management experience includes both union and non-union environments.

Great deal of experience in the installation and ongoing operation of the major computerized route accounting systems.

Served on the Charter of Board of Directors of the National Fluid Milk Promotion Board (MilkPEP), the group that developed the now-famous “milk mustache” ads.

**EXPERT WITNESS TESTIMONY**

Pennsylvania Milk Marketing Board – Expert Testimony – Over Price Premium Adjustment Hearing (hearing held February 2, 2005)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 5 and Area 6 Cost Replacement Hearings (hearings held on March 11, 2019)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 2 and Area 4 Cost Replacement Hearings (hearings held on April 3 and May 1, 2019)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 1 and Area 3 Cost Replacement Hearings (hearings held on May 1, 2019)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 3, Area 5, and Area 6 Cost Replacement Hearings (hearings held on November 6, 2019)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 1, Area 2, and Area 4 Cost Replacement Hearings (hearings held on December 4, 2019)

Pennsylvania Milk Marketing Board – Expert Testimony – Over Price Premium Calculation Hearing (hearings held on August 5, 2020)

Pennsylvania Milk Marketing Board – Expert Testimony – Cooperative Procurement Costs (hearings held on October 5, 2020)

PMMB AREA 4

FEBRUARY 3, 2021 COST REPLACEMENT HEARING

PROCESSING, PACKAGING AND DELIVERY COSTS/POINT  
(WEIGHTED AVERAGE BASED ON SALES IN AREA 4)

DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
Rutter Brothers Dairy, Inc., Turkey Hill LP

<u>Cost Center</u>	<u>Total 2019 Points in PMMB Area 4 (1)</u>	<u>Weighted Average 2019 Cost/Point (1)</u>
Receiving, lab and field work	155,803,570	\$ 0.0207
Standardization and pasteurization	311,103,844	0.0155
Bottling	275,566,728	0.0456
Cold room	290,548,816	0.0414
Delivery	150,407,304	0.0921
Selling	132,636,927	0.0287
		<u>\$ 0.2440</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 4 for the cross-section dealers.

PMMB AREA 4

FEBRUARY 3, 2021 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
 LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
 Rutter Brothers Dairy, Inc., Turkey Hill LP

	<b>2019 Weighted Average Cost/Point</b>	<b>2018 Cost/Point Included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Receiving, lab and field work	\$0.0207	\$0.0206	\$0.0001
Standardization and pasteurization	0.0155	0.0144	0.0011
Bottling	0.0456	0.0423	0.0033
Cold room	0.0414	0.0384	0.0030
Delivery	0.0921	0.0999	(0.0078)
Selling	<u>0.0287</u>	<u>0.0285</u>	<u>0.0002</u>
Sub total	\$0.2440	\$0.2441	(\$0.0001)
Add:			
2020 Cost increase (decrease) adjustment - Exhibit D7			(0.0002)
Less:			
2019 Cost (increase) decrease adjustment (1)			<u>0.0005</u>
Net change			<u>\$0.0002</u>



**PMMB AREA 4**  
**FEBRUARY 3, 2021 COST REPLACEMENT HEARING**

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

**DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
Rutter Brothers Dairy, Inc., Turkey Hill LP**

Container Size	Adjust from		Subtotal	Calculated Shrinkage and Loss (4)	Shrinkage Cost	Total Container Cost
	April 2020 Container Cost (1)	April 2020 to December 2020 - Current (2)				
Gallon (5)	\$ 0.2040	\$ (0.0255)	\$0.1785	1.16%	\$ 0.0021	\$ 0.1806
1/2 gallon - plastic	0.1511					
1/2 gallon - paper	(3)					
gallon - blended (5)	<u>0.1511</u>	(0.0134)	0.1377	1.25%	0.0017	0.1394
Quart - plastic	0.1199					
Quart - paper	(3)					
Quart - blended (5)	<u>0.1199</u>	0.0147	0.1346	1.57%	0.0021	0.1367
Pint - plastic	0.1274					
Pint - paper	<u>0.0366</u>					
Pint - blended (5)	<u>0.1256</u>	0.0028	0.1284	1.62%	0.0021	0.1305
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.0704	(0.0001)	0.0703	0.92%	0.0006	0.0709
1/2 pint - paper (5)	0.0245	0.0005	0.0250	0.85%	0.0002	0.0252
Four ounce - paper	0.0284		0.0284	1.53%	0.0004	0.0288
Dispenser	0.0453		0.0453	1.30%	0.0006	0.0459

(1) For containers not purchased in April 2020 the most recent invoice was used.

(2) October 2020 container costs were used by the PMMB to establish minimum resale prices for December 2020.

(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 monthly when the PMMB minimum resale prices are announced.

