



Biden seeks to address baby formula crisis with logistics help

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White House officials are working to provide government transportation and logistics support to infant formula makers as President Joe Biden seeks to address a national shortage of the vital products that's left shelves empty and parents frustrated.

The administration has also contacted suppliers who provide raw materials to formula manufacturers to encourage them to prioritize their production and delivery, according to a White House official who requested anonymity to detail the efforts. The effort came after Biden spoke Thursday with major formula manufacturers and retailers and pledged federal assistance to address the crisis.

The shortage started with supply chain issues during the pandemic and was exacerbated by a recall stemming from a September complaint, when formula made by Abbott Laboratories was first linked to a case of a rare bacterial infection. While the exact source of infection with the pathogen, called cronobacter, still hasn't been determined, the lack of formula has mushroomed into a crisis, with Republicans assailing Biden over the issue.

Earlier Monday, Food and Drug Administration Commissioner Robert Califf told CNN that he expected to announce "by the end of the day" new steps to help ease the imports of baby formula.

Abbott said last week that it's flying in formula daily from its Ireland plant and has changed over some factory lines that make its Ensure nutrition drink to produce ready-to-drink infant formula. Additional international sources may be difficult to find, said Scott Lincicome, director of general economics and trade for the Cato Institute, a Washington-based libertarian think tank.

"For the largest international producers, particularly because they probably already have contracts and capacity that's dedicated to pre-existing sales, it's going to be difficult for them to just hop to it and sell to the US," Lincicome said in an interview.

The administration is also focused on ramping up domestic production of formula. But this may be easier said than done, thanks to the design of the federally funded Women, Infants, and Children program, more commonly known as WIC, which keeps the US formula industry small and dominated by a few key players.

Product Scramble

About half of baby formula nationwide is purchased by WIC participants, making the program the largest purchaser of formula in the country. Each state awards sole-source contract to one of the formula makers, which are profitable for companies, research from the US Department of Agriculture shows. In almost half of states, Abbott is the sole contractor.

With Abbott's main factory offline, "WIC consumers have to scramble for other products, and that puts pressure on the non-WIC supply," said Lincicome. "Those non-WIC producers weren't expecting all this demand, so they likely don't have the spare capacity to just suddenly start selling more on a dime."

Trade restrictions on formula imports could pose another hurdle. About 98% of baby formula consumed in the US is made domestically, according to the White House. That's partly because the FDA has strict rules about how formula is made, from nutritional and vitamin content to labeling.

Tariffs on formula imports range from 7% to 18% and large shipments can be slapped with even higher levies.

Since Biden's calls on Thursday, the White House has held conversations with Abbott, Reckitt Benckiser Group Plc, Gerber Products Co. and Perrigo Co. to identify transportation, logistical, and supplier hurdles to increasing production, according to the official. The administration has also spoken to retailers including Target Corp., Amazon.com Inc., and Walmart Inc. to identify regions where supply may be critically low.

The administration announced Thursday that it's asking more states to relax rules on sizes and types of formulas eligible for government benefits, allowing parents to use subsidies for whatever products are in stock.

Underlying Problem

The government's measures to tackle the formula shortfall are "reasonable," said Peter Lurie, a former associate FDA commissioner who's now president and executive director of the Center for Science in the Public Interest, a food and health watchdog. But the White House could be doing more to solve the crisis, particularly to avoid future emergencies, he said.

Formula manufacturers should be required to notify the federal government when they anticipate supply disruptions, a strategy Lurie helped implement to ease shortages in medications when he was at the FDA. Warnings would help give federal officials time to mitigate the problem before it becomes severe.

"The underlying problem is an economic one, which is the market for the specialty formulas is highly concentrated," Lurie said. "That leaves the whole supply chain especially vulnerable, particularly if you have broader supply chain issues in the country."

The White House also called on the Federal Trade Commission and state attorneys general to crack down on price gouging for formula products.