

AREA 2

COST REPLACEMENT HEARING DEALER REBUTTAL EXHIBITS

March 2, 2022

PMMB AREA 2

MARCH 2, 2022 COST REPLACEMENT HEARING

INDEX OF REBUTTAL EXHIBITS

**Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC, Wawa Beverage Company**

Rebuttal Exhibit D1	Alexandra Albright, 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)

Alexandra Albright, CPA

Curriculum Vitae

EDUCATION

Mercyhurst University – B.A. Degree in Accounting and Finance

EMPLOYMENT

Herbein + Company, Inc., Reading, PA

2020 to present

Manager – Dairy Consulting

- Cost benchmarking
- Milk shrinkage reduction projects
- Dairy accounting seminars, including Dairy 101, for private clients and industry
- Regulatory assistance with PMMB, USDA and other state agencies
- Financial reporting for dairy businesses subject to dairy price regulation
- Dairy cost accounting for basic and complex products
- Preparation of cost replacement exhibits

MicroStrategy, Inc., Tysons Corner, VA

2019 – 2020

Internal Auditor

- Performed risk evaluations for audit areas
- Performed operational, financial, and IT compliance audits
- Drafted audit reports
- Help to implement Workiva (an audit tool)

SEK, Inc., Chambersburg, PA

2017 – 2019

Staff accountant – Audit

- Performed audits, compilations, reviews, and tax engagements
- Prepared 990s, 1065s, 1040s, 1120s, and Schedule Ks
- Summarized census data and investment activity for pension department

AJARALA Holsteins, Landisburg, PA

2001– 2011

Grew up on dairy farm, milking and caring for cows and the facility

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)

PMMB AREA 2

MARCH 2, 2022 COST REPLACEMENT HEARING

PROCESSING, PACKAGING AND DELIVERY COSTS/POINT
(WEIGHTED AVERAGE BASED ON SALES IN AREA 2)

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC

<u>Cost Center</u>	<u>Total 2020 Points in PMMB Area 2 (1)</u>	<u>Weighted Average 2020 Cost/Point (1)</u>
Receiving, lab and field work	65,880,694	\$ 0.0180
Standardization and pasteurization	93,435,298	0.0198
Bottling	88,083,662	0.0465
Cold room	99,674,266	0.0417
Delivery	69,748,128	0.1181
Selling	73,242,159	0.0233
		<u>\$ 0.2674</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 2 for the cross-section dealers.

PMMB AREA 2

MARCH 2, 2022 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
 DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
 Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
 Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

	2020 Weighted Average Cost/Point	2019 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0180	\$0.0147	\$0.0033
Standardization and pasteurization	0.0198	0.0198	0.0000
Bottling	0.0465	0.0452	0.0013
Cold room	0.0417	0.0407	0.0010
Delivery	0.1181	0.1261	(0.0080)
Selling	<u>0.0233</u>	<u>0.0199</u>	<u>0.0034</u>
Sub total	\$0.2674	\$0.2664	\$0.0010
Add:			
2021 Cost increase (decrease) adjustment - Exhibit D7			0.0015
Less:			
2020 Cost (increase) decrease adjustment (1)			<u>(0.0055)</u>
Net change			<u><u>(\$0.0030)</u></u>

PMMB AREA 2
MARCH 2, 2022 COST REPLACEMENT HEARING

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

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

Container Size	April 2021 Container Cost (1)	Adjust from April 2021 to December 2021 - Current (2)	Subtotal	Calculated Shrinkage and Loss (4)	Shrinkage Cost	Total Container Cost
Gallon (5)	\$ 0.2189	\$ 0.0469	\$ 0.2658	1.55%	\$ 0.0041	\$ 0.2699
1/2 gallon - plastic	0.1618					
1/2 gallon - paper	(3)					
1/2 gallon - blended (5)	<u>0.1618</u>	0.0300	0.1918	1.22%	0.0023	0.1941
Quart - plastic	0.1557					
Quart - paper	0.0898					
Quart - blended (5)	<u>0.1540</u>	0.0359	0.1899	1.57%	0.0030	0.1929
Pint - plastic	0.1110					
Pint - paper	0.0540					
Pint - blended (5)	<u>0.1089</u>	0.0171	0.1260	1.62%	0.0020	0.1280
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.0953	(0.0001)	0.0952	0.92%	0.0009	0.0961
1/2 pint - paper (5)	0.0339	(0.0076)	0.0263	0.85%	0.0002	0.0265
Four ounce - paper	0.0299		0.0299	1.53%	0.0005	0.0304
Dispenser	0.0611		0.0611	1.30%	0.0008	0.0619

