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Galvin targets milk prices

Files legislation to limit retail cost

By **Bruce Mohl, Globe Staff, 1/10/2003**

Following the lead of other New England states that are moving to regulate the price of milk, Secretary of State William F. Galvin said yesterday he has filed legislation that would make it a crime in Massachusetts to sell milk at "unconscionably excessive" prices.

Galvin's bill, patterned after a New York law, defines unconscionably excessive as any price in excess of 200 percent of what the farmer receives for his milk. At today's prices, that would translate into a retail price of \$2.34 a gallon for whole milk and considerably less for other grades. The average retail price of milk in Massachusetts is currently \$2.99 a gallon for all grades.

Galvin said his bill is needed because a "milk monopoly" at the processing and retail levels has artificially inflated the price of a product considered a staple for many consumers. If competition existed, he said, the price at retail would have fallen as the price paid to farmers has dropped to a 25-year-low.

"The state ought to have an interest in making sure the price of milk is reasonable and there's no gouging," Galvin said.

The bill's filing drew support yesterday from the state's commissioner of food and agriculture but was strongly condemned by the state's supermarket industry.

Christopher Flynn, the president of the Massachusetts Food Association, which represents the state's supermarkets, said the current retail price for milk is reasonable given declining sales, increased stocking costs, and the expense incurred by supermarkets in offering a wide array of dairy products.

"We don't need new laws. The competitive environment is handling it," Flynn said. "You don't create competition and encourage low prices by putting in arbitrary mandates."

Bruce W. Krupke, executive vice president of New York State Dairy Foods Inc., a trade association for dairy processors and manufacturers, said the chief problem with the New York law is that it doesn't take into account inflationary pressures.

"It really distorts the marketplace," he said. "The free market is really the only way to go."

Krupke said the threshold price of milk currently in New York City is \$2.57 a gallon, while in upstate New York the threshold is set at \$2.41 a gallon.

Responding to the huge disparity between farm and retail prices for milk, other New England states are considering New York-style laws. Similar bills have been filed in Connecticut and New Hampshire, and Vermont's milk commission is currently

investigating pricing.

Douglas Gillespie, the commissioner at the Department of Food and Agriculture, said he needed time to review Galvin's bill but welcomed its filing and the prospect of a full debate on the issue.

"Certainly we need a more consumer-friendly and farmer-friendly milk market in the Northeast," he said.

Galvin said he filed the bill in part because of the actions of Gillespie's agency. Over the last several months, the Department of Food and Agriculture has been probing a small, bare-bones retailer named Midland Farms for selling milk below cost in violation of an old state law barring predatory pricing.

The secretary of state said he was outraged that the agency would be probing the North Easton-based company's low prices for milk at a time when the more pressing problem is too many retailers selling milk way above their cost. Midland on Wednesday agreed to raise milk prices slightly at its Brockton, Lynn, and Seekonk stores to put an end to the state probe.

Gillespie said the Midland case was unusual.

"In theory, I think the predatory pricing law is not a bad law," he said. "In most cases, the law would be used when the big guys depress prices to drive little guys out of business."

State Representative Charles Murphy of Burlington has filed legislation to repeal the predatory milk pricing law. Gillespie said the bill filings by Galvin and Murphy indicate milk will be a hot topic on Beacon Hill this year.

"There's going to be a good discussion in the Legislature on milk laws," he said.

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