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## UConn Economist Says Milk Prices Are Sour

### *Gallons Going For \$3 Or More*

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**STORRS, Conn.** -- A University of Connecticut economist thinks consumers are paying too much for milk.

Retailers are making huge profits, and the state's dairy farmers are losing out, according to professor Ron Cotterill (pictured, right).

Bill Paracchio said his farm is going through rough times because of the cost farmers receive for a gallon of milk. His family has owned the Coventry farm since 1941.



"This year, probably starting in February or March, the price plummeted, and it's real tough -- especially the last six months," Paracchio said.

The average price a farmer receives for a gallon of milk is \$1. Consumers are paying about \$3 for the same milk at the supermarket.

"The supermarket chains in Connecticut need to cut the price about \$1 a gallon," Cotterill said. I would recommend that consumers not buy milk until such time the price is \$1.99."

Cotterill recently completed a study on milk prices. Here's what he found.

- Stop & Shop -- \$3.13
- Big Y -- \$3.01
- A&P Waldbaums -- \$3.16



The study found that chain supermarkets have the highest milk prices.

"We know the farmer receives about \$1 for the raw milk," Cotterill said. "The cost of processing and retailing milk is about another \$1. The cost to the grocery store

is about \$2 a gallon."

Grace Nome, president of the Connecticut Food Association, which represents 80 percent of the private and independent food stores in Connecticut, said she was disappointed with UConn's report.

"We are highly competitive," she said. "Things are different on a day-to-day basis. The report didn't take into account rent, labor, transportation costs, among many other things."

Nome said there was one thing in the report with which she agreed.

"If we don't do something about the farmer's prices being so low, then we're not going to have any farms left in New England. That's something we have to do something about," she said.

The amount of money a farmer earns from selling his milk, Cotterill said, depends on how much milk is sold for general use compared with how much is sold for manufacturing uses. Lowering the price of milk would increase the amount of milk consumers buy, which in turn would trigger a federal mechanism that sets the price of milk to return more money to dairy farmers, he said.

"So customers are helping the farmer in the short and long term if they buy milk at lower prices because it ultimately feeds back into the federal market orders and the computation of milk prices," Cotterill added.

The lowest prices for a gallon of whole milk in New England average \$3.01 per gallon at chain supermarkets, \$2.84 at convenience stores, \$2.06 at club stores and \$1.92 per gallon at limited assortment stores.

"You can't just compare price of milk in one store to the price of milk in another store because there are all sorts of costs involved," said Chris Flynn, president of the Massachusetts Food Association, a nonprofit industry trade group.

Milk is one of the highest-priced food products to manage, he said, because of industry costs, labor costs, rotation costs, and spoilage, industry leaders say.

Midland Farms, based in Easton, Mass., is a grocery chain with eight stores in Massachusetts, Rhode Island and New York. Its regular price for 1-percent milk is \$1.49 a gallon.

"We're a no-frills type store," said Midland president

Demetrios E. Haseotes. "We give deep discounts on everyday food items." Haseotes was a guest speaker when Cotterill released his report Tuesday at the UConn's main campus in Storrs.

Midland has its own dairy and markets its milk in three states at what Haseotes calls "very low prices."

"We've decided to build a store model and business model designed to keep retail prices way down, or much lower than our competitors," he said.

Haseotes also said that after milk prices went up a few years ago, large retailers never brought their price down with the market fluctuations. The real solution for farmers and consumers who don't like paying an extra dollar per gallon of milk is to change federal policies and control supply, Cotterill said.

He also advocates antitrust enforcement and responsible pricing to prevent "the horrendous price cycles the industry currently has."

Cotterill also is studying national milk prices. He said Chicago and Seattle area shoppers encounter similar problems.

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