

## Summary: Fiscal Year 2004 WIC Food Package Costs

Two types of food package costs are estimated for the purpose of this report – pre-rebate and post-rebate. Pre-rebate food package costs reflect the estimated retail cost of WIC foods at the time of purchase. Post-rebate food package costs reflect actual reported food expenditures taking into account savings from infant formula rebates. The following information provides details about pre - and post-rebate food package costs, the distribution of expenditures by food type, and infant formula rebates.

- In FY 2004, infant formula rebates totaled about \$1,642 million, an increase of \$123 million over the prior year.
- Despite the nominal increase in total rebates in FY 2004, rebates as a percentage of total post-rebate food expenditures decreased by one percentage point from the prior year. FY 2004 rebates were equivalent to 46 percent of total post-rebate WIC food expenditures, which totaled \$3,561 million. In FY 2003, rebates were \$1,519 million, equaling 47 percent of total post-rebate food expenditures.
- In FY 2004, average monthly pre-rebate food package benefits varied from a low of \$35.52 for postpartum women to a high of \$99.57 for infants.
- The average monthly post-rebate food package cost in FY 2004 was \$37.54, an increase of \$2.26, or 6.4 percent, over the FY 2003 cost of \$35.28. This was the largest percentage increase since 1981.
- The FY 2004 average food package cost of \$37.54 was about 3.2 percent above the FY 2004 President's Budget projected average food cost of \$36.39.
- In FY 2004, the per-unit cost of milk, cheese, formula, eggs, and infant cereal each increased by between 5 and 23 percent from the prior year. These food items account for approximately 67 percent of the total post-rebate cost of the food package.
- The largest changes in each food item's contribution to the overall cost of the food package were for formula (2 percentage point increase) and juice (2.4 percentage point decrease). Changes in a food item's contribution to the total cost can arise due to both changes in per-unit cost and the number of units of the item included in the average package. Based on the latest data on mean prescriptions per food item from the 2004 Study of WIC Participant and Program Characteristics, the units per average package for formula and juice decreased by 2.6 percent and 4.8 percent, respectively.<sup>1</sup> Despite a decrease in the units of formula per package, a 13.1 percent increase in the per-unit cost of formula between FY 2003 and FY 2004 led to an overall increase in its post-rebate contribution. The decrease in juice's post-rebate contribution is due almost entirely to the reduction in its units per average package.

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<sup>1</sup> Mean prescription data for the 2003 analysis were based on the 2002 Study of WIC Participant and Program Characteristics

## FY 2004 WIC Food Package Cost Analysis

**Table 1: Estimated Average Monthly Food Package Cost per Person in Dollars**

Category	% of Total WIC Participants	Average Pre-Rebate Food Package Cost	Average Post-Rebate Food Package Cost
Pregnant	10.9%	\$ 44.07	\$ 44.07
Breastfeeding	6.0%	\$ 45.25	\$ 45.25
Postpartum	7.5%	\$ 35.52	\$ 35.52
<b>Total Women</b>	24.4%	\$ 41.09	\$ 41.09
Infants	25.5%	\$ 99.57	\$ 31.68
Children	50.1%	\$ 39.03	\$ 39.03
<b>Total</b>	100.0%	\$ 54.85	\$ 37.54

**Table 2: Estimated Contribution to Food Cost by Food Item**

Food Item Category	% Pre-Rebate Contribution	Pre-Rebate Food Costs (\$ mil)	% Post-Rebate Contribution	Post-Rebate Food Purchases (\$ mil)
Milk	18.6%	\$ 965.8	27.1%	\$ 965.8
Cheese	9.1%	\$ 475.1	13.3%	\$ 475.1
All Formula	45.1%	\$ 2,348.0	19.8%	\$ 706.3
Cereal - adult	8.5%	\$ 441.7	12.4%	\$ 441.7
Cereal - infant	1.1%	\$ 54.8	1.5%	\$ 54.8
Juice	12.4%	\$ 644.7	18.1%	\$ 644.7
Peanut Butter	1.0%	\$ 54.6	1.5%	\$ 54.6
Beans	0.5%	\$ 27.1	0.8%	\$ 27.1
Eggs	3.7%	\$ 190.9	5.4%	\$ 190.9
<b>Total</b>	100.0%	\$ 5,202.7	100.0%	\$ 3,561.1

**Data Sources:** Participation, program total food expenditures, and total rebates are from WIC Program administrative databases. Average retail price data for adult cereal, infant cereal, and infant formula is from ACNielsen Corporation SCANTRACK database for FY 2004. Average retail price data for juice is from ACNielsen Homescan 2001 average price data, which was inflated by the Consumer Price Index. Average FY 2004 retail prices for the remainder of the food items come from the Bureau of Labor Statistics. Average food prescriptions by food category from the *Study of WIC Participant and Program Characteristics, 2004* are used as proxies for food quantities purchased by participants.