

**CONFIDENTIAL – ATTORNEY EYES ONLY MATERIAL  
SUBJECT TO PROTECTIVE ORDER DATED MAY 30, 2017  
(REDACTED)**

## **AREA 2**

### **COST REPLACEMENT HEARING DEALER SURREBUTTAL EXHIBITS**

**JULY 5, 2017**

**CONFIDENTIAL – ATTORNEY EYES ONLY MATERIAL  
SUBJECT TO PROTECTIVE ORDER DATED MAY 30, 2017  
(REDACTED)**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**INDEX OF SURREBUTTAL EXHIBITS**

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

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**SURREBUTTAL EXHIBIT D1**

**Carl D. Herbein, CPA**  
*Curriculum Vitae*

**EDUCATION**

Elizabethtown College – B.S. Degree in Accounting (1968)  
Delta Mu Delta – National Honor Society – Co-captain Cross Country Team

**EMPLOYMENT**

Herbein + Company, Inc., Reading, PA  
October, 2004 to present  
President and CEO

July, 1985 to September, 2004  
Managing Partner

1974 to June, 1985  
Partner  
Reading, PA

Carl D. Herbein, CPA – Reading, PA  
1972 to 1974

Ernst & Young, Reading, PA  
1967 to 1972  
Staff/Senior Accountant

**PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS**

CPA – Commonwealth of Pennsylvania (1971)

Member – American Institute of CPAs – Council (1990 – 1991)

Member – Pennsylvania Institute of CPAs – President (1988 – 1989)

Firm Member – Allinial Global

Chairman – Reading Redevelopment Authority (1992 – 1998) Board of Directors (1984 – 1998)

Board Member

- Greater Berks Development Fund (1995 – present)
- Berks County Convention Center Authority - Treasurer (1996 – present)
- Alvernia University (2012 – present)
- Greater Reading Chamber & Economic Development Corporation (2017 – present)

Berks County Chamber of Commerce (1980 – present)

- Chairman of the Board (1994 – 1996)
- Treasurer (1992 – 1993)
- Treasurer (2007-2009)

Greater Reading Economic Partnership (2005 – present)

Berkshire Country Club

- Board of Directors
- Treasurer (October 2001 – 2007)

Submitted: June 23, 2017

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**Carl D. Herbein, CPA**

**PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS – CONTINUED**

Alvernia University

- Board of Trustees (2014 – present)
- Audit Committee (2014 – present)
- Fiscal & Physical Resources Committee (2017 – present)

Elizabethtown College

- Board of Trustees (1987 – 1992)
- Accounting Advisory Committee (1993 – 2005)
- Member – Leadership Council (2007 – present)

**SPEAKING ENGAGEMENTS (2006 – 2016)**

International Milk Control Agency – Why Dairy Plants Relocate, August 13, 2006

All Star Dairy Association – Cost Benchmarking, March 16, 2006

Quality Chekd Dairy – Valuation of Your Dairy Company, February 1, 2007

All Star Dairy Association – Cost Benchmarking, March 28, 2007

All Star Dairy Association – Financial Reporting, March 6, 2008

Quality Chekd Dairy – Captive Insurance, April 21, 2008

Pennsylvania Association of Milk Dealers – Cost Comparison Analysis, September 22, 2009

World International Dairy Foods Association – Worldwide Food Expo – Dairy Industry Analysis, October 31, 2009

All Star Dairy Association – Forensic Accounting, March 23, 2010

Pennsylvania Association of Milk Dealers and Northeast Dairy Foods Association, Inc. – Delivery, Depots and Distributors – August 22, 2011

International Association of Milk Control Agencies (IAMCA) – California Federal Milk Marketing Order – September 14, 2015

International Dairy Foods Association – Capital Budgeting – September 15, 2015

All Star Association – Measure Your Success – March 2016

**PUBLICATIONS**

"Product Costing In A Volatile Environment," which appeared in the *National Ice Cream Mix Association, Inc.* publication

"Milk Costing and Regulation - Is There a Conflict?" which appeared in the 2003 *International Association of Milk Control Agencies'* publication

"Benchmarking," which appeared in the August 2004, *422 Business Advisor*

"Financing Agribusiness Growth", which appeared in the *Pennsylvania CPA Journal*