PMMB AREA 4

FEBRUARY 3, 2021 COST REPLACEMENT HEARING

ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH  
CONTAINER COSTS – DECEMBER 2020

DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
Rutter Brothers Dairy, Inc., Turkey Hill LP

<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)	\$ 0.1806	\$ 0.1711	\$ 0.0095
Half Gallon (2)	0.1394	0.1287	0.0107
Quart (2)	0.1367	0.1387	(0.0020)
Pint (2)	0.1305	0.1303	0.0002
1/2 pint - plastic (2)	0.0709	0.0714	(0.0005)
1/2 pint - paper (2)	0.0252	0.0263	(0.0011)
Four ounce - paper	0.0288	0.0315	(0.0027)
Dispenser (per quart)	0.0459	0.0475	(0.0016)

(1) Per General Order No. A-963 (CRO 10) as updated.

(2) These container costs to be updated monthly.

PMMB AREA 4

FEBRUARY 3, 2021 COST REPLACEMENT HEARING

SUMMARY OF INGREDIENT COSTS  
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 4)

DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
Rutter Brothers Dairy, Inc., Turkey Hill LP

	April 2020 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Lowfat (1%) milk	.0002
Nonfat (skim) milk	.0026
Flavored milk	.0441
Flavored reduced fat milk	.0383
Flavored nonfat milk	.0260
Buttermilk	.0419
Eggnog	.2365

(1) For ingredients not purchased in April 2020 the most recent invoice was used.

PMMB AREA 4

FEBRUARY 3, 2021 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP

	April 2020 Weighted Average Cost/Pound	Cost/Pound included in Existing Order (1)	Increase (Decrease)
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0001	0.0000
Lowfat milk (1%)	0.0002	0.0002	0.0000
Nonfat milk (skim)	0.0026	0.0024	0.0002
Flavored milk (2)	0.0441	0.0443	(0.0002)
Flavored reduced fat milk (2)	0.0383	0.0368	0.0015
Flavored nonfat milk (2)	0.0260	0.0266	(0.0006)
Buttermilk	0.0419	0.0385	0.0034
Eggnog	0.2365	0.1720	0.0645

(1) Per General Order OGO A-963 (CRO 10) as updated for flavored milks on October 1, 2020.

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

**PMMB AREA 4**  
**FEBRUARY 3, 2021 COST REPLACEMENT HEARING**  
**WEIGHTED COST OF SHRINKAGE AND WEIGHTED COSTS AND REVENUES FROM BULK CREAM AND BULK MILK**  
**DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,**  
**LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,**  
**Rutter Brothers Dairy, Inc., Turkey Hill LP**

<u>PMMB Area 4</u>	<u>Costs</u>	<u>Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds</u>	<u>Weighted Cost (Revenue) Per</u>
Shrinkage	\$ 1,201,504		\$ 1,201,504		
Bulk milk revenue minus milk costs		(32,987)			
Bulk milk cost center costs & freight	3,953				
Net bulk milk cost (revenue)			36,940		
Bulk cream revenue minus milk costs		958,488			
Bulk cream cost center costs	278,408				
Net bulk cream cost (revenue)			(680,080)		
Total	<u>\$ 1,483,865</u>	<u>\$ 925,501</u>			
Net cost (net revenue) - calendar year 2019			\$ 558,364	286,466,209	\$ 0.0019
Net cost (net revenue) in current order - calendar year 2018			<u>\$ 77,152</u>	287,093,951	<u>0.0003</u>
Net change - cost increase (cost reduction)			<u>\$ 481,212</u>		<u>\$ 0.0016</u>

## PMMB AREA 4

## FEBRUARY 3, 2021 COST REPLACEMENT HEARING

## BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
 LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
 Rutter Brothers Dairy, Inc., Turkey Hill LP

	<b>2019 Weighted Average Butterfat Test</b>	<b>Butterfat Test included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	3.3041%	3.3030%	0.0011%
Reduced fat milk (2%)	1.9890%	2.0013%	-0.0123%
Lowfat milk (1%)	0.9788%	0.9868%	-0.0080%
Nonfat milk (skim)	0.0974%	0.1014%	-0.0040%
Flavored milk	3.3664%	3.3647%	0.0017%
Flavored reduced fat milk	1.1048%	1.0387%	0.0661%
Flavored nonfat milk	0.0196%	0.0488%	-0.0292%
Buttermilk	0.9997%	0.9991%	0.0006%
Eggnog	7.0596%	7.1482%	-0.0886%

(1) Per General Order No. A-963 (CRO 10)

## PMMB AREA 4

## FEBRUARY 3, 2021 COST REPLACEMENT HEARING

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

DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
 LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
 Rutter Brothers Dairy, Inc., Turkey Hill LP

