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Testimony on the Massachusetts Milk Price Situation and the Proposed Massachusetts Milk Price Gouging Law

by

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**Committee on the Environment
Massachusetts Legislature**

September 4, 2003

Boston, Massachusetts

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**Testimony on the Massachusetts Milk Price Situation and the
Proposed Massachusetts Milk Price
Gouging Law**

At the outset we would like to thank the Committee on the Environment for the opportunities to submit this written testimony and to address the Committee on an important issue today. Milk pricing in New England and Massachusetts has been contentious for several years because of two interrelated issues. Those issues are of low milk prices to New England farmers and high milk prices to New England's consumers. Figure 1 is a graphic picture of the problem. It gives the retail milk prices for Boston and the raw milk prices that farmers received for that fluid milk. The two vertical lines denote the era of the Dairy Compact. Note that the Dairy Compact established a price floor at \$1.46 a gallon that shielded farmers from low raw fluid milk prices. Note also that outside of the Dairy Compact period there was considerable volatility in raw milk prices. Also note that before and after the Compact volatility in raw milk prices was not transmitted in any visible or major form to variation in retail milk prices. During the post Compact period within two months of the end of the Compact raw milk prices plummeted as much 50 cents a gallon to dairy farmers. At the time retailers in Boston dropped the price approximately 10 cents a gallon. After that major price drop raw milk prices continued to drift downward, and retail milk prices remained essentially constant, near \$3 a gallon. Now we have experienced a 35 cent per gallon increase in the raw milk prices, and retail prices are moving up again.

The fundamental question that we are here to address today is the following. Is the proposed Massachusetts price gouging law appropriate legislation to improve farm to retail price transmission in the Massachusetts milk channel?

Perhaps before answering this question one needs to explain why improved farm to retail price transmission is a desirable outcome. From an equity standpoint the price trend lines in Figure 1 suggest that consumers are being overcharged for milk during periods of low farm prices. To the extent that consumer prices remain unduly high, demand for milk is constrained in a period when farmers had excess supply. This means that the period of excess supply persisted longer than it would in a competitive market place. From an economic efficiency perspective when retail prices do not rapidly reflect changes in raw milk prices we have an inefficient allocation of resources in the economy. For economic efficiency economists routinely prescribe that prices should be near or equal to marginal costs. As we will show below, during the post Compact era milk market pricing in Massachusetts has deviated in a very significant way from this efficiency rule.

A standard criticism of price trends, such as those presented in Figure 1, is that they do not account for changes in other costs that processors and retailers must incur to provide retail milk. Perhaps the widening margins in Figure 1 are due to expansion in other costs in the milk marketing channel. To answer this we have decomposed retail milk prices in Figure 2 to determine retail and processor margins. Figure 2 is discussed in Food Marketing Policy Center Issue Paper No. 40 that accompanies this testimony, so we will not discuss it in great detail here.

Perhaps the most important information that one can glean from Figure 2 is that high retail milk prices are due almost exclusively to high retail margins, not high processor margins. The first column in Figure 2 reports the all milk average for the four supermarket chains data that are displayed in the rest of the table. The data are for March 2003, however, an essentially identical chart can be produced for any month from December 2001 through August 2003. In March 2003 farmers received approximately \$1.04 per gallon for the milk that went into fluid

milk products. Processors on average received approximately 58 cents a gallon for processing the milk and distributing it into the coolers of the major supermarket chains. Therefore, the wholesale price milk was \$1.62 a gallon. Retail prices are far higher at \$3.11 a gallon, \$1.49 above that wholesale price. Clearly the primary source of high retail prices is the retail margin. Moreover, recent cost studies conducted at Pennsylvania State University and the University of Maine for the corresponding state milk commissions indicate that in-store retail costs for large supermarket chains range from 20 cents a gallon to at most 42 cents a gallon. This suggests that profit margins are as high as of \$1.07 to \$1.29 a gallon at large supermarket chains in southern New England. Supermarket bottom line profits are higher than the price that farmers received for the raw milk. These unconscionably excessive margins have persisted since the Fall of 2001. They have also persisted in the face of persistent publicity over the past year of a high retail milk prices. Retail supermarket chains in Massachusetts simply have not responded by lowering their retail prices.

There is one other very important feature in Figure 2 that we must discuss. Massachusetts milk markets are supplied by several leading well-established brands of milk. Hood, Garelick, and Guida have spent considerable time and effort over long periods of time to develop brand loyalty and a price premium for their branded products. The Hood brand has existed in New England for over 100 years. Note Figure 2 that the processors' margins for branded products are very small in comparison to the retailer's margins on the same products. Retailers are capturing the lion's share of the brand equity that these processors have created. For example, at Stop & Shop Hood milk sells for \$3.60 a gallon, and Stop & Shop keeps \$1.91 of that price. The Hood Company captures only 64 cents of the \$3.60 price. This situation is even worse at Shaw's where in March of 2003 Shaw's captured effectively \$2 of the \$3.69 price

for Hood milk. This retail pricing distorts the incentives in the milk channel for producing branded milk. It also limits consumers' access to branded milk. The proposed Massachusetts price gouging law would limit this excessive retail margin behavior on brands because it would lower the private label prices in stores. This price effect will spill over to brand prices.

Perhaps the strongest case for the proposed Massachusetts law comes from a comparison of milk prices in the state of Massachusetts and the state of New York. In November of 2002 and again in June of 2003 we conducted an extensive survey of milk prices in the supermarkets and other retail outlets throughout southern New England and New York State. Table 1 summarizes milk prices across an identical set of retail outlets for June of 2003 and November of 2002. We have computed a weighted average price that approximates the sales of private label and branded products in the market. These prices have been summarized in Table 1 for chain, convenience stores, club stores and limited assortment stores.

In discussing this and other tables that follow we will focus only on the New York and Massachusetts columns. Note that chain supermarkets in New York had an average price of \$2.31 a gallon in June of 2003. This price was down 11 cents a gallon from November. In Massachusetts' chains the June 2003 price for chain supermarket averaged \$2.97 a gallon—66 cents more than in New York. That price was up 2 cents from November 2002. Note that convenience stores in New York in June averaged \$2.50 a gallon, effectively 19 cents more than chain supermarkets in New York, whereas in Massachusetts convenience stores averaged \$2.70 a gallon, 27 cents a gallon less than chain supermarkets. Clearly, the price position of convenience stores is very different in New York as opposed to Massachusetts. Club and limited assortment stores in both states had dramatically lower prices than the other two channels. For example

limited assortment stores in New York averaged \$1.59 a gallon in June of 2003, whereas they averaged \$2.06 a gallon in Massachusetts.

Shifting now to Table 2 we can look at the weighted average price by chain for all types of milk. This allows us to see exactly which supermarket chains have higher prices than others. Again, we will focus on the New York and Massachusetts columns. Note that Stop & Shop's average price in the New York City Metro area was \$2.45 a gallon in June, down 14 cents from November of 2002. In the state of Massachusetts Stop & Shop's milk price was 63 cents a gallon higher at \$3.08 a gallon, and was 4 cents higher in June of 2003 than it was in November. We not only have higher prices in the state of Massachusetts, we also have had a price increase over time whereas prices went down in New York as the farm price declined through this period. Shaw's and Star Market milk cost \$3.02 up 7 cents a gallon from November. Its pricing is similar to Stop & Shop.

