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## N.E. states eye milk-price controls

Mass. hasn't joined the call for curbs

By Bruce Mohl, Globe Staff, 1/8/2003

While Massachusetts officials probe a retailer for cutting the price of his milk too far, other New England states are exploring ways to rein in supermarkets for charging what the states consider way too much.

The huge disparity between farm and retail milk prices and the lack of action at the federal level to address the problem is spurring calls for milk-price controls in some New England states.

Vermont, where most of the region's dairy farmers are located, has been the most aggressive. A milk commission has been reestablished, and it has gone after pricing data from the region's dairy processors to determine who exactly is benefiting from the drop-off in farm prices. The commission's report, expected soon, is likely to recommend legislative action.

In Connecticut and New Hampshire, lawmakers are considering antiprice-gouging bills modeled on an existing law in New York. The Connecticut legislation, backed by Attorney General Richard Blumenthal, would bar "unconscionably excessive" retail prices for milk.

If the Connecticut bill were in place today, Blumenthal said in a telephone interview, anything above \$2.23 a gallon would be considered unconscionably excessive. He said the average retail price of milk in Connecticut is currently \$2.99 a gallon.

Ronald W. Cotterill, an agricultural economist at the University of Connecticut, is pushing New England states to adopt what he calls a fair-share law. When a supermarket's price for milk reaches a trigger point of 1.8 times the price the farmer receives for his milk, the measure would require supermarkets to pay one-half of the price increase beyond the trigger price into a fund to be distributed back to farmers.

"The fair-share law links consumers in the major urban areas with farmers in rural New England and New York," Cotterill says in a report outlining the proposal. "By cooperating to establish this law, both benefit."

What distinguishes all of these approaches is the emphasis on retail prices. Dairy farmers have traditionally pushed for price supports or price floors for the milk they sell and have ignored what happens to retail prices, but these initiatives focus more on what's happening on the supermarket shelf.

According to Cotterill, the farm price of milk is at its lowest level in 25 years, but retail milk prices have remained unusually high. In Massachusetts, the average price is \$2.99 a gallon, down only slightly from where it was a year ago.

"I'm in favor of a free market," said Blumenthal, the Connecticut attorney general. "But we face a situation where a necessity for most families has been exploited by retailers and processors, in part because of monopolistic practices."

Blumenthal has subpoenaed supermarket pricing information in an ongoing probe of retail milk prices.

Stephen Taylor, commissioner of the New Hampshire Department of Agriculture, Markets, and Food, said most retailers have taken the position that their milk sales won't increase dramatically if they drop the price, so they've kept their retail prices steady.

"Demand is relatively inelastic," he said. "I think the retailers have figured out that the dairy case can be very profitably managed."

Faith Weiner, a spokeswoman for Stop & Shop Supermarkets, said price controls are a bad idea.

"In a competitive retail environment, we don't believe that regulating any single item in the dairy category is the right thing to do," she said.

Officials at H.P. Hood, a large dairy processor based in Chelsea, declined comment on the flurry of legislative activity on milk prices.

In the other New England states, there has been a lot of concern voiced about milk prices but very little action taken. In Massachusetts and Maine, the focus has been on predatory retail pricing rather than the disparity between retail and farm prices.

In Massachusetts, the state Department of Food and Agriculture has been investigating Midland Farms, a small retailer, for selling milk below cost in violation of state law. Midland has been selling all grades of milk for \$1.79 a gallon except for 1 percent, which it has priced at \$1.49. A decision in the Midland case is expected shortly.

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"The supermarkets have been enjoying wide profit margins here," said Stanley Millay, executive director of the Maine Milk Commission.

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