



ARRIVING WEEKLY

THIS STORY HAS BEEN FORMATTED FOR EASY PRINTING

Dairy to raise milk price

Midland Farms owner puts end to state probe

By Bruce Mohl, Globe Staff, 1/9/2003

To put an end to a three-month state pricing probe that he says has cost him customers and nearly \$70,000 in legal and consulting fees, the owner of a small dairy and supermarket chain yesterday agreed to raise milk prices slightly at his three stores in Massachusetts.

Demetrios E. Haseotes, president of Midland Farms of North Easton, said that after listening to his lawyer and a lawyer for the state shout at each other at a hearing yesterday, he decided to throw in the towel and ask state officials what he needed to charge for his milk to end their predatory pricing probe. They suggested one approach, which would raise his prices slightly, and he accepted it.

"I'm pretty sick of it, and quite honestly I can't afford to continue the battle," said Haseotes, who launched his business in June and faced the prospect of losing his license to sell milk if he lost. "I'm getting beat up all over the place."

State officials say their analysis showed Midland was selling its milk below cost, in violation of a state law barring predatory pricing. An agricultural economist working for the state Department of Food and Agriculture yesterday presented four different analyses of Midland's costs per gallon of milk, all of which apparently concluded Midland's prices were lower than its costs.

Haseotes currently charges \$1.79 a gallon for all grades of milk except 1 percent, which is priced at \$1.49. Under the pricing system suggested by the state, Haseotes will have to charge different prices for different grades of milk and different prices at different stores, he said, because the state said his costs appeared to differ between stores. He said his prices would probably be \$1.54 for a gallon of skim, \$1.64 for 1 percent, \$1.74 for 2 percent, and \$1.84 for whole milk.

The Midland case cast a spotlight on the bizarre world of milk pricing. At a time when the prices paid to dairy farmers for their milk have fallen to a 25-year low, most retailers have continued to charge high prices at the supermarket shelf. The average price for a gallon of milk in Massachusetts is \$2.99, down only slightly from where it was a year ago, despite a steep drop in the farm price.

"I think they're out of whack," Haseotes said of retailers charging the higher prices. "They're making a fortune."

The state Department of Food and Agriculture launched a probe of Midland in the fall for allegedly selling milk at prices that were too low. Agency officials said they had no other choice once Cumberland Farms and H.P. Hood filed complaints about Midland's prices.

Ronald W. Cotterill, a University of Connecticut agricultural economist retained by

Midland, said the proceedings turned the state's old predatory pricing law on its head. He said the law was passed to protect small retailers and dairies from being undercut by the big ones, but the state was using it to protect large retailers and dairy processors from a small, new competitor.

"We don't have the authority to decide whether the law is worthwhile or not," said Diane Baedeker Petit, a spokeswoman for the state's Department of Food and Agriculture. She noted Midland's new prices will still be well below the state average and may force other retailers to match them.

The probe has been contentious from the start. The state repeatedly has accused Midland officials of being uncooperative, and Midland officials have accused the state of doing the bidding of its competitors. Throughout the proceedings and even after yesterday's agreement, Haseotes insisted his prices were legitimate.

"I'm not selling below cost," he said. "I'm just selling my milk very close to cost."

The state's analysis, based on visits to Midland's bare-bones stores and corporate headquarters and a review of company records, indicated otherwise. William Gillmeister, the state's agricultural economist, presented four different scenarios using various cost variables. All of them indicated Midland was selling its milk below cost. State officials said the different scenarios were necessary because of Midland's failure to produce needed information and its refusal to permit a visit to the company's dairy near Albany, N.Y.

But Michael A. Kelly, Midland's attorney, accused state officials of making unrealistic demands for information and charged that Gillmeister was not competent to perform a cost analysis. He emphasized that Gillmeister and the state's attorney, Lawrence McCormick, by their own admission had never analyzed a dairy's costs before.

"The sum of your experience, if I am adding correctly, is zero," he said. "This is like pulling someone off the street and saying, 'Here, do an analysis.'"

By the end of two hours of arguments and occasional shouting, Haseotes said he had had enough. He claimed the region's two major dairy processors, H.P. Hood and Garelick Farms, a division of Dean Foods, had been telling retail customers of his dairy that he was about to lose his license to sell milk. He also said he had nearly \$70,000 in attorney, accountant, and consultant fees.

Dairy industry officials, however, have said privately that the free publicity Haseotes has received throughout the proceedings has been worth every penny.

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