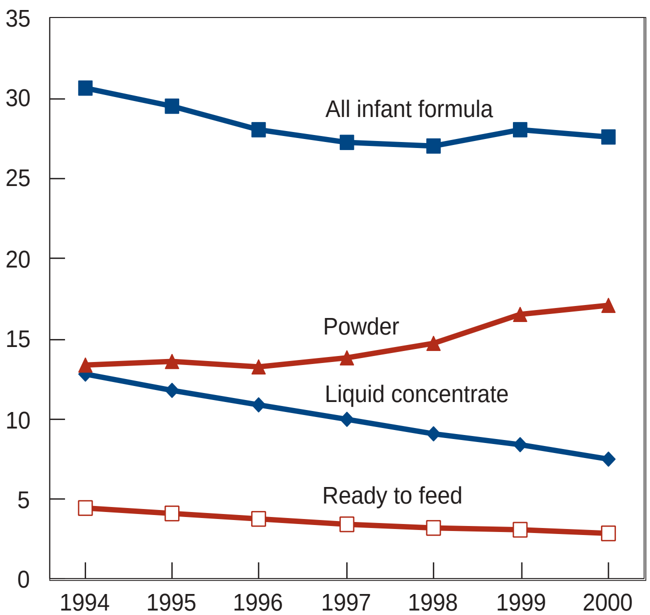
Availability of Infant Formula

Examination of InfoScan data from 1994 to 2000 reveals several recent trends in the infant formula market. The total volume of infant formula sold in the United States (measured in reconstituted ounces) decreased by 10 percent between 1994 and 2000, mostly between 1994 and 1997 (fig. 4).[20] Since 1997, the volume of infant formula sold in this country has remained relatively stable at about 27 to 28 billion ounces per year. While the total volume of infant formula has decreased, the volume of infant formula sold in powdered form has grown dramatically, so that it accounted for 62 percent of all formula sold in 2000 compared with 43 percent in 1994. Over the same period, liquid concentrate decreased from 42 to 27 percent of all formula sold, and ready-to-feed decreased from 14 to 11 percent.

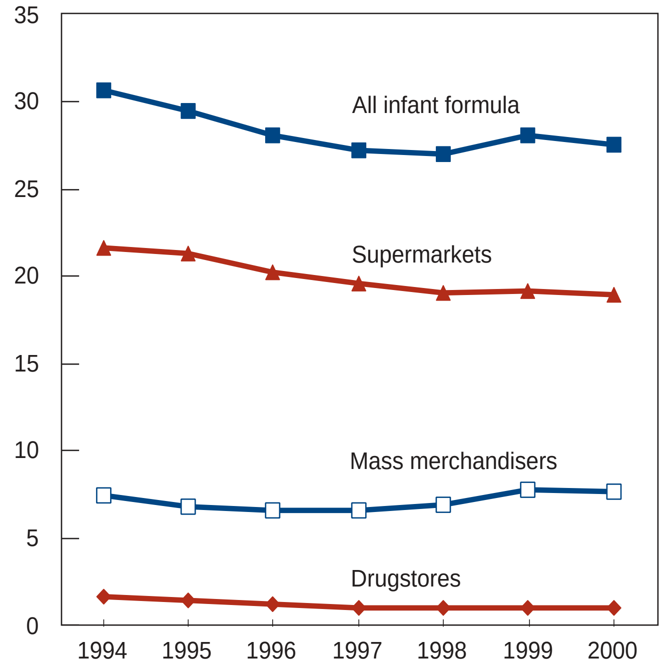
Most infant formula is sold in supermarkets (69 percent in 2000) (fig. 5). However, in recent years, the proportion of infant formula sold by mass merchandisers has increased slightly relative to both supermarkets and drugstores. In 2000, mass merchandisers accounted for about 28 percent of total volume sold, while drugstores accounted for less than 4 percent.

Figure 4
Volume of all infant formula sold in the United States by physical form, 1994-2000



Source: ERS analysis of InfoScan data.

Figure 5
Volume of all infant formula sold in the United States by outlet, 1994-2000



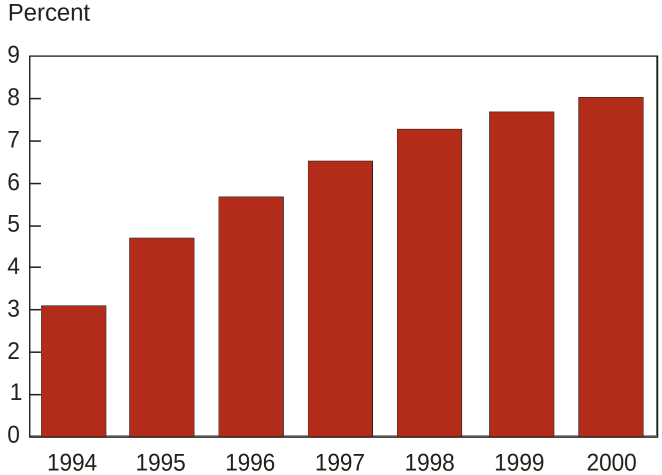
Source: ERS analysis of InfoScan data.

