



**Commonwealth of Pennsylvania**

Milk Marketing Board  
2301 North Cameron Street  
Harrisburg, PA 17110-9408

WEB SITE: <http://www.mmb.state.pa.us>

717/787-4194  
FAX -717/783-6492  
E-mail: RA-PMMB@state.pa.us

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## **BULLETIN**

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### **CLARIFICATION OF AUDIT PROCEDURES – DETERMINATION OF COST OF NON-CONTROLLED PRODUCTS (Replaces Bulletin No. 1200, Aug 5, 1992)**

For the purpose of establishing cost for non-controlled items which are bid in conjunction with controlled items, whether by a separate or combined offer, the following procedures and standards will be utilized by the staff of the Milk Marketing Board.

#### **PRODUCTS PROCESSED AND PACKAGED AT THE DAIRY**

The cost of non-controlled products requiring further processing or packaging before sale to wholesale customers shall be calculated in accordance with the following:

The cost shall include the cost of all ingredients used to make the product. The cost of ingredients shall be the purchase price of the ingredients, including any shipping and handling charges. Purchase price of the ingredients will be net of all discounts, rebates, and applicable finance and other charges.

All applicable processing, packaging, and delivery costs shall be included in the calculation of cost. These costs will be commensurate with the costs per point as recorded on the submitted Milk Dealer's Financial Statement (PMMB-60). All applicable costs shall include allocations of Service Center expenses and adjustment or redistribution of bottling, cold room and delivery expenses to account for container or case efficiencies. Dealers must maintain records and work papers that demonstrate cost differences identified to specific accounts i.e. delivery efficiencies for accounts receiving full tractor-trailer loads.

#### **FINISHED PRODUCTS PURCHASED FROM OTHERS**

The cost of non-controlled pre-packaged purchases requiring no further processing or packaging before sale to wholesale customers shall be calculated in accordance with the following:

The cost of the product shall be the purchase price, including any shipping and handling costs, net of all discounts, rebates, and applicable finance and other charges.

The cost shall also include all applicable cold room, shipping and loading costs, selling costs, delivery costs as adjusted for applicable container or case efficiencies. These costs will be commensurate with the costs per point recorded on the submitted Milk Dealer's Financial Statement (PMMB-60). Cost also includes allocation of all applicable service center costs.

In addition to these procedures, cost determination of non-controlled products may include cost items as may be established and found appropriate during the latest audits for hearings used to adjust wholesale prices. In all cases, cost determination shall be in compliance with the Milk Marketing Law.

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PENNSYLVANIA MILK MARKETING BOARD

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Keith Bierly, Secretary

IF YOU REQUIRE THIS INFORMATION IN AN ALTERNATE FORMAT, CALL (717) 787-4194 OR 800-654-5984