AREA 2

COST REPLACEMENT HEARING DEALER REBUTTAL EXHIBITS

February 12, 2025

FEBRUARY 12, 2025 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	Alexandra Deimler 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 Deimler, 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)

FEBRUARY 12, 2025 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

Cost Center	Total 2023 Points in PMMB Area 2 (1)	•	ted Average ost/Point (1)
Receiving, lab and field work	50,440,877	\$	0.0377
Standardization and pasteurization	72,307,765		0.0185
Bottling	68,594,729		0.0603
Cold room	79,720,721		0.0572
Delivery	55,416,052		0.1357
Selling	57,323,776		0.0186
		\$	0.3280

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

FEBRUARY 12, 2025 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,

	2023 Weighted Average Cost/Point	2022 Cost/Point Included in Existing Order (1)	Increase (Decrease)
Receiving, lab and field work	\$0.0377	\$0.0226	\$0.0151
Standardization and pasteurization	0.0185	0.0229	(0.0044)
Bottling	0.0603	0.0540	0.0063
Cold room	0.0572	0.0615	(0.0043)
Delivery	0.1357	0.1652	(0.0295)
Selling	0.0186	0.0189	(0.0003)
Sub total	\$0.3280	\$0.3451	(\$0.0171)
Add: 2024 Cost increase (decrease) adjusti	0.0079		
Less: 2023 Cost (increase) decrease adjusti	0.0192		
Net change			\$0.0100

PMMB AREA 2 FEBRUARY 12, 2025 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,

Container Size	April 2024 Container Cost (1)	Adjust from April 2024 to October 2024 - Current (2)	Subtotal	Calculated Shrinkage and Loss (4)	Shrinkage Cost	Total Container Cost
Gallon (5)	\$ 0.2448	\$ (0.0013)	\$ 0.2435	1.55%	\$ 0.0038	\$ 0.2473
1/2 gallon - plastic 1/2 gallon - paper 1/2 gallon - blended (5)	0.1917 (3) 0.1917	(0.0001)	0.1916	1.22%	0.0023	0.1939
Quart - plastic Quart - paper Quart - blended (5)	0.1915 0.1609 0.1904	0.0005	0.1909	1.57%	0.0030	0.1939
Pint - plastic Pint - paper Pint - blended (5)	0.1351 (3) 0.1351	(0.0017)	0.1334	1.62%	0.0022	0.1356
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	(3)					
1/2 pint - paper (5)	0.0288	0.0017	0.0305	0.85%	0.0003	0.0308
Four ounce - paper	0.0351		0.0351	1.53%	0.0005	0.0356
Dispenser	0.0919		0.0919	1.30%	0.0012	0.0931

- (1) For containers not purchased in April 2024 the most recent invoice was used.
- (2) August 2024 container costs were used by the PMMB to establish minimum resale prices for October 2024.
- (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.

FEBRUARY 12, 2025 COST REPLACEMENT HEARING

ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH (OCTOBER 2024) 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,

Container Size	Adjusted Container Costs from Exhibit D3		C	ontainer osts in ent Prices (1)	Difference
Gallon (2)	\$	0.2473	\$	0.2477	\$ (0.0004)
Half Gallon (2)		0.1939		0.1944	(0.0005)
Quart (2)		0.1939		0.1917	0.0022
Pint (2)		0.1356		0.1353	0.0003
1/2 pint - plastic (2)		0.1198		0.1208	(0.0010)
1/2 pint - paper (2)		0.0308		0.0307	0.0001
Four ounce - paper		0.0356		0.0386	(0.0030)
Dispenser (per quart)		0.0931		0.0781	0.0150

⁽¹⁾ Per General Order No. A-953 (CRO 15) as updated.

⁽²⁾ These container costs to be updated monthly.

FEBRUARY 12, 2025 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 2024
	Ingredient
	Cost Per Pound
	(1)
Standard	\$.0000
Reduced fat (2%) milk	.0002
Lowfat (1%) milk	.0003
Nonfat (skim) milk	.0003
Flavored milk	.0498
Flavored reduced fat milk	.0457
Flavored nonfat milk	.0375
Buttermilk	(2)
Eggnog	.2260

- (1) For ingredients not purchased in April 2024 the most recent invoice was used.
- (2) Buttermilk is not processed and packaged by any of the Area 2 cross-section dealers.

