

# **AREA 2**

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

**March 15, 2023**

**PMMB AREA 2**

**MARCH 15, 2023 COST REPLACEMENT HEARING**

**INDEX OF REBUTTAL EXHIBITS**

**Clover Farms Dairy Co.,  
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,**

Rebuttal Exhibit D1	Jed Davis 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
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Rebuttal Exhibit D7	Cost Increases (Decreases) for Labor, Insurance and Utility Costs
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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)

**Jed Davis**  
***Curriculum Vitae***

**EDUCATION**

Youngstown State University – B.S. Degree in Accounting, (1988)

**EMPLOYMENT**

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

2021 to present

Senior Consultant – 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
- Dairy cost accounting for basic and complex products

**Dean Foods Company, Dallas, TX**

2002 - 2021

Regional General Manager – West Atlantic Central

- Managed a multi facility region with full P & L responsibility
- Set business strategy through collaboration with corporate and regional resources
- Led and supervised a team of 7 professionals with focus on executing against our strategic goals
- Negotiated long term supply agreements with customers and suppliers
- Drove operational and commercial efficiencies to strengthen the bottom line

1997 - 2002

Group Controller – PA Dairies

- Directed the accounting and finance departments of four dairies within Dean Foods Company
- Provided business analysis, forecasting, strategic planning and budgeting support to General Managers
- Guided strategic initiatives to improve the accuracy of monthly forecasting.
- Consolidated the accounting and back office functions of four divisions into one shared service center.
- Led a team of accounting professionals focusing on timely and accurate financial reporting.

## **Jed Davis**

1990 - 1997

Controller / Asst Controller / Accountant ( Dean Dairy Products )

- Led the accounting and finance department with budgeting and financial reporting
- Assisted the General Manager with pricing strategies
- Provided business analysis
- Developed standard product costs for each manufactured item to support pricing decisions
- Effectively directed sales, purchasing, personnel, distribution, maintenance, and accounting functions

### **Universal Rundle Inc., New Castle, PA**

1988 – 1990

Cost Accountant

- Maintained standard cost systems for 3 manufacturing facilities
- Prepared monthly production and inventory reports
- Prepare annual budget and operating plan
- Support department managers with variance analysis

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

Board of Directors – Pennsylvania Association of Milk Dealers

Board of Directors – Dairy Industry Association of Western PA

Shenango Valley Chamber of Congress – Board member

New York State Dairy Association – Board member

Shenango Valley Jaycees – Secretary Treasurer

PMMB AREA 2

MARCH 15, 2023 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 - 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 2021 Points in PMMB Area 2 (1)</u>	<u>Weighted Average 2021 Cost/Point (1)</u>
Receiving, lab and field work	56,256,516	\$ 0.0232
Standardization and pasteurization	81,527,669	0.0219
Bottling	76,685,855	0.0502
Cold room	103,016,213	0.0610
Delivery	73,137,412	0.1723
Selling	83,707,385	0.0172
		<u>\$ 0.3458</u>

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

PMMB AREA 2

MARCH 15, 2023 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

Clover Farms Dairy Co.,  
 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,

	2021 Weighted Average Cost/Point	2020 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0232	\$0.0180	\$0.0052
Standardization and pasteurization	0.0219	0.0198	0.0021
Bottling	0.0502	0.0465	0.0037
Cold room	0.0610	0.0417	0.0193
Delivery	0.1723	0.1181	0.0542
Selling	<u>0.0172</u>	<u>0.0233</u>	<u>(0.0061)</u>
Sub total	\$0.3458	\$0.2674	\$0.0784
Add:			
2022 Cost increase (decrease) adjustment - Exhibit D7			(0.0173)
Less:			
2021 Cost (increase) decrease adjustment (1)			<u>(0.0015)</u>
Net change			<u><u>\$0.0596</u></u>

