

Summer dairy prices headed up Warning comes as producers seek aid, citing woes last year

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By Bruce A. Mohl, Globe Staff | April 12, 2007

The price of milk and some other dairy products are headed for record highs this summer, with raw milk prices expected to jump as much as 40 cents a gallon since last year, according to industry officials.

Officials at [H.P. Hood](#), the Chelsea-based dairy, said the price farmers receive for raw milk has been rising steadily and will rise at least another 25 cents during the summer. As a result, retail prices for milk, ice cream, and cottage cheese will increase, although by how much is unclear. Retailers declined to comment yesterday.

"We have an unprecedented situation," said Mike Suever, senior vice president for milk procurement at Hood.

The warnings about sharply higher raw milk prices come at a time when Massachusetts dairy farmers and their counterparts in several other Northeastern states are pushing hard for financial aid from state regulators. Dairy farmers say low prices and high production costs last year devastated their businesses. But Hood, other dairies, and supermarket chains say price supports are unnecessary, pointing to the sharp uptick in prices as evidence.

Senator Stephen M. Brewer, a Democrat from Barre who is seeking state financial help for Massachusetts' 167 dairy farmers, said the escalation in prices is good news. "But it doesn't obviate the need to deal with the debt these farmers have incurred over the last year," he said. Brewer said farmers need an immediate infusion of \$3 million to \$12 million from the state.

In testimony before state regulators earlier this year, Massachusetts dairy farmers said it costs them roughly \$1.63 to \$1.80 to produce a gallon of milk without paying themselves a salary or covering debt costs.

Suever is forecasting that raw milk prices this year will average \$1.67 a gallon, not including special fees some dairies pay. If that happens, the price farmers receive for milk will be 47 cents a gallon higher this year than last, and 10 cents a gallon higher than in 2004, when prices last jumped.

"The price this year is not just going to beat the record by a few cents. It's going to knock it out of the park," Suever said.

According to Suever and other industry officials, the federally set price of raw milk is rising because of a supply-demand imbalance precipitated in part by increased demand for American dairy products by other countries, particularly in Asia.

Suever said Asian nations are buying large amounts of American nonfat dry milk and dry whey to use as relatively inexpensive sources of protein in processed foods. Nonfat dry milk and dry whey are key price components used by federal regulators in setting raw milk prices in the United States.

At the same, milk production for the US market has fallen behind demand, which has remained fairly strong. Many dairy farmers either went out of business or scaled back production last year when the price they were paid for milk fell while costs for feed and energy soared.

Supermarkets in the past have been quick to raise prices in response to a run-up in the price of raw milk and slow to lower them when prices fall. Many industry analysts say supermarkets are already making hefty profit margins on milk.

Hood said data from Chicago-based [Information Resources Inc.](#) indicate the average gallon of milk in the

Boston area costs \$3 , but prices vary dramatically . Officials at Stop & Shop Supermarkets declined to comment on their pricing plans, while a spokeswoman for Shaw's Supermarkets could not be reached for comment.

Peapod, the grocery delivery service owned by Stop & Shop, was charging \$4.39 a gallon yesterday for Hood milk, \$4.29 a gallon for Garelick milk, and \$3.79 a gallon for Stop & Shop milk.

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