

Pa. Milk Priced Competitively With Other States

UNIVERSITY PARK — Although Pennsylvania is one of the few states to set minimum prices for its milk at all levels, the consumer cost here is often lower than average prices throughout the country, according to a Penn State agricultural economist.

"Overall, I'd give Pennsylvania an A-minus in setting milk prices," said Dr. Jack Kirkland.

Especially when consumers buy half-gallons and quarts of the liquid beverage, he said.

The Penn State assistant professor compared four urban areas in Pennsylvania to cities throughout the nation. He found that in March 1987, a gallon of whole milk could cost as little as \$1.75, in Salem, Ore. Or it could go for as much as \$2.53 anywhere in Montana.

Pennsylvania's retail milk prices are, in some cases, lower

than even the Midwest dairy region, where the cost of farmer's milk is lowest in the country.

When you buy milk in Philadelphia, Harrisburg, Altoona/Johnstown or Pittsburgh, you're buying it for less than the average price in March, \$2.08. Only Altoona broke the \$2 barrier, selling milk for \$2.04. The other three cities featured milk for anywhere from \$1.93 to \$1.96.

"In states where there is no control of milk prices, retailers may have lower prices on the high-volume quantities and products, like a gallon of whole milk.

"But they make up the difference on the smaller quantities, like half-gallons and quarts," Kirkland said. "Pennsylvania is definitely the place to buy milk in quarts."

For a quart of whole milk, a consumer can't get it cheaper than

in Harrisburg, he found. A quart can cost as much as 79 cents, in Asheville, N.C., but throughout Pennsylvania, it's not more than 56 cents, Kirkland said. The same is true for a quart of 2 percent milk, he said. For that product, Altoona/Johnstown is just about cheapest in the country.

The rest of 1987 should show an even better deal here, the agricultural economist predicts.

Kirkland believes that Pennsylvania's good rating in the cost of milk products vindicates the state's minimum resale-price control program.

"It adds stability to the industry by eliminating price wars and other forms of destructive competition," Kirkland said. Most retailers do sell their products at the minimum price set, or just slightly above, due to the competition.

"But one major disadvantage is that costs of individual dealers vary from the average because of differences in volumes. The result is that some firms are encouraged to remain in business though earning quite low and possibly negative returns while others stand to reap substantial benefits," he said.

Kirkland said his main argument with milk price-control is that in Pennsylvania, the prices are set to guarantee that milk processors receive 2.5 to 3.5 percent profit.

"I maintain that the purpose of regulating price is not to insure profit, but to maintain orderly market conditions. The price

should be a floor that keeps retailers from charging destructively low prices," he said.


The market strategy for processing plants to sell below their cost is to drive firms who are unable to sell at those prices out of business, Kirkland said. "The remaining firm(s) captures more of the market. With little or no competition, this sometimes results in them being able to charge very high prices. Regulation is designed to prevent this from happening."

All in all, he said, the bottom line is that milk drinkers are still getting a very good buy when they shop for the beverage here.




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