Another recent trend in the infant formula market is the increased use of "specialized" infant formulas. The proportion of infant formula that is specialized increased from 3 percent in 1994 to over 8 percent in 2000 (fig. 6). It is not clear the extent to which this increase is due to research leading to new product formulation, emerging nutritional needs, or a change in market strategies by increasing product differentiation.

While the volume of infant formula sold has decreased over time, total dollar sales increased by almost 13 percent between 1994 and 2000 (fig. 7). By 2000, sales of infant formula totaled over $2.9 billion. Dollar sales of specialized formula increased by 149 percent during this period, compared with only 6 percent for standard formula. Similar to the results found for volume sales of infant formula, dollar sales of powdered formula and formula sold by mass merchandisers increased relative to the other physical forms of formula and outlet types over the 1994-2000 period.

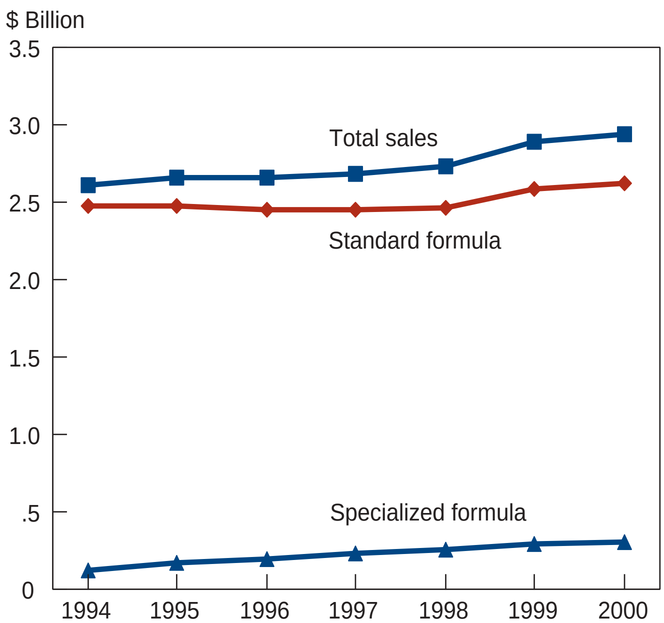
[20]A possible factor contributing to the decrease in volume of infant formula sold was the continuing increase in breastfeeding rates during this period (see table 1). In addition, the number of live births in the United States decreased by almost 2 percent between 1994 and 1997 before increasing in 1998 and 1999 (U.S. Department of Health and Human Services, various years).

Figure 6
Specialized infant formula as a proportion of all infant formula sold in the United States, 1994-2000



Source: ERS analysis of InfoScan data.

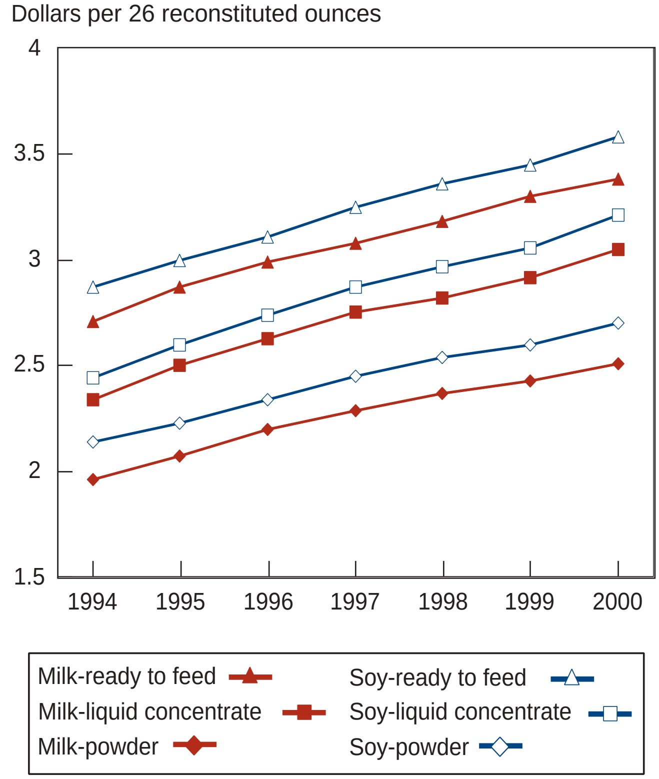
Figure 7
U.S. sales of infant formula by type, 1994-2000



Note: Data are reported in nominal dollars.
Source: ERS analysis of InfoScan data.

The increase in dollar sales of infant formula at the same time that the volume sold was declining reflects the increase in retail prices over time. The price increase was similar across the major types of infant formula (fig. 8). In general, soy-based formula (on a reconstituted basis) cost more than milk-based formula, and ready-to-feed cost more than liquid concentrate, which cost more than powder.