**PMMB AREA 2  
MARCH 15, 2023 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 - 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>April 2022 Container Cost (1)</u>	<u>Adjust from April 2022 to February 2023 - Current (2)</u>	<u>Subtotal</u>	<u>Calculated Shrinkage and Loss (4)</u>	<u>Shrinkage Cost</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.2373	\$ (0.0133)	\$ 0.2240	1.56%	\$ 0.0035	\$ 0.2275
1/2 gallon - plastic	0.1846					
1/2 gallon - paper	(3)					
1/2 gallon - blended (5)	<u>0.1846</u>	0.0013	0.1859	1.22%	0.0023	0.1882
Quart - plastic	0.1786					
Quart - paper	<u>0.0996</u>					
Quart - blended (5)	<u>0.1760</u>	0.0065	0.1825	1.57%	0.0029	0.1854
Pint - plastic	0.1266					
Pint - paper	<u>0.0448</u>					
Pint - blended (5)	<u>0.1258</u>	(0.0012)	0.1246	1.62%	0.0020	0.1266
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.1000	0.0167	0.1167	0.92%	0.0011	0.1178
1/2 pint - paper (5)	0.0269	0.0069	0.0338	0.85%	0.0003	0.0341
Four ounce - paper	0.0346		0.0346	1.53%	0.0005	0.0351
Dispenser	0.0788		0.0788	1.30%	0.0010	0.0798

(1) For containers not purchased in April 2022 the most recent invoice was used.

(2) December 2022 container costs were used by the PMMB to establish minimum resale prices for February 2023.

(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 15, 2023 COST REPLACEMENT HEARING

ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH (FEBRUARY 2023)  
CONTAINER COSTS

Clover Farms Dairy Co.,  
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)	\$ 0.2275	\$ 0.2397	\$(0.0122)
Half Gallon (2)	0.1882	0.1854	0.0028
Quart (2)	0.1854	0.1934	(0.0080)
Pint (2)	0.1266	0.1221	0.0045
1/2 pint - plastic (2)	0.1178	0.1179	(0.0001)
1/2 pint - paper (2)	0.0341	0.0333	0.0008
Four ounce - paper	0.0351	0.0304	0.0047
Dispenser (per quart)	0.0798	0.0319	0.0479

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

(2) These container costs to be updated monthly.

PMMB AREA 2

MARCH 15, 2023 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 - 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 2022 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0001
Lowfat (1%) milk	.0001
Nonfat (skim) milk	.0001
Flavored milk	.0420
Flavored reduced fat milk	.0320
Flavored nonfat milk	.0216
Buttermilk	(2)
Eggnog	.3674

(1) For ingredients not purchased in April 2022 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 15, 2023 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

Clover Farms Dairy Co.,  
 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 2022 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)	0.0001	0.0004	(0.0003)
Flavored milk (2)	0.0420	0.0414	0.0006
Flavored reduced fat milk (2)	0.0320	0.0343	(0.0023)
Flavored nonfat milk (2)	0.0216	0.0322	(0.0106)
Buttermilk	(3)	(3)	
Eggnog	0.3674	0.2277	0.1397

(1) Per General Order OGO A-953 (CRO 12) as updated for flavored milks on January 1, 2023.

(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 15, 2023 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 - 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	\$ 214,102		\$ 214,102		
Bulk milk revenue minus milk costs		65,266			
Bulk milk cost center costs & freight	103,845				
Net bulk milk cost (revenue)			38,579		
Bulk cream revenue minus milk costs		194,593			
Bulk cream cost center costs	86,217				
Net bulk cream cost (revenue)			<u>(108,376)</u>		
Total	<u>\$ 404,164</u>	<u>\$ 259,859</u>			
Net cost (net revenue) - calendar year 2021			\$ 144,305	107,495,301	\$ 0.0013
Net cost (net revenue) in current order - calendar year 2020			<u>\$ 286,372</u>	126,633,573	<u>\$ 0.0023</u>
Net change - cost increase (cost reduction)			<u>\$ (142,067)</u>		<u>\$ (0.0010)</u>

PMMB AREA 2

MARCH 15, 2023 COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

Clover Farms Dairy Co.,  
 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,

	<b>2021 Weighted Average Butterfat Test</b>	<b>Butterfat Test included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	3.2605%	3.2657%	-0.0052%
Reduced fat milk (2%)	1.9523%	1.9738%	-0.0215%
Lowfat milk (1%)	0.9468%	0.9857%	-0.0389%
Nonfat milk (skim)	0.0732%	0.0718%	0.0014%
Flavored milk	3.2613%	3.2556%	0.0057%
Flavored reduced fat milk	0.9840%	0.9697%	0.0143%
Flavored nonfat milk	0.0614%	0.0240%	0.0374%
Buttermilk	(2)	(2)	
Eggnog	7.1045%	7.1196%	-0.0151%

