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Cost of breakfast just got steeper

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BY [STEPHANIE ZIMMERMANN](#) Consumer Reporter

Consumers who are just getting over the high price of filling their gas tanks can expect another shock when it comes to filling their milk glasses.

Milk prices are expected to rise beginning Monday, when the price for fluid milk that is set by the federal government is scheduled to rise in the Chicago area by about 20 percent, from \$12.77 per 100 pounds to \$15.51.

Retailers aren't talking about how much of that 20 percent increase will be passed on to consumers, but economists and dairy industry experts say price hikes are inevitable.

Several factors have conspired to make the price paid by milk buyers to producers rise so steeply.

First, the Upper Midwest milk pricing region--which includes northern Illinois, most of Wisconsin and Minnesota and parts of North and South Dakota--experienced a glut of milk, which caused prices paid to the producers to sink to 30-year lows over the past 18 months. In reaction, some farmers thinned out their dairy herds. Then, hot weather in the West and now in the Midwest further put the brakes on production.

At the same time that milk supplies dropped, school food service departments placed large milk orders to gear up for autumn.

The result was that the U.S. Department of Agriculture, which tracks milk orders, instituted the increase in the legal minimum price that's paid to producers.

"We're finally seeing some signs of price improvement to the producers," said Jim Fraley, manager of the Illinois Milk Producers' Association. "That, of course, will impact prices that the consumer pays. . . . It's been a very long, dry spell for producers in our state."

Gary Lee, vice president of marketing and procurement for Prairie Farms Dairy in Carlinville, one of the state's largest dairy cooperatives, expects consumers will see "a noticeable increase" in price.

Milk prices vary widely in the Chicago area, with some stores using lower prices for milk as a "loss leader" to get people into their stores. Others jack up the price. Ronald W. Cotterill, an agricultural economist at the University of Connecticut, has researched milk prices in New England and believes some supermarkets have been making as much as \$1 a gallon profit on milk, thanks to the lower prices they have been paying.

Prices for a gallon of 1 percent milk on the North Side of Chicago on Friday were \$2.99 or \$3.29 at Jewel,

depending on the brand; \$3.29 at Dominick's, \$1.99 at Walgreens (on sale from \$2.59) and \$1.99 at 7-Eleven.

Lauri Sanders, spokeswoman for Jewel-Osco, said Friday the chain hadn't yet decided whether to increase prices to the consumer.

"While we are aware of the increase in production costs for milk, we have not made a determination yet on any changes or new directions . . . that we may take in the pricing of milk. At this time we are merely monitoring the rising cost and we are discussing it," Sanders said.

A spokeswoman for Dominick's could not be reached for comment.

A lawsuit filed in 2000 alleging that Jewel and Dominick's conspired to fix prices of milk to the consumer was thrown out last February by a Cook County Circuit judge, who said there was no evidence the two large supermarket chains were acting in concert. The suit had pointed out that most of both chains' stores were selling milk as high as \$3.69 a gallon in 1999, far above the wholesale price.

Jewel countered that it is not a discount store and and doesn't promote itself as such.

Milk isn't as susceptible to market forces as other grocery items. When prices drop, families don't necessarily buy more milk--and when prices rise, most people keep drinking it anyway.

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