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Briefing document on infant formula prices in the UK, for the Competition and Markets Authority investigation into the 'baby formula' category

Different commercial milk formulas and public health recommendations on their use

Several different types of commercial milk formula products are marketed for infants (<12 months of age) and young children (aged 1-3+ years) in the UK: first infant formula, follow on formula, growing up and toddler milks and specialised infant milks¹.

First infant formula is unique in being the only safe and suitable alternative to breastmilk for healthy babies from birth to 1 year of age (NHS, 2023). Therefore, in healthy infants up to one year old, who are partially breastfed, or not breastfed, infant formula is essential.

Follow on formula milks are marketed in the UK for feeding infants from six months to a year despite NHS recommendations that formula-fed babies should be given first infant formula until 12 months of age (NHS, 2023). Follow on formula are described by the NHS as unnecessary.

Commercial milk formula, including first infant formula, are not necessary after the age of one and 'growing-up' and 'toddler' milks marketed for 1-3+ years are entirely discretionary (NHS, 2023).

UK law on composition and marketing

The composition and marketing of some commercial milk formulas in the UK is governed by EU Directive (FSG) (609/2013) on Foods for Specific Groups (Council Directive 2013/609/EU). This directive contains delegated acts: EU delegated regulation 2016/127 relates to infant and follow-on formula (Council Regulation (EC) 127/2016).

All first infant formula must have a nutrition composition that adheres to UK regulations, which stipulate precise criteria for the source and content of protein, lipid and carbohydrate, and the quantity of some minerals. **All infant formula for sale in the UK are nutritional comparable and are judged to be safe and suitable to support adequate growth and development.** Differences between brands of infant formula are often related to ingredients that manufacturers have added, enabling them to make claims about the superiority of their product (either on product packaging or in marketing material). These include prebiotics (also called GOS and FOS), probiotics, nucleotides,

¹ Specialised infant milks, specifically designed for babies with medical conditions for whom infant formula is inappropriate, should only be used under medical supervision. However, some products are available through UK supermarkets and pharmacies. More information on specialised infant milks can be found here: [FSN_FSMP+Report_A4_DIGITAL.pdf \(squarespace.com\)](https://www.squarespace.com)

phospholipids and some structured fat components and a number of other components, all of which expert committees have decided are not beneficial to infant health and many of which are unnecessary². If a component was found to be beneficial to infant health, then it would be required in all products by law. The unnecessary addition of these ingredients that are not mandatory may pose risk to health (Wright and Garcia, 2021; EFSA, 2014) and increases the manufacturing cost of the product and therefore increases the cost to the consumer.

Key provisions of the regulations pertaining to the marketing and labelling of infant formula include: nutrition and health claims are not permitted; labelling, presentation and marketing must make a clear distinction between infant and follow-on formula to avoid confusion between them; advertising is restricted to publications specialising in baby care and scientific publications and all advertising must provide only information that is scientific and factual in nature. Despite these regulations, there is ample evidence that the law is poorly enforced (e.g. Conway et al, 2023; Hickman et al, 2021; Westland and Crawley, 2019).

The required nutrition composition of follow-on formula differs only slightly from that for infant formula: it may contain more iron, and there are some differences in certain mandatory and permissible ingredients (protein, choline, inositol, carbohydrate). In addition, the legal restrictions on advertising of infant formula do not apply to follow-on formula, and these products are aggressively marketed (Rollins et al, 2023; WHO and UNICEF, 2022).

There are no specific regulations governing the composition, marketing and labelling of commercial milk formulas marketed for use from 1 year of age.

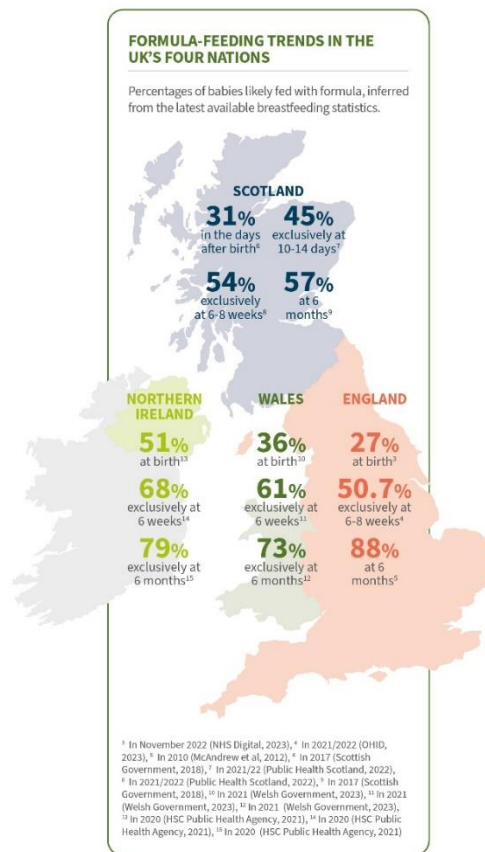
² The European Food Safety Authority (EFSA) in their comprehensive evidence review of the essential composition of infant formula in 2014 compiled a list of unnecessary ingredients and made the point that adding these to infant formula 'may put a burden on the infant's metabolism or on other physiological functions', as substances which are not used or stored have to be excreted (EFSA, 2014).