"Processors Improve Profits With Benchmarking", which appeared in the October 2011, *Dairy Foods Magazine*

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**Carl D. Herbein, CPA**

**COMMUNITY AWARDS**

2006 Eugene L. Shirk Community Builder Award  
2010 Corporate Honoree – March of Dimes  
2012 Franciscan Award – Alvernia University  
2013 Business Weekly Unity Award

**EXPERT REPORTS, DEPOSITION AND TESTIMONY**

**COURT AND OTHER TESTIMONY**

State of New Jersey Department of Agriculture – Expert testimony - Farmer premium establishment. (hearing held November 19, 2009, December 17, 2009 and January 28, 2010)

Sweetwater Valley Farm, Inc. v. Dairy Farmers of America, Inc. – restraint of trade – June 15, 2010

Bross v. Bross – domestic matter. Testimony September 16, 2010.

Van Peenen Dairy, Inc. v. Tuscan/Lehigh Dairies, Inc. – contractual dispute, November 22, 2011

US Justice Department Report – Dean Foods / Suiza – merger analysis

State of Kentucky v. Trauth Dairy – damage calculation

State of Indiana v. Schenkel Dairy – damage calculation

Maine Milk Commission – Expert testimony – Dealer Margin Study (hearing held October 25, 2012)

Nicholas Meat Packing Co. v. Brigandi, Gleghorn and Associates – August 20, 2011 and July 2013.

Supports Coordination Organization Modeled Rate Review – payment rate dispute – July 15, 2013.

Allen S. Fisher, et. al. v. Dominion Transmission, Inc. – crop damage – loss calculation – October 2013.

DeVries Dairy v. White Eagle Cooperative Association – expert testimony – economic discrimination – October 2013.

Dar-View Farms v. Maryland Dairy Veterinarians – professional malpractice matter – March 2015

U.S. Department of Agriculture – California Hearing to consider establishing a California Milk Marketing order – October 2015

Balford Farms v. Travelers Insurance – business interruption insurance matter – January 2017

Select Milk Producers, Inc. v. Sorrento Lactalis Inc. – expert testimony – milk supply contracts – March 2017

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**Carl D. Herbein, CPA**

**COMMONWEALTH OF PENNSYLVANIA MILK MARKETING BOARD APPEARANCES**

**2011**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the level and duration of the Class I over-order premium. (hearing held June 1, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the announcement date for January 2012 minimum resale prices. (hearing held June 1, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning adjustments to wholesale discounts to account for changes in milk prices subsequent to the adoption of Official General Orders for each of the Milk Marketing Areas. (hearing held June 1, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 5. Expert witness appearing on behalf of the Area 5 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 5. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 5. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 5. (hearing held September 7, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 6. Expert witness appearing on behalf of the Area 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 6. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held September 7, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1. Expert witness appearing on behalf of the Area 1 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 1. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held October 5, 2011)

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**Carl D. Herbein, CPA**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 2. Expert witness appearing on behalf of the Area 2 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 2. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held October 5, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 3. Expert witness appearing on behalf of the Area 3 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 3. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores.

In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held November 9, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 4. Expert witness appearing on behalf of the Area 4 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 4. Evidence will be limited to the following: annualized processing, packaging, and delivery costs; updated costs for containers, ingredients, and Class II products; updated labor, utility, and insurance costs based on comparisons between costs per point for the second quarters of calendar years 2010 and 2011; skim and butterfat contents of products regulated by the Board; adjustment for shrinkage, sales of bulk products, and cream processing costs; monthly adjustments to in-store handling costs; and a reasonable rate of return to milk dealers and stores. In accordance with OGO A-937, evidence and testimony will be considered regarding the heating fuel adjuster in Area 6. In accordance with OGO A-939, evidence and testimony will be considered regarding the diesel fuel cost adjuster in Area 6. (hearing held November 9, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the level and duration of the Class I over-order premium to be effective January 1, 2012. (hearing held November 9, 2011)

**2012**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 5. Expert witness appearing on behalf of the Area 5 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the multi-store discount provisions in Milk Marketing Area 5. (hearing held September 7, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 6. Expert witness appearing on behalf of the Area 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the multi-store discount provisions in Milk Marketing Area 6. (hearing held September 7, 2011)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Area 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning whether to remove the service contract initial fee and renewal fee from Official General Order A-875. (hearing held February 8, 2012)

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**SURREBUTTAL EXHIBIT D1**

**Carl D. Herbein, CPA**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 4, and 5. Expert witness appearing on behalf of the Areas 1, 2, 4, and 5 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 2, 4 and 5.