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
	2020	2019	2020	2019	2020	2019	
Labor and fringe benefits	\$ 19,377,691	\$ 17,590,043	140,446,204	126,541,181	\$ 0.1380	\$ 0.1390	(\$0.0010)
Utilities	755,365	672,428	140,446,204	126,541,181	0.0054	0.0053	0.0001
Insurance	652,467	499,802	140,446,204	126,541,181	0.0046	0.0039	0.0007
					<u>\$0.1480</u>	<u>\$0.1482</u>	<u>(\$0.0002)</u>

(1) Weighted based on sales in PMMB Area 4

PMMB AREA 4

FEBRUARY 3, 2021 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP

Diesel fuel costs – calendar year 2019 (1)	\$1,533,643
Delivery points – calendar year 2019 (1)	<u>150,407,304</u>
Diesel fuel cost per point delivered	<u>\$0.0102</u>
Average diesel price – calendar year 2019 (2)	\$3.267
Average diesel price – October 2020 (2) (3)	<u>\$2.651</u>
Increase (decrease) from year 2019 to month October 2020	-18.86%
Increase (decrease) in diesel fuel cost per point delivered	<u>(\$0.0019)</u>

- (1) Costs of cross-section dealers weighted by sales in Area 4.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) October 2020 diesel fuel costs were used by the PMMB in establishing minimum prices for December 2020.



PMMB AREA 4

FEBRUARY 3, 2021 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid, LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc., Rutter Brothers Dairy, Inc., Turkey Hill LP

Heating fuel costs – calendar year 2019 (1)	\$131,159
Standardization & pasteurization points – calendar year 2019 (1)	319,975,057
	<hr/>
Heating fuel cost per point pasteurized	<u>\$0.0004</u>
Average heating fuel costs – calendar year 2019 (2)	\$8.68
Average heating fuel costs – August 2020 (2) (3)	<u>8.35</u>
Increase (decrease) from year 2019 to month August 2020	-3.80%
Increase (decrease) in heating fuel cost per point pasteurized	<u>\$0.0000</u>

- (1) Costs of cross-section dealers weighted by sales in Area 4.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) August 2020 natural gas costs were used by the PMMB in establishing minimum prices for December 2020.

**PMMB AREA 4  
FEBRUARY 3, 2021 COST REPLACEMENT HEARING**

**ADJUSTMENTS FOR CONTAINER EFFICIENCIES  
DUE TO CONTAINER SIZE**

**DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
Rutter Brothers Dairy, Inc., Turkey Hill LP**

<u>Container Size</u>	<u>Container Quantities Sold by Cross-Section Dealers in 2019 in Area 4</u>	<u>Proposed Container Efficiency Adjustments</u>	<u>Impact on Cross-Section Dealer Revenue</u>	<u>Container Efficiency Adjustments in Current Order (1)</u>	<u>Impact on Cross-Section Dealer Revenue</u>
Gallon	14,826,213	\$ (0.0948)	\$ (1,405,525)	\$ (0.0817)	\$ (1,211,302)
Half gallon	14,307,382	(0.0438)	(626,663)	(0.0404)	(578,018)
Quart	3,548,966	0.0201	71,334	0.0208	73,818
Pint	6,641,581	0.0866	575,161	0.0914	607,041
Half pint - plastic	4,394,115	0.0255	112,050	0.0245	107,656
Half pint - paper	47,553,018	0.0255	1,212,602	0.0245	1,165,049
4 oz.	859,426	0.0358	30,767	0.0338	29,049
Dispenser (per quart)	1,001,564	0.0294	<u>29,446</u>	0.0236	<u>23,637</u>
Net impact on cross-section dealer revenues			<u>\$ (828)</u>		<u>\$ 216,930</u>

(1) Per OGO A-963 (CRO 10) as updated.