Prevalence of commercial milk formula feeding

Most mothers in the UK would like to breastfeed, but for various reasons most do not manage to do so for as long as they had wanted (McAndrew et al, 2012), meaning the UK has a formula-feeding culture. As shown in the figure, most babies in the UK are fed a commercial milk formula from their first months of life through their first year, with up to 88% of babies in England at 6 months likely fed with formula, from 2010 data.

Parents and carers using formula to feed their babies, need access to affordable first infant formula products for their babies, and equipment or facilities to sterilise bottles and teats and prepare powdered milks safely.

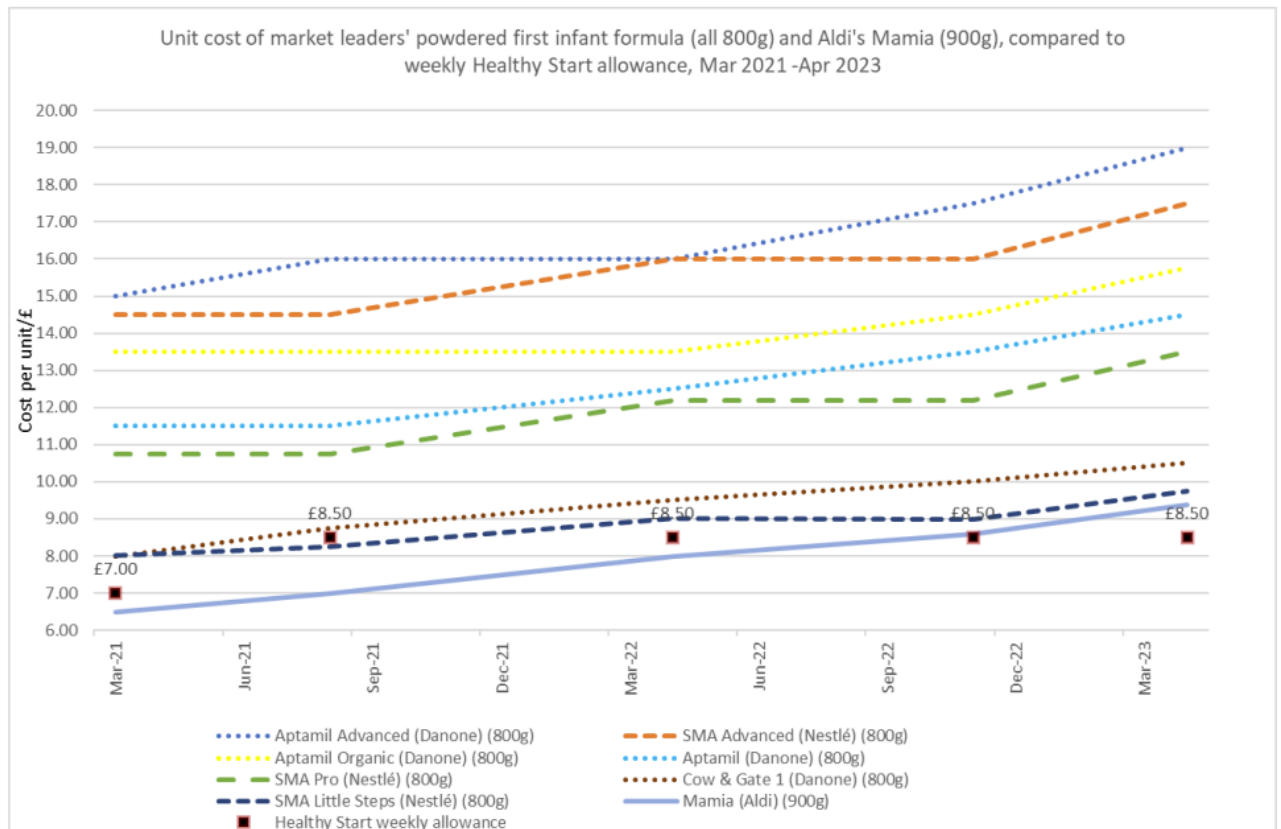
If families cannot afford sufficient formula they may resort to unsafe practices, such as watering down feeds (reducing the nutrient density), adding cereal to the formula, introducing solids earlier than six months, introducing cows' milk as the main milk drink before 1 year of age, or using alternative drinks or a formula type that is less appropriate (APPG-IFI, 2018).