**2013**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 3 and 6. Expert witness appearing on behalf of the Area 3 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning cost replacement in Milk Marketing Area 3 and 6. (hearing held January 2, 2013)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5 and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning wholesale milk discounts in Milk Marketing Area 1, 2, 3, 4, 5, and 6. (hearing held October 2, 2013)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, and 3. Expert witness appearing on behalf of the Areas 1, 2, and 3 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 2, and 3. (hearing held January 8, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 4, 5, and 6. Expert witness appearing on behalf of the Areas 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 4, 5, and 6. (hearing held February 5, 2014)

**2014**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the over price premium – Part II in Milk Marketing Areas 1, 2, 3, 4, 5, and 6. (hearing held June 4, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the small delivery costs in Milk Marketing Areas 1, 2, 3, 4, 5, and 6. (hearing held June 11, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 4, 5, and 6. Expert witness appearing on behalf of the Areas 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 4, 5, and 6. (hearing October 1, 2014)

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, and 3. Expert witness appearing on behalf of the Areas 1, 2, and 3 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 2, and 3. (hearing held December 3, 2014)

**2015**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 2, 3, 4, 5, and 6. Expert witness appearing on behalf of the Areas 1, 2, 3, 4, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the over price premium – Part II in Milk Marketing Areas 1, 2, 3, 4, 5, and 6. (hearing held February 25 - 27, 2015) continuance from June 2014

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 1, 5, and 6. Expert witness appearing on behalf of the Areas 1, 5, and 6 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 1, 5, and 6. (hearing held December 2, 2015)

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**SURREBUTTAL EXHIBIT D1**

**Carl D. Herbein, CPA**

**2016**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Areas 2, 3, and 4. Expert witness appearing on behalf of the Areas 2, 3, and 4 Milk Dealer Association. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Areas 2, 3, and 4. (hearing held January 6, 2016)

**2017**

Commonwealth of Pennsylvania Milk Marketing Board public hearing for Milk Marketing Area 4. The purpose of the hearing is to receive testimony and exhibits concerning the cost replacement in Milk Marketing Area 4. (hearing completed January 4, 2017)

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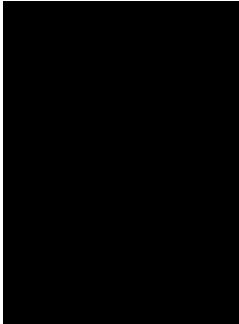
**SURREBUTTAL EXHIBIT D2**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

<b>Cost Center</b>	<b>Total 2015 Points in PMMB Area 2 (1)</b>	<b>Weighted Average 2015 Cost/Point (1)</b>
Receiving, lab and field work	62,936,660	
Standardization and pasteurization	90,376,887	
Bottling	85,173,691	
Cold room	89,854,068	
Delivery	63,003,380	
Selling	58,261,321	

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

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**SURREBUTTAL EXHIBIT D2-A**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**GENERAL PRICE ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS**

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

	<b>2015 Weighted Average Cost/Point</b>	<b>2014 Cost/Point Included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Receiving, lab and field work			
Standardization and pasteurization			
Bottling			
Cold room			
Delivery			
Selling			
Sub total			

Add:  
2016 Cost increase (decrease) adjustment - Exhibit D7

Less:  
2015 Cost (increase) decrease adjustment (1)

Net change

(1) Per General Order No. A-953 (CRO 7)

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**SURREBUTTAL EXHIBIT D3**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

