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Baby-formula tariffs are about to return, risking fresh shortages

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Americans keep having to learn and relearn the same sorry lesson: Protectionism makes our supply chains *less* resilient, not more. This may again become painfully evident when tariffs on baby formula return in two weeks.

For much of 2022, parents across the richest country in the world struggled to feed their babies. At the worst point of the infant-formula shortage, out-of-stock rates reached 74 percent nationally and 90 percent in a handful of states. Shortages landed some babies in the hospital.

Why were our shelves bare, when other rich countries remained flush with formula?

The proximate cause was the closure of an Abbott Nutrition facility in February after suspected contamination issues. The Sturgis, Mich., plant had been responsible for producing roughly 20 percent of U.S. formula. Some popular Abbott products were recalled, and fewer new products came onto the market.

Then anxious parents panic-bought and hoarded supplies, making shortages even worse.

After some temporary interventions from the federal government, things eventually improved, with occasional setbacks. And then the story largely faded from the headlines.

That's the simple version of events: an acute problem with an acute cause and ultimately a one-off resolution. But challenges for baby-formula supply-chain resiliency had long predated this particular disruption in Abbott's operations.

Before Abbott's Sturgis plant shut down, four companies dominated the U.S. infant formula industry, accounting for roughly 90 percent of the market. Over the years these incumbents have successfully bricked themselves off from domestic and especially foreign competition.

Congress and other regulators have created deliberate barriers to entry for foreign competitors, who have found themselves foiled by tariffs, import quotas and other onerous regulatory requirements related to product labels and other nitpicky things.

Then former president Donald Trump's vaunted U.S.-Canada-Mexico trade deal effectively shut off baby-formula imports from Canada altogether.

U.S. industry has argued that the United States must bar the door against foreign formula to protect the health of American businesses (think of the poor farmers!) and, more important, the safety of American children. Which sounds reasonable: We want to make sure the stuff we feed our babies will nurture rather than endanger them.

These regulatory hurdles have gone far beyond mere quality control, though. They have made it all but impossible to import foreign brands vetted by even highly strict regulators in other developed countries (including New Zealand, the European Union and Britain, not exactly slouches when it comes to consumer product safety).

And so, before Abbott's plant closure, less than 2 percent of infant formula consumed in the United States was imported. This was "an autarkic situation that Big Dairy and economic nationalists surely loved," writes Cato Institute scholar Scott Lincicome, "*but also* one that, consistent with reams of economic research on protectionism and supply chain resilience, made the U.S. market uniquely vulnerable to a big domestic supply shock."

Then the domestic supply shock came, and American babies went hungry.

After initially dragging their feet, U.S. officials eventually hacked away at some of this red tape. Press releases often emphasized President Biden's decision to deploy military planes to fly in more formula from abroad. But what helped restock shelves was not the mode of transportation for these shipments, but the fact that they could finally be made.

The Food and Drug Administration announced it would "exercise enforcement discretion" to temporarily allow a handful of high-quality foreign brands to be sold in the United States. This "creat[ed] more resiliency in the U.S. infant formula supply chain and reduc[ed] the risk of reliance on too few production facilities supporting the United States," the agency said.

Congress also decided to suspend tariffs on baby formula, which had been set at an effective rate of about 25 percent. Support for suspending tariffs was near unanimous in both chambers. The subsequent influx of imports helped alleviate shortages as U.S. companies worked to ramp up production.

In September the FDA decided its relaxed enforcement measures had been so successful in keeping inventories stocked that it extended them through 2025. However, following a pressure campaign from the U.S. dairy industry, Congress's temporary tariff suspension is set to expire at the end of this year.

As a result, tariffs will snap back in just two weeks, and foreign brands might ultimately be forced to exit. This could leave American babies just as vulnerable to sudden deprivation and hunger as they were a few months ago, if another unlucky shock occurs. In fact, some families are already struggling: As my Post colleague Alyssa Rosenberg and others have noted, formula remains in short supply in some parts of the country.

The president and lawmakers often talk about how much they love competition, how much disdain they have for U.S. companies trying to juice their own profits, and how invested they are in the health of American children. They have a funny way of showing it.