Demoulas' Market Basket, however, is a distinctly different retailer. Note that their prices are far lower at \$2.50 a gallon, and they drop 4 cents a gallon as farm prices dropped from November to June. The other price competitive supermarket chain in the state of Massachusetts is Wal-Mart. In June 2003 they came in with milk prices at \$2.52 a gallon, down 32 cents a gallon from November 2002.

We conclude that all the large supermarket chains listed in this chart that do business in the state of Massachusetts could have sold milk at \$2.50 or lower and still covered their in-store retail costs as well as their wholesale price and earned a reasonable rate of return. This seems imminently obvious because Demoulas and Wal-Mart are in fact at that price level, and stores in two other channels price even lower.

Permit us, for the moment, to play devil's advocate. OK. We have shown that leading supermarket chains in the Boston area and the area throughout the state of Massachusetts have high milk prices—prices that are well above their cost. We have also shown that some supermarket chains and several other channels have far lower costs. Why not simply let the market work this out? Let consumers switch from one store to another. Wouldn't this consumer behavior in fact drive prices lower in these high price chains? Well the obvious answer is yes it would, if indeed consumers were aware of the problem, and if indeed consumers have no time costs and make the effort to switch their purchases of milk from the high price chains to the low price retail outlets. Our response on this point is that these high milk prices in supermarket chains have persisted for almost two years, and for much of that time there has been a good deal of publicity about the problem. For whatever reason, consumers are not switching to low priced milk outlets in sufficient numbers to force competitive discipline in this market. Does that mean that consumers are well served by the current market structure in market pricing regime? The answer clearly is no. The proposed milk price law would improve the allocative efficiency of the milk marketing channel and would benefit consumers.

Moving on now to table 3, let's explore in more detail the performance of the milk marketing channel in the state of New York where one does have a milk price gouging law. The application of the price gouging law in New York divides the state into two areas: the metro New York area and upstate. It does this because raw milk prices are higher delivered into the metro area and retail distribution costs are distinctly higher in the metro New York area. We surveyed milk prices in both areas and they are reported in table 3. We'll focus here only on the chain supermarket results. Note that the metro New York area chain supermarkets' prices for the lowest brand average \$2.45 a gallon. Other brands in the chains could have higher prices than

this lowest price offer brand. The threshold price for June was in fact \$2.44 a gallon, so that the average price on the lowest brand, which is what the threshold price is applied to, was virtually identical to the threshold price. In a more detailed report of our price survey results we explore the distribution around this average and identified chains that in fact are violating the threshold price. In the upstate New York area the threshold price is far lower at \$2.27 a gallon. Note that the average price for chains is well below that at \$2.08 a gallon.

Figures 3, 4, and 5 show the raw milk price, the retail price, and the threshold prices for upstate and metro New York market areas over time. The visual evidence is clear. The milk price threshold law in New York clearly has an influence on retail pricing. For more detailed analysis of the New York law please see the accompanying power point document by Charles Huff, the Chief of Licensing and Auditing at the New York State Department of Agriculture and Markets. Huff states, “Has the law been effective? Yes! Retail prices charged by supermarkets have been very responsive in reflecting decreases in farm prices. Consumer have realized substantial savings.” One also will find a good deal of information about the law on the New York State Department of Agriculture’s website.

Since the proposed Massachusetts law follows the New York law and would apply only to the lowest priced brand in a supermarket, we will now present some data on lowest priced milk brands for New York, Massachusetts, and other parts of New England. Table 4a does this. Notice for the chain supermarkets for whole milk one could buy a gallon at \$2.25 in New York in June of 2003. The same gallon of whole milk in Massachusetts averaged \$2.83 a gallon. Similar price differences hold for 2 percent, 1 percent and skim milk between New York and Massachusetts. Table 4b gives the number of observations that we are observing in our sample survey.

Moving on to Table 5a we have the lowest priced milk by supermarket chain as well as by type of milk. This indicates, for example, that Stop & Shop sold whole milk at \$2.35 a gallon in the New York City metro area during June of 2003. That same milk was sold in Massachusetts for \$2.94 a gallon. Again, the difference is very substantial—59 cents a gallon. When examining whole milk the lowest price gallons again are at Demoulas, \$2.44 a gallon, and Wal-Mart Supercenters, \$2.47 a gallon. The highest priced whole milk was at Price Chopper, \$3.19 a gallon. These prices essentially are for private label milk in these supermarkets or branded milk that is on some sort of deep discount. These prices also are the prices that are actionable under the proposed Massachusetts law. That law would limit these prices to no more than 200% of the price that processors paid farmers for the raw milk that is in the jugs.

Today we would like to conclude our price analysis by evaluating the impact of the proposed Massachusetts price gouging law on retail milk prices in the state of Massachusetts. Chart one does this. We provide an example of how the law would have applied in June of 2003 and how it would apply today in September of 2003 given the known raw milk prices that processors have paid farmers. In June 2003 the Class I price set by the Federal Market Order was \$12.99 per hundred pounds or \$1.12 a gallon. Processors also paid a cooperative premium to over half of the farmers in the milk shed, and that premium amounted to 12 cents a gallon. So an estimate of the raw milk price is \$1.24 a gallon. The applicable threshold price under the proposed Massachusetts law would then be \$2.48 a gallon for June 2003.

Since we know what the average lowest price was at the leading supermarkets in June 2003 we can see how they would have had to adjust their prices to comply with this law. We do that in the next section of Chart 1. Note that Stop & Shop's price is \$2.94. It would have had to be reduced 46 cents a gallon. Star Market and Shaw's price would have been reduced from

\$2.92 to \$2.48 as well, a 44 cent a gallon decrease. Demoulas at \$2.44 is already under the threshold price and would not have had to change its price at all. Roche Brothers at \$2.69 would have had to reduce price 21 cents, Big Y would have had to reduce price 23 cents. Price Chopper would have had to reduce price the most 71 cents a gallon. Rojacks would have reduced price 51 cents a gallon, and Wal-Mart Supercenter at \$2.47 is under the price threshold, so their price would not have had to change.

Looking at September 2003 with recovery of the farm milk prices farmers are receiving via the Federal Order is \$1.46 per gallon. The co-op premiums amount to about 15 cents a gallon leading to a raw milk price of \$1.60 a gallon. This means the threshold price would be \$3.21 a gallon in Boston.

Today as we speak it is fairly safe to say that none of the leading chains in the supermarket are offering their lowest price milk at a price above \$3.21 a gallon. Even with the dime increase the price at Stop & Shop and Shaw's is below this level. Therefore, today the proposed milk price gouging law in the state of Massachusetts would have no impact on milk prices. This illustrates the fact that the milk price gouge law only becomes binding in periods when prices are extremely low. It is in those periods we would like to see retail prices fall so that consumer demand can expand to dissipate the raw milk surplus that is choking dairy farmers.