<u>Container Size</u>	<u>March 2016 Container Cost (1)</u>	<u>Adjust from March 2016 to April 2017 - Current (2)</u>	<u>Subtotal</u>	<u>Calculated Shrinkage and Loss (4)</u>	<u>Shrinkage Cost</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.1634	\$ 0.0097	\$ 0.1731	1.70%	\$ 0.0029	\$ 0.1760
1/2 gallon - plastic	0.1432					
1/2 gallon - paper	(3)					
1/2 gallon - blended (5)	<u>0.1432</u>	(0.0098)	0.1334	1.22%	0.0016	0.1350
Quart - plastic	0.1077					
Quart - paper	0.0823					
Quart - blended (5)	<u>0.1021</u>	0.0051	0.1072	1.57%	0.0017	0.1089
Pint - plastic	0.0817					
Pint - paper (3)	0.0437					
Pint - blended (5)	<u>0.0745</u>	0.0062	0.0807	1.62%	0.0013	0.0820
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.0674	0.0019	0.0693	0.92%	0.0006	0.0699
1/2 pint - paper (5)	0.0262	0.0048	0.0310	0.85%	0.0003	0.0313
Four ounce - paper	0.0262		0.0262	1.53%	0.0004	0.0266
Dispenser	0.0475		0.0475	1.30%	0.0006	0.0481

(1) For containers not purchased in March 2016 the most recent invoice was used.

(2) April 2017 container costs were used by the PMMB to establish minimum resale prices for May 2017.

(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 General Price hearing.

(5) Current container costs would replace these costs on a monthly basis when the PMMB minimum resale prices are announced.

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**SURREBUTTAL EXHIBIT D3-A**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH  
CONTAINER COSTS – APRIL 2017**

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

<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)	\$ 0.1760	\$ 0.1855	\$ (0.0095)
Half Gallon (2)	0.1350	0.1322	0.0028
Quart (2)	0.1089	0.1173	(0.0084)
Pint (2)	0.0820	0.0840	(0.0020)
1/2 pint - plastic (2)	0.0699	0.0704	(0.0005)
1/2 pint - paper (2)	0.0313	0.0316	(0.0003)
Four ounce - paper	0.0266	0.0266	-
Dispenser (per quart)	0.0481	0.0462	0.0019

(1) Per General Order No. A-953 (CRO 7) as updated.

(2) These container costs to be updated on a monthly basis.

(3) Difference between plastic ½ pint and paper ½ pint is \$0.0386. PMMB resale price schedules show the ½ pint paper price. \$0.0386 is the plastic add-on.

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**SURREBUTTAL EXHIBIT D4**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

	March 2016 Ingredient Cost Per Pound (1)
Standard	\$.0000
Reduced fat (2%) milk	.0002
Low fat (1%) milk	.0002
Nonfat (skim) milk	.0002
Flavored milk	.0460
Flavored reduced fat milk	.0291
Flavored nonfat milk	.0282
Buttermilk (2)	.0326
Eggnog	.2440

(1) For ingredients not purchased in March 2016 the most recent invoice was used.

(2) Buttermilk is not manufactured by any of the Area 2 cross-section dealers. Cost is from current order.

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**SURREBUTTAL EXHIBIT D4-A**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**GENERAL PRICE ADJUSTMENTS FOR INGREDIENTS**

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

	<b>March 2016 Weighted Average Cost/Pound</b>	<b>Cost/Pound included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0002	0.0003	(0.0001)
Lowfat milk (1%)	0.0002	0.0002	0.0000
Nonfat milk (skim)	0.0002	0.0002	0.0000
Flavored milk (2)	0.0460	0.0523	(0.0063)
Flavored reduced fat milk (2)	0.0291	0.0346	(0.0055)
Flavored nonfat milk (2)	0.0282	0.0323	(0.0041)
Buttermilk (3)	0.0326	0.0326	0.0000
Eggnog	0.2440	0.1572	0.0868

- (1) Per General Order OGO A-953 (CRO 7) as updated for flavored milks on April 1, 2017.
- (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 manufactured by any of the Area 2 cross-section dealers. Cost is from current order.