(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 15, 2023 COST REPLACEMENT HEARING

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

Clover Farms Dairy Co.,  
 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
	2022	2021	2022	2021	2022	2021	
Labor and fringe benefits	\$9,142,800	\$8,765,072	61,407,342	53,231,122	\$ 0.1489	\$ 0.1647	(\$0.0158)
Utilities	\$429,723	\$313,880	61,407,342	53,231,122	0.0070	0.0059	0.0011
Insurance	\$327,574	\$420,373	61,407,342	53,231,122	0.0053	0.0079	(0.0026)
					<u>\$0.1612</u>	<u>\$0.1785</u>	<u>(\$0.0173)</u>

(1) Weighted based on sales in PMMB Area 2

PMMB AREA 2

MARCH 15, 2023 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**Clover Farms Dairy Co.,  
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 2021 (1)	\$791,615
Delivery points – calendar year 2021 (1)	<u>73,137,416</u>
Diesel fuel cost per point delivered	<u><u>\$0.0108</u></u>
Average diesel price – calendar year 2021 (2)	\$3.431
Average diesel price – December 2022 (2) (3)	<u>\$5.459</u>
Increase (decrease) from year 2021 to month December 2022	59.11%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>\$0.0064</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) December 2022 diesel fuel costs were used by the PMMB in establishing minimum prices for February 2023.

PMMB AREA 2

MARCH 15, 2023 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

Clover Farms Dairy Co.,  
 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 2021 (1)	\$113,052
Standardization & pasteurization points – calendar year 2021 (1)	81,527,668
	_____
Heating fuel cost per point pasteurized	\$0.0014
Average heating fuel costs – calendar year 2021 (2)	\$8.34
Average heating fuel costs – October 2022 (2) (3)	\$12.67
Increase (decrease) from year 2021 to month October 2022	51.92%
Increase (decrease) in heating fuel cost per point pasteurized	\$0.0007

- (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) October 2022 natural gas costs were used by the PMMB in establishing minimum prices for February 2023.

PMMB AREA 2  
MARCH 15, 2023 COST REPLACEMENT HEARING

ADJUSTMENTS FOR CONTAINER EFFICIENCIES  
DUE TO CONTAINER SIZE

Clover Farms Dairy Co.,  
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 2021 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	6,191,459	\$ (0.0902)	\$ (558,470)	\$ (0.0754)	\$ (466,836)
Half Gallon	6,294,666	(0.0233)	(146,666)	(0.0142)	(89,384)
Quart	2,254,907	0.0534	120,412	0.0556	125,373
Pint	2,040,190	0.0652	133,020	0.0554	113,027
Half Pint - Plastic	60	0.0667	4	0.0257	2
Half Pint - Paper	11,471,984	0.0255	292,536	0.0257	294,830
4 oz.	243,019	0.0401	9,745	0.0394	9,575
Dispenser (per quart)	1,012,720	0.1484	<u>150,288</u>	0.1401	<u>141,882</u>
Net impact on cross-section dealer revenues			<u>\$ 869</u>		<u>\$ 128,469</u>

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

**PMMB AREA 2**  
**MARCH 15, 2023 COST REPLACEMENT HEARING**  
**CALCULATION OF WHOLESALE MINIMUM PRICE**  
**GALLON REDUCED FAT MILK (2%) FOR FEBRUARY 2023**

