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Corporations accused of dairy profiteering

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Connecticut consumers and dairy farmers are being gouged by an industry that's charging too much for a gallon of milk while giving producers minimal profits, Attorney General Richard Blumenthal claimed Friday.

In supporting legislation to protect the state's dairy industry while reducing retail prices, Blumenthal joined farmers, lawmakers and a University of Connecticut economist in claiming that large corporations are taking advantage of the market.

Blumenthal charged that consumers routinely pay \$3 per gallon for milk products for which farmers make only \$2 per gallon. He said he would launch an investigation into the state's dairy industry and focus on a proposed merger of two large distributors.

But a fourth-generation Bridgeport milk distributor said Friday that federal and state authorities lost the battle in the late 1990s, when mega-corporations were allowed to buy up smaller dairy companies and create a near-monopoly, at the expense of dairy farms and consumers.

Blumenthal, in a morning news conference, said he would urge lawmakers to back a bill that will be introduced in the upcoming session of the Legislature that would roll back prices by at least 10 percent.

"Dairy farmers face a severe crisis as raw milk prices decline," Blumenthal said. "Yet, consumers continue to pay excessive prices, and mergers among dairy processors mean less competition."

Blumenthal said that the prices paid to farmers are at an all-time low, while consumers are faced with record high prices at the stores. "Something is desperately wrong with the milk market picture," he said. "Retailers and processors are reaping the windfall

unconscionable profits that exploit both consumers and dairy farmers,"

He will also focus on the proposed merger between HP Hood of Agawam, Mass., and the Texas-based National Dairy Holdings. He warned the deal could significantly reduce competition.

Under a bill filed for the upcoming session by two upstate House members, retailers could only charge 40 percent more than what they pay for milk.

A recent state study conducted by Ronald Cotterill, a UConn professor, indicates that while retailers pay about \$2 a gallon for whole, low fat or skim milk, the retail price is about \$3 a gallon.

But Douglas H. Wade Jr., the fourth-generation CEO of Bridgeport-based Wade's Dairy Inc., said Friday that dairy-industry regulators rolled over in the 1980s and 1990s, when a handful large corporations bought up smaller producers and distributors until they controlled the market.

He said Blumenthal's promised scrutiny of the proposed Hood-National Dairy merger would be inconsequential because the lion's share of the milk market has already been grabbed up.

"The cow is already out of the barn, so to speak," Wade said in an interview from the company's Barnum Avenue headquarters, which receives about 1,000 cases of packaged milk each day.

In recent years, the higher prices charged by large milk dealers have forced Wade's 150-year-old company to look to a Pennsylvania company for the milk it distributes to companies, schools and small retailers from Westchester County, N.Y., to the Hartford area.

Until 1986, Wade's Dairy had its own processing plant. But as Suiza Foods bought up producers like Garelick and Cumberland Farms, Wade was faced with paying higher prices or going out of business.

"They bought up my suppliers," Wade said. "I assure you, the money isn't being made by companies like us, at the distributor level."

Fifty years ago there were more than 100 independent milk distributors in the state. Now, besides the Norwalk-based Stew Leonard's, there are two left, Wade said. "We're a \$9- million-a-year player in the market, compared the Guida's \$130 million or Marcus' \$50 million," Wade said.

Blumenthal said that a 2001 antitrust agreement between Suiza Foods Corp. and the Stop & Shop Supermarket Co. created "a level playing field for milk processors in New England" by derailing Suiza's attempt to dominate the region's market.

But Wade argues that the proof of the failure of the legal settlement is evident at the supermarket.

"Stop & Shop sells whole milk for \$3 a gallon," Wade said. "If there were real competition, it would sell for \$2.29 a gallon."

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