One might ask, how much would raw milk consumption expand with a cut in retail price? Economists routinely measure this sensitivity by something called the price elasticity of demand. Research at the University of Connecticut and the University of Wisconsin using scanner data from supermarket chains indicate that the price elasticity of demand is roughly a negative .7. What this means is that the roughly 15% reduction in the price of milk at Stop & Shop and

Shaw's, the two leading chains in Massachusetts, would lead to a 10.5% increase in the consumption of fluid milk by their shoppers.

Boston and the state of Massachusetts alone cannot expand the demand for milk enough to have a major impact upon the nationally determined raw milk prices that farmers receive. This, however, is no reason for defeating the proposed law. There are several cities in the United States including Hartford, Providence, Chicago, Seattle, and Portland that have extremely high milk prices relative to raw milk prices. If cities where retailer power is a problem, adopt a New York style pricing law the aggregate impact of these laws could be significant upon milk demand.

An increase in aggregate demand of 1 or 2% can move milk prices up. Also think of it another way. Farmers routinely pay a substantial check off to advertise milk through the got-milk program. Today, farmers might very well earn a bigger bang for their buck by lobbying for support of this law rather than paying for additional advertising. A cut in price, such as we have suggested, will certainly expand demand more than advertisement.

Finally in closing we have not addressed the issue of low milk prices and the plight of the New England dairy farmer in this testimony. If one is interested in this issue we refer you to the testimony that we gave at the Connecticut Committee on the Environment in February of 2003 and a subsequent report dated April 23, 2003 that explores an alternative approach to pricing that would, in fact, build an incentive to increase the payment of over-order premiums to dairy farmers in New England.¹ The proposed Massachusetts law does not do this. In the first of those reports we have analyzed the farm level situation and document that today the mailbox or farm gate price that farmers receive is no higher in the Northeast than it is in the upper Midwest. This indeed is truly a deterioration of geographic milk pricing in the United States. Traditionally East

¹ They are available on our website. Click on "Milk Price Gouging."

coast dairy farmers have earned a premium over the upper Midwest dairy farmers because they are close to fluid markets. Today through the relaxation of federal policy and through the exercise of cooperative market power and cheese milk premiums in the upper Midwest, Midwestern dairy farmers receive nearly the same price as New England and Northeast dairy farmers. This means that today in comparison to the past New England dairy farmers are bearing a disproportionate amount of the surplus adjustment that's needed to bring the dairy industry back into equilibrium.

Finally we would say that the primary source of overproduction of milk in the United States today is not in the Northeast. It's in the far West including the state of California where milk has routinely expanded over the last few years by as much as 4 or 5 percent a year. This expansion is coming from a structural shift towards milk factories. These dairy operations routinely have over 2,000 cows and are now growing towards 10,000 or more cows in one confined location. Through a combination of cheap fodder due to subsidized irrigation water and low cost immigrant labor these operations are able to offer milk at a price lower than many of their competitors from other parts of the country.

Unless the New England states develop some sort of state or regional dairy policy that recognizes the cost of production in New England is higher and that farmers need a higher price than that offered by national markets, in the very near term future there will be very few dairy farms left in the region. We doubt that New England consumers will pay lower prices if that comes to pass.

Chart 1. The Impact of the Proposed Massachusetts Milk Price Gouging Law:
An Example for June and September 2003

June 2003	Dollars per CWT	Dollars per Gallon
Class 1 Price	12.99	1.12
Coop. Premium	1.40	0.12
Raw Milk Price	14.39	1.24
Threshold Price 200% Law		2.48

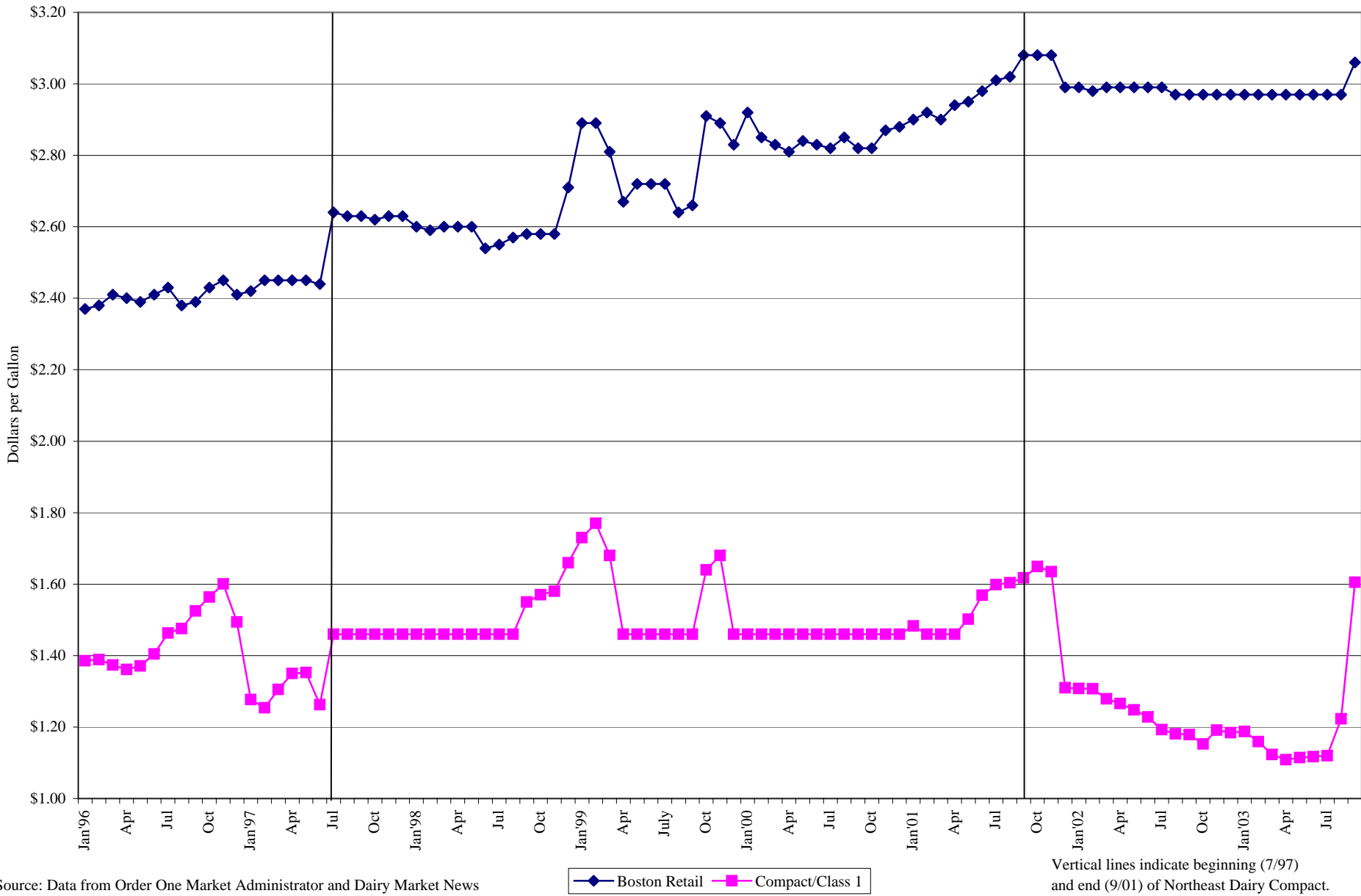
Chains in Massachusetts	Average Lowest Price June 2003	Price Reduction Needed to Comply	% Price Reduction
Stop & Shop	2.94	0.46	15.81%
Shaw's / Star Market	2.92	0.44	15.24%
DeMoulas / Market Basket	2.44	0.00	0.00%
Roche Bros	2.69	0.21	7.99%
Big Y	2.71	0.23	8.67%
Price Chopper	3.19	0.71	22.41%
Ro Jaks	2.99	0.51	17.22%
Wal-Mart Supercenter	2.47	0.00	0.00%

September 2003	Dollars per CWT	Dollars per Gallon
Class 1 Price	16.96	1.46
Coop. Premium	1.70	0.15
Raw Milk Price	18.66	1.60
Threshold Price 200% Law		3.21

Since all of the chains listed above sell private label milk below this threshold, all are currently in compliance.