- (1) For containers not purchased in April 2021 the most recent invoice was used.
- (2) October 2021 container costs were used by the PMMB to establish minimum resale prices for December 2021.
- (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 2

MARCH 2, 2022 COST REPLACEMENT HEARING

ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH (DECEMBER 2021)
CONTAINER COSTS

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

<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)	\$ 0.2699	\$ 0.2676	\$ 0.0023
Half Gallon (2)	0.1941	0.1968	(0.0027)
Quart (2)	0.1929	0.1886	0.0043
Pint (2)	0.1280	0.1240	0.0040
1/2 pint - plastic (2)	0.0961	0.0963	(0.0002)
1/2 pint - paper (2)	0.0265	0.0251	0.0014
Four ounce - paper	0.0304	0.0266	0.0038
Dispenser (per quart)	0.0619	0.0551	0.0068

(1) Per General Order No. A-953 (CRO 12) as updated.

(2) These container costs to be updated monthly.

PMMB AREA 2

MARCH 2, 2022 COST REPLACEMENT HEARING

SUMMARY OF INGREDIENT COSTS
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 2)

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

	April 2021 Ingredient Cost Per Pound (1)
	<hr/>
Standard	\$.0000
Reduced fat (2%) milk	.0001
Lowfat (1%) milk	.0001
Nonfat (skim) milk	.0004
Flavored milk	.0368
Flavored reduced fat milk	.0317
Flavored nonfat milk	.0284
Buttermilk	(2)
Eggnog	.2277

(1) For ingredients not purchased in April 2021 the most recent invoice was used.

(2) Buttermilk is not processed and packaged by any of the Area 2 cross-section dealers.

PMMB AREA 2

MARCH 2, 2022 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
 DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
 Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
 Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

	<u>April 2021 Weighted Average Cost/Pound</u>	<u>Cost/Pound included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
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)	0.0004	0.0003	0.0001
Flavored milk (2)	0.0368	0.0357	0.0011
Flavored reduced fat milk (2)	0.0317	0.0314	0.0003
Flavored nonfat milk (2)	0.0284	0.0241	0.0043
Buttermilk	(3)	(3)	
Eggnog	0.2277	0.2297	(0.0020)

(1) Per General Order OGO A-953 (CRO 12) as updated for flavored milks on December 1, 2021.

(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.

(3) Buttermilk is not processed and packaged by any of the Area 2 cross-section dealers.

PMMB AREA 2
MARCH 2, 2022 COST REPLACEMENT HEARING
WEIGHTED COST OF SHRINKAGE AND WEIGHTED COSTS AND REVENUES FROM BULK CREAM AND BULK MILK

**Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,**

<u>PMMB Area 2</u>	<u>Costs</u>	<u>Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds (1)</u>	<u>Weighted Cost (Revenue) Per Pound</u>
Shrinkage	\$ 401,279		\$ 401,279		
Bulk milk revenue minus milk costs		117,143			
Bulk milk cost center costs & freight	112,197				
Net bulk milk cost (revenue)			(4,946)		
Bulk cream revenue minus milk costs		214,636			
Bulk cream cost center costs	104,675				
Net bulk cream cost (revenue)			(109,961)		
Total	<u>\$ 618,151</u>	<u>\$ 331,779</u>			
Net cost (net revenue) - calendar year 2020			\$ 286,372	126,633,573	\$ 0.0023
Net cost (net revenue) in current order - calendar year 2019			<u>\$ 319,681</u>	128,100,182	<u>\$ 0.0025</u>
Net change - cost increase (cost reduction)			<u>\$ (33,309)</u>		<u>\$ (0.0002)</u>

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MARCH 2, 2022 COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
 DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
 Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
 Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

	2020 Weighted Average Butterfat Test	Butterfat Test included in Existing Order (1)	Increase (Decrease)
Standard milk	3.2657%	3.2670%	-0.0013%
Reduced fat milk (2%)	1.9738%	1.9868%	-0.0130%
Lowfat milk (1%)	0.9857%	0.9807%	0.0050%
Nonfat milk (skim)	0.0718%	0.0745%	-0.0027%
Flavored milk	3.2556%	3.2456%	0.0100%
Flavored reduced fat milk	0.9697%	0.9678%	0.0019%
Flavored nonfat milk	0.0240%	0.0495%	-0.0255%
Buttermilk	(2)	(2)	
Eggnog	7.1196%	7.1689%	-0.0493%

(1) Per General Order No. A-953 (CRO 12)

(2) Buttermilk is not processed and packaged by any of the Area 2 cross-section dealers.