Figure 8
Average U.S. price of infant formula by product base and form, 1994-2000



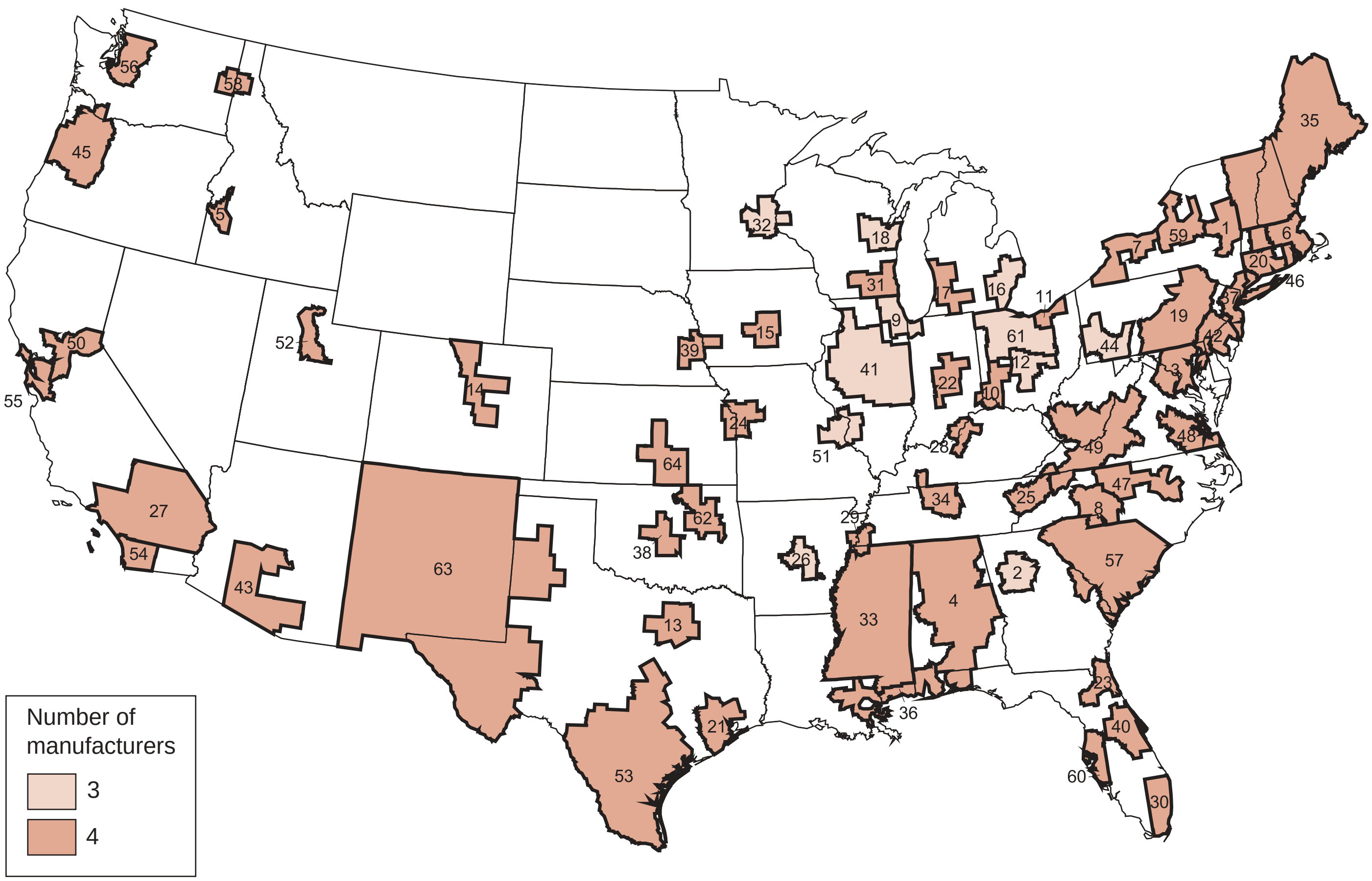
Note: Data are reported in nominal dollars.
Source: ERS analysis of InfoScan data.

InfoScan data on the volume sales of infant formula in supermarkets by company were available for the 64 local market areas.[21] The data indicate that formulas produced by Mead Johnson, Ross, and Carnation were available in all 64 market areas in 2000.[22] Milk-based formula produced by Wyeth but sold in supermarkets by the new marketing firm PBM Products was available in 53 of the 64 of the market areas (83 percent) (fig. 9). Soy-based PMB products were found in supermarkets in 59 market areas (92 percent). However, data based solely on supermarket sales may underestimate the availability of PBM Products. Unlike the other manufacturers of infant formula, PBM sells a larger proportion of its formula through mass merchandisers and drugstores (41 percent in 2000) relative to the industry as a whole (31 percent).

[21]About 69 percent of all infant formula was sold in supermarkets in 2000.

[22]Availability was determined by whether any of that company's formula was sold in the area. Data on the number of supermarkets in which the product was sold were not available.

Figure 9
Number of milk-based infant formula powder manufacturers with products in supermarkets, 2000



Note: Numerical identifiers of markets are provided in figure 3.
Source: ERS Analysis of Infoscan Supermarket Data, 2000.