Figure 1.

Boston
Market Level Retail and Farm Fluid Milk Price
January 1996 - September 2003



Source: Data from Order One Market Administrator and Dairy Market News

Vertical lines indicate beginning (7/97) and end (9/01) of Northeast Dairy Compact.

Figure 2: Actual Raw Milk, Estimated Wholesale, and Actual Retail Milk Pricing by Brand for the Four Leading Supermarket Chains in Southern New England: March 2003

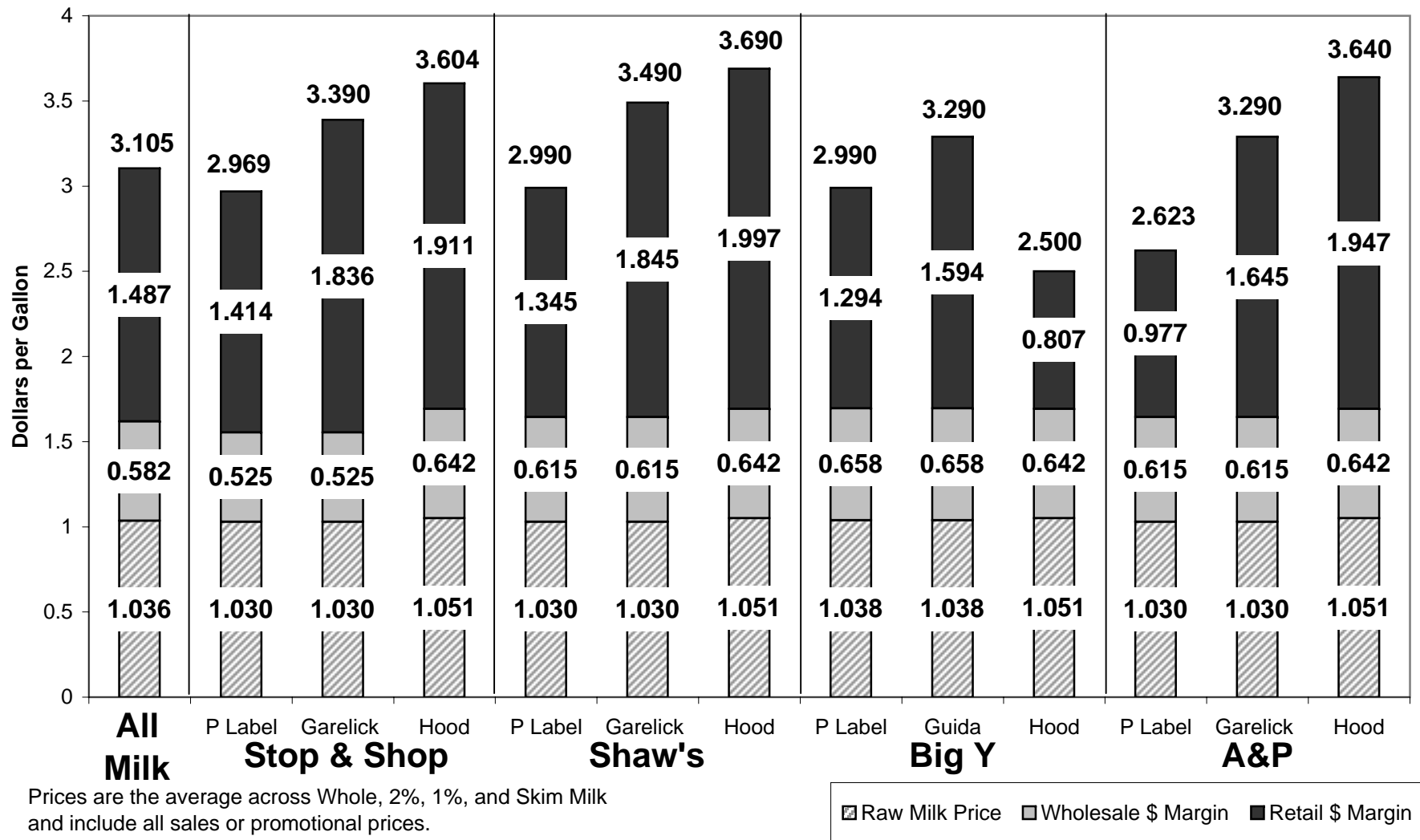
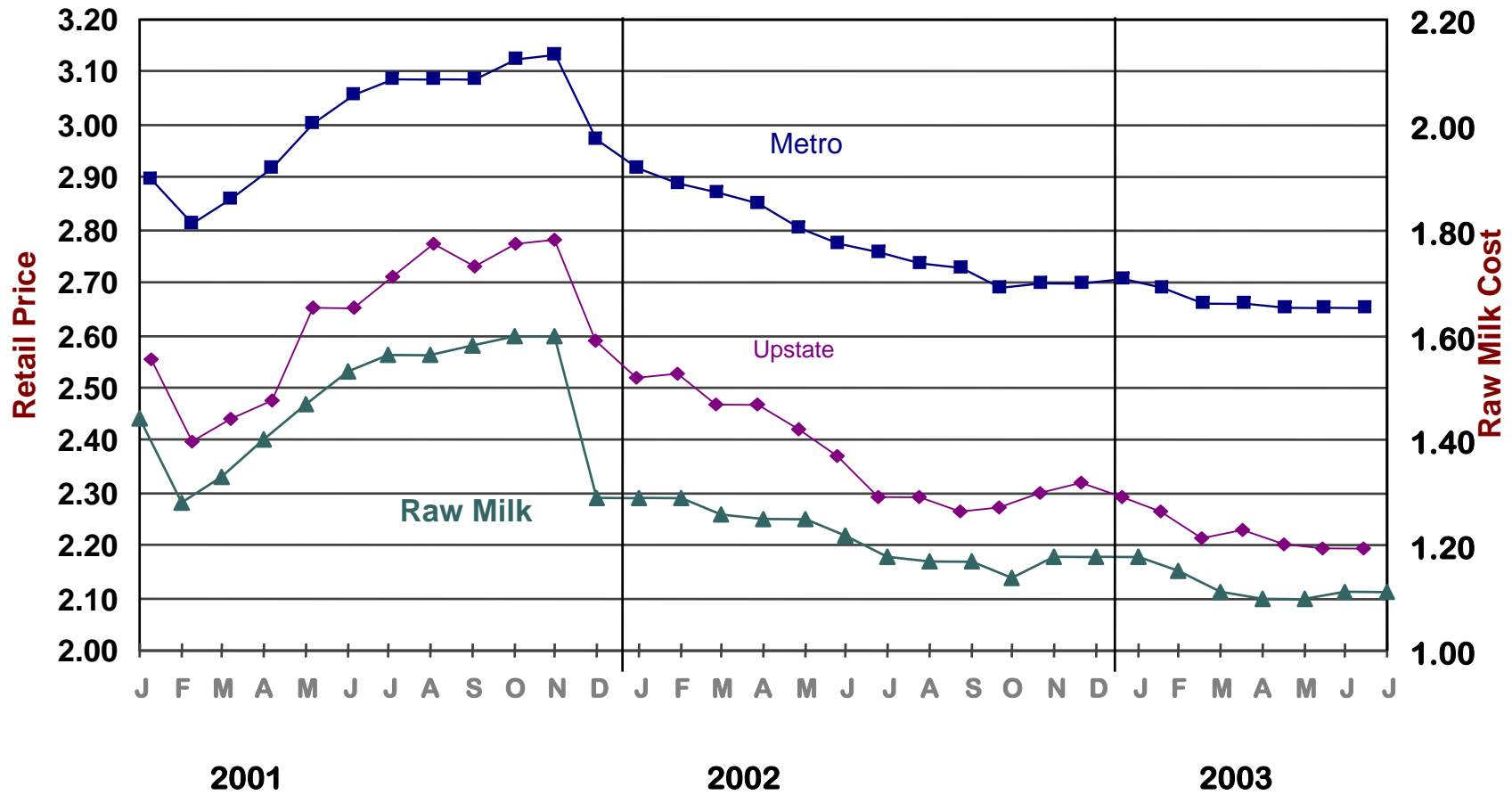