Cost of infant formula in the UK

The UK infant formula market is highly concentrated and dominated by a small number of manufacturers which import from overseas (Sibson et al, 2023). This impacts prices but also dictates the most widely available products, which do not include those at the cheaper end of the wide spectrum of prices. Two manufacturers, Danone (selling Aptamil and Cow and Gate brands) and Nestlé (selling SMA), account for 91% of the 'baby milk' market share by sales (Mintel, 2022).

Our routine price monitoring shows that the cost of infant formula had begun to rise by March 2021, preceding general food price rises. Between March 2021 and April 2023, the unit price of the seven 'standard' powdered first infant formulas sold by Danone and Nestlé rose by an average of 24% (FSNT, 2023a).



Price differentials and profits

Rising formula prices will be in part be driven by increasing input and fuel prices, reductions in agricultural production and labour shortages. It is also known most brands spend significant sums on marketing and advertising to promote their brand (APPG, 2018). A global analysis from four major commercial milk formula manufacturers in four countries showed that between 2010 and 2020 advertising spend ranged from 0.9 to 33.3% of annual sales and increased by 164%, at a time where sale increased by only 21% (Rollins et al, 2023). This finding occurs in the context that marketing expenditure is a tax-deductible expense in many countries' corporate tax systems (Malin, 2020).

Overall, the UK baby milk industry grew by £23.3m in 2022 because of an 8.6% increase in the value of sales, but on a 6.7% volume increase (The Grocer, 2022a). However, while nearly all products have been increasing in price, generally, the cheapest have been rising at a lower rate than the most expensive, increasing the already enormous price disparity between nutritionally comparable products. This pattern has been identified as a sign of profiteering with respect to other food products (The Grocer, 2023), calling in to question the justifiability of the observed and ongoing prices rises.

Dominant commercial milk formula manufacturers are likely to be maintaining particularly high profit margins, with some data reporting operating margins of up to 20% in the baby food industry (Financial Times, 2023). In the UK, the top five baby milk brands, whose total category value grew by £28.2m during a similar period to overall category growth of £23.3m in 2022, saw a larger increase in the value of sales (9.1%) on a smaller volume increase (4.7%) (The Grocer, 2022b). These brand values are evident in pricing strategies (Baker et al, 2023). Prices of premium brands can be more than double the cost of economy brands, despite the nutritional composition of all first infant milk

formula products being tightly regulated, as outlined above. This results in massive differences to what families can spend on infant formula products. For example, comparing the cost of feeding a 10-week-old baby for a month, those choosing Aptamil Advanced First Infant Milk would spend £88.20 and those using SMA Advanced First Infant Milk would spend £77.40, compared to £44.10 if SMA Little Steps First Infant Milk was chosen, and £38.70 on Mamia First Infant Milk (FSNT, 2023b). These large price differences are unnecessary for products that all meet the same strict nutrition composition standards. However, it is known that parents/carers may choose premium products even if that means sacrificing other needs, due to exploitative marketing that implies product superiority and parents/carers desire to provide the best for their child.

We welcome the Competition and Markets Authority investigation into competition in the baby milk formula category. Our hope is that it results in the Government imposing a price cap applicable to all first infant formula products in order to bring prices down across the board, so that they are more affordable to the families using them to feed their babies.

In addition, we recommend that actions should be taken to ensure more systematic and meaningful enforcement of compliance with the current regulations on the marketing of infant formula and follow on formula, to protect parents/carers from undue commercial influence on what and how they feed their babies.

We make additional recommendations to Government (including to improve the Healthy Start scheme, regulate the composition, marketing and labelling of growing up and toddler milks, and publicise messages about appropriate, healthy and economical food choices for babies and young children), and for retailers (to enable and encourage families to make appropriate, healthy and economical food choices for infants and young children), in our briefing: [What the Cost of Living Crisis means for the diets of infants and young children and recommended actions Updated: May 2023](#).

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