

Baby Formula Rule Could Hurt Mead Johnson Sales

BOSTON (AP) — Shares of Mead Johnson fell after the maker of infant formula disclosed on Monday that a new regulation in Hong Kong could affect the company's sales there as well as in mainland China.

THE SPARK: The Glenview, Ill. company said in a Securities and Exchange Commission filing that Hong Kong's government will begin restricting the flow of formula milk products out of the territory. The move is a result of cross-border trading in the products between Hong Kong and mainland China.

Effective March 1, travelers departing Hong Kong will be limited to the weight equivalent of two 32-ounce cans of formula milk for children up to 36 months of age. The regulation is intended to ensure adequate supplies for local infants and young children, Mead Johnson said.

The company said that about 30 percent of its sales in the China and Hong Kong market originate in Hong Kong. It's believed that "a substantial portion of the products sold in Hong Kong are taken to the mainland by visitors and private resellers," Mead Johnson said.

The company said it is not changing its most recent earnings expectations as a result of the regulatory change.

"It is difficult to quantify the potential net impact, if any, of the restriction on the company's overall China/Hong Kong business," Mead Johnson said.

THE BIG PICTURE: China and Hong Kong are part of Mead Johnson's Asia and Latin America business segment. That's the company's largest geographic segment, generating near \$2.72 billion in sales last year, up 11 percent from 2011. The sales total was more than twice the figure for Mead Johnson's business segment that includes North America and Europe.

SHARE ACTION: Shares of Mead Johnson Nutrition Co. fell \$2.92, or 3.7 percent, to \$76.04 in morning trading. The stock traded at a 52-week high of \$88.72 in June, and as low as \$61.27 in October.

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