



Help needy families share the spirit of the holidays.



click  
here

THIS STORY HAS BEEN FORMATTED FOR EASY PRINTING

---

## Study finds milk price disparity

Curbs credited with keeping costs in N.Y. below those in N.E.

By **Bruce Mohl, Globe Staff, 11/20/2002**

A new pricing study indicates Stop & Shop customers in southern New England are paying 50 cents more a gallon for their milk than Stop & Shop customers in New York, apparently because of a New York law barring price gouging.

The New York law ties retail prices to the prices dairy farmers receive for their milk, limiting the retail markup to 100 percent. Similar laws do not exist in Massachusetts and other New England states, so supermarkets here have kept prices at around \$3 a gallon, even as farm prices have fallen 50 cents over the past year.

"They are making a lot of money. They are greedy," said University of Connecticut professor Ronald W. Cotterill, who released a milk-pricing survey yesterday that he and his graduate students conducted last week at 191 food retail establishments in New York, Massachusetts, Connecticut, and Rhode Island.

The pricing information suggests supermarket chains in southern New England, unchecked by any legal restrictions, are charging what Cotterill calls "inordinately high prices."

Cotterill said it was unclear how much of the milk overcharges in New England were being pocketed by supermarkets and other retailers and how much by dairy processors. He urged regulators to find out, and suggested consumer groups and dairy farmers should set up picket lines at supermarkets to warn consumers they are being overcharged.

"Public hearings, publicity, moral suasion/jawboning can cause firms to rein in greedy pricing practices," Cotterill said in his report.

Christopher Flynn, president of the Massachusetts Food Association, who spoke on behalf of Stop & Shop and other supermarkets, said Cotterill's report was off target because it failed to note that the retail costs associated with selling milk are high and sales have been declining.

"No one is making a fortune on milk here, and we have a pretty competitive environment," Flynn said.

Flynn said New York prices are lower because of the state law and because New York is a big milk-producing state. But Flynn's counterpart in New York, James Rogers of the Food Industry Alliance in Albany, said the real reason is competition.

Rogers would like to see the antigouging law repealed and predicted prices would not change much because of competitive pressures. He said nearly all New York retailers have managed to live within the monthly pricing thresholds established under the law,

even though those thresholds are significantly less than what milk is selling for in New England.

The New York antigouging law, passed in 1991, requires retailers to offer at least one brand of milk in their stores priced at no more than twice the price farmers receive for their raw milk. As federally regulated farm prices rise or decline, retail prices rise and decline with them, something that has not happened in New England.

Flynn suggested the New York and Massachusetts milk markets are like apples and oranges because New York farmers produce nearly all the milk the state uses while Massachusetts has to import most of its milk. He said transportation costs in Massachusetts are substantially higher.

Cotterill, however, said increasing concentration in the retail and dairy processing sectors in New England may account for the price differential. The major supermarket chains dominate milk sales in Eastern Massachusetts, and Dean Foods and H.P. Hood control an overwhelming portion of the dairy processing capacity.

Cotterill noted large dairy processors and large supermarket chains should have economies of scale allowing them to hold costs down; instead, his pricing survey found smaller retailers and club stores were the ones with the lowest prices.

Midland Farms of Easton, which owns a dairy in New York and three retail stores in Massachusetts, is selling milk for \$1.79 a gallon for all grades except 1 percent, which is priced at \$1.49. Massachusetts regulators are investigating Midland for selling milk below cost. Cotterill has been retained by Midland in the investigation.

Cotterill also noted supermarket chain Big Y just cut the price of its 1 percent milk to \$1.78 a gallon, and small chains and club stores like Costco and BJ's regularly sell milk below or just above \$2 a gallon.

"It is hard to imagine how a club store that sells milk for 95 cents a gallon less than supermarket chains can save that much on in-store retailing costs," Cotterill said in his report.

Art Jaeger, associate director of the Consumer Federation of America in Washington, opposed extension of a law that provided a price floor for New England dairy farmers because he hoped its elimination would result in lower farm and retail prices. The fact that farm prices have dropped but retail prices have remained high concerns him, he said.

According to Cotterill's study, the DeMoulas/Market Basket chain, at \$2.54 a gallon, had the lowest average price of 13 chains surveyed in Massachusetts. Roche Brothers was second-lowest at \$2.73 a gallon, and Wal-Mart was third at \$2.84.

The highest-priced chain was Price Chopper, at \$3.17 a gallon, followed by RoJacks (\$3.14), Big Y (\$3.13), A&P/Waldbaums (\$3.07), Stop & Shop (\$3.04), and Shaw's/Star Market (\$2.95).

*Bruce Mohl can be reached at [mohl@globe.com](mailto:mohl@globe.com).*

This story ran on page D1 of the Boston Globe on 11/20/2002.  
© [Copyright](#) 2002 Globe Newspaper Company.