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SUBJECT TO PROTECTIVE ORDER DATED MAY 30, 2017  
(REDACTED)**

**SURREBUTTAL EXHIBIT D5**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**WEIGHTED COST OF SHRINKAGE AND WEIGHTED COSTS AND REVENUES FROM BULK CREAM AND BULK MILK  
Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

<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	\$ 218,345		\$ 218,345		
Bulk milk revenue minus milk costs		84,712			
Bulk milk cost center costs & freight	65,822				
Net bulk milk cost (revenue)			(18,890)		
Bulk cream revenue minus milk costs		583,914			
Bulk cream cost center costs	77,361				
Net bulk cream cost (revenue)			(506,553)		
<b>Total</b>	<b><u>\$ 361,528</u></b>	<b><u>\$ 668,626</u></b>			
Net cost (net revenue) - calendar year 2015			\$ (307,098)	121,280,162	\$ (0.0025)
Net cost (net revenue) in current order - calendar year 2014			<u>\$ (118,081)</u>	124,085,398	<u>(0.0010)</u>
Net change - cost increase (cost reduction)			<u>\$ (189,017)</u>		<u>\$ (0.0015)</u>

(1) Beginning in calendar year 2013 producer milk diverted to other plants is excluded from the calculation of weighted pounds.



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**SURREBUTTAL EXHIBIT D6**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS**

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

	<b>2015 Weighted Average Butterfat Test</b>	<b>Butterfat Test included in Existing Order (1)</b>	<b>Increase (Decrease)</b>
Standard milk	3.2651%	3.2587%	0.0064%
Reduced fat milk (2%)	1.9624%	1.9524%	0.0100%
Lowfat milk (1%)	0.9730%	0.9702%	0.0028%
Nonfat milk (skim)	0.0727%	0.0841%	-0.0114%
Flavored milk	3.2722%	3.3448%	-0.0726%
Flavored reduced fat milk	0.8850%	0.9456%	-0.0606%
Flavored nonfat milk	0.0626%	0.0502%	0.0124%
Buttermilk (2)	1.5735%	1.5735%	0.0000%
Eggnog	8.0730%	8.0820%	-0.0090%

(1) Per General Order No. A-953 (CRO 7)

(2) Buttermilk is not manufactured by any of the Area 2 cross-section dealers. Butterfat test is from current order.

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(REDACTED)**

**SURREBUTTAL EXHIBIT D7**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

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

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

<b>Type of Expense</b>	<b>Weighted Expenses for the Six Months Ended June 30 (1)</b>		<b>Weighted Points for the Six Months Ended June 30 (1)</b>		<b>Cost Per Point</b>		<b>Increase (Decrease) Per Point</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
Labor and fringe benefits	\$ 4,575,798	\$ 4,620,450	39,071,008	40,781,810	\$0.1171	\$0.1133	\$0.0038
Utilities	289,071	286,343	39,071,008	40,781,810	0.0074	0.0070	0.0004
Insurance	37,774	36,970	39,071,008	40,781,810	0.0010	0.0009	<u>0.0001</u>
							<u>\$0.0043</u>

(1) Weighted based on sales in PMMB Area 2.

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(REDACTED)**

**SURREBUTTAL EXHIBIT D8**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**CHANGES IN DIESEL FUEL COSTS**

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

Diesel fuel costs – calendar year 2015 (1)	\$429,423
Delivery points – calendar year 2015 (1)	<u>63,003,380</u>
Diesel fuel cost per point delivered	<u><u>\$0.0068</u></u>
Average diesel price – calendar year 2015 (2)	\$2.927
Average diesel price – March 2017 (2) (3)	<u>\$2.751</u>
Increase (decrease) from year 2015 to month March 2017	-6.01%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0004)</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) March 2017 diesel fuel costs were used by the PMMB in establishing minimum prices for May 2017.

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(REDACTED)**

**SURREBUTTAL EXHIBIT D9**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**CHANGES IN HEATING FUEL COSTS (NATURAL GAS)**

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

Heating fuel costs – calendar year 2015 (1)	\$82,973
Standardization & pasteurization points – calendar year 2015 (1)	<u>90,376,887</u>
Heating fuel cost per point pasteurized	<u><u>\$0.0009</u></u>
Average heating fuel costs – calendar year 2015 (2)	\$9.73
Average heating fuel costs – January 2017 (2) (3)	<u>7.88</u>
Increase (decrease) from year 2015 to month January 2017	-19.01%
Increase (decrease) in heating fuel cost per point pasteurized	<u><u>(\$0.0002)</u></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) January 2017 natural gas costs were used by the PMMB in establishing minimum prices for May 2017.

