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Study says dairy farmers are losing out on milk profits

Retailers overcharging state's consumers, professor reports

By [Georgina Gustin](#) - [More Articles](#)

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Connecticut consumers are paying high prices for milk and retailers are making excessive profits, but the state's dairy farmers, many of whom are struggling just to keep their farms, are not seeing any of the money, according to a study presented Tuesday.

According to the study, conducted last week by Professor Ronald W. Cotterill of the University of Connecticut's Food Marketing Policy Center, New England consumers are being overcharged by about \$1 per gallon by huge supermarket chains such as Stop & Shop and Shaw's, even while the prices dairy farmers earn for their milk has dropped over the last year.

"Is there price-gouging in New England milk today?" asked Cotterill, who presented the study Tuesday at the University of Connecticut. "I will give you an unmitigated yes."

At the University of Connecticut Tuesday, some 200 people, many of them dairy farmers from New England states, gathered to hear researchers discuss the factors behind a looming crisis for New England dairy farmers, who are now faced with tougher times than any of them can remember.

Demand for milk in the past year has waned, driving down the prices dairy farmers can charge processors and distributors. At the same time, many dairy farmers have operated without any legislative protection since last year's expiration of the Northeast Dairy Compact, which was enacted in 1997 and compensated dairy farmers if prices fell below a certain point.

Taking the compact's place is a provision in the 2002 Farm Security and Rural Investment Act, passed earlier this year, but many farmers say the bill helps only the smallest producers, leaving the majority of milk producers without any compensation if milk prices plummet.

"I think it's a complex problem," said Robin Chesmer, who attended the meeting Tuesday and runs Graywall Farms in Lebanon, where he keeps 300 cows. "It's hard to find a single solution, but it's good to talk about it."

Some say the solution is simple: "Less milk," said Jack Tiffany, who runs Tiffany Farm in Lyme and like many farmers, believes the problem could be fixed by controlling the supply of milk and therefore controlling prices.

But some also believe the challenges dairy farmers face could be mitigated if retailers charged consumers less for milk. "If these retailers put the price where it should be, you'll fix the problem," said Demetrios E. Haseotes, President of Midland Farms, which owns a dairy operation in Albany, N.Y., and several convenience stores in Massachusetts. "It's the fastest solution."

Cotterill's study was prompted by Midland Farms, which charges \$1.79 per gallon for one-percent milk and \$1.49 for all other types, and was accused of undercutting prices by the convenience chain, Cumberland Farms, and the processor, H.P. Hood.

Last week Cotterill dispatched a handful of graduate students and assistants throughout New England and New York to check out the prices of milk in a variety of stores.

Cotterill's team examined prices in 191 stores in four states, from 35 companies over four days. The study looked at prices in chain supermarkets, which sell by far the largest share of milk in New England – 87 percent in Boston, for example – as well as convenience stores, club stores and limited assortment stores.

The team discovered that big chain supermarkets overcharged by an average of \$ 3.01, with New England's two leading chains, Stop & Shop and Shaw's, charging an average of \$3.09 and \$2.98 respectively. Big Y, the third largest supermarket chain in New England, charged an average of \$3.05, but on Nov. 14, the day after the study was released, the chain cut its prices to \$1.78 per gallon, Cotterill said, noting the price cut was evidence that the store had been charging well over its cost level.

In convenience stores, the average price was \$2.84, in club stores, \$2.06 and limited assortment stores, \$1.92, the study says.

The basic problem for farmers is that it costs more these days to produce milk than dairy farmers can charge, a scenario that is forcing many New England farmers to take drastic measures to protect their family farms. In Maine last week a group of dairy farmers dumped 10,000 gallons of milk into a manure pit to protest the falling prices.

In the summer of 2001 most New England dairy farmers were getting paid an average of \$17 per hundred pounds, or per hundredweight, of milk. But today the average New England dairy farmer is getting paid just \$12 dollars per hundredweight, while it costs the farmer between \$14 and \$15 to produce the same amount.

An aggravating factor is that consumers are demanding fewer milk-based products. According to Robert Wellington, an agricultural economist and vice president of Agri-Mark Foods, the consumption of dairy products has stagnated over the last year for the first time in three decades. Since Sept. 11, 2001, and with a weakening economy, people are going out less and less, which means they're eating less cheese – mozzarella on pizza, in particular.

“I don't think people understand how much milk is used for mozzarella,” Wellington said.

Taken together, all the factors translate to daily losses for New England dairy farmers.

“We have to work harder,” said U.S. Rep. Rob Simmons, R-2nd District, who attended Tuesday's meeting. “Farming is so much a part of New England, and what we value about New England...The issues being played out here today are critically important.”

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