Cotterill Analyzes Competition, Monopoly In Food Industry

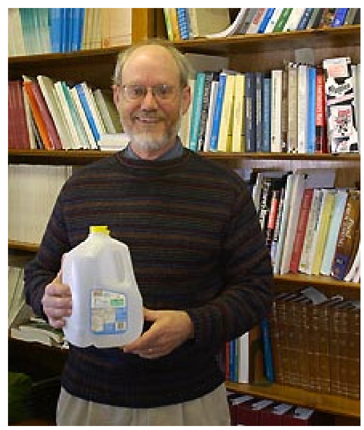
By Elizabeth Omara-Otunnu

Next time you pick up a gallon of milk and a box of breakfast cereal at your local supermarket, think of Ron Cotterill.

The director of the University's Food Marketing Policy Center has studied - and come up with some controversial findings on - all three. In a 25-year career as a professor of agricultural economics, Cotterill has conducted research on the price of milk, the cost of cereal, and supermarket monopolies.

His mission, he says, is "to represent the public interest in economic discourse."

His recent studies have concluded that supermarkets are making excessive profits on milk. One study set out to evaluate the impact of a federal program - the Northeast Dairy Compact - that guaranteed farmers in New England a minimum price for milk. The compact was in effect from 1997 to 2001.



Ron Cotterill, director of the Food Marketing Policy Center, has conducted studies that show retailers are making disproportionate profits on milk.
Photo by Dollie Harvey

He says the supermarkets not only raised the price of milk to cover the cost of the Compact - an increase of about 3 cents a gallon - they raised the retail price by another 14 cents for their own profit, and attributed the entire 17 cent increase to the Compact.

More recently, extensive data gathered by Cotterill showed that after the Compact expired, farm prices plummeted 50 cents a gallon to an average $1 per gallon of milk, while consumers continued to pay about $3 per gallon. The cost of processing and distribution is about $1 per gallon. The remainder, Cotterill concluded, is being pocketed by retailers and processors.

Cotterill initially suggested that the retail price be cut to $2. Farmers complained, however, that the problem is not that the retail price is too high but that the price they receive is too low.

Last week, he presented testimony in Hartford in support of a bill sponsored by the state Attorney General that seeks both to raise the farm price and to cut the retail price.

"The intent is to narrow the gap," he says, "primarily by raising the farm price, because it is at a 25-year low."

Cotterill's milk study has garnered him extensive publicity and placed him in the political spotlight, too. But he takes it in stride. "I've spent my whole career at the interface of politics and academia," he says.

Cotterill, who grew up on a 2,000 acre dairy farm in upstate New York, originally intended to become a farmer and a lawyer. He studied at Cornell during the Vietnam era, spent a year in Denmark on a Marshall Fellowship, then registered as a conscientious objector and taught high school for a year in a village on the Congo River in Zaire.

As a graduate student at the University of Wisconsin, he wrote a Ph.D. dissertation that analyzed the profits of the 20 largest supermarkets in the United States. He concluded that the food industry lacked competition.

In 1977, his research was cited during hearings in Washington, D.C., on monopolistic pricing by the big supermarket chains, and Cotterill - then a junior faculty member at Michigan State - experienced what he calls "a baptism of fire" in the media.

"Right out of the blocks, our work was attacked by the industry in public forums," he says.

The dissertation, later published, remains a key work in the field of anti-trust policy regarding supermarkets.

Cotterill joined UConn in 1981 and established the Center for Food Marketing Policy six years later. The federally funded Center, modeled on a similar center at the University of Wisconsin, carries out research on competition and monopolies in the food industry.

Cotterill does not shy away from challenging vested interests but picks the issues carefully, and conducts meticulous research so that it can withstand the scrutiny he has come to expect.

"Some people say our research is not scholarly," he says, "but it is subject to the most rigorous review. When you go into the policy arena, and there are billions of dollars on the line, you can be sure your work is gone over with a fine-tooth comb." Much of his work is subsequently published in refereed journals.

Cotterill has even butted heads with corporate giant Philip Morris. In 1994, he planned to present a research paper on monopoly pricing in the breakfast cereal industry at an American Agricultural Economics Association meeting. At the time, opponents of the acquisition of Nabisco/Shredded Wheat by the Philip Morris Co. were engaged in a bitter antitrust lawsuit.

"Philip Morris threatened me with a personal libel lawsuit if I disseminated the report in any form," he says. "They didn't want a public outcry about high cereal prices while the case was in court."

The antitrust lawsuit was lost, but with the help of then U.S. Reps. Sam Gejdenson and Charles Schumer, Cotterill was invited to ghost-write several white papers for a national media campaign about high cereal prices in 1995 and 1996. Congressmen, he notes, cannot be sued for libel. The issue - with Cotterill as one of the spokespeople - received extensive media coverage.

As a result of the adverse publicity, he says, breakfast cereal consumption dropped 3 percent - the first decline since World War II - and eventually Philip Morris/Post Cereals responded with a 20 percent reduction in its prices. Other cereal companies followed. "We estimate the price cuts saved consumers $2.4 billion in the first two years alone," notes Cotterill.

"Basically we lost the battle and won the war," he says. "We were able to give consumers serious relief on prices." The original paper, "Harvesting and Tacit Collusion in the Breakfast Cereal Industry," is available to through the Food Marketing Policy Center.

Although he recognizes that his research often generates controversy, Cotterill relishes debate.

"Most of the economists in my subject area of industrial organization and anti-trust economics work for the big guys," he says. "Only a very small fraction work for the little guy and the public interest. As the trend continues toward greater economic concentration and fewer bigger firms, our research becomes all the more important."

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