PMMB AREA 2

MARCH 2, 2022 COST REPLACEMENT HEARING

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

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

Type of Expense	Weighted Expenses for the Six Months Ended June 30 (1)		Weighted Points for the Six Months Ended June 30 (1)		Cost Per Point		Increase (Decrease) Per Point
	2021	2020	2021	2020	2021	2020	
Labor and fringe benefits	\$6,786,544	\$7,143,786	47,521,546	49,386,225	\$ 0.1428	\$ 0.1447	(\$0.0019)
Utilities	\$327,222	\$342,128	47,521,546	49,386,225	0.0069	0.0069	0.0000
Insurance	\$300,009	\$158,492	47,521,546	49,386,225	0.0063	0.0032	0.0031
					<u>\$0.1560</u>	<u>\$0.1548</u>	<u>\$0.0012</u>

(1) Weighted based on sales in PMMB Area 2

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MARCH 2, 2022 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
 DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
 Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
 Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

Diesel fuel costs – calendar year 2020 (1)	\$542,652
Delivery points – calendar year 2020 (1)	<u>69,748,128</u>
Diesel fuel cost per point delivered	<u><u>\$0.0078</u></u>
Average diesel price – calendar year 2020 (2)	\$2.806
Average diesel price – October 2021 (2) (3)	<u>\$3.730</u>
Increase (decrease) from year 2020 to month October 2021	32.93%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>\$0.0026</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 2.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) October 2021 diesel fuel costs were used by the PMMB in establishing minimum prices for December 2021.

PMMB AREA 2

MARCH 2, 2022 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
 DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
 Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
 Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

Heating fuel costs – calendar year 2020 (1)	\$84,996
Standardization & pasteurization points – calendar year 2020 (1)	93,435,298
	<hr/>
Heating fuel cost per point pasteurized	<u>\$0.0009</u>
Average heating fuel costs – calendar year 2020 (2)	\$7.99
Average heating fuel costs – August 2021 (2) (3)	<u>7.58</u>
Increase (decrease) from year 2020 to month August 2021	-5.13%
Increase (decrease) in heating fuel cost per point pasteurized	<u>\$0.0000</u>

- (1) Costs of cross-section dealers weighted by sales in Area 2.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) August 2021 natural gas costs were used by the PMMB in establishing minimum prices for December 2021.

PMMB AREA 2
MARCH 2, 2022 COST REPLACEMENT HEARING

ADJUSTMENTS FOR CONTAINER EFFICIENCIES
DUE TO CONTAINER SIZE

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

<u>Container Size</u>	<u>Container Quantities Sold by Cross-Section Dealers in 2020 in Area 2</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 Without Adjustment</u>
Gallon	7,876,968	\$ (0.0754)	\$ (593,923)	\$ (0.0828)	\$ (652,213)
Half Gallon	7,235,199	(0.0142)	(102,740)	(0.0251)	(181,603)
Quart	2,523,203	0.0556	140,290	0.0363	91,592
Pint	1,854,097	0.0554	102,717	0.0381	70,641
Half Pint - Plastic	364,456	0.0257	9,367	0.0395	14,396
Half Pint - Paper	11,825,885	0.0257	303,925	0.0214	253,074
4 oz.	247,875	0.0394	9,766	0.0336	8,329
Dispenser (per quart)	936,172	0.1401	<u>131,158</u>	0.1000	<u>93,617</u>
Net impact on cross-section dealer revenues			<u>\$ 560</u>		<u>\$ (302,167)</u>

(1) Per OGO A-953 (CRO 12) as updated.