**Clover Farms Dairy Co.,**  
**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>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9523%	1.9738%	-0.0215%
Butterfat price as announced by PMMB	(1)	\$ 2.7638 per lb.	\$ 2.7638 per lb.	
Extended butterfat value		\$ 0.0540 per lb.	\$ 0.0546 per lb.	
Skim price as announced by PMMB	(1)	\$ 16.26 per cwt.	\$ 16.26 per cwt.	
Extended skim value		\$ 0.1594 per lb.	\$ 0.1594 per lb.	
Total milk value at announced prices		<u>\$ 0.2134 per lb.</u>	<u>\$ 0.2139 per lb.</u>	<u>\$(0.0005)</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	0.0013	0.0023	
Total milk cost per pound		<u>\$ 0.2148 per lb.</u>	<u>\$ 0.2163 per lb.</u>	<u>\$(0.0015)</u>
Pounds per gallon (conversion)		8.62	8.62	
Total milk cost per gallon		<u>\$ 1.8516</u>	<u>\$ 1.8645</u>	<u>\$(0.0129)</u>
Container cost (adjusted for shrinkage)	D3	0.2300 each	0.2397 each	(0.0097)
Cost center costs	D2	1.3832	1.0696	0.3136
1st half 2021 to 1st half 2020 adjustment	D7	(0.0692)	0.0048	(0.0740)
Container efficiency adjustment	D10	(0.0902)	(0.0754)	(0.0148)
Percentage discount adjustment	(3)	0.0184	0.0184	-
Diesel fuel adjustment	D8	0.0256	0.0296	(0.0040)
Heating fuels adjustment	D9	0.0028	0.0020	0.0008
		<u>\$ 3.3522 each</u>	<u>\$ 3.1532 each</u>	<u>\$ 0.1990</u>
Dealer profit at 3.5%	(2)	0.1216	0.1144	\$ 0.0072
Subtotal		<u>\$ 3.4738 each</u>	<u>\$ 3.2676 each</u>	<u>\$ 0.2062</u>
Less: average delivery cost	(2)	(0.3356)	(0.3356)	
Add: high cost delivery	(2)	0.9364	0.9364	
<b>Wholesale minimum price</b>		<u><b>\$ 4.0746 each</b></u>	<u><b>\$ 3.8684 each</b></u>	<u><b>\$ 0.2062</b></u>

(1) As announced for February 2023 by PMMB on January 20, 2023.

(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 15, 2023 COST REPLACEMENT HEARING**

**CALCULATION OF WHOLESALE MINIMUM PRICE  
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR FEBRUARY 2023**

**Clover Farms Dairy Co.,  
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>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.0614%	0.0240%	0.0374%
Butterfat price as announced by PMMB	(1)	\$ 2.7638 per lb.	\$ 2.7638 per lb.	
Extended butterfat value		\$ 0.0017 per lb.	\$ 0.0007 per lb.	
Skim price as announced by PMMB	(1)	\$ 16.26 per cwt.	\$ 16.26 per cwt.	
Extended skim value		\$ 0.1625 per lb.	\$ 0.1626 per lb.	
Total milk value at announced prices		<u>\$ 0.1642 per lb.</u>	<u>\$ 0.1632 per lb.</u>	<u>\$ 0.0010</u>
Ingredient cost	D4	0.0216	0.0322	
Cost of shrinkage / bulk milk & cream	D5	<u>0.0013</u>	<u>0.0023</u>	
Total milk cost per pound		<u>\$ 0.1871 per lb.</u>	<u>\$ 0.1977 per lb.</u>	<u>\$(0.0106)</u>
Pounds per gallon (conversion)		<u>0.50</u>	<u>0.50</u>	
Total milk cost per half pint		<u>\$ 0.0936</u>	<u>\$ 0.0989</u>	<u>\$(0.0053)</u>
Container cost (adjusted for shrinkage)	D3	0.0341 each	0.0333 each	0.0008
Cost center costs	D2	0.0865	0.0669	0.0197
1st half 2021 to 1st half 2020 adjustment	D7	(0.0043)	0.0003	(0.0046)
Container efficiency adjustment	D10	0.0255	0.0257	(0.0002)
Percentage discount adjustment	(3)	0.0012	0.0012	-
Diesel fuel adjustment	D8	0.0016	0.0019	(0.0003)
Heating fuels adjustment	D9	<u>0.0001</u>	<u>0.0001</u>	<u>(0.0000)</u>
		<u>\$ 0.2383 each</u>	<u>\$ 0.2282 each</u>	<u>\$ 0.0101</u>
Dealer profit at 3.5%	(2)	<u>0.0086</u>	<u>0.0083</u>	<u>\$ 0.0003</u>
Subtotal		<u>\$ 0.2469 each</u>	<u>\$ 0.2365 each</u>	<u>\$ 0.0104</u>
Less: average delivery cost	(2)	(0.0210)	(0.0210)	
Add: high cost delivery	(2)	<u>0.0585</u>	<u>0.0585</u>	
<b>Wholesale minimum price</b>		<u><b>\$ 0.2844</b> each</u>	<u><b>\$ 0.2740</b> each</u>	<u><b>\$ 0.0104</b></u>

(1) As announced for February 2023 by PMMB on January 20, 2023.

(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"