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Wednesday, November 20, 2002

Milk costs too much, economist says

New England stores squeezing both farmers, shoppers

By GREG SMITH

Norwich Bulletin

STORRS -- Retailers in New England are charging too much for milk, a study by a University of Connecticut economist finds.

New England consumers are being overcharged at a rate of \$144 million a year, UConn agricultural economist Ronald Cotterill told a forum at UConn Tuesday.

At the same time, dairy farmers' profits continue to erode, threatening their livelihood.

The overcharging must stop, dairy farmers and policy makers said at the forum.

"They're ripping dairy farmers off good," Preston dairy farmer Gerald Grabarek, who was among the 100 farmer and policy makers who attended the forum, said. "We're getting less than a buck (per gallon). I would call it gouging."

Farmers said they are getting paid the same for milk now as they were in the 1970s. Large retailers are maximizing their profits in a way that is hurting farmers, Cotterill, director of the Food Marketing Policy Center at UConn, said.

"Consumer groups should consider setting up informational picket lines outside leading supermarket chains to inform shoppers about high milk prices and alternatives," Cotterill said in his report.

He is also calling for oversight on pricing techniques used by retailers.

The expiration of the Northeast Dairy Compact last year dropped prices by 50 cents a gallon for New England farmers, Cotterill said. Studies show that retail prices should have dropped by as much as 90 cents a gallon.



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Gerald Grabarek cleans the udder of one of his cows before milking Tuesday evening at his Preston farm. "They're ripping dairy farmers off good," Grabarek said at a University of Connecticut forum on milk prices Tuesday.

On the Web

For more information on preserving family farms in New England, go to <http://www.cif.org/advocacy/agriculture.htm>

But they have not.

In New England supermarkets, where the vast majority of milk is sold, prices have dropped by an average of only 10 cents a gallon, Cotterill said.

"The general public doesn't know the straits we're in," Canaan dairy farmer Doug Carlson said. "If my farm goes, the core of my family goes with it. When I open my milk check, it's an insult."

Carlson said something has to be done, and quickly.

Surveying 191 retail stores and 1,680 prices in Connecticut, Massachusetts, Rhode Island and New York, Cotterill estimates that chain supermarket prices in New England are at least \$1 above their cost levels for all types of milk. The overcharge for skim milk is even higher.

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

In Connecticut, A&P supermarkets top the list with an average price of \$3.18 per gallon of whole milk, followed closely by Stop & Shop, the state's largest retailer, at \$3.14 a gallon.

Wal-Mart Supercenter was the lowest with an average of \$2.81 per gallon.

Prices were surveyed between Nov. 10 and 13.

On Nov. 14, the day after the survey, Big Y, supplied by Guida, cut its private label price for 1 percent milk to \$1.78 per gallon from prices between \$2.79 and \$3.39.

A drop in milk prices should lead to an increase in consumption and thus, better profits for farmers, Cotterill said, urging farmers to join together to affect change in policy.

The market power of processors and retailers is "clearly being exercised," Cotterill said in his report.

Cotterill said the chief beneficiaries of the milk profits are the region's largest processors, including Dean Foods of Dallas, which distributes through Stop & Shop. Dean controls 64 percent of the New England milk business. Stop & Shop controls about 40 percent of the retail market, according to the report.

Cotterill's study was inspired by the Massachusetts Department of Agriculture investigation into Midland Farms.

Midland's three Massachusetts stores are selling milk for as little as \$1.49 per gallon. The low prices prompted an investigation and state hearing into whether they were selling below cost.

The investigation comes at the same time that H.P Hood, New England's largest dairy plans to merge with National Dairy Holdings of Dallas. The combined company would become the second largest dairy producer in the country.

Consolidation of the market is more bad news for farmers, as large retailers already control the market, Cotterill said.

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