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Recent Trends and Economic Issues in the WIC Infant Formula Rebate Program

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Abstract

Over half of all infant formula sold in the United States is purchased through the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Typically, WIC State agencies obtain substantial discounts in the form of rebates from infant formula manufacturers for each can of formula purchased through the program. The cost to WIC for each can of formula provided through the program has two components: (1) net wholesale price, which is equal to the wholesale price of formula minus the amount of the rebate; and (2) retail markup, which is equal to the retail price minus the wholesale price. This analysis suggests that retail markup accounts for most of the cost to WIC of infant formula in most States. However, both cost components have increased over time. The recent increase in both net wholesale price and retail markup coincides with the introduction of higher priced supplemented infant formulas. Conditions may change after the market adjusts to these new formulas.

Keywords

WIC; Special Supplemental Nutrition Program for Women, Infants, and Children; infant formula; rebates; net wholesale price; retail markup; wholesale price, Food Assistance and Nutrition Research Program, FANRP.

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