PMMB AREA 2

MARCH 2, 2022 COST REPLACEMENT HEARING

CALCULATION OF WHOLESALE MINIMUM PRICE

GALLON REDUCED FAT MILK (2%) FOR OCTOBER 2019

Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC,

	Reference	Proposed Order	Current Order (2)	Change
Butterfat test	D6	1.9738%	1.9868%	-0.0130%
Butterfat price as announced by PMMB	(1)	\$ 2.1607 per lb.	\$ 2.1607 per lb.	
Extended butterfat value		\$ 0.0426 per lb.	\$ 0.0429 per lb.	
Skim price as announced by PMMB	(1)	\$ 16.88 per cwt.	\$ 16.88 per cwt.	
Extended skim value		\$ 0.1655 per lb.	\$ 0.1654 per lb.	
Total milk value at announced prices		<u>\$ 0.2081 per lb.</u>	<u>\$ 0.2084 per lb.</u>	<u>\$(0.0003)</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	0.0023	0.0025	
Total milk cost per pound		<u>\$ 0.2105 per lb.</u>	<u>\$ 0.2110 per lb.</u>	<u>\$(0.0005)</u>
Pounds per gallon (conversion)		8.62	8.62	
Total milk cost per gallon		<u>\$ 1.8145</u>	<u>\$ 1.8188</u>	<u>\$(0.0043)</u>
Container cost (adjusted for shrinkage)	D3	0.2699 each	0.2676 each	0.0023
Cost center costs	D2	1.0696	1.0656	0.0040
1st half 2021 to 1st half 2020 adjustment	D7	0.0048	0.0220	(0.0172)
Container efficiency adjustment	D10	(0.0754)	(0.0828)	0.0074
Percentage discount adjustment	(3)	0.0212	0.0212	-
Diesel fuel adjustment	D8	0.0104	0.0056	0.0048
Heating fuels adjustment	D9		(0.0004)	0.0004
		<u>\$ 3.1150 each</u>	<u>\$ 3.1176 each</u>	<u>\$(0.0026)</u>
Dealer profit at 3.5%	(2)	0.1130	0.1131	\$(0.0001)
Subtotal		<u>\$ 3.2280 each</u>	<u>\$ 3.2307 each</u>	<u>\$(0.0027)</u>
Less: average delivery cost	(2)	(0.3356)	(0.3356)	
Add: high cost delivery	(2)	0.9364	0.9364	
Wholesale minimum price		<u><u>\$ 3.8288</u></u> each	<u><u>\$ 3.8315</u></u> each	<u><u>\$(0.0027)</u></u>

- (1) As announced for December 2021 by PMMB on November 18, 2021.
- (2) Per OGO A-953 (CRO 12) as updated.
- (3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."

PMMB AREA 2
MARCH 2, 2022 COST REPLACEMENT HEARING

CALCULATION OF WHOLESALE MINIMUM PRICE
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR OCTOBER 2019
Clover Farms Dairy Co., DFA Dairy Brands Fluid, LLC - Lebanon,
DFA Dairy Brands Fluid, LLC - Schuylkill Haven, Milk Industry Management Corp. T/A Balford Farms,
Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies,
Turkey Hill LP dba Turkey Hill Dairy, Valley Farms Dairy LLC, Wawa Beverage Company

	<u>Reference</u>	<u>Proposed</u> <u>Order</u>	<u>Current</u> <u>Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.0240%	0.0495%	-0.0255%
Butterfat price as announced by PMMB	(1)	\$ 2.1607 per lb.	\$ 2.1607 per lb.	
Extended butterfat value		\$ 0.0005 per lb.	\$ 0.0011 per lb.	
Skim price as announced by PMMB	(1)	\$ 16.88 per cwt.	\$ 16.88 per cwt.	
Extended skim value		\$ 0.1688 per lb.	\$ 0.1687 per lb.	
Total milk value at announced prices		<u>\$ 0.1693 per lb.</u>	<u>\$ 0.1698 per lb.</u>	<u>\$(0.0005)</u>
Ingredient cost	D4	0.0284	0.0270	
Cost of shrinkage / bulk milk & cream	D5	0.0023	0.0025	
Total milk cost per pound		<u>\$ 0.2000 per lb.</u>	<u>\$ 0.1993 per lb.</u>	<u>\$ 0.0007</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		<u>\$ 0.1000</u>	<u>\$ 0.0997</u>	<u>\$ 0.0003</u>
Container cost (adjusted for shrinkage)	D3	0.0265 each	0.0251 each	0.0014
Cost center costs	D2	0.0669	0.0666	0.0003
1st half 2021 to 1st half 2020 adjustment	D7	0.0003	0.0014	(0.0011)
Container efficiency adjustment	D10	0.0257	0.0226	0.0031
Percentage discount adjustment	(3)	0.0013	0.0013	-
Diesel fuel adjustment	D8	0.0007	0.0004	0.0003
Heating fuels adjustment	D9	-	-	-
		<u>\$ 0.2214 each</u>	<u>\$ 0.2171 each</u>	<u>\$ 0.0043</u>
Dealer profit at 3.5%	(2)	0.0080	0.0079	\$ 0.0001
Subtotal		<u>\$ 0.2294 each</u>	<u>\$ 0.2250 each</u>	<u>\$ 0.0044</u>
Less: average delivery cost	(2)	(0.0210)	(0.0210)	
Add: high cost delivery	(2)	0.0585	0.0585	
Wholesale minimum price		<u>\$ 0.2669 each</u>	<u>\$ 0.2625 each</u>	<u>\$ 0.0044</u>

(1) As announced for December 2021 by PMMB on November 18, 2021.

(2) Per OGO A-953 (CRO 12) as updated.

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