**PMMB AREA 4**  
**FEBRUARY 3, 2021 COST REPLACEMENT HEARING**  
**CALCULATION OF WHOLESALE MINIMUM PRICE**  
**GALLON REDUCED FAT MILK (2%) FOR OCTOBER 2019**  
**DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,**  
**LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,**  
**Rutter Brothers Dairy, Inc., Turkey Hill LP**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9890%	2.0013%	-0.0123%
Butterfat price as announced by PMMB	(1)	\$ 1.6192 per lb.	\$ 1.6192 per lb.	
Extended butterfat value		\$ 0.0322 per lb.	\$ 0.0324 per lb.	
Skim price as announced by PMMB	(1)	\$ 19.24 per cwt.	\$ 19.24 per cwt.	
Extended skim value		\$ 0.1886 per lb.	\$ 0.1885 per lb.	
Total milk value at announced prices		<u>\$ 0.2208 per lb.</u>	<u>\$ 0.2210 per lb.</u>	<u>\$(0.0002)</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	0.0019	0.0003	
Total milk cost per pound		<u>\$ 0.2228 per lb.</u>	<u>\$ 0.2214 per lb.</u>	<u>\$ 0.0014</u>
Pounds per gallon (conversion)		8.62	8.62	
Total milk cost per gallon		<u>\$ 1.9205</u>	<u>\$ 1.9085</u>	<u>\$ 0.0120</u>
Container cost (adjusted for shrinkage)	D3	0.1806 each	0.1711 each	0.0095
Cost center costs	D2	0.9760	0.9764	(0.0004)
1st half 2020 to 1st half 2019 adjustment	D7	(0.0008)	(0.0020)	0.0012
Container efficiency adjustment	D10	(0.0948)	(0.0817)	(0.0131)
Percentage discount adjustment	(3)	0.0040	0.0040	-
Diesel fuel adjustment	D8	(0.0076)	(0.0092)	0.0016
Heating fuels adjustment	D9	-	-	-
		<u>\$ 2.9779 each</u>	<u>\$ 2.9671 each</u>	<u>\$ 0.0108</u>
Dealer profit at 3.5%	(2)	<u>0.1080</u>	<u>0.1076</u>	<u>\$ 0.0004</u>
Subtotal		<u>\$ 3.0859 each</u>	<u>\$ 3.0747 each</u>	<u>\$ 0.0112</u>
Less: average delivery cost	(2)	(0.4352)	(0.4352)	
Add: high cost delivery	(2)	0.9664	0.9664	
<b>Wholesale minimum price</b>		<u><b>\$ 3.6171 each</b></u>	<u><b>\$ 3.6059 each</b></u>	<u><b>\$ 0.0112</b></u>

(1) As announced for December 2020 by PMMB on November 19, 2020.

(2) Per OGO A-963 (CRO 10) as updated.

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

**PMMB AREA 4  
FEBRUARY 3, 2021 COST REPLACEMENT HEARING**

**CALCULATION OF WHOLESALE MINIMUM PRICE  
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR OCTOBER 2019  
DFA Dairy Brands Fluid, LLC - Lebanon, DFA Dairy Brands Fluid,  
LLC – Schuylkill, Galliker Dairy (Johnstown), Harrisburg Dairies Inc.,  
Rutter Brothers Dairy, Inc., Turkey Hill LP**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.0196%	0.0488%	-0.0292%
Butterfat price as announced by PMMB	(1)	\$ 1.6192 per lb.	\$ 1.6192 per lb.	
Extended butterfat value		\$ 0.0003 per lb.	\$ 0.0008 per lb.	
Skim price as announced by PMMB	(1)	\$ 19.24 per cwt.	\$ 19.24 per cwt.	
Extended skim value		\$ 0.1924 per lb.	\$ 0.1923 per lb.	
Total milk value at announced prices		<u>\$ 0.1927 per lb.</u>	<u>\$ 0.1931 per lb.</u>	<u>\$(0.0004)</u>
Ingredient cost	D4	0.0260	0.0266	
Cost of shrinkage / bulk milk & cream	D5	0.0019	0.0003	
Total milk cost per pound		<u>\$ 0.2206 per lb.</u>	<u>\$ 0.2200 per lb.</u>	<u>\$ 0.0006</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		<u>\$ 0.1103</u>	<u>\$ 0.1100</u>	<u>\$ 0.0003</u>
Container cost (adjusted for shrinkage)	D3	0.0252 each	0.0263 each	(0.0011)
Cost center costs	D2	0.0610	0.0610	-
1st half 2020 to 1st half 2019 adjustment	D7	(0.0001)	(0.0001)	-
Container efficiency adjustment	D10	0.0255	0.0245	0.0010
Percentage discount adjustment	(3)	0.0003	0.0003	-
Diesel fuel adjustment	D8	(0.0005)	(0.0006)	0.0001
Heating fuels adjustment	D9	-	-	-
		<u>\$ 0.2217 each</u>	<u>\$ 0.2214 each</u>	<u>\$ 0.0003</u>
Dealer profit at 3.5%	(2)	0.0080	0.0080	\$ -
Subtotal		<u>\$ 0.2297 each</u>	<u>\$ 0.2294 each</u>	<u>\$ 0.0003</u>
Less: average delivery cost	(2)	(0.0272)	(0.0272)	
Add: high cost delivery	(2)	0.0604	0.0604	
<b>Wholesale minimum price</b>		<u><b>\$ 0.2629 each</b></u>	<u><b>\$ 0.2626 each</b></u>	<u><b>\$ 0.0003</b></u>

(1) As announced for December 2020 by PMMB on November 19, 2020.

(2) Per OGO A-963 (CRO 10) as updated.

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