



## The Cruellest Shortage

*A run on infant formula is an opportunity for a Biden baby step against scarcity and inflation.*

James Freeman

May 10, 2022

“Baby formula is getting harder to find,” writes the Journal’s Joseph Pisani, who reports:

The shortage, caused by a mix of supply chain issues and a recall, has led to empty shelves at some stores, product restrictions and panic among parents and caregivers searching for formula to feed their babies...

Supply chain issues caused by the Covid-19 pandemic have made baby formula harder to find for months. The shortage worsened after Abbott Laboratories, a major formula manufacturer, voluntarily recalled some products and closed a plant where the products were made in Sturgis, Mich.

Mr. Pisani notes the intense effort to restock shelves:

Abbott said it is working to increase Similac production at other FDA-registered facilities and shipping formula from Europe by air.

Reckitt Benckiser Group PLC, which makes formula brand Enfamil, said it is running its factories seven days a week to get more formula to stores.

The need is acute. Mr. Pisani reports that “making your own formula is dangerous and could cause severe illness or death in infants, said [University of Texas pediatrics professor Dr. Steven Abrams]. Don’t feed infants cow’s milk or add more water to powdered formula to make it last longer, which can be harmful, he said.”

Dr. Nicole Saphier tweets:

The “breastfeeding is free” narrative circulating as the country faces a devastating formula shortage is ignorant and exclusive of all the mommies who are unable to breastfeed for a multitude of reasons.

This is a crisis and needs to be addressed ASAP.

CNN’s Allie Malloy reports:

White House press secretary Jen Psaki said Monday that the US Food and Drug Administration is “working around the clock” to address the baby formula shortage, as manufacturers say they’re producing at full capacity and making as much formula as they can -- but it’s still not enough to meet current demand.

For those doubting whether the bureaucracy will ever reach warp speed in this case, Gabriella Beaumont-Smith writes for the Cato Institute that freer trade could help alleviate the current shortage and prevent future ones:

Stores like Walgreens, CVS Health, and Target are limiting the number of formula products per purchase because of low inventory—just last month, national out-of-stock levels reached 40 percent!

One reason retailers are struggling to recover stock levels is the multifarious trade restrictions that limit infant formula imports. The United States subjects infant formula to tariffs up to 17.5 percent and tariff-rate quotas (TRQs); for TRQs some level imported are subject to a tariff with the excess subject to a tariff and additional duties. A few trading partners receive “special” duty rates where some infant formula imports are duty-free or receive lower tariffs and TRQs. Mexico is one of the few U.S. trading partners that has some duty-free access for infant formula, and uncoincidentally, is the top trading partner for U.S. formula imports...

Making matters even worse, infant formula is subject to onerous U.S. regulatory (“non-tariff”) barriers. For example, the FDA requires specific ingredients, labeling requirements, and mandates retailers wait at least 90 days before marketing a new infant formula. Therefore, if U.S. retailers wanted to source more formula from established trading partners like Mexico or Canada, the needs of parents cannot be quickly met because of these wait times. Businesses also have little incentive to go through the onerous regulatory process to sell to American retailers, given the aforementioned tariffs and the relatively short duration of the current crisis.

Ms. Smith reasonably concludes:

As if being a new parent isn’t hard enough!

We have here an important test case if President Biden is serious about wanting to fight scarcity and reduce consumer prices. Expecting the career Washington politician to suddenly consider economy-wide regulatory relief and broad tariff reductions to counter inflation may not be realistic. But why can’t the president just take a baby step toward open markets and plentiful supplies by removing trade barriers? His youngest constituents need help.

\*\*\*

### The Tax Hikes to Come

Someday when today’s babies have grown into productive taxpayers, they’ll fully experience the joy of supporting public employees. Here and now, their parents face pending price increases in the costs of state and local government. The Journal’s Heather Gillers reports:

State and local government retirement funds started the year with their worst quarterly returns since the beginning of the pandemic. Things have only gone downhill since...

Pension plans’ lackluster performance puts the retirement funds’ median return for the nine months ended March 31 at 0.82%, said Robert J. Waid, managing director at Wilshire. That

likely means higher retirement costs for many state and local government employers and employees who must help make up the difference when these funds, which predominantly have a June 30 fiscal year-end date, don't meet their returns targets of around 7%.

The North Carolina Retirement Systems, among the nation's better-funded retirement plans, with an investment-return target of 6.5%, has returned an estimated minus 5.5% through May 6 in its fiscal year, which runs from July 1 to June 30.

"We have a lot of counties and cities that are struggling right now with inflationary costs, and every time the plan doesn't perform, they have to put in more money," said North Carolina Treasurer Dale Folwell. "At the local level, they have nowhere to go but property taxes."

\*\*\*

### *In Other News*

It's Not 2020 Anymore

"Lawmakers pass 'fund the police' bill with \$30.5 million in grants for Colorado law enforcement," Denver Gazette, May 10