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**HEADLINE:** BLUMENTHAL TO LAUNCH **MILK**-PRICE INVESTIGATION;  
RETAILERS, PROCESSORS SUSPECTED OF GOUGING CONSUMERS

**BYLINE:** MATTHEW LUBANKO; Courant Staff Writer

### **BODY:**

State Attorney General Richard Blumenthal said Friday that his office plans to investigate the state's dairy industry on allegations that some have engaged in anti-competitive practices -- which have resulted in exorbitantly high **milk** prices.

The average gallon of **milk** recently sold for \$2.99 in Hartford, well above the \$1.14 a gallon paid to the state's dairy farmers for raw **milk**, according to a recent study by Ronald Cotterrill, a professor at the University of Connecticut. This gap between the price of raw milk, and retail milk, Blumenthal said, has delivered a one-two punch to the state's consumers and dairy farmers.

"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.

A key question in the investigation, the attorney general's office said Friday, is whether this price gouging is a result of anti-competitive practices involving supermarkets and the largest dairy processors.

The investigation will include a review of a pending merger between HP Hood and National Dairy Holdings -- and ask whether this merger might reduce competition and ultimately lead to higher milk prices.

Blumenthal also recommended legislation Friday that would place a cap on retail milk prices. State Rep.-elect George Wilber, a Democrat and former dairy farmer who will represent the 63rd District, plans to co-sponsor the bill. The 63rd District includes Falls Village, Hartland, Colebrook, Canaan, Winchester, Norfolk and Barkhamsted.

If price caps were in effect today, milk would -- by law -- sell for no more than \$2.23 a gallon in the Hartford area. Such caps, computed by taking the price paid to farmers for raw milk and limiting markups for milk tacked on by processors and retailers, could save every Connecticut resident about \$8.25 a year, Blumenthal said. New York has similar price caps on milk in effect, Blumenthal added.

But price caps could also backfire. They could end up limiting competition by favoring the largest, deep-pocketed dairy processors in a price war. And a prolonged price war could ultimately drive small farmers and dairy processors out of business, said Grace Nome, president of the Connecticut Food Association in Farmington. The organization represents 80 percent of the independent food retailers in the state.

"I am 190 percent against any kind of price fixing in the state of Connecticut. If you want to save local farmers, bring back the dairy compact (the price supports for raw milk that vanished in 1997)," Nome said, "but get away from price caps that would actually stifle competition."

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