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(REDACTED)**

**SURREBUTTAL EXHIBIT D10-A**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**CALCULATION OF WHOLESALE MINIMUM PRICE  
GALLON REDUCED FAT MILK (2%) FOR MAY 2017**

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6		1.9524%	
Butterfat price as announced by PMMB	(1)	per lb.	\$ 2.4246 per lb.	
Extended butterfat value		per lb.	\$ 0.0473 per lb.	
Skim price as announced by PMMB	(1)	per cwt.	\$ 12.24 per cwt.	
Extended skim value		per lb.	\$ 0.1200 per lb.	
Total milk value at announced prices		per lb.	<u>\$ 0.1673 per lb.</u>	
Ingredient cost	D3		0.0003	
Cost of shrinkage / bulk milk & cream	D5		<u>(0.0010)</u>	
Total milk cost per pound		per lb.	<u>\$ 0.1666 per lb.</u>	
Pounds per gallon (conversion)			<u>8.62</u>	
Total milk cost per gallon			<u>\$ 1.4361</u>	
Container cost (adjusted for shrinkage)	D3	each	0.1855 each	
Cost center costs	D2		0.7552	
1st half 2015 to 1st half 2016 adjustment	D7		0.0176	
Container efficiency adjustment	(2)		(0.0794)	
Percentage discount adjustment	(3)		(0.0008)	
Diesel fuel adjustment	D8		(0.0116)	
Heating fuels adjustment	D9		<u>(0.0012)</u>	
		each	<u>\$ 2.3014 each</u>	
Dealer profit at 3.5%	(2)		<u>0.0835</u>	
Subtotal		each	<u>\$ 2.3849 each</u>	
Less: average delivery cost	(2)		(0.3356)	
Add: high cost delivery	(2)		<u>0.9364</u>	
<b>Wholesale minimum price</b>		each	<u><b>\$ 2.9857 each</b></u>	

(1) As announced for May 2017 by PMMB on April 20, 2017.

(2) Per OGO A-953 (CRO 7) as updated.

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

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SUBJECT TO PROTECTIVE ORDER DATED MAY 30, 2017  
(REDACTED)**

**SURREBUTTAL EXHIBIT D10-B**

**PMMB AREA 2**

**JULY 5, 2017 COST REPLACEMENT HEARING**

**CALCULATION OF WHOLESALE MINIMUM PRICE  
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR MAY 2017**

**Clover Farms Dairy Company, Swiss Premium Dairy, Turkey Hill Dairy,  
Tuscan/Lehigh Dairies, Inc. (Schuylkill Haven, PA)**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6		0.0502%	
Butterfat price as announced by PMMB	(1)	per lb.	\$ 2.4246 per lb.	
Extended butterfat value		per lb.	\$ 0.0012 per lb.	
Skim price as announced by PMMB	(1)	per cwt.	\$ 12.24 per cwt.	
Extended skim value		per lb.	\$ 0.1223 per lb.	
Total milk value at announced prices		per lb.	<u>\$ 0.1236 per lb.</u>	
Ingredient cost	D4		0.0323	
Cost of shrinkage / bulk milk & cream	D5		(0.0010)	
Total milk cost per pound		per lb.	<u>\$ 0.1549 per lb.</u>	
Pounds per gallon (conversion)			<u>0.50</u>	
Total milk cost per half pint			<u>\$ 0.0775</u>	
Container cost (adjusted for shrinkage)	D3	each	0.0316 each	
Cost center costs	D2		0.0472	
1st half 2015 to 1st half 2016 adjustment	D7		0.0011	
Container efficiency adjustment	(2)		0.0233	
Percentage discount adjustment	(3)		(0.0001)	
Diesel fuel adjustment	D8		(0.0007)	
Heating fuels adjustment	D9		(0.0001)	
		each	<u>\$ 0.1798 each</u>	
Dealer profit at 3.4%	(2)		<u>0.0065</u>	
Subtotal		each	<u>\$ 0.1863 each</u>	
Less: average delivery cost	(2)		(0.0210)	
Add: high cost delivery	(2)		<u>0.0585</u>	
<b>Wholesale minimum price</b>		each	<u><b>\$ 0.2238 each</b></u>	

(1) As announced for May 2017 by PMMB on November 20, 2017.

(2) Per OGO A-953 (CRO 7) as updated.

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