



COMMONWEALTH of VIRGINIA

Department of Agriculture and Consumer Services

State Milk Commission

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TO: All licensed milk distributors and other interested parties
FROM: State Milk Commission
DATE: May 19, 2021
SUBJECT: Adjustment to resin costs associated with the presumed cost to produce fluid milk products

The State Milk Commission performs an annual cost analysis in order to calculate presumed costs to produce fluid milk products in the subsequent year. This process, while not perfect, has worked well historically in determining costs over the course of a year.

However, the Commission's calculated presumed costs currently do not reflect market realities. Polyethylene resin prices have increased dramatically in 2021 (*Figure 1*) as a result of high demand and limited supply.

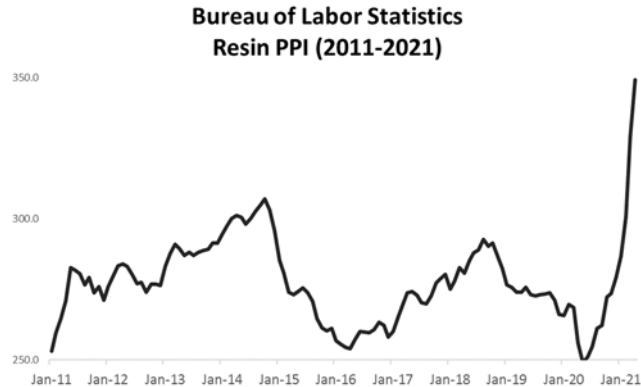


Figure 1: BLS Monthly Producer Price Index

Accordingly, the Commission will update resin costs used during the most recent cost analysis in order to address the resin price increase and more accurately represent costs to produce fluid milk products for the remainder of the year. These changes will be reflected on the June 2021 Presumed Processing, Platform, and Delivered Unit Cost Schedule released on May 19, 2021.

Please contact the Milk Commission at (804) 786-2013 or milk@vdacs.virginia.gov with any questions.