

Connecticut Attorney General's Office

Press Release

Attorney General Investigates Milk Company Merger, Proposes Legislation Concerning Fair Pricing Of Milk

January 3, 2003

Attorney General Richard Blumenthal today announced that his office is taking several steps to help milk consumers and Connecticut dairy farmers. He is proposing legislation that will stop price gouging for retail milk and investigating the milk industry in Connecticut, including the proposed merger between HP Hood and National Dairy Holdings, which could significantly reduce competition.

Blumenthal, joined by State Representative-elect George Wilber and University of Connecticut Professor Ronald Cotterill and others, said that while prices paid for milk to dairy farmers in New England have hit an all-time low, retail prices for milk have remained at historically high levels.

"Something is desperately wrong with the milk market picture: Milk consumers are paying vastly more. Yet, dairy farmers are receiving significantly less. Retailers and processors are reaping the windfall – unconscionable profits that exploit both consumers and dairy farmers," Blumenthal said. "Dairy farmers face a severe crisis as raw milk prices decline. Yet, consumers continue to pay excessive prices, and

mergers among dairy processors mean less competition. I propose legislation prohibiting unconscionably excessive profits at the expense of farmers and consumers. Also, my office will vigorously investigate the proposed HP Hood and National Dairy Holdings merger and join other New England states to stop it if antitrust laws are violated."

The legislation, sponsored by Wilber and State Representative Roberta Willis, will penalize any retailer that sells milk for a price that is considered unconscionably excessive. The legislation defines the price of milk as unconscionably excessive if the markup price exceeds 140 percent of what the retailer or processor paid for the milk.

Wilber said he appreciated Blumenthal's support on this important matter.

"I am grateful that the Attorney General met with us to discuss this issue, and we all welcome his support of Connecticut's dairy farmers," Wilber said.

A recent study done by Professor Cotterill shows that while retailers' costs are about \$2 a gallon for fluid milk – whole, low fat or skim milk – the retail price is approximately \$3 a gallon, providing a profit margin of 50 percent after all costs have been paid. The proposed law would only allow a 40 percent markup from the amount paid for the milk – not a markup after all costs have been paid.

Blumenthal's office is also currently participating in an investigation into the proposed merger of HP Hood and National Dairy Holdings, which could have a major impact on milk prices in Connecticut and throughout

New England. Connecticut participated in an antitrust agreement in 2001 involving a transaction between Suiza Foods Corporation and the Stop & Shop Supermarket Company. The transaction, if allowed to proceed unchecked, would have allowed Suiza to dominate the milk market in New England. The agreement provided a level playing field for milk processors in New England.

To see a copy of the proposed legislation link [here](#)

File name: **milklegislation.pdf**
File size: **8kb**

[Back to the Attorney General's Home Page](#)

[Back to the Press Releases Page](#)

[E-Mail Attorney General Richard Blumenthal](#)