

Conclusions

This report presents the results of the preliminary analysis of the infant formula market and the retail prices of infant formula. Congress has expressed concern that since the WIC infant formula rebates began, “the number of suppliers has declined dramatically” (H.R. 106-157). However, the analysis indicates that, in both 1987 and 2000, three manufacturers accounted for about 99 percent of all infant formula sold in the United States. In both years, two companies—Mead Johnson and Ross—accounted for between 87 and 90 percent of total infant formula sold. The third largest producer in 2000, Carnation, entered the U.S. market after the rebate programs began. Carnation, and PBM Products, the newest entrant into the domestic infant formula market, rely on direct consumer marketing and provide lower priced alternatives to the major brands of formula sold in the United States. Although Carnation accounts for only 6 percent of the WIC infant formula market by volume sold, its share of the

non-WIC market is estimated at roughly 18 percent.²⁴ The data indicate that along with Mead Johnson and Ross brands, Carnation brand infant formula is available in supermarkets throughout the United States, and formula manufactured by Wyeth and sold by PBM Products is available in supermarkets in most areas of the country.

Congress also directed ERS to compare the cost of formula included in the WIC rebate program with the cost of formula that is not included. Preliminary results indicate that within market areas, there is not a clear relationship between a formula’s being the WIC contract brand and its having the highest average retail price. Continuing analyses of the cost of infant formula will focus on: (1) the retail price of infant formula over the 1994-2000 period; (2) the relationship of retail to wholesale prices for infant formula; and (3) the factors affecting retail prices.

²⁴Since WIC accounts for over half of all infant formula sold in the United States, and Carnation accounts for only 6 percent of the WIC infant formula market (see Appendix A), Carnation’s share of the non-WIC market is at least 18 percent.