

Illustration of Impact of Cooperative Procurement Charge on Wholesale and Retail Minimum Prices, 2% Gallon

		Status Quo		When Added to Processing Cost				When Added to Cost of Milk			
		Minimum Price Mark-up Without Cooperative Procurement Charge		After Cooperative Procurement Charge		Change		After Cooperative Procurement Charge		Change	
Assumed	Coop %	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail
Area 1	100%	\$ 1.7214	\$ 1.73	\$ 1.7472	\$ 1.75	\$ 0.0258	\$ 0.02	\$ 1.7473	\$ 1.75	\$ 0.0259	\$ 0.02
Area 2	40%	\$ 1.3098	\$ 1.31	\$ 1.3202	\$ 1.33	\$ 0.0104	\$ 0.02	\$ 1.3202	\$ 1.32	\$ 0.0104	\$ 0.01
Area 3	30%	\$ 1.4529	\$ 1.46	\$ 1.4607	\$ 1.47	\$ 0.0078	\$ 0.01	\$ 1.4607	\$ 1.47	\$ 0.0078	\$ 0.01
Area 4	50%	\$ 1.5028	\$ 1.13	\$ 1.5158	\$ 1.14	\$ 0.0130	\$ 0.01	\$ 1.5163	\$ 1.14	\$ 0.0135	\$ 0.01
Area 5	10%	\$ 1.7536	\$ 1.76	\$ 1.7562	\$ 1.76	\$ 0.0026	\$ -	\$ 1.7563	\$ 1.76	\$ 0.0027	\$ -
Area 6	5%	\$ 1.8144	\$ 1.63	\$ 1.8157	\$ 1.63	\$ 0.0013	\$ -	\$ 1.8154	\$ 1.63	\$ 0.0010	\$ -

Assumptions: Using \$.29/cwt as Cooperative Procurement Charge

Methodology: Inputs were made into the price calculation spreadsheets on the Board website on May 15, 2019. Methodology detailed below.
 Conclusion: The impact to wholesale or retail is exactly the same, or very nearly the same. Any dilution effect when added to the processing costs is the same dilution that would occur with the same costs of the dealers.

Step-by-step methodology using Area 1 as an example:

- Download the spreadsheet:** To get the spread sheet (1) On PMMB web site, click "wholesale & retail prices" link; (2) Click "Area 1" and download the xls file; (3) on the "Input" sheet, select the rows from 37 down to 80 and change the font color to black; (4) "unhide" the sheet named "RAW" by right-clicking on the sheet/tab name "INPUT" or on "SCHEDULES"; then select "unhide" and "Raw". (5) Now you have the revealed spreadsheet for Area 1. Save it. (6) Repeat the procedure for the other Areas.
- Current prices:** Note the default or status quo prices for a wholesale 2% gallon and a retail 2% gallon by going to the "Schedules" tab/sheet and noting the price for 2% Gallon wholesale (top chart) and retail (lower chart);
- Adding to "processing cost":** To generate the change in wholesale and retail prices by adding the cooperative procurement charge to the "processing cost": (1) go to "input" tab/sheet and in cell A40 put "CPC per point" for Cooperative Procurement Charge per point"; then input \$.006235 in cell B40; (2) then in cell A41 put "Coop %" for the percentage of cooperative milk subject to the charge and in cell B41 put 100% for Area 1; (3) Then go to cell B39 and make the formula: $(=.3119+b40*b41)$; (4) then go back to the "schedules" tab and note the new wholesale and retail prices for a 2% gallon. (4) Subtract the prior price(s) from the new price(s) to get the difference caused by the additional "processing cost" of \$.006235 per point.
- Adding to "cost of milk":** To generate the change in wholesale and retail prices by adding the cooperative procurement charge to the "cost of milk": (1) Reset the spreadsheet by deleting the date added in cell B40 and B41 of the Input tab/sheet; (2) note the re-set wholesale and retail prices for 2% gallons; (2) go to the "RAW" tab/sheet and insert a new column between "H" and "I" and label it "CPC" [coop procurement charge]; then enter \$.0029 (per pound) times the cooperative % into the new CPC column on line 13; (3) then go to the "SCHEDULES" tab/sheet and note the new wholesale and retail prices for a 2% gallon; (4) Subtract the original wholesale price(s) from the new wholesale price(s) to get the difference caused by the additional \$.0029 "cost of milk" per pound.

Repeat the same process for each Area with the downloaded spreadsheet for that Area.