FEBRUARY 12, 2025 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,

	April 2024 Weighted Average Cost/Pound	Cost/Pound included in Existing Order (1)	Increase (Decrease)
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0002	0.0001	0.0001
Lowfat milk (1%)	0.0003	0.0001	0.0002
Nonfat milk (skim)	0.0003	0.0001	0.0002
Flavored milk (2)	0.0498	0.0482	0.0016
Flavored reduced fat milk (2)	0.0457	0.0433	0.0024
Flavored nonfat milk (2)	0.0375	0.0241	0.0134
Buttermilk	(3)	(3)	
Eggnog	0.2260	0.2483	(0.0223)

- (1) Per General Order OGO A-953 (CRO 15) as updated for flavored milks on January 3, 2024.
- (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 FEBRUARY 12, 2025 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,

PMMB Area 2		Costs	Revenues		ighted Net : (Revenue)	Weighted Pounds (1)	(Rev	ghted Cost enue) Per Pound
Shrinkage	\$	467,958		\$	467,958			
Bulk milk revenue minus milk costs Bulk milk cost center costs & freight Net bulk milk cost (revenue)		118,905	25,175		93,730			
Bulk cream revenue minus milk cost Bulk cream cost center costs Net bulk cream cost (revenue)	s 	93,077	311,061		(217,984)			
Total	\$	679,940	\$ 336,236	•				
Net cost (net revenue) - calendar ye	ar 2	023		\$	343,704	96,232,252	\$	0.0036
Net cost (net revenue) in current or	der -	- calendar y	ear 2022	\$	127,991	101,622,837	\$	0.0013
Net change - cost increase (cost red	uctio	on)		\$	215,713		\$	0.0023

FEBRUARY 12, 2025 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,

	2023 Weighted Average Butterfat Test	Butterfat Test included in Existing Order (1)	Increase (Decrease)
Standard milk	3.2666%	3.2638%	0.0028%
Reduced fat milk (2%)	1.9317%	1.9376%	-0.0059%
Lowfat milk (1%)	0.9218%	0.9252%	-0.0034%
Nonfat milk (skim)	0.0710%	0.0935%	-0.0225%
Flavored milk	3.2837%	3.2700%	0.0137%
Flavored reduced fat milk	1.0092%	0.9939%	0.0153%
Flavored nonfat milk	0.1160%	0.1121%	0.0039%
Buttermilk	(2)	(2)	
Eggnog	7.5283%	6.8734%	0.6549%

⁽¹⁾ Per General Order No. A-953 (CRO 15)

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

FEBRUARY 12, 2025 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,

	Weighted Expenses for the Six Months Ended June 30 (1)		s Ended June 30 Six Months Ended June 30		Cost Pe	er Point	Increase (Decrease)
Type of Expense	2024	2023	2024	2023	2024	2023	Per Point
Labor and fringe benefits	\$6,433,278	\$6,300,603	40,268,394	41,147,634	\$ 0.1598	\$ 0.1531	\$0.0067
Utilities	\$324,113	\$345,107	40,268,394	41,147,634	0.0080	0.0084	(0.0004)
Insurance	\$310,026	\$252,210	40,268,394	41,147,634	0.0077	0.0061	0.0016
					\$0.1755	\$0.1676	\$0.0079

(1) Weighted based on sales in PMMB Area 2

FEBRUARY 12, 2025 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 2023 (1)	\$730,342
Delivery points – calendar year 2023 (1)	55,416,052
Diesel fuel cost per point delivered	\$0.0132
Average diesel price – calendar year 2023 (2)	\$4.541
Average diesel price – August 2024 (2) (3)	\$3.952
Increase (decrease) from year 2023 to month August 2024	-12.97%
Increase (decrease) in diesel fuel cost per point delivered	(\$0.0017)

- (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) August 2024 diesel fuel costs were used by the PMMB in establishing minimum prices for October 2024.

FEBRUARY 12, 2025 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 2023 (1)	\$116,457
Standardization & pasteurization points – calendar year 2023 (1)	72,307,764
Heating fuel cost per point pasteurized	\$0.0016
Average heating fuel costs – calendar year 2023 (2)	\$10.76
Average heating fuel costs – June 2024 (2) (3)	\$9.81
Increase (decrease) from year 2023 to month June 2024	-8.83%
Increase (decrease) in heating fuel cost per point pasteurized	(\$0.0001)

- (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) June 2024 natural gas costs were used by the PMMB in establishing minimum prices for October 2024.