Figure 3

New York Retail Price vs Raw Milk Cost Gallon Milk - 1/01 - 07/03



Raw milk cost = Class I price, Northeast Order @ Syracuse, adj. for bf, plus estimated premium.

Figure 4

New York Retail Price vs Threshold Upstate - Gallon - 1/01-7/03



Source: NYS Department of Agriculture and Markets

Figure 5

New York Retail Price vs Threshold Metro - Gallon - 1/01 - 7/03

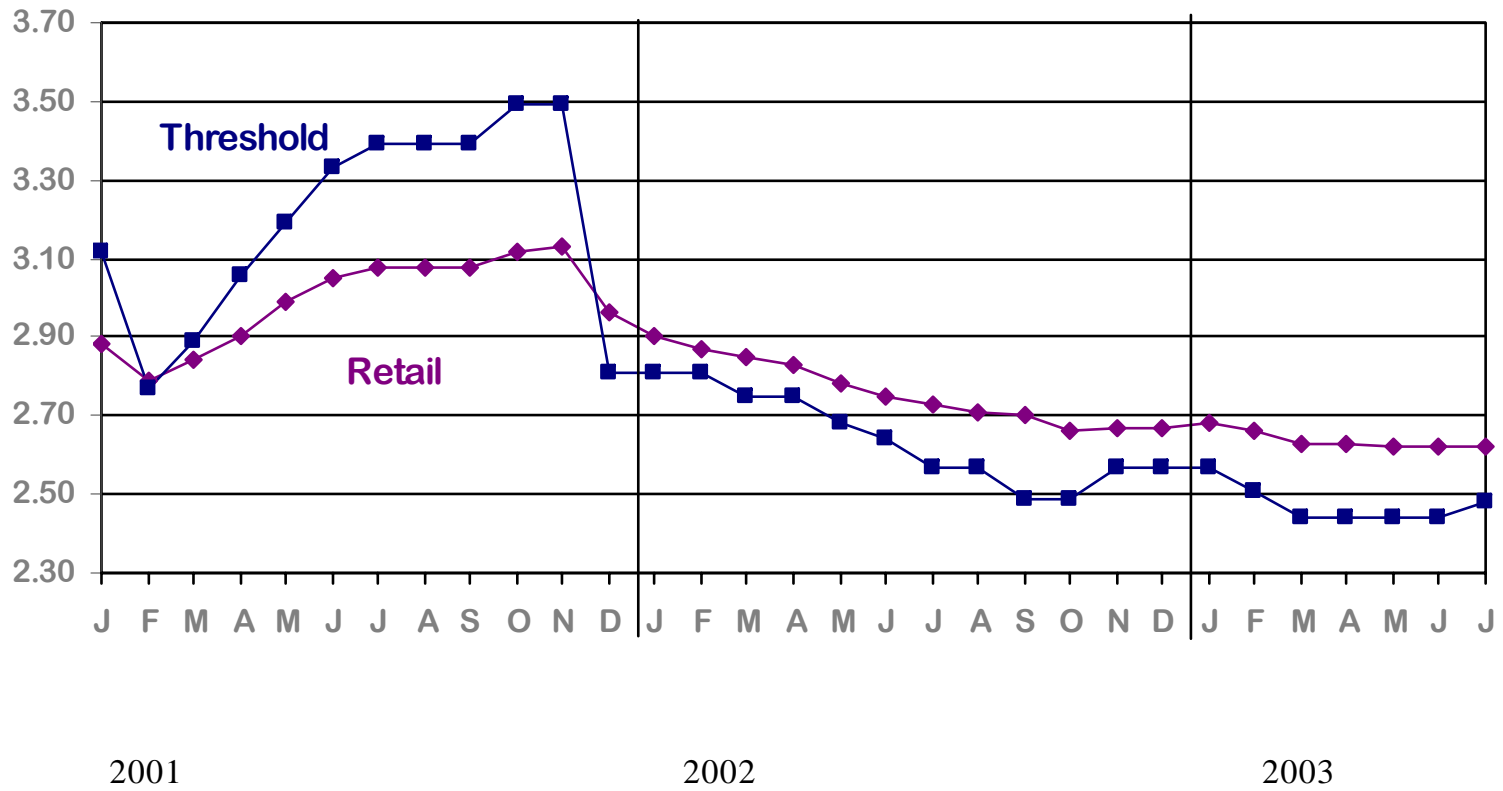


Table 1. Weighted Average Price* by Channel for all Types of Milk (Skim, 1%, 2%, 3.25%)

Channel	New England		New York		Massachusetts		Connecticut		Rhode Island		All	
	Change from		Change from		Change from		Change from		Change from		Change from	
	June 03	Nov 02	June 03	Nov 02	June 03	Nov 02	June 03	Nov 02	June 03	Nov 02	June 03	Nov 02
Chain	3.01	0.00	2.31	-0.11	2.97	0.02	3.04	-0.01	3.03	0.00	2.85	0.00
Convenience	2.76	-0.08	2.50	0.01	2.70	-0.01	2.77	-0.14	2.81	-0.01	2.70	-0.04
Club	2.00	-0.06	1.89	-0.03	1.94	-0.18	2.03	0.02	2.10	-0.01	1.99	-0.04
Limited	1.99	0.07	1.59	0.10	2.06	0.11	1.99	0.00	1.91	0.09	1.93	0.06

* Because we do not have data on actual brand level sales, we approximate the share weighted average price by averaging the low cost milk price and simple arithmetic average milk price for all brands. This approximation more closely resembles the buying habits of milk consumers by weighing the low-priced option at 75% when there is only one other brand to choose from in a store, at 66% when there are two other brands, and at 62.5% when there are three other brands. Under this method the lowest priced milk always captures at least 50% of sales. This computation applies to weighted average prices in the remainder of the tables.

Table 2. Weighted Average Price by Chain for all Types of Milk (Skim, 1%, 2%, 3.25%)

Chain	New England		New York		Massachusetts		Connecticut		Rhode Island		All	
	Change from		Change from		Change from		Change from		Change from		Change from	
	June 03	Nov 02	June 03	Nov 02	June 03	Nov 02	June 03	Nov 02	June 03	Nov 02	June 03	Nov 02
Stop & Shop	3.12	0.03	2.45	-0.14	3.08	0.04	3.15	0.02	3.12	0.03	3.02	0.02
Shaw's / Star Market	2.97	-0.01	-	-	3.02	0.07	2.93	-0.08	2.90	-0.09	2.97	-0.01
DeMoulas / Market Basket	2.49	-0.05	-	-	2.50	-0.04	-	-	-	-	2.50	-0.04
Roche Bros	2.83	0.10	-	-	2.83	0.10	-	-	-	-	2.83	0.10
Big Y	2.92	-0.13	-	-	3.00	-0.13	2.88	-0.13	-	-	2.92	-0.13
A & P	3.15	0.00	2.52	-0.18	-	-	3.15	0.14	-	-	2.88	-0.11
Shop Rite	3.15	0.25	2.24	-0.20	-	-	3.15	-0.01	-	-	2.82	0.11
Price Chopper	3.26	0.09	2.23	-0.10	3.26	0.09	N/A	N/A	-	-	2.43	0.03
Ro Jaks	3.07	0.04	-	-	3.14	0.00	-	-	3.05	0.07	3.07	0.04
Hannaford	N/A	N/A	2.24	-0.09	N/A	N/A	-	-	-	-	2.24	-0.09
King Kullen	-	-	2.44	-0.13	-	-	-	-	-	-	2.44	-0.13
Wal-Mart	2.54	-0.25	2.10	-0.05	2.52	-0.32	2.55	-0.21	-	-	2.30	-0.08
Pathmark	-	-	2.44	-0.13	-	-	-	-	-	-	2.44	-0.13

Note: - means chain not in area, N/A means no observations in data

Table 3. Average Prices by Channel for all Types of Milk and New York Milk Law Threshold Prices: June 2003

Both Metro and Upstate Area Stores					
Channel	Average Lowest	Weighted Average	Average	Stores	SKUs
Chain	2.25	2.29	2.33	123	863
Convenience	2.45	2.45	2.44	37	135
Club	1.90	1.90	1.90	20	74
Limited	1.95	1.95	1.95	11	36

Metro NY Area Stores Only					
Channel	Average Lowest	Weighted Average	Average	Stores	SKUs
Chain	2.45	2.47	2.49	59	371
Convenience	2.63	2.63	2.63	13	42
Club	2.01	2.01	2.01	9	30
Limited	2.22	2.22	2.22	1	4

NY Milk Law Threshold Price: \$2.44

Upstate NY Area Stores Only					
Channel	Average Lowest	Weighted Average	Average	Stores	SKUs
Chain	2.08	2.15	2.21	64	492
Convenience	2.37	2.36	2.36	24	93
Club	1.82	1.82	1.82	11	44
Limited	1.92	1.92	1.92	10	32

NY Milk Law Threshold Price: \$2.27

Table 4a. Lowest Priced Milk by Type and Channel

Type	Channel	New England		New York		Massachusetts		Connecticut		Rhode Island		All	
		Change from June 03	Change from Nov 02	Change from June 03	Change from Nov 02	Change from June 03	Change from Nov 02	Change from June 03	Change from Nov 02	Change from June 03	Change from Nov 02	Change from June 03	Change from Nov 02
Whole	Chain	2.80	-0.09	2.25	-0.10	2.83	0.02	2.75	-0.19	2.87	-0.03	2.65	-0.07
Whole	Convenience	2.99	-0.04	2.60	0.09	2.88	0.00	3.02	-0.07	3.02	-0.10	2.90	0.02
Whole	Club	2.09	-0.07	1.92	-0.09	2.01	-0.19	2.13	-0.01	2.17	-0.01	2.07	-0.07
Whole	Limited	1.99	0.04	1.69	0.00	2.03	0.04	1.99	0.00	1.92	0.08	1.97	0.04
Two	Chain	2.90	0.05	2.25	-0.09	2.85	0.04	2.96	0.07	2.87	-0.03	2.73	0.04
Two	Convenience	2.90	-0.11	2.45	-0.03	2.76	-0.13	2.93	-0.11	2.95	-0.14	2.79	-0.06
Two	Club	2.01	-0.10	1.90	0.04	1.94	-0.20	2.05	-0.04	2.12	-0.02	1.99	-0.08
Two	Limited	1.99	0.05	1.59	0.10	2.05	0.06	1.99	0.00	1.92	0.08	1.96	0.06
One	Chain	2.88	0.00	2.25	-0.09	2.83	0.03	2.91	-0.01	2.87	-0.03	2.71	0.00
One	Convenience	2.24	-0.06	2.45	-0.03	2.28	0.11	2.17	-0.26	2.33	0.34	2.29	-0.06
One	Club	1.94	-0.09	1.87	-0.05	1.86	-0.23	1.96	-0.02	2.06	-0.02	1.93	-0.08
One	Limited	1.90	0.11	N/A	N/A	1.95	0.11	1.99	0.00	1.80	0.19	1.90	0.08
Skim	Chain	2.89	0.02	2.25	-0.09	2.83	0.03	2.94	0.03	2.87	-0.03	2.72	0.01
Skim	Convenience	2.88	-0.14	2.49	0.01	2.88	-0.03	2.85	-0.22	2.94	-0.15	2.78	-0.08
Skim	Club	1.98	0.05	1.86	-0.05	1.95	-0.11	1.99	0.15	2.02	-0.02	1.96	0.04
Skim	Limited	2.09	0.10	1.49	0.20	2.22	0.23	1.99	0.00	1.99	0.00	2.02	0.17

Note: N/A means no observations in data

Table 4b. Number of Observations (stores) for Lowest Priced Milk by Type and Channel for June 2003

Type	Channel	New England	New York	Massachusetts	Connecticut	Rhode Island	All
Whole	Chain	89	33	36	43	10	122
Whole	Convenience	30	9	7	16	7	39
Whole	Club	17	3	6	9	2	20
Whole	Limited	14	1	7	2	5	15
Two	Chain	90	33	36	44	10	123
Two	Convenience	29	9	7	15	7	38
Two	Club	16	3	6	9	1	19
Two	Limited	13	1	6	2	5	14
One	Chain	90	33	36	44	10	123
One	Convenience	29	9	7	15	7	38
One	Club	17	3	6	9	2	20
One	Limited	13	N/A	6	2	5	13
Skim	Chain	90	33	36	44	10	123
Skim	Convenience	26	9	7	13	6	35
Skim	Club	14	2	5	7	2	16
Skim	Limited	7	1	3	2	2	8

Note: N/A means no observations in data

Table 5a. Lowest Priced Milk by Type and Chain

Type	Chain	New England		New York		Massachusetts		Connecticut		Rhode Island		All	
		June 03	Change from Nov 02	June 03	Change from Nov 02	June 03	Change from Nov 02	June 03	Change from Nov 02	June 03	Change from Nov 02	June 03	Change from Nov 02
Whole	Stop & Shop	2.97	0.00	2.35	-0.18	2.94	0.03	3.00	-0.03	2.99	0.00	2.87	-0.02
Whole	Shaw's / Star Market	2.75	-0.11	-	-	2.92	0.08	2.55	-0.34	2.72	-0.17	2.75	-0.11
Whole	DeMoulas / Market Basket	2.44	0.00	-	-	2.44	0.00	-	-	-	-	2.44	0.00
Whole	Roche Bros	2.69	0.19	-	-	2.69	0.19	-	-	-	-	2.69	0.19
Whole	Big Y	2.31	-0.67	-	-	2.71	-0.33	2.12	-0.84	-	-	2.31	-0.67
Whole	A & P / Waldbaums	2.96	-0.02	2.50	-0.16	-	-	2.96	-0.05	-	-	2.69	-0.14
Whole	Shop Rite	3.06	0.30	2.17	-0.24	-	-	3.06	0.30	-	-	2.96	0.34
Whole	Price Chopper	3.19	0.20	2.14	-0.04	3.19	0.20	N/A	N/A	-	-	2.35	0.06
Whole	Ro Jacks	2.89	0.06	-	-	2.99	0.00	-	-	2.86	0.11	2.89	0.06
Whole	Hannaford	N/A	N/A	2.18	-0.06	N/A	N/A	-	-	-	-	2.18	-0.06
Whole	King Kullen	-	-	2.44	-0.13	-	-	-	-	-	-	2.44	-0.13
Whole	Wal-Mart Supercenter	2.58	-0.16	2.03	-0.04	2.47	-0.35	2.63	-0.06	-	-	2.26	-0.02
Whole	Pathmark	-	-	2.44	-0.13	-	-	-	-	-	-	2.44	-0.13
Two	Stop & Shop	2.96	-0.02	2.35	-0.12	2.90	-0.01	3.00	-0.02	2.99	0.00	2.86	-0.01
Two	Shaw's / Star Market	2.88	0.01	-	-	2.92	0.08	2.88	-0.01	2.72	-0.17	2.88	0.01
Two	DeMoulas / Market Basket	2.44	0.00	-	-	2.59	0.00	-	-	-	-	2.59	0.00
Two	Roche Bros	2.69	0.19	-	-	2.69	0.19	-	-	-	-	2.69	0.19
Two	Big Y	2.90	0.11	-	-	2.91	-0.10	2.90	0.21	-	-	2.90	0.11
Two	A & P / Waldbaums	2.96	-0.03	2.50	-0.16	-	-	2.96	-0.07	-	-	2.69	-0.14
Two	Shop Rite	3.06	0.30	2.17	-0.24	-	-	3.06	0.30	-	-	2.70	0.08
Two	Price Chopper	3.19	0.20	2.14	-0.04	3.19	0.20	N/A	N/A	-	-	2.35	0.06
Two	Ro Jacks	2.89	0.06	-	-	2.99	0.00	-	-	2.86	0.11	2.89	0.06
Two	Hannaford	N/A	N/A	2.18	-0.06	N/A	N/A	-	-	-	-	2.18	-0.06
Two	King Kullen	-	-	2.44	-0.13	-	-	-	-	-	-	2.44	-0.13
Two	Wal-Mart Supercenter	2.47	-0.16	2.03	-0.03	2.47	-0.19	2.47	-0.14	-	-	2.22	-0.03
Two	Pathmark	-	-	2.44	-0.13	-	-	-	-	-	-	2.44	-0.13
One	Stop & Shop	2.97	0.00	2.35	-0.12	2.94	0.03	3.00	-0.01	2.99	0.00	2.87	0.00
One	Shaw's / Star Market	2.79	-0.07	-	-	2.92	0.08	2.66	-0.23	2.72	-0.17	2.79	-0.07
One	DeMoulas / Market Basket	2.32	-0.13	-	-	2.32	-0.13	-	-	-	-	2.32	-0.13
One	Roche Bros	2.69	0.19	-	-	2.69	0.19	-	-	-	-	2.69	0.19
One	Big Y	2.89	-0.07	-	-	2.90	-0.10	2.89	-0.06	-	-	2.89	-0.07
One	A & P / Waldbaums	2.96	-0.02	2.50	-0.16	-	-	2.96	-0.05	-	-	2.69	-0.14
One	Shop Rite	3.06	0.30	2.17	-0.24	-	-	3.06	0.30	-	-	2.70	0.08
One	Price Chopper	3.19	0.20	2.16	-0.02	3.19	0.20	N/A	N/A	-	-	2.36	0.07
One	Ro Jacks	2.89	0.06	-	-	2.99	0.00	-	-	2.86	0.11	2.89	0.06
One	Hannaford	N/A	N/A	2.18	-0.06	N/A	N/A	-	-	-	-	2.18	-0.06
One	King Kullen	-	-	2.44	-0.13	-	-	-	-	-	-	2.44	-0.13
One	Wal-Mart Supercenter	2.34	-0.29	2.00	-0.05	2.34	-0.32	2.34	-0.27	-	-	2.15	-0.10
One	Pathmark	-	-	2.44	-0.13	-	-	-	-	-	-	2.44	-0.13
Skim	Stop & Shop	2.97	0.01	2.35	-0.12	2.94	0.03	3.00	-0.01	2.99	0.00	2.87	0.00
Skim	Shaw's / Star Market	2.88	0.00	-	-	2.92	0.07	2.88	-0.01	2.72	-0.17	2.88	0.00
Skim	DeMoulas / Market Basket	2.34	-0.10	-	-	2.34	-0.10	-	-	-	-	2.34	-0.10
Skim	Roche Bros	2.69	0.19	-	-	2.69	0.19	-	-	-	-	2.69	0.19
Skim	Big Y	2.87	-0.06	-	-	2.86	-0.10	2.87	-0.04	-	-	2.87	-0.06
Skim	A & P / Waldbaums	2.96	-0.02	2.50	-0.16	-	-	2.96	-0.05	-	-	2.69	-0.14
Skim	Shop Rite	3.06	0.30	2.17	-0.24	-	-	3.06	0.30	-	-	2.70	0.08
Skim	Price Chopper	3.19	0.20	2.14	-0.04	3.19	0.20	N/A	N/A	-	-	2.35	0.06
Skim	Ro Jacks	2.89	0.06	-	-	2.99	0.00	-	-	2.86	0.11	2.89	0.06
Skim	Hannaford	N/A	N/A	2.18	-0.06	N/A	-	-	-	-	-	2.18	-0.06
Skim	King Kullen	-	-	2.44	-0.13	-	N/A	-	-	-	-	2.44	-0.13
Skim	Wal-Mart Supercenter	2.27	-0.26	2.00	-0.06	2.34	-0.19	2.24	-0.29	-	-	2.12	-0.10
Skim	Pathmark	-	-	2.44	-0.13	-	-	-	-	-	-	2.44	-0.13

Note: - means chain not in area, N/A means no observations in data

Table 5b. Number of Observations (Stores) for Lowest Priced Milk by Type and Chain for June 2003

Type	Chain	New England	New York	Massachusetts	Connecticut	Rhode Island	All
Whole	Stop & Shop	34	7	13	17	4	41
Whole	Shaw's / Star Market	19	-	9	7	3	19
Whole	DeMoulas / Market Basket	4	-	4	-	-	4
Whole	Roche Bros	3	-	3	-	-	3
Whole	Big Y	12	-	4	8	-	12
Whole	A & P / Waldbaums	3	4	-	3	-	7
Whole	Shop Rite	6	4	-	6	-	10
Whole	Price Chopper	1	4	1	N/A	-	5
Whole	Ro Jaks	4	-	1	-	3	4
Whole	Hannaford	N/A	7	N/A	-	-	7
Whole	King Kullen	-	2	-	-	-	2
Whole	Wal-Mart Supercenter	3	4	1	2	-	7
Whole	Pathmark	-	1	-	-	-	1
Two	Stop & Shop	35	7	14	17	4	42
Two	Shaw's / Star Market	19	-	9	7	-	19
Two	DeMoulas / Market Basket	5	-	5	-	-	5
Two	Roche Bros	3	-	3	-	-	3
Two	Big Y	12	-	4	8	-	12
Two	A & P / Waldbaums	3	4	-	3	-	7
Two	Shop Rite	6	4	-	6	-	10
Two	Price Chopper	1	4	1	N/A	-	5
Two	Ro Jaks	4	-	1	-	-	4
Two	Hannaford	N/A	7	N/A	-	-	7
Two	King Kullen	-	2	-	-	-	2
Two	Wal-Mart Supercenter	3	4	1	2	-	7
Two	Pathmark	-	1	-	-	-	1
One	Stop & Shop	34	7	13	17	4	41
One	Shaw's / Star Market	19	-	9	7	3	19
One	DeMoulas / Market Basket	4	-	4	-	-	4
One	Roche Bros	3	-	3	-	-	3
One	Big Y	12	-	4	8	-	12
One	A & P / Waldbaums	3	4	-	3	-	7
One	Shop Rite	6	4	-	6	-	10
One	Price Chopper	1	4	1	N/A	-	5
One	Ro Jaks	4	-	1	-	3	4
One	Hannaford	N/A	7	N/A	-	-	7
One	King Kullen	-	2	-	-	-	2
One	Wal-Mart Supercenter	3	4	1	2	-	7
One	Pathmark	-	1	-	-	-	1
Skim	Stop & Shop	34	7	13	17	4	41
Skim	Shaw's / Star Market	19	-	9	7	3	19
Skim	DeMoulas / Market Basket	4	-	4	-	-	4
Skim	Roche Bros	3	-	3	-	-	3
Skim	Big Y	12	-	4	8	-	12
Skim	A & P / Waldbaums	3	4	-	3	-	7
Skim	Shop Rite	6	4	-	6	-	10
Skim	Price Chopper	1	4	1	N/A	-	5
Skim	Ro Jaks	4	-	1	-	3	4
Skim	Hannaford	N/A	7	N/A	-	-	7
Skim	King Kullen	-	2	-	-	-	2
Skim	Wal-Mart Supercenter	3	4	1	2	-	7
Skim	Pathmark	-	1	-	-	-	1

Note: - means chain not in area, N/A means no observations in data



STATE OF NEW YORK
DEPARTMENT OF AGRICULTURE AND MARKETS
I WINNERS CIRCLE
ALBANY, NEW YORK 12235

DIVISION OF MILK CONTROL AND DAIRY SERVICES
518-457-5731

TO: Retailers of Milk
DATE: May 23, 2003
SUBJECT: Announcement of threshold price relative to milk price gouging law,
effective JUNE 2003

THRESHOLD PRICE

Threshold prices are unchanged from the previous month. For **JUNE 2003**, threshold prices for milk, lowfat milk, or skim milk offered for retail sale in the state are:

	<u>Gallon</u>	<u>Half Gallon</u>	<u>Quart</u>
Metro Region: (NYC and Counties of Nassau, Suffolk, Rockland, Westchester, Orange, Putnam and Dutchess)	\$2.44	\$1.27	\$.67
Upstate Region: (Remaining Counties)	\$2.27	\$1.19	\$.63

A retailer who sells above the threshold price may be in violation of the law unless such selling price is justified as not being unconscionably excessive. Such justification includes net invoice price paid for the milk item plus actual costs incurred in handling and selling that milk item.

Please be advised that the threshold price is only changed if there is at least a \$0.02 per gallon (\$0.23/cwt) change in the underlying price for Class 1 (fluid) milk at 3.5% butterfat from the previous month the threshold was calculated on, March (federal order Class 1 price: \$12.96 per cwt. at NYC and \$12.31 at Syracuse). June marks the third consecutive month that the threshold has remained the same.



STATE OF NEW YORK
DEPARTMENT OF AGRICULTURE AND MARKETS
I WINNERS CIRCLE
ALBANY, NEW YORK 12235

DIVISION OF MILK CONTROL AND DAIRY SERVICES
518-457-5731

TO: Retailers of Milk
DATE: August 22, 2003
SUBJECT: Announcement of threshold price relative to milk price gouging law,
effective SEPTEMBER 2003

THRESHOLD PRICE

For **SEPTEMBER 2003**, threshold prices for milk, lowfat milk, or skim milk offered for retail sale in the state are:

	<u>Gallon</u>	<u>Half Gallon</u>	<u>Quart</u>
Metro Region: (NYC and Counties of Nassau, Suffolk, Rockland, Westchester, Orange, Putnam and Dutchess)	\$3.16	\$1.63	\$0.85
Upstate Region: (Remaining Counties)	\$2.94	\$1.52	\$0.80

A retailer who sells above the threshold price may be in violation of the law unless such selling price is justified as not being unconscionably excessive. Such justification includes net invoice price paid for the milk item plus actual costs incurred in handling and selling that milk item.

Compared to the previous month, the threshold prices increased \$0.47 a gallon, \$0.24 a half gallon and \$0.12 a quart in Metro NY and increased \$0.47 a gallon, \$0.23 a half gallon and \$0.12 a quart in Upstate NY. These increases reflect the underlying monthly change in the federal order Class 1 price (3.5% butterfat) which increased \$2.74 per hundredweight or \$0.236 per gallon. The threshold price is calculated by multiplying by two the total of two components, the minimum federal order price and the premium paid for Class 1 milk.