As a result of competitive bidding, the cost to WIC for each container of infant formula is well below the normal retail price, with state WIC programs receiving substantial discounts in the form of monthly rebates from formula manufacturers. Average rebates for state contracts are currently running at 92% of the wholesale price. In fact, WIC’s infant formula bidding process is the program’s most prominent cost containment measure and is highly cost-effective. Infant formula rebates generated over $1.7 billion in FY 2017. This in turn allows WIC to serve around two million more participants annually, which represent over one-quarter of WIC’s total caseload.

Any parent knows that formula is expensive. WIC is the major purchaser of infant formula in the US, accounting for nearly two-thirds of infant formula sales in the US. To contain these high food costs, federal law has, since 1989, required all state WIC programs to use sole-source, competitive bidding to procure this product, using a discount pricing process know as the infant formula rebate program.

WIC strongly supports and encourages breastfeeding as optimal nutrition for infants, and has successfully increased WIC breastfeeding rates in recent years – a remarkable achievement. However, for women who do not fully breastfeed, WIC continues to provide infant formula. Without WIC’s help, the high cost of formula – around $150 per month – would greatly strain limited food budgets. If formula runs out, serious malnutrition can quickly develop if babies are fed diluted formula or cow’s milk as a substitute. WIC plays a critical role in preventing this dangerous outcome.

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WHY COMPETITIVE BIDDING IS IMPORTANT TO FORMULA MANUFACTURERS

Although they are not required to do so, infant formula manufacturers consistently and aggressively compete for WIC sole-source rebate contracts. In recent years, USDA reports that rebates have been large (over 90% of wholesale price), with multiple bids and strong turnover. The formula industry is highly concentrated, with three firms dominating the market. These companies charge premium prices and therefore are able to offer substantial discounts to WIC. Economists at USDA’s Economic Research Service have shown that the winning bidders increase their overall state market share when a contract changes hands. This is due to increased brand loyalty among WIC shoppers, as well as more shelf space and better product placement, boosting sales among non-WIC consumers as well.11 12

WIC: EMPOWERING FAMILIES, STRENGTHENING COMMUNITIES

Please direct all questions to NWA at 202-232-5492.


7 For more detailed information, see Carlson, S, Greenstein, R, and Neuberger, Z. WIC’s Competitive Bidding Process for Infant Formula is Highly Cost-Effective, Center on Budget & Policy Priorities, 2015, at https://www.cbpp.org/research/food-assistance/wics-competitive-bidding-process-for-infant-formula-is-highly-cost.


