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Study: chain stores overcharging for milk

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STORRS, Conn. -- A University of Connecticut economist says some stores are charging excessive prices for milk, while dairy farmers struggle to make a living.

Consumers who buy their milk at supermarkets can pay nearly \$1 more per gallon than they would at a convenience store, according to research results released this week by Ronald W. Cotterill of the University of Connecticut Food Marketing Policy Center.

But the state's dairy farmers aren't seeing any of the money, Cotterill said.

"Processors and retailers are getting the dollar, so there's a very handsome profit margin. There's no doubt about that," Cotterill said.

Grace Nome, president of the Connecticut Food Association, which represents 80 percent of the private and independent food stores in Connecticut, said she was disappointed with UConn's report.

"We are highly competitive," she said. "Things are different on a day-to-day basis. The report didn't take into account rent, labor, transportation costs, among many other things."

Nome said there was one thing in the report with which she agreed.

"If we don't do something about the farmer's prices being so low, then we're not going to have any farms left in New England. That's something we have to do something about," she said.

Some farmers say they're being left in the lurch.

"The general public doesn't know the straits we're in," Canaan dairy farmer Doug Carlson said. "If my farm goes, the core of my family goes with it. When I open my milk check, it's an insult."

The amount of money a farmer earns from selling his milk, Cotterill said, depends on how much milk is sold for general use compared with how much is sold for manufacturing uses.

Lowering the price of milk would increase the amount of milk consumers buy, which in turn would trigger a federal mechanism that sets the price of milk to return more money to dairy farmers, he said.

"So customers are helping the farmer in the short and long term if they buy milk at lower prices,"

Cotterill said, "because it ultimately feeds back into the federal market orders and the computation of milk prices."

The lowest prices for a gallon of whole milk in New England average \$3.01 per gallon at chain supermarkets, \$2.84 at convenience stores, \$2.06 at club stores and \$1.92 per gallon at limited assortment stores.

"You can't just compare price of milk in one store to the price of milk in another store because there are all sorts of costs involved," said Chris Flynn, president of the Massachusetts Food Association, a nonprofit industry trade group.

Milk is one of the highest-priced food products to manage, he said, due to industry costs, labor costs, rotation costs, and spoilage, industry leaders say.

Midland Farms, based in Easton, Mass., is a grocery chain with eight stores in Massachusetts, Rhode Island and New York. Its regular price for 1-percent milk is \$1.49 a gallon.

"We're a no-frills type store," said Midland president Demetrios E. Haseotes. "We give deep discounts on everyday food items." Haseotes was a guest speaker when Cotterill released his report Tuesday at the UConn's main campus in Storrs.

Midland has its own dairy and markets its milk in three states at what Haseotes calls "very low prices."

"We've decided to build a store model and business model designed to keep retail prices way down, or much lower than our competitors," he said.

Haseotes also said that after milk prices went up a few years ago, large retailers never brought their price down with the market fluctuations.

The real solution for farmers and consumers who don't like paying an extra dollar per gallon of milk is to change federal policies and control supply, Cotterill said.

He also advocates antitrust enforcement and responsible pricing to prevent "the horrendous price cycles the industry currently has."

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