PMMB AREA 2 FEBRUARY 12, 2025 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,

Container Size	Container Quantities Sold by Cross-Section Dealers in 2023 in Area 2	Co Ef	oposed ontainer ficiency ustments		Impact on Cross-Section ealer Revenue	Ef Adj in	ontainer ficiency ustments Current <u>rder (1)</u>	Cros: Deale	pact on s-Section r Revenue Adjustment
Gallon	5,265,918	\$	(0.1054)	\$	(555,028)	\$	(0.1067)	\$	(561,873)
Half Gallon	5,663,908		(0.0269)		(152,359)		(0.0317)		(179,546)
Quart	2,107,964		0.0505		106,452		0.0467		98,442
Pint	1,141,537		0.0326		37,214		0.0633		72,259
Half Pint - Paper	15,269,415		0.0251		383,262		0.0247		377,155
4 oz.	944,838		0.0416		39,305		0.0414		39,116
Dispenser (per quart)	839,640		0.1679	_	140,976		0.1682		141,227
Net impact on cross-section de	aler revenues			\$	(178)			\$	(13,220)

⁽¹⁾ Per OGO A-953 (CRO 15) as updated.

FEBRUARY 12, 2025 COST REPLACEMENT HEARING CALCULATION OF WHOLESALE MINIMUM PRICE GALLON REDUCED FAT MILK (2%) FOR OCTOBER 2024

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,

		Proposed	Current	
	<u>Reference</u>	<u>Order</u>	<u>Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9317%	1.9376%	-0.0059%
Butterfat price as announced by PMMB	(1)	\$ 3.6819 per lb.	\$ 3.6819 per lb.	
Extended butterfat value		\$ 0.0711 per lb.	\$ 0.0713 per lb.	
Skim price as announced by PMMB	(1)	\$ 15.35 per cwt.	\$ 15.35 per cwt	•
Extended skim value		\$ 0.1505 per lb.	\$ 0.1505 per lb.	
Total milk value at announced prices		\$ 0.2217 per lb.	\$ 0.2219 per lb.	\$(0.0002)
Ingredient cost	D4	0.0002	0.0001	
Cost of shrinkage / bulk milk & cream	D5	0.0036	0.0013	
Total milk cost per pound		\$ 0.2255 per lb.	\$ 0.2233 per lb.	\$ 0.0022
Pounds per gallon (conversion)		8.62	8.62	
Total milk cost per gallon		\$ 1.9438	\$ 1.9248	\$ 0.0190
Container cost (adjusted for shrinkage)	D3	0.2485 each	0.2477 each	0.0008
Cost center costs	D2	1.3120	1.3804	(0.0684)
1st half 2023 to 1st half 2024 adjustment	D7	0.0316	0.0768	(0.0452)
Container efficiency adjustment	D10	(0.1053)	(0.1067)	0.0014
Percentage discount adjustment	(3)	0.0208	0.0208	-
Diesel fuel adjustment	D8	(0.0068)	(0.0160)	0.0092
Heating fuels adjustment	D9	(0.0004)	(8000.0)	0.0004
		\$ 3.4442 each	\$ 3.5270 each	\$(0.0828)
Dealer profit at 3.5%	(2)	0.1249	0.1279	\$(0.0030)
Subtotal		\$ 3.5691 each	\$ 3.6549 each	\$(0.0858)
Less: average delivery cost	(2)	(0.3356)	(0.3356)	
Add: high cost delivery	(2)	0.9364	0.9364	
Wholesale minimum price		\$ 4.1699 each	\$ 4.2557 each	\$(0.0858)

- (1) As announced for October 2024 by PMMB on September 19, 2024.
- (2) Per OGO A-953 (CRO 15) as updated.
- (3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."

REBUTTAL EXHIBIT D11-B

PMMB AREA 2 FEBRUARY 12, 2025 COST REPLACEMENT HEARING

CALCULATION OF WHOLESALE MINIMUM PRICE HALF PINT FLAVORED NONFAT MILK (SKIM) FOR OCTOBER 2024 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,

- (1) As announced for October 2024 by PMMB on September 19, 2024.
- (2) Per OGO A-953 (CRO 15